Scandi Standard

Better Chicken for a Better Life

Annual Report 2019

Contents

Vision, mission and values

It is always possible to do things better. We believe that our vision, our mission and our values can enable Scandi Standard to produce better chicken and help people to lead a better and healthier life for themselves, their families and our planet.

Our vision

Better Chicken for a Better Life

We will contribute to the joy of food and sustainable food production, by providing healthy, innovative chicken products that are produced in a responsible and resource-efficient way.

Our mission

"The Scandi Way"

The way we work every day to make a difference, promoting health and well-being for the people, chickens and planet.

Our values

Openness

Openness means being transparent and honest, which enables us to help each other between countries and between functions. This will ensure that we continue to be better.

Challenge

Challenge means challenging ourselves every day. We do this by always asking questions in order to find better solutions and therefore continually improve.

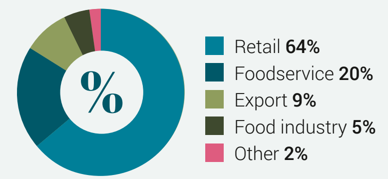
Sense of Urgency

Sense of Urgency means taking smart and rapid action so that we can take responsibility throughout the value chain for creating value and clarify to our customers and consumers that they have made a better choice by choosing our products.

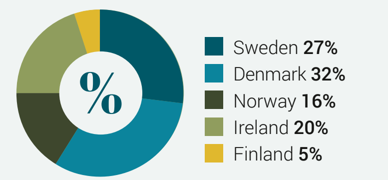
This is Scandi Standard

Scandi Standard is the leading producer of chilled, frozen and ready-made chicken products in the Nordic region and Ireland. In Norway we also produce and sell eggs. Our well-known brands include Kronfågel, Danpo, Den Stolte Hane , Manor Farm and Naapurin Maalaiskana. Our customers are found in the retail, Foodservice and food industry sectors and we export to more than 40 countries.

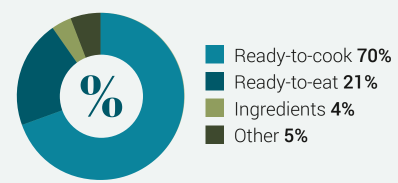
Net sales by sales channel



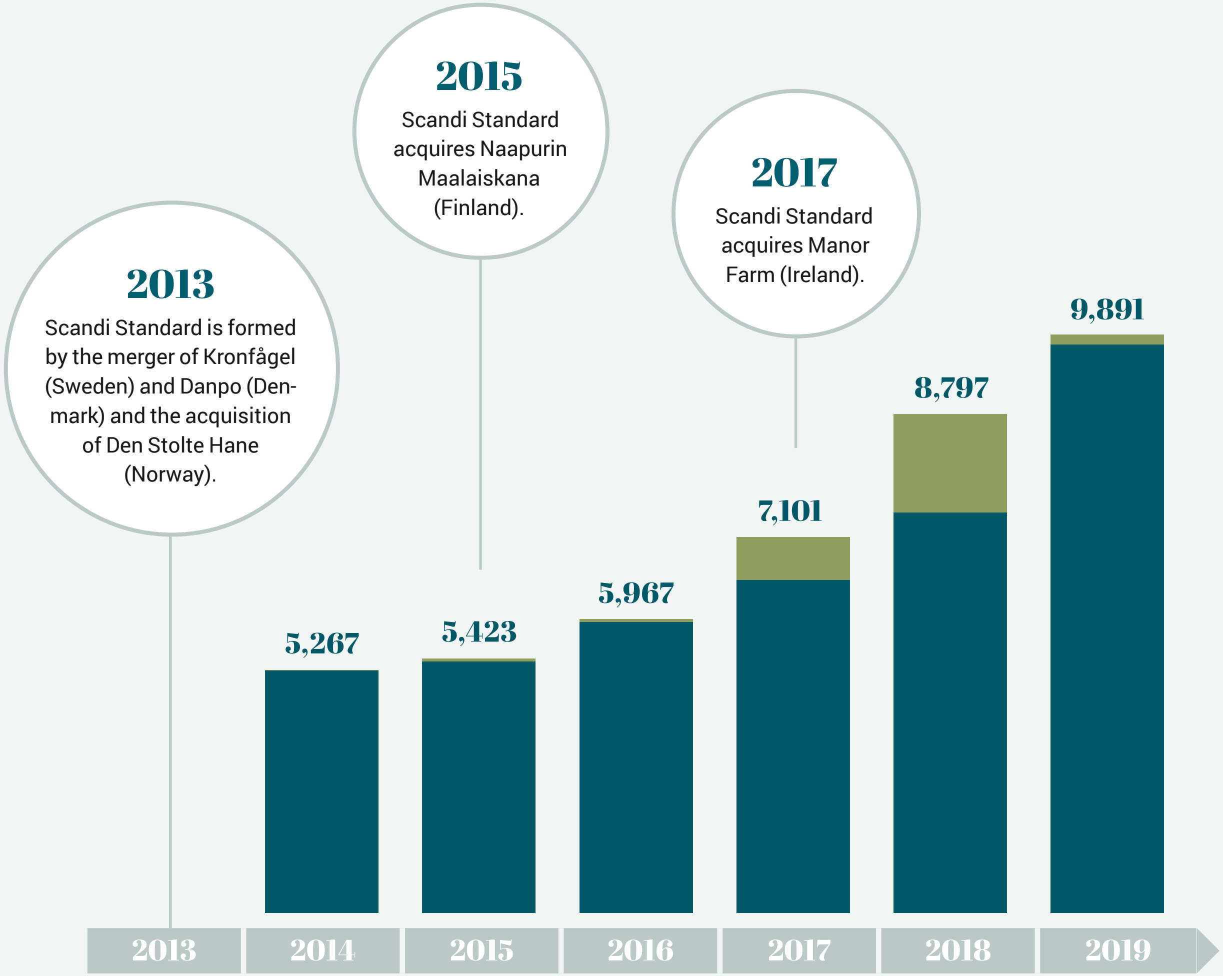
Net sales by geographic market



Net sales per product category



Growth in net sales



■ Organic growth, MSEK ■ Acquisition growth, MSEK

Net sales
9,891
SEK million

Adjusted operating income
454
SEK million

Employees
3,266

The year in brief

12%

The **organic growth** amounted to 12 percent, which is higher than the long-term 6–7 percent growth as we have shown historically.

4.6%

The **adjusted operating margin** increased slightly during the year. This was partly due to a favourable change in the product mix and strong volumes.

+18%

Profit per share rose by 18 percent during the year, which was helped by a higher operating profit.

–14%

Carbon dioxide emissions from energy use and distribution transport calculated per kg of product decreased during the year.

New talent programme to secure future competence

In September eight new employees walked through the doors and took up their positions as trainees in different departments. This is Scandi Standard's first two-year trainee programme and includes three work rotations in different parts of the operations. The programme aims to provide knowledge about the entire operations and secure future competence and the supply of managers.

Do something simple for the climate

Chicken has a much lower climate footprint than other animal proteins, which is what Kronfågel wanted to highlight in its campaign "Do something simple for the climate" where consumers where challenged to replace beef with chicken on their plates. This campaign helped increase brand preference by 14 percent.

MSEK	2019	2018
Net sales	9,891	8,797
Adjusted EBITDA*	776	714
Adjusted operating income*	454	381
Operating profit	424	333
Profit after net financial items	312	233
Profit for the year	237	200
Interest-bearing net debt	2,200	2,370
Operating cash flow	590	354
Organic growth, %	12	7

%	2019	2018
Adjusted EBITDA margin*	7.8	8.1
Adjusted operating margin*	4.6	4.3
Operating margin	4.3	3.8
Adjusted return on capital employed*	11.0	9.7
Return on equity	14.2	13.2
Equity/assets ratio	27.7	26.5
Average number of employees	3,266	3,005
Employee index motivation	69	69
Feed conversion rate	1.52	1.54

* Adjusted for non-comparable items, see page 44.

Building a better life on Haiti

Manor Farm has been working with the Irish charity Haven since 2015. This year this partnership expanded to include the whole of Scandi Standard and in September, 20 employees travelled to Haiti to train breeders and help to build small family farms. The delegation took with them used tools that had been collected and other essentials that are in short supply in the country. These farms provide the families with an opportunity to lift themselves out of the extreme poverty in the country.

FOOD&DRINK BUSINESS AWARDS INNOVATION THROUGH EXCELLENCE GOLD WINNER

Awards in Ireland

Manor Farm won several prizes during the year. For example, the company was named Meat & Poultry Company of the Year in the Food & Drink Business Awards.

Sustainability Week

The entire Group met during a week in October so that we could jointly highlight and provide concrete examples of how we work every day to make a difference and to contribute to health and well-being. The aim was both to create awareness of the main global challenges that we all face and to inspire us to do even more. Every country and workplace organised several different activities and lectures on this theme.

CEO statement

> "We are closely monitoring the structural development in our industry so that we can identify suitable acquisition opportunities."

Scandi Standard is on a journey. Since the Group was founded in 2013, we've been continually working to enhance our position as the leading company in the European poultry market. We want to be a company that makes the most of all the potential that a chicken has to offer as a product. We want to produce food efficiently that contributes to health, convenience, better animal husbandry as well as a better environment.

We have three focus areas in order to achieve this. The first is to grow in our domestic markets; the second is to increase profitability by being efficient; and the third is to contribute to a consolidation of the European poultry market. In 2018 we supplemented this with a new vision that focuses on animal welfare and our environment, "Better Chicken for a Better Life". This vision summarises what we stand for and what we strive for every day in our operations. We are working to continually develop animal welfare, healthy products and the work environment.

Several benefits

Chicken is significantly more climate smart than red meat and comparable to fish and plant-based alternatives and this makes it suitable to be used to meet the increasing needs of a growing global population. In addition, chicken is a healthy food that meets the demands that come from greater awareness of the benefits of a balanced and nutritious diet.

We also strongly believe that animals that live in healthy and comfortable conditions produce better quality food. We want our chickens to feel good, which is why we use rigorously tested methods and processes in our work. Everything we do is monitored and evaluated at every stage. This results in healthy chickens that produce good food with the lowest possible impact on the environment. This is The Scandi Way. We also think it is essential to reduce the use of antibiotics. We have basically eliminated their use in the Nordic countries and have drastically reduced its use in our operations in Ireland.

Increase in cooked chicken

Over the year we continued to see a strong improvement in sales of Ready-to-eat products, particularly in the Foodservice sales channel, and we think that this trend will continue in the coming years. In 2019 sales for this category increased by 31 percent compared with 2018. We are noticing increased consumer awareness for ingredients used in food served at restaurants. This is a trend that benefits us.

Products in Ready-to-cook, which still comprise approximately 70 percent of our sales, saw a strong increase in sales over the year, growing by 9 percent on average, particularly within chilled products for retail. We are seeing a long-term trend where chilled products are increasing more than frozen products in retail, which is contributing to better profitability in Scandi Standard.

Adjusted operating profit higher in every country

Our adjusted operating profit for 2019 improved in every country where we operate compared with the previous year. We can see the potential of further increasing profitability by continuing our work on strengthening our brands, having a high rate of innovation and continuing to increase the efficiency of our processes.

Improved reliability and efficiency

We also increased our rate of investment during the year. This included investing in a brand new receiving area for chickens in Ireland, which not only considerably improves animal welfare, but also results in better efficiency. We're also continuing to invest in better operational reliability and efficiency at all our plants.

As mentioned earlier, acquisitions form an important part of our long-term strategy and over the year we continued our work to integrate our acquisitions from recent years, particularly in Ireland. We're also closely monitoring the structural development in our industry so that we can identify suitable acquisition opportunities.

Well-positioned

We are well-equipped to continue our positive development into the future. We have established sustainability as an integral part of everything we do and we are well-positioned to be involved in promoting the trend toward better food, both for health and sustainability. We are also continuing our work to achieve our financial goals, which will help us lay the foundations for stable margins. For us, proactively evaluating structural opportunities in this industry is a natural part of this work.

I would like to thank our employees, customers and partners for a year that was filled with both challenges and positive changes. Together we are in a great position to see the Group develop in a positive direction. I would also like to further emphasize our vision: Better Chicken for a Better Life.

Leif Bergvall Hansen
Managing Director and CEO

Our markets

The market for chicken is characterised by strong organic growth, particularly in the Nordic markets. Chicken consumption remains relatively low, giving potential for this strong growth to continue.

Retail

Retail comprises approximately 64 percent of our sales and growth is highest in chilled products and Ready-to-eat products. Our markets are characterised by a high degree of consolidation among a few established companies with strong market positions in each market. In recent years, these established actors have been challenged first by low-price chains and now by online shopping, even though online shopping continues to represent a small share of retail.

Strict regulations for animal welfare and laws for food safety are essential if consumers are to trust the products within retail. The level of trust is high, particularly for locally produced products. Our markets are also basically free from salmonella.

Sweden

A high proportion of the sales in Sweden have traditionally been in frozen products with little processing. In recent years the trend has moved towards a higher proportion of chilled products; a trend that is expected to continue as consumers shop more often and more spontaneously. We are also seeing a higher trend towards processed products as they offer more convenience.

The Swedish retail market has a relatively high share of branded products that have a strong position. Scandi Standard's Kronfågel-brand enjoys a strong position among consumers. The market is also characterised by a strong preference for domestically produced products, although there are imported goods, particularly frozen products with a low-price profile.

Denmark

The Danish retail market is characterised by a strong focus on prices and squeezed margins. Surveys show that Danish consumers are willing to pay more for products of a higher quality. Scandi Standard's De Danske Familiegårde brand is aimed at these target groups. The brand has higher quality products and focuses on animal welfare, with chickens that are hatched in pens and grow more slowly.

Norway

The Norwegian retail market is impacted by the fact that Norway as a non-EU member has import duties on food. This basically means that there is no imported chicken in the Norwegian market. Retail is more concentrated than on the other markets where we operate, with a greater focus on the stores' private labels.

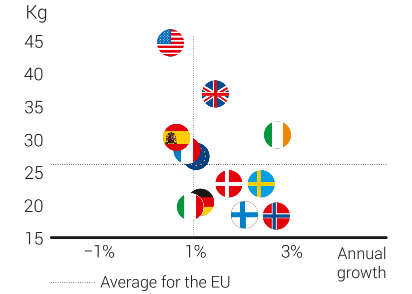
In recent years, there has been a strong trend towards cooked products, which means that the proportion of processed products is higher than in other markets. There is a strong focus on chilled products, so the proportion of frozen products in store is relatively low.

Ireland

Ireland is characterised by pride in domestically produced products. Several of the major retailers only sell domestic chicken products. Chicken consumption is relatively high in Ireland compared with the other markets where we operate. The stores primarily offer their own private labels and Scandi Standard mostly supplies under these brands.

Growth potential

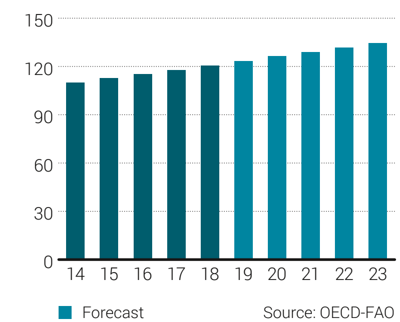
Chicken consumption per capita and year



Source: Association of Poultry Processors and Poultry Trade within the EU, Swedish Board of Agriculture, and others, and the company's estimates.

Global consumption of poultry

Million tonnes



Source: OECD-FAO

Ireland also has specialised meat stores called 'butcher's shops', which often sell chicken and other meat products at relatively low prices. The proportion of imports is often higher here.

Finland

Retail in Finland is dominated by two major companies, although low-price retail has taken large shares in recent times. This market is characterised almost exclusively by chilled products, while processing is relatively low.

Scandi Standard delivers both under the stores' private labels and under its own brand Naapurin Maalaiskana.

Foodservice

This sales channel relates to sales to restaurant wholesalers and catering such as schools, hospitals and retirement homes, etc., but also directly to restaurants in some instances. The restaurant channel has a higher underlying growth than the retail sector, and the number of restaurant visits is continuing to increase in all our markets. Experience shows that chicken accounts for a higher proportion of consumption in restaurants than in meals at home. Traditionally the proportion of imports has been higher in this sales channel than in retail as the origin is not clarified in the same way. We are seeing signs in some of our markets that awareness is increasing among restaurant visitors, so the origin of the food is becoming more important.

This sales channel accounts for 20 percent of Scandi Standard's sales. This is a priority area and has become more important in recent years. Investments in more Ready-to-eat products for this sales channel and marketing coordination will contribute to increased sales. Scandi Standard is also a major supplier to many fast-food chains in several countries in Europe, including McDonald's. The Group's processing plant in Denmark is certified for deliveries to McDonald's.

Exports

Scandi Standard mostly exports to retail chains and restaurant wholesalers in Europe, outside our domestic markets. Surplus products such as wings and feet are also exported, primarily to Asia.

Our markets 2019	Sweden	Denmark	Norway	Ireland	Finland
Retail market for chicken products	BSEK 4.7	BDKK 2.4	BNOK 2.9	MEUR 250	MEUR 390
Share of chilled products, %	47	78	89	99	95
Share of frozen products, %	53	22	11	1	5
Scandi Standard's market position	1	1	2	1	3

Largest competitors 2019	Sweden	Denmark	Norway	Ireland	Finland
Largest competitors	Guldfågeln Atria	HK Scan	Nortura Norsk Kylling	Western Brand Shannonvale	HK Scan Atria

Change in the retail market for chicken products in 2019[1)]

+11%
Sweden

+5%
Denmark

+9%
Norway

0%
Ireland

+4%
Finland

1) Sources: Sweden, Denmark, Norway: Nielsen; Ireland: Kantar; Finland: Broiler barometer

Trends and drivers for chicken in the global market

The demand for chicken has increased steadily in recent decades, while major global issues such as climate change are affecting all food production. Chicken is a very good type of food from both a climate and health perspective; a low environmental impact compared with farmed fish and plant-based Quorn. It is also rich in protein, but low in fat and easy to vary with different flavours.

Low climate impact

The climate impact for chicken is comparable with farmed salmon and plant-based products such as Quorn according to the climate database produced by the Research Institutes of Sweden (RISE). Chicken is even more beneficial than other animal protein; the climate impact of chicken is a tenth of that of beef.

The EU declares climate emergency

Over the year the debate on the climate intensified, with the EU Parliament declaring a climate emergency in November. This sends a clear signal that Europe is now more ambitious when it comes to the climate and indicates that climate issues will play a major political role in this coming mandate period.

Affordable source of protein

An increasing number of people realise that chicken is an affordable source of protein for individuals, society and the environment. The short growing period of chicken implies, for example, a lower feed and energy usage than for other types of meat, which translates into lower production costs.

Increase in the demand for chicken

The consumption of chicken is expected to increase globally among all income levels, with a more rapid growth rate in developing countries. Consumption in China has returned to its historic levels and has fully recovered from the outbreak of avian flu. In its report Agricultural Outlook 2019–2028[1] OECD calculated that chicken would account for approximately half of the increase in meat consumption until 2028.

[1] fao.org/3/ca4076en/ca4076en.pdf

Higher incomes in Asia result in higher imports

East and South-East Asia are expected to increase their income per capita by 60–100 percent by 2028. These higher incomes are expected to drive an increase in demand for meat, which is expected to mainly comprise chicken and pork, the two kinds of meat that dominate consumption in the region. Asia is among the regions that dominate meat imports, accounting for 56 percent of the global trade. Asia represents Scandi Standard's most important export market outside Europe.

Health aspects

Chicken is relatively low in calories and high in protein, and is considered to be healthier for us humans than red meat. Food recommendations from around the world unanimously indicate that a healthier diet should contain more white meat and less red meat.

Social factors drive a change to healthier and more sustainable products [1]

Awareness of health and sustainability issues is increasing in high-income countries and this is having an effect on consumption decisions. This is resulting in an increase in the demand for lean meat, such as chicken. OECD estimates that consumption will increase by almost 2 kg/capita to 31 kg/capita in 2028.

[1] fao.org/3/ca4076en/ca4076en.pdf

Accepted by all major religions

In a world where globalisation is constantly increasing, people from different cultures and religions are living side by side. Although various traditions, customs and food habits remain, some other habits change; for example, many people in the West who used to eat red meat and pork are turning away from them for both health and environmental reasons. It is extremely challenging for schools, hospitals, staff canteens and other foodservice companies that want to be able to offer delicious and nutritious food that is suitable for everyone. Chicken is the perfect solution to this problem as it is accepted as food by all of the major religions in the world.

Changes in food consumption

The convenience wave and Convenience Food supersede all food trends, including "Hood Food" (locally produced) and "Clean Eating" (food without additives). The growth of recipe box companies, online shopping and products that are bought ready-to-eat are all examples of this. This trend can be seen in every category from cheap, simple food to gourmet food, and from the unhealthy to the healthy. Chicken has a natural place in all trend and food categories and is mostly both locally sourced and free of additives and antibiotics.

A survey also shows changes in attitudes to convenience food. Since 2015 the number of discussions in social and traditional media on this subject has gradually increased. Whereas before it was linked to the more negative aspects of fast food, such as diabetes and sugar intake, the discussions are now about the climate and the impact of food on the environment, both in terms of carbon dioxide emissions, but also plastic and single-use packages.

Our strategy for profitable growth

1. Drive organic growth
2. Improve efficiency throughout the supply chain
3. Strategic acquisitions and partnerships

1 Drive organic growth

Increase investments in product development
Scandi Standard's purpose is to contribute to the joy of food and sustainable food production.

The investments in product development have gradually increased in recent years, which have contributed to both growth and to products that require greater processing. The product range has been broadened with additional categories, everything from new cuts to ready-made products. Examples include chicken bacon, chicken sausages, minced chicken, strips and sliced products that are ready to cook, pre-fried and ready-to-eat products with different flavours and seasonings, marinated grilled products, as well as free-range and organic chicken.

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

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

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

Strengthen the brands
The Group's products are sold both under its own brands and under customers' own brands, referred to as 'private labels.' Sales of the customers' private labels accounted for approximately 54 (55) percent of net sales in 2019.

Of the Group's brands, the Kronfågel brand in Sweden and the Danpo brand in Denmark have leading positions in their respective markets. Surveys show that consumers have a higher awareness of both of these brands than the brands of the main competitors. In addition, we are focusing on a new brand of slow growing and organic chicken since a few years, De Danske Familiegårde, with great success.

Den Stolte Hane is the second biggest chicken brand in Norway. Our brand in Finland is Naapurin Maalaiskana, which is a new brand that will be built up in the coming years. Our Irish brand is Manor Farm, which is the market leader in Ireland, but the main share of sales in Ireland is under customers' own brands.

A number of different initiatives, including investments in product development, are continually being taken to strengthen our position for our brands in all of these countries.

The sale of our customers' private labels results in economies of scale and contributes to creating customer relationships within retail.

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

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

Grow within the Foodservice segment
The Foodservice sales channel includes fast-food restaurants, hotels, restaurants and catering within the public and private sector. This channel accounted for approximately 20 percent of the Group's net sales in 2019.

Strategy 1

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

Sales in this sales channel have increased in recent years driven by people eating out more frequently and consumers regarding 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. In addition to this, chicken is expanding the customer base of fast-food retailers to include more health conscious consumers.

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

Given the Group's size and long-standing experience as a leading supplier, there are good further growth opportunities within Foodservice in the whole of northern Europe.

2 Improve efficiency throughout the supply chain

It is expected that efficiency levels can be further improved at the largest plants through investments in greater automation and optimisation of cutting technologies to increase production yield.

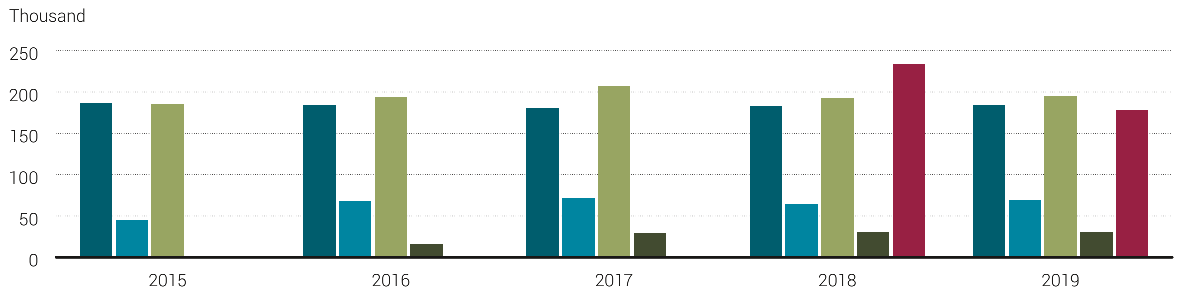
The payback period of most of the Group's investment projects is less than three years on average.

Our investment in coordinating production and sales resources across our different markets is just as important for greater efficiency. Identifying Best Practice will result in the best technology and processes being used throughout the Group.

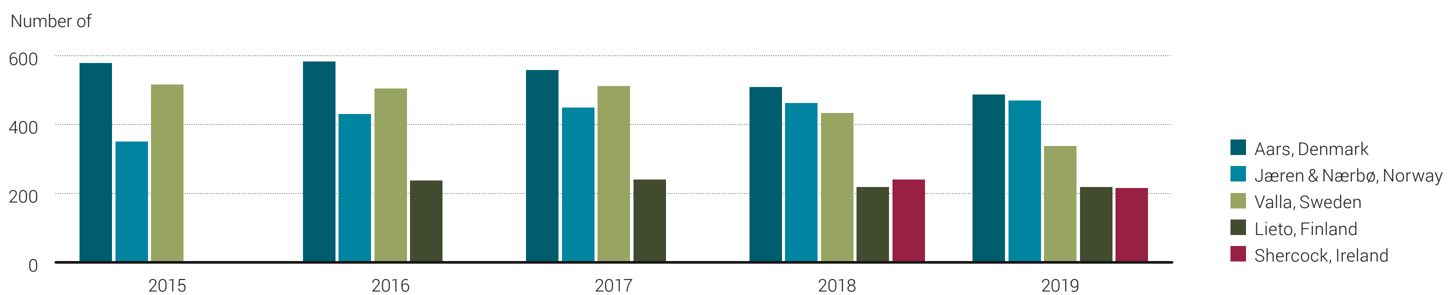
Strategy 2

- Improve productivity at the plants by sharing "best practice":
  — increase productivity per employee.
  — increase yield per bird.
- Drive the synergies gained from being a Group in all parts of the supply chain, including purchasing.

Number of slaughtered chickens per day



Number of slaughtered chickens per employee and day



3 Strategic acquisitions and partnerships

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

One important component in the growth strategy, in addition to organic growth, is strategic acquisitions and partnerships. These can be found in three main areas; acquisitions that supplement our product offering; acquisitions that strengthen our position in our domestic markets and acquisitions that give us a position in new markets.

In recent years there have been a number of acquisitions in the production of organic and free-range products, including the acquisitions of Bosarpskyckling in 2014, Södam in 2016 and Rokkedahl Food in 2018.

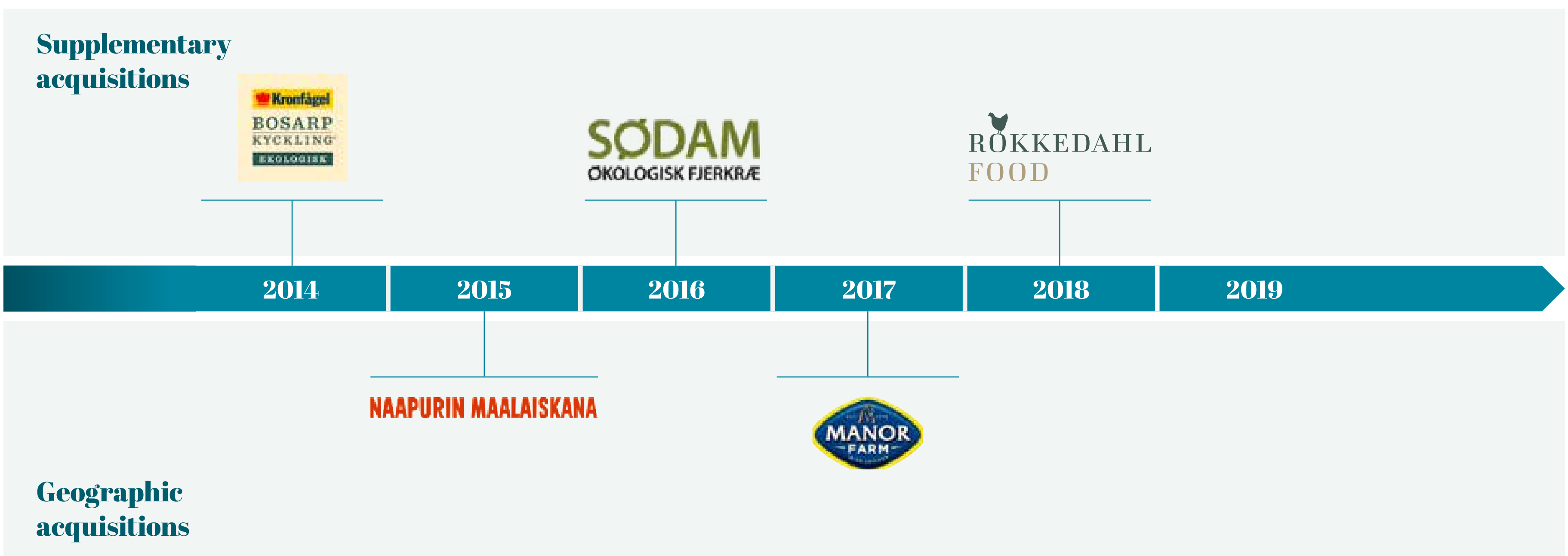
The acquisition of the Finnish business in 2015 and the business in Ireland in 2017 are examples of acquisitions that are giving us a strong position in new markets.

We are working actively to make the most of the opportunities in the European market, which we believe is ripe for additional consolidation in the coming years. We are in a good position both in terms of our finances and our organisation to be able to act when the opportunities arise.

No acquisitions were made in 2019.

Strategy 3

- Expand the product offering in existing markets, for example, in the premium category and within processed products.
- Enter new geographical markets.
- Build on capabilities that have been enhanced over the years by being a preferred supplier and forming new partnerships.



"In the Nordic region we've been focusing heavily on issues surrounding both antibiotics and animal welfare for some time now."

Tommi Saksala
Group Live Operations Director

Case

Significant reduction in the use of antibiotics in Ireland

Antibiotic resistance is a growing global problem and, according to the World Health Organization, WHO, it is one of the main threats to global health, food safety and development. According to a European study[1)] from 2017, the Nordic countries stand out as they have such a low level of antibiotic resistance. When Scandi Standard acquired the Irish company Manor Farm in 2017, one of the main aims was to reduce the use of antibiotics to Nordic levels. Since the acquisition, their use has fallen by 55 percent in two years and these levels are continuing to fall. Tommi Saksala, Group Live Operations, thinks that this target can be achieved within two years.

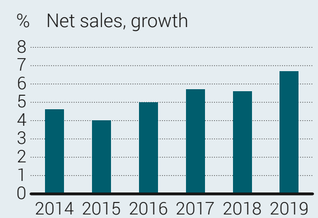
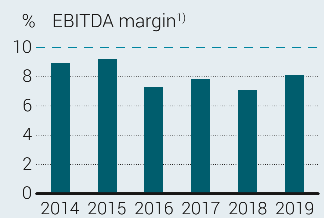
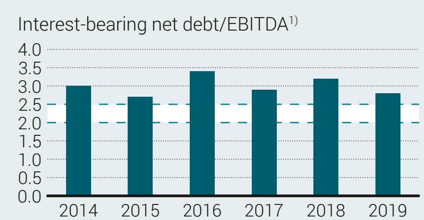
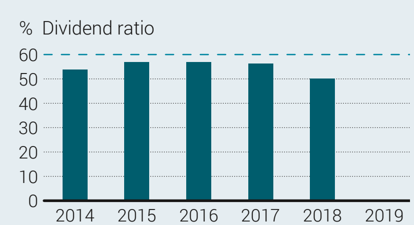
What are you doing to reduce the use of antibiotics?
"We're working systematically and identifying the fundamental problems. When we started to analyse the situation, we realised that we had to start from scratch, so with the hatchery operations. The single most important aspect is the incubation stage, but naturally the quality of the hatching eggs, feed, transport and the environment at the breeders' premises also play an important role in making the chickens feel good."

The Nordic region stands out as it has an exceptionally low level of antibiotic use from a global perspective: why is this the case?
"In the Nordic region we've been focusing heavily on issues surrounding both antibiotic and animal welfare for a long time. This means for a long time we've been promoting new solutions, building better pens, increasing knowledge and developing better technology. The Nordic approach has been that we never treat animals prophylactically, i.e. in a preventative way; only when there is confirmed sickness. And this remains the case. It means that we can take our methodology and our tools to other countries where these issues have not been such a high priority."

How are you going to ensure that Ireland reaches the same levels as in the Nordic region?
"Our understanding that the well-being of a chicken is essential for achieving success throughout the value chain is an integral part of everything we do. So if we want to achieve the highest quality and the best results, we have to remain consistent in this work and continually monitor and improve. Of course this is true not only of the hatching process, but throughout the chain until the chicken is slaughtered. This involves teamwork, with us working with the hatchery and our breeders to analyse the results we have and then act accordingly."

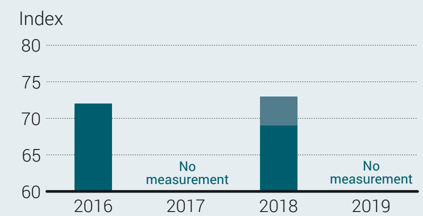
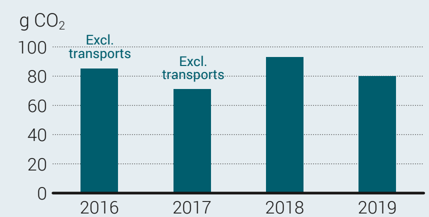
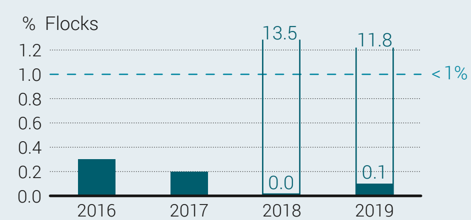
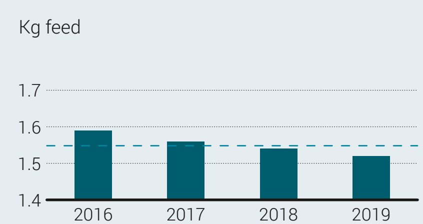
[1)] European Food Safety Authority and European Centre for Disease Prevention and Control

Financial targets

	Medium-term goals	Results 2019	Results 2014–2019	Objective
Net sales	Annual average organic growth in line with or above market growth.	**+7% (CAGR)**	 	Growth in line with or higher than growth in the market shows that operations are retaining or increasing their market share, proving that we are competitive.
EBITDA margin	Exceed 10 percent in the medium term.	**7.8%** [1)]		An EBITDA margin of more than 10 percent is important for us to be able to have good profitability and a strong cash flow.
Interest-bearing net debt/EBITDA	2.0—2.5 x EBITDA (LTM), but may temporarily exceed this level to allow for capturing opportunities for organic growth and acquisitions.	**2.8** [1)]		The interest-bearing net debt in relation to EBITDA measurement shows how well our capital structure reflects our size and profitability. If the measurement is within this target, we are well prepared for leaner times and we have the capacity to take advantage of future acquisitions.
Dividend ratio	Approximately 60 percent of profit for the year adjusted for non-comparable items on average over time.	**0%**		This measurement shows how much of the profit is distributed among the shareholders. A high and stable dividend level is important for the share to be an attractive investment.

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

Sustainability goals

<table>
<tr><th></th><th>Goals</th><th>Results 2019</th><th>Results 2016–2019</th><th>Objective</th></tr>
<tr><td>Employee engagement, index</td><td>Motivation and satisfaction index 71</td><td>69/73[1)]
(2018 last measurement)</td><td>
</td><td>Motivated employees who feel good are essential for the Group's development and success. This is monitored at Group level through the employee survey Scandipuls, which is carried out every two years.
1) Including/Excluding Ireland that was included for the first time.</td></tr>
<tr><td>Carbon dioxide emissions, g CO₂e per kg product</td><td>–50 % 2016–2025</td><td>80</td><td>
</td><td>Scandi Standard takes the climate issue seriously and strives to reduce our impact throughout the value chain. The climate data that is reported currently includes the energy use of our own plants (scope 1 and 2) and, from 2018, distribution transport.</td></tr>
<tr><td>Use of antibiotics, share of flocks treated with antibiotics</td><td><1 %
flocks treated</td><td>11.8/0.1[2)]
(13.5/0.0)</td><td>
</td><td>Antibiotic resistance is a serious global health challenge We have an important role to play in minimising the use of antibiotics in food production by keeping our chickens healthy.
2) Including/Excluding Ireland.</td></tr>
<tr><td>Feed conversion rate</td><td>1.52 kg feed/
kg live weight</td><td>1.52
(1.54)</td><td>
</td><td>Feed efficiency is an important indicator in order to optimise the rearing process. Chickens are very good at converting feed into meat, so feed efficiency is a direct indicator of the quality of the feed, and how well the chickens are being taken care of.</td></tr>
</table>

Operations and value chain

We bear a lot of responsibility with the business that we run: responsibility to the animals we rear, the people who work with us and who buy our products, and society for the resources we use. Every stage of production is surrounded by thorough planning, checks and follow-up to ensure that we can offer good food that has been produced under the best possible conditions.

Our business is based on a value chain where each stage is continually evaluated and developed and where the focus is always on care for people, chickens and the environment. Our ambition is to create and use synergies within the Group by using shared processes and exchanging knowledge and ideas between the operations. All production management and the operation of the production units are organised under a central Groupwide function to ensure that production is as efficient as possible.

Our value chain

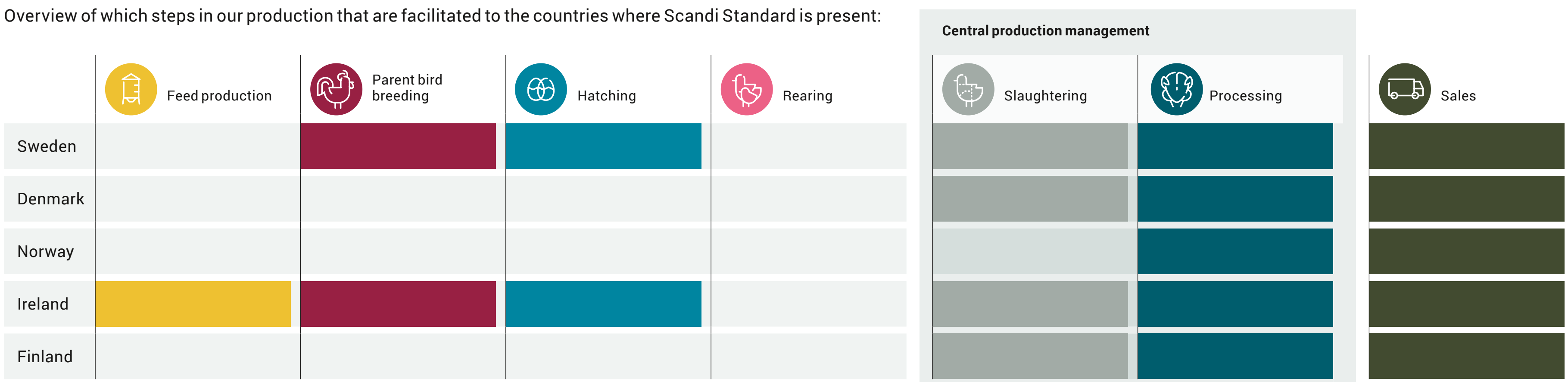
The work to produce good food starts several generations before our chickens are hatched. The hens and roosters at our parent farms are supplied by highly specialised breeding companies, whose breeding is systematically based on the characteristics that the customers require in the rearing they are involved with. The health, growth and behaviour of the parent bird and the slaughtered bird are checked and monitored continually during their lifecycle to ensure that the right qualities are promoted and that the entire rearing process is performed as effectively as possible with regard to the environment, care and feeding.

Feed production

Our operations in Ireland also include producing our own feed for rearing chickens. When the feed is being produced, meticulous checks are carried out on its composition and nutritional content.

> “Healthy animals that feel good produce good food.”

Overview of which steps in our production that are facilitated to the countries where Scandi Standard is present:



Parent bird breeding
The parent birds live in pens where light, temperature and moisture are checked and adapted continually to ensure that the flocks are healthy and can live under conditions that are as natural as possible. Both here and at later stages in the production chain, it is important for the animals to be of the same age and size to ensure that flocks operate as effectively as possible. The hens have access to enclosed nests where they go to lay their eggs. Most hens lay an average of one egg per day. From the conveyor belt the eggs are loaded onto crates and are taken to a temperature-controlled egg warehouse before being transported to the hatchery.

Hatching
At the hatchery the eggs are first inspected to check that they have been fertilised and contain the embryo. The eggs are then placed on trays that are put on an incubator trolley, where the temperature, moisture and carbon dioxide content in the air are carefully regulated. When the hen herself sits on her eggs, she turns them several times a day to make sure the yoke (the embryo) is protected in the centre of the egg. In the hatchery, the egg is tilted forwards and backwards by machine in the trays to achieve the same effect. After 18 days on the incubator trolley, the eggs are placed in hatching trays to await hatching. Hatching starts on the egg's 20th day in the hatchery and the process is completed just past the 21st day. An average of 85 percent of eggs produces a live chicken. When the newly hatched chickens are dry, they are separated from the remnants of the shell, their quality is checked and it is then time to transport the day-old chickens to a rearing farm.

Rearing
Scandi Standard does not operate any farms on their own. All breeders are carefully selected suppliers who are monitored regularly to ensure quality and good animal welfare. The rearing farms maintain constant supervision of the chickens to make sure that they feel good and that the environment meets all the criteria to

The chickens always have access to fresh water and are able to drink.

"Scandi Standard endeavours to lead the way in product innovation within the industry."

ensure the best well-being of the animals. The chickens live in flocks of the same age and are fed with carefully tested feed to ensure optimal growth. When the chickens come to the rearing farm, they weigh an average of 40 grams. Before they are slaughtered 35 days after hatch, they weigh an average of 2.1 kg. During the five weeks at the rearing farm, they have eaten approximately 3.3 kg feed and drunk 5 litres of water. It is important for the feed to maintain an even quality over time, which is why the nutritional content of the feed is continually tested. In Ireland we produce feed ourselves, but this is outsourced for our other markets.

Slaughter and processing

Transport to the slaughter house must be as calm as possible for the chickens. The chickens are normally collected in the early morning when they are feeling calm after a night's rest. When they arrive at the slaughter house, they are placed in a peaceful and dark environment for a few hours in order to minimise their stress. Before they are killed, the chickens are stunned with carbon dioxide gas which renders them almost unconscious. Death is then caused by a machine severing their carotid artery. After this their insides and feet are removed. The plucked and drawn chickens then pass through a chilling tunnel to be cooled down before they go to be cut. The chickens that are going to be sold as whole chickens go directly to packaging. The other chickens move on to the main automated cutting process. Wings, legs and fillets are separated and either go in their natural state to packaging, or to be seasoned, where they are tumbled in a marinade before being packaged. The fillets are checked before packaging to make sure they are completely bone-free.

For Ready-to-eat products, the process continues at separate plants that produce both chilled and frozen processed products.

Scandi Standard endeavours to lead the way in product innovation in our domestic geographic markets for chicken-based food and to carry out product development in all production countries. Each market has its own preferences in terms of the type of products preferred (chilled, frozen, Ready-to-eat) as well as the flavours and cooking form. Our test kitchens test new and varied products using a defined product development process and we work to broaden and share experiences and knowledge from this process across our various operations.

Production is guided by customer forecasts and actual orders. However, the production volumes are relatively predictable and production plans are adjusted continually.

Blood, fat, offal and other products are also used, primarily for animal feed, the industrial production of food and other applications. By using as much of the chicken as possible, we achieve the highest levels of resource efficiency and profitability.

Just as when the animals are being reared, the entire processing process undergoes meticulous checks in terms of hygiene and the controlled climate. Every sub-process is continually checked to be able to quickly identify and take action against any deviations that would otherwise risk the quality of the finished products and in the long term, the consumers' experience of the products.

Scandi Standard works constantly to develop and improve the processing process and to create the best possible environment for the chickens, the highest quality in our products, and the most resource-efficient operations possible.

Sales

Our products reach our consumers through stores, restaurants and other catering operations, such as schools and hospitals. The products are distributed via our customers' central warehouses and also direct to stores and restaurants. Deliveries are mainly carried out by subcontractors and sometimes by our customers' own distributors.

Our chilled products are on site in stores the day after they are packaged. Scandi Standard's sales teams help our retailers in the direct marketing of these products and also in the structuring of the exposure spaces in store. This ensures the highest sales and the best retention of product quality before the products are sold. New products are advertised in the media and on advertising boards and we also work with indirect marketing through social media. For example, we are working with bloggers and also invite the media in for "inspirational cooking" at our own display kitchens.

Case

Responsible use of plastics

Awareness of packages and the uses of plastics has grown much stronger among consumers and authorities in recent years. The EU's plastic strategy from 2018 aims to limit plastic waste in Europe, stop marine litter and promote a global change in attitudes towards the use of plastics. The strategy also sets a requirement that all plastic packages must be able to be reused or recycled by 2030.

In 2018 Scandi Standard also adopted a new packaging strategy with a clear aim of reducing plastic use by 30 percent by 2025. All plastic packages will also be made of renewable or recycled material by 2023. Anja Bylund Larsen works as a purchaser and is responsible for the Sustainable Packaging area. She has been working with her colleagues on several new initiatives to reduce Scandi Standard's plastic use.

What does the packaging strategy mean for Scandi Standard's plastic use?

"We're working on continual improvements. Every time we are set to launch a new product, we look at the package's design in terms of food safety and the environment.

The best solution for the environment is to have as few kinds of packages as possible, as this allows us to be extremely efficient with the materials we use. For example, we've introduced a thinner plastic wrap for our pallets in Denmark, Norway and Sweden. This reduces our use of plastic film by 30 percent, which is the equivalent of 20 tonnes per year. We're also looking at a new variant for our frozen range in Denmark and Sweden, where the savings potential is up to 250 tonnes per year."

And the material in the plastic tray?

"We've introduced the RPET tray, which is the same kind of plastic that you find in bottles, in Sweden and Denmark and we're hoping to be able to introduce them in several of our markets. RPET is the only plastic material that can be fully recycled and made into new products that are just as good.

The dream scenario would be to use RPET in a closed circle from all our suppliers in all our markets. If we had full circularity, we'd be able to reduce our greenhouse gas emissions, save valuable resources and reduce the amount of waste. But this is something we can't do by ourselves. We need to do it in collaboration with consumers, customers, dealers and authorities. Recycling systems can't currently handle full circularity, but we hope that this can be solved in the future, and we want to help and do our part in ensuring that this works."

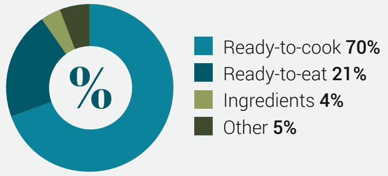
Product categories

Our products are divided into the categories Ready-to-cook, Ready-to-eat, Ingredients and Other. This division is based on the level of processing.

Product launches 2019

During the year there were a number of successful product launches in each market. New products are developed in order to increase the range of products that are easy and convenient to prepare, for example, per-cut or ready-made products.

Our product categories



Ready-to-cook

Ready-to-cook (RTC) is our largest product category and comprises products that have not been cooked. They can be whole birds, cuts of meat, deboned and seasoned, or marinated products. Sales are to both retail and the Foodservice segment. Some of the production is also exported.

Ready-to-cook is divided between frozen and chilled products. Chilled products are sold fresh to customers, so there are stricter requirements for production planning and logistics.

Frozen products are quick-frozen after production. The products are frozen before they are finally packaged and most products are frozen individually to make them easier to thaw. Although products are sometimes frozen at the production plant, they are generally frozen at the freezer warehouse.

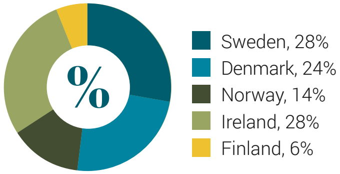
We also sell chicken that is grilled in store in some markets. This means that chickens that have been prepared to be grilled in store are sold to the stores and sold freshly grilled over the counter.

The biggest selling product in all of our markets is the natural chicken fillet. There is always a risk of overproducing wing and leg products, as the demand for these products does not keep up with the demand for fillets. There needs to be what is known as an 'anatomical balance' in the sales mix. This is why we are working intensely with the innovation of products that use other parts of the chicken, for example, by deboning them. Bone-free products are more attractive and command a higher price, for example, Chicken Steak which is a deboned chicken leg. We are also working on processing charcuterie products, such as bacon and sausages, where other types of cuts can be used.

New products: Crispy Fillet Slices is an example of a new product differentiating the brand through seasoning.

Share of net sales

Net sales/land for RTC products



6,792 MSEK

Net sales

Strategic priorities

- Increase the proportion of chilled products.
- Maintain a high rate of innovation.
- Increase sales to Foodservice.

9%

Organic growth

Ready-to-eat

Ready-to-eat (RTE) are products that have been cooked in the processing process, which means that they can be consumed directly or after being heated up. Production mostly takes place at our own plants.

We produce Ready-to-eat products at three plants with slight variations.

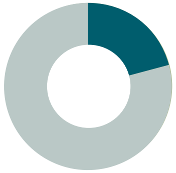
Farre in Denmark is our largest Ready-to-eat plant. In 2018 the plant was expanded by adding another production line, increasing the number from three to four. This plant produces frozen Ready-to-eat products, mostly coated products like nuggets and burgers, but also other fried products. One common factor in all of its production is that freezing is part of the production process.

A high share of the production goes to McDonald's and other fast-food customers. The plant in Farre produces products that are based on chickens that have been slaughtered and cut at our own plants, and using ingredients that have been purchased externally.

We also have a processing plant in Sweden connected to the slaughter house in Valla, which produces chilled processed products. This plant has been in operation for four years and production volumes are gradually increasing. Our plant in Stokke in Norway produces pre-grilled chilled products.

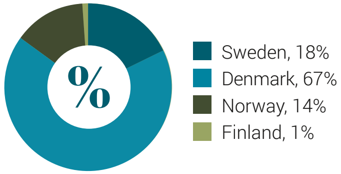
New products: Pre-fried and sliced chicken fillet is an example of insights driven product innovation aimed towards younger target audiences.

Share of net sales



21%

Net sales/country for RTE products



2,011 MSEK

Net sales

Strategic priorities

- Maintain a high rate of innovation.
- Increase the range of chilled cooked products.
- Review the opportunities in Ireland.

31%

Organic growth

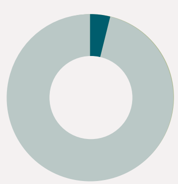
Ingredients

The Ingredients product category comprises surplus products, such as blood, fat, offal and other products that are not used in our own products, but are used in the industrial production of food, animal feed and other applications. The export of feet to Asian markets is also included in this category. A centralised organisation for value optimisation has been set up to sell these products. The ability to use these surplus products is valuable in terms of sustainability as it minimises production waste in production as a whole.

385 MSEK
Net sales

3%
Organic growth

Share of net sales



4%

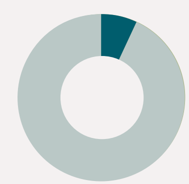
Other

This category comprises the sale of products that are not directly linked to the sale of chicken products, for example, the sale of day-old chickens to breeders. It also includes the sale of surplus hatching eggs. In Norway we also sell consumer eggs, which are included in this category.

703 MSEK
Net sales

11%
Organic growth

Share of net sales



7%

Our responsibility and contribution to sustainable development

For Scandi Standard, sustainable development is about promoting responsible value creation over time for owners, customers, consumers and other stakeholders. Following our motto “Better Chicken for a Better Life”, we want to be the industry leader within animal welfare and healthy products, as well as within environmental and social responsibility.

We work proactively on managing risks and driving improvement work throughout the value chain, and making the most of the opportunities that arise from greater expectations and new consumer trends. Work on responsibility and sustainable development focuses on the areas where we have the greatest impact, where we can make a difference, and that are the most important for our stakeholders. For example, we are seeing greater awareness surrounding the use of antibiotics and the climate footprint of different kinds of food.

The Scandi Way

We have developed a strategic framework for sustainable business development called The Scandi Way, based on priority responsibility and sustainability issues that have been identified. This framework sets the standard for the Group’s joint sustainability work and defines the approach and general goals for each focus area under the people, the chickens and the planet, as shown on page 29. Each country and plant can also choose to adopt a higher level of ambition where appropriate and where possible.

Organisation and management

Work on sustainable development is integrated into the operations and forms part of the standard processes and areas of responsibility at both a Groupwide and local level. There is an overall Head of Sustainability for the Group whose job it is to coordinate and support the sustainability work, as well as a steering group for sustainable work that is a decision-making forum and responsible for monitoring prioritised activities and reporting to Group management. The steering group comprises the Head of Sustainability and Group Communications Director, as well as the Chief Operating Officer and Director Group Live Operations, who are in the Group management team, and a representative from the management team of our Irish operations.

A strategic project manager has been appointed for each focus area who works with local representatives in the various countries to move the sustainability work forward so that we can achieve the goals that have been set.

Over the year the responsibility and organisation for our sustainability work developed and was made clearer. This work included appointing national sustainability coordinators who run the local work based on the specific conditions of their country.

THE GLOBAL GOALS
For Sustainable Development

Our global goals for sustainable development

Scandi Standard supports Agenda 2030 in its entirety, including the global goals for sustainable development. We have both the responsibility and the opportunity to contribute to several of these goals through our operations. Several goals and sub-goals are directly linked to our business:

Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

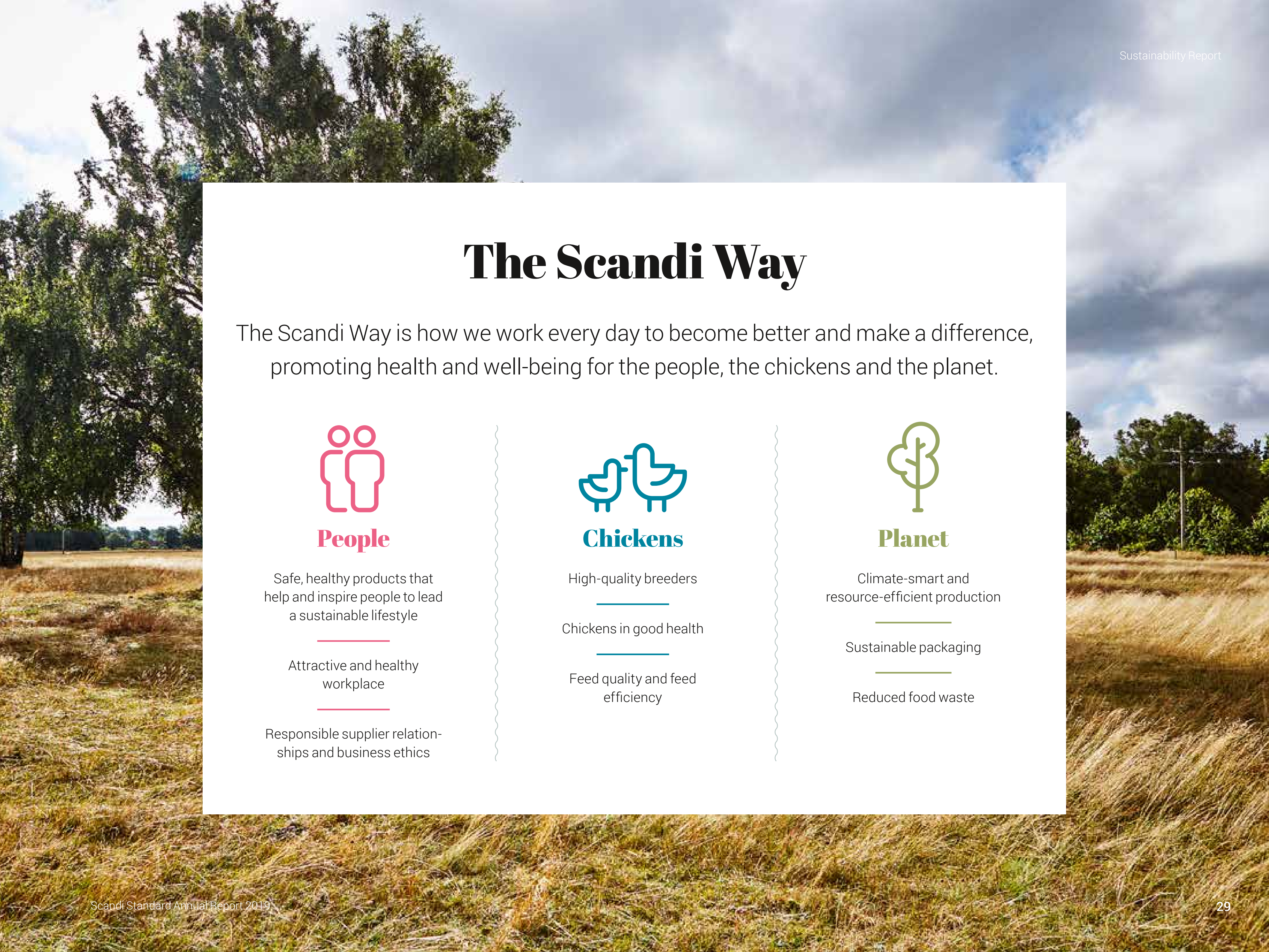
Goal 3: Ensure healthy lives and promote well-being for all at all ages.

Goal 12: Ensure sustainable consumption and production patterns.

We also have a great responsibility to contribute to:

Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Goal 13: Take urgent action to combat climate change and its impacts.



The Scandi Way

The Scandi Way is how we work every day to become better and make a difference, promoting health and well-being for the people, the chickens and the planet.

People

Safe, healthy products that help and inspire people to lead a sustainable lifestyle

Attractive and healthy workplace

Responsible supplier relationships and business ethics

Chickens

High-quality breeders

Chickens in good health

Feed quality and feed efficiency

Planet

Climate-smart and resource-efficient production

Sustainable packaging

Reduced food waste

People

Safe and healthy products

Our most important promise to consumers is that our food products are safe and good to eat. Consumers must also feel confident that the chickens are healthy and well treated. We want to inspire people to eat healthy and more climate-smart meals as well.

Product quality and food safety

Product quality and food safety are top of the list of priorities within Scandi Standard. We work continually to improve processes and management. Working methods and equipment at our plants meet the requirements for Good Manufacturing Practices (GMP) and we observe specific requirements from various customers. The challenges that we need to address include the risks of unwanted bacteria and food fraud when purchasing ingredients.

In recent years work on food safety has intensified under the leadership of our Head of Quality and Product Safety for the Group. A number of measurable indicators are continually monitored to check product quality and identify any deviations. These include temperature and cleanliness at the plants, the incidence of bacteria, checking the finished products and complaints. We are placing particular focus on checking for the presence of any pathogenic bacteria. Our chicken should be completely free of Salmonella. The incidence of Campylobacter must be kept to the absolutely lowest level possible.

Product quality and Food safety

	Goals	Results 2019
Critical complaints, number	0	54
Product withdrawals, number	0	13

The number of critical complaints[1)] 2019 was 54. 13 withdrawals were done from customers. Heavy rains in June caused water dripping in one of our Danish plants, and led to product withdrawals from customer. In Norway listeria was detected in product and products were withdrawn. Other reasons for withdrawals has been for example wrong labelling.

1) Complaints that lead to withdrawals or recalls. Foreign objects (e.g. plastic or metal) in the product, allergens or other health or food safety risks, wrong content labelling etc. Assessment is done locally in each country.

Products for a healthy and sustainable lifestyle

We want to inspire people to eat good chicken because of its taste, health benefits and lower climate impact. Through innovative, attractive products, we want to promote a transition from red to white meat, which is in line with the recommendations for a healthy diet from the World Health Organization (WHO) and the Nordic Nutrition Recommendations (NNR). The production of chicken is also much more climate-friendly than the production of beef and pork. This is an important advantage as the demand for animal protein increases and poses a major environmental challenge.

We are working continually on developing our products and ranges, focusing more on nutrition and issues surrounding additives, sugar content, salt content, etc. During the year we started to work on producing a Groupwide policy known as the Clean Label Policy. The aim is to clarify the Group's position and goals for healthy products and to set concrete frameworks for product development to reflect this.

Correct and factual marketing

Marketing to consumers is performed locally by each of the Group's companies and brands. Our Code of Conduct states that Scandi Standard must provide accurate and non-misleading information in its labelling and marketing of products. All marketing must comply with the relevant legislation and ethical practice. Claims and information on the content and properties of our products must be transparent and fact-based. Scandi Standard complied with this during the year and did not suffer any consequences from any deviations.

"Through innovative, attractive products, we want to promote a transition from red to white meat."

People

Attractive and healthy workplace

Attracting, developing and retaining committed employees is crucial for the development and success of the Group. We are working systematically on providing a good and stimulating work environment, and continually following up commitment and job satisfaction among our employees.

Most of our employees work in a production environment where there are risks associated with health and the work environment. We work in a preventive and systematic way on safety and the physical work environment, as well as the psychosocial work environment and culture. The Group's Code of Conduct describes a proactive approach to health and safety, establishing good working conditions and a good work environment for all employees.

Sick leave and work-related injuries are followed up at each plant. Local targets are set to reach our zero vision for accidents. We also want to promote health and well-being among our employees by inspiring them to a sustainable lifestyle, and work with local goals and activities based on the circumstances in different countries and plants. In 2019 we organised a joint Sustainability Week for the first time, which focused on health and the environment.

Guided by values and the Code of Conduct

Our values, Openness, Challenge and Sense of Urgency, describe our corporate culture and work alongside Scandi Standard's Code of Conduct to guide us in our daily work, toward the vision "Better Chicken for a Better life. The Code of Conduct applies for all employees and sets the frameworks to act responsibly in terms of ethics, the environment, social issues and human rights. By training all employees in this Code of Conduct (obligatory e-learning or a review at workplace meetings), we make sure that it is understood and fully implemented. 2019, 92 percent of our office employees had done the course. For production employees there are not yet complete follow up data.

The way we live based on our values is monitored through performance appraisals and employee surveys. A whistle-blowing function has been set up to enable the anonymous reporting of any infringements against the Code of Conduct.

Leadership and employeeship

Clear, visible and involving leadership is one of the most important factors in promoting employee engagement. Programmes and activities for leadership development are carried out continually at the Group's companies based on a joint platform. Our employee survey measures how leadership works and is perceived.

We measure the time between advertising a job and signing the employment agreement as a measurement of how well we attract the competence we need. The target is a maximum of 60 days.

Diversity and equal treatment

One of Scandi Standard's goals is to be an equal and diverse organisation. We see this as an important success factor in creating an inclusive and creative working culture, reflecting our customer groups and securing the supply of competence in the future. At Scandi Standard, we respect human rights and show zero tolerance towards discrimination. This has also been concretised in our Code of Conduct.

We are striving to achieve the most even gender balance possible. In 2019, 43 (42) percent of all employees were women and 57 (58) percent were men. The proportion of women in executive positions was 27 (26) percent.

Employee engagement

Results of the employee survey ScandiPuls (index where max = 100)	Goal	2018	2016	2015
Satisfaction and motivation	71	69 (73[1])	72	70
Loyalty	–	77 (78[1])	78	77

1) Our Irish company Manor Farm participated for the first time, so the comparison figures are 73 and 78 respectively, excluding Ireland

The employee survey measures a number of parameters, including engagement and leadership. An index score of 66–72 is average, while 75 is a good result. In the 2018 survey, 2,882 employees participated, which corresponds to 94 percent of those who had been employed at Scandi Standard for at least 6 months.

Healthy workplace

Attendance rates and work-related injuries in 2019 (2018) for each country	Sweden	Denmark	Norway	Irland	Finland
Attendance rate (percent of ordinary working time)	94 (94)	95 (95)	97 (97)	96 (95)	94 (93)
LTA (number of work-related accidents leading to sick leave/number of worked hours x 1000 000)	56 (58)	10 (18)	16 (12)	49 (37)	(64) 51

Attendance rate and work-related injuries are followed-up locally. There were no serious accidents leading to long-term injuries during 2019. Scandi Standard have a zero vision for accidents, targets for workplace safety are set locally.

People

Responsible supplier relationships and business ethics

Scandi Standard's operations are highly dependent on good and effective supplier partnerships. As well as chicken, we buy other ingredients, equipment and services from a high number of suppliers. Purchases are coordinated at a Group level for categories related to production, which includes ingredients, packaging materials and transport.

Our Supplier Code of Conduct

Scandi Standard strives for mutual, responsible business relationships. Our Supplier Code of Conduct provides the foundation for this, setting requirements for the environment, ethics, human rights and social responsibility that equate to the Group's own Code of Conduct. Our suppliers must also ensure that these requirements are passed on down the chain, i.e. to their subcontractors.

The Group's Head of Sustainability is ultimately responsible for the contents and implementation of the Supplier Code of Conduct, in close collaboration with the purchasing function.

Systematic approach to sustainable supply chains

The Supplier Code of Conduct has been communicated with the requirement to confirm compliance, to all suppliers in priority purchasing categories: chickens, transport services, technical equipment and packaging materials, as well as spices and other ingredients. Our aim is for all suppliers with a purchasing value of more than SEK 500,000 per year to sign the code.

In 2019 additional steps were taken to ensure compliance with the requirements in the Supplier Code of Conduct. Our systematic work is based on risk assessments. This includes a risk screening at supplier level based on risk parameters, such as production country as well as category/industry-specific risks linked to the environment, human rights and ethical issues. In order to identify risks and potential deviations, we are continually striving to ensure greater transparency in our supplier relationships, beyond the first link in the supply chain.

Self evaluation and risk assessment

We also ask our suppliers to complete a self-assessment form in order to assess risks and performance at supplier level. These responses provide supplementary data to help us prioritise where we need to focus our work on additional monitoring and audits, as well as other initiatives. During 2019 approximately 120 of our suppliers had been evaluated against the Code of Conduct. On the whole these results show that most of our suppliers have well-developed systems in place for managing risks linked to the areas in the Code of Conduct.

Our goal is to have 98 percent of the suppliers in our priority categories evaluated in 2020 and set up action plans for the suppliers that are assessed as not being up to standard.

Ethical approach

We strive for an ethical and respectful approach in all our business relationships. The Code of Conduct clarifies that there is zero tolerance to every form of bribery and corruption. We must also act in an exemplary and responsible way to ensure that information is managed correctly and to avoid any potential conflicts of interest.

Whistle-blower function

A whistle-blowing function was set up in collaboration with an external company to enable the anonymous reporting of potential violations of the Code of Conduct. The tasks that are reported are received and investigated by a committee that includes the Group's HR Director, the Group Finance Director, the Vice President Group Finance and Quality Director. In 2019 seven cases were received through the whistle-blowing service. Most of them related to employment law, and internal leadership and employee issues. One case involved a conflict of interest and internal compliance. All matters were investigated and answered, although none of the cases proved to be an actual legal violation.

> "Our physiotherapists confirm that this is a small, but important initiative to help employees stay healthy."

Tuija Kantolouto
HR Specialist at Naapurin Maalaiskana

Case

Exercise and movement during breaks

A Finnish employee initiative to create a healthy workplace

Attracting and retaining committed employees is crucial for the development and success of the Group. Most of Scandi Standard´s employees work in a production environment where there are several risks associated with health and the work environment. Scandi Standard is working systematically on creating a good and stimulating work environment – but nothing can beat employee engagement and their own initiatives. Emmi Kiesvaara is a supervisor at the packaging department at our factory in Lieto, Finland. She used her own experiences to create a movement programme for her colleagues.

How did you come up with the idea?

"I have problems with my back, so I went to see a physiotherapist who gave me some exercises that really helped. I realised that more people could feel better if they did these exercises as our work is extremely physical. I talked to HR so that we could implement a short movement programme for break time. They were positive about my idea and gave me their support. We're now doing a stretching programme during our morning meeting every day."

What do your colleagues say?

"Most of them have been positive. They say that they feel better and more awake after the exercises. I hope that other departments follow suit and that some people will also do these exercises by themselves when they get home from work. I think that employees will be healthier and happier as a result of this. Hopefully sick leave will fall because of it."

Tuija Kantolouto, HR Specialist at Naapurin Maalaiskana

"Our physiotherapists confirm that this is a small, but important initiative to help our employees stay healthy. Temperatures are low in the factory, so it is good to move. We only need to invest time – we are talking about five minutes for our employees – in order to see major health benefits. We've actually started doing exercises during the break every day at our office as well!"

Chickens

Chickens in good health

Our starting point is that each chicken must be comfortable and be reared in a good environment, from hatching to slaughter. Good animal welfare is an intrinsic part of our operations for ethical reasons, but also because it is directly linked to quality, resource efficiency and profitability. Providing the right pen environment and the right feed is essential to keep the chickens healthy and to provide nutrition and energy as effectively as possible. Only chickens that feel good can grow in a healthy way.

Carefully selected breeders and joint quality requirements

We work with carefully selected breeders in each country, and set strict requirements based on a Nordic platform for chicken breeding. The same requirements and guidelines apply for all breeders, irrespective of their country. These requirements include, for example, the animals being able to wander freely in their pens, no growth hormones being used, and that antibiotics or any other medicine may only be given to sick animals. No beak trimming is allowed. There are also clear requirements in place for heating, lighting, ventilation, bedding and equipment for feed and water. The health of the chicken flocks is monitored on a daily basis and the pen environment is measured using a number of key figures.

Nordic animal protection legislation is among the strictest in the world. As our business is becoming more international in more countries, we can see a greater need and value in clarifying Scandi Standard's quality requirements for animal husbandry. Our ambition is to position ourselves as an industry leader. In 2019 we published a Groupwide approach for animal welfare, setting out the requirements we set ourselves and our breeders.

Foot health an indicator of animal health

The straw bed where chickens spend their time has a major impact on their health. If the straw bed is kept dry, it makes it comfortable for the chickens, strengthens their immune system and minimises the risk of diseases spreading. The quality of the straw bed is checked by looking at the condition of the foot pads. This is carefully monitored and registered for each pen when the chickens arrive at the slaughterhouse. Good foot health increases the proportion of high-quality chicken feet that can be exported as food, which increases revenue as this is more profitable than when they are used for animal feed.

Rearing without antibiotics

In accordance with current legislation in the Nordic region, antibiotics are not used as a preventive measure in the breeding process, unlike many other countries. The use of antibiotics among Nordic breeders is also very low, a sign of good animal husbandry.

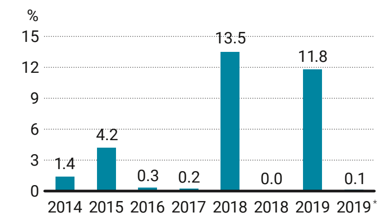
The increase in antibiotic resistance is a global health challenge and we believe that Scandi Standard has an important role to play in minimising the use of antibiotics in food production, particularly in terms of our acquisitions and the integration of operations in the Group that are outside the Nordic region. Since the Irish company Manor Farm became part of Scandi Standard in 2017, the use of antibiotics for the Irish operations has fallen by 55 percent in two years through targeted work. This trend is continuing in the right direction and levels should be on a par with Nordic levels within the next two years.

Our Group target is for the percentage of flocks treated with antibiotics to be lower than 1 percent. Our approach to antibiotics leads the way in the world, along with our working methods and results in our Group companies in the Nordic region. We also lead the way when looking at the strict EU rules for the use of antibiotics in animal production, which were decided in 2018.

Ethics in transport and slaughter

Animal ethics are a high priority in the transport and slaughter of the chickens. Transport from the breeders to our plants in cold climate conditions (Sweden, Finland, Norway) is carried out in specially adapted lorries that have temperature-controlled ventilation. Transport distances and arrival times are planned and registered to ensure that each chicken is handled within set time frames, and that they are always slaughtered on the same day they are transported. All of the chickens are checked on arrival and stunned

Percentage of flocks treated with antibiotics



* For comparability, figures are reported incl. (the higher stack) and excl. (the lower stack) Ireland for the two last years.

The reported use of antibiotics can be compared with 40–80 percent of flocks treated in many European countries. Scandi Standard's target for this figure is to be less than 1 percent, which has actually been achieved by the Nordic countries in recent years. The work to reduce antibiotic in the Irish operations have been successful in 2018–2019. The difference from other countries in the Group is still significant though the assessment is to be able to reach the goal within two more years.

Target:

<1%

use of antibiotics

(anaesthetised) before slaughter. The chickens are checked on site by official vets from the Swedish National Food Agency.

Correct choice of feed

One important part of the collaboration with the breeders is the composition of feed to achieve the best possible health for the chickens and the most effective use of feed. All feed is made from vegetables and careful planning goes into several ingredients in the composition of the feed, with wheat and soya being major components.

The use of GMO (genetically modified organisms, in this case soya and corn) in feed is widely discussed. Scandi Standard has chosen to adhere to local conditions and customer requirements and therefore requires GMO-free feed in Sweden, Norway and Finland.

Chicken rearing is very resource-efficient compared with other kinds of animals. The amount of feed and the level of climate impact are much higher in the production of pork and beef, for example. Feed efficiency is one of the most important indicators in order to optimise the rearing process. Chickens are very good at converting feed into meat, so feed efficiency is a direct indicator of the quality of the ingredients and the feed, and how well the chickens are being taken care of.

Alternatives to soya as protein feed

We are looking into the possibilities of replacing part of the imported soya that is traditionally used as a feed protein with other, local protein sources. This is because there are better alternatives from the perspective of animal welfare, the environment, and supporting local agriculture. Over the year we initiated a development project, where we are working with feed specialists to test new feed mixes, where a significant part of the soya is replaced with locally sourced beans.

Animal health and feed efficiency

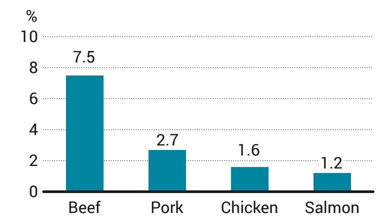
	Goals	2019	2018	2017	2016
Antibiotics, percentage of treated flocks, %	<1	11.8 0.1 excl. Ireland	13.5 0.0 excl. Ireland	0.2	0.3
Foot health, foot points	<10	20 4 excl. Ireland	14 6 excl. Ireland	9	14
Feed efficiency, kg feed/kg live weight	1.52	1.52	1.54	1.56	1.59

The chickens' health is monitored using a number of parameters. The central key indicators are the low use of antibiotics and foot health as indicators of good animal health and pen environment. The figures for the use of antibiotics above can be compared with approximately 40–80 percent of flocks treated in many European countries. Foot health is measured in terms of foot points; a low score indicates good foot health. Values under 15–20 are good in an international comparison.

The Irish Manor Farm is included for the first time in the reported figures for 2018. In order to compare with 2017, figures are also reported excluding Ireland.

One important part of the collaboration with the breeders is the composition of feed to ensure the best possible health for the chickens and the most effective use of feed.

Feed efficiency for different kinds of animals kg feed per kg live weight



This diagram shows feed efficiency when rearing different kinds of animals measured as the amount of feed in relation to growth (the weight is the live weight). The figures given should be seen as the mean value of the feed conversion rate (FCR) values from several published sources. An increase in feed efficiency saves natural resources and costs at several stages: less cultivated land is needed, fewer transports, lower energy use for producing feed and less water consumption throughout the value chain.

1.52 kg

kg feed/kg live weight

Planet

Climate and resource efficiency at every stage

The work on climate and resource-efficient chicken production includes Scandi Standard's own processing activities, as well as other parts of the value chain – rearing, transport, and the customer and consumer stage. The focus at the company's own plants is on managing the efficient use of electricity, heating and water, as well as the handling of waste and by-products.

Climate goals in line with the Paris Agreement

We take the climate issue seriously and we intend to play our part in reducing emissions. In line with the Paris Agreement and the 1.5 degree goal, our long-term ambition is to be completely fossil-free. Our overall sub-goal is to halve our climate-impacting emissions every 10 years, with the base year being 2016. Our measurable goal currently includes our own operations. The reported climate data includes the energy use at our plants (scope 1 and 2) as well as distribution transport and measured in relation to the size of the operations (tonne of CO_2e per kg product). However, we also monitor our climate footprint in absolute figures. The work and actions to reduce our climate impact covers every stage in our value chain. Looking at the entire lifecycle, the cultivation and production of feed along with the breeding of chickens account for the majority of our climate footprint.

Safe and eco-friendly transport

Sustainable transport is about the safety and security of our drivers and passengers, and also the chickens we transport. It also covers the delivery quality for our customers and ensures that we have the most efficient and climate-smart transport solutions possible.

As part of our work to reduce climate impact from transport, we have been working with fuel suppliers since 2017 to install HVO-biodiesel filling stations at our plant in Valla and at our transport suppliers locations. All Swedish national transport vehicles driving Kronfågel products are running on 100% renewable HVO-biodiesel.

During the spring 2020 we will run a pilot project in Denmark with cooling trailers that are carbon-dioxide neutral, using a combination of electricity and axel-generated energy to cool our products. The fleet of transport also contains cooling trailers with solar panels on the roof, supporting power for the temperature control system when the engine is turned off.

We require our transport suppliers to not only to observe our Code of Conduct, but also to provide us with environmental data and use EURO 6 class vehicles.

As a whole carbon dioxide emissions from our distribution transports fell by approximately 5 percent in 2019 compared with 2018.

Lowest possible food waste and other waste

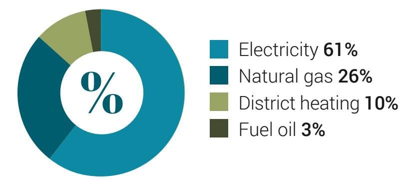
The entire chicken is used in the processing process, with nothing being wasted. An average of 70 percent of each chicken becomes food, and 30 percent is used as by-products in feed or bio oil.

In terms of the value chain as a whole, the customer and consumer chain is the most important for reducing the amount of food waste. Our contribution is to provide innovative packaging solutions, guidance and tips for consumers, and to optimise the product flow to and in food stores. Waste at our plants comprises primarily packaging and other flammable materials. All of our large plants sort their waste and monitor the volumes for each waste fraction. Our long-term goal is zero residual waste in production, with a sub-goal of reducing the amount of waste by 2 percent per year. However, we still need to work with our waste contractors to define base data, fractions and uniform measurements.

Strategy for sustainable packages

Stricter legislation and trends for a circular economy for packages affect Scandi Standard. All plastic packaging in the EU must be able to be reused or recycled by 2030. Scandi Standard's packaging strategy focuses on prioritising clean, non-composite materials, and to choose recycled and thinner materials where possible. All plastic packages is to be made from renewable or recycled

Energy use 2019, distribution energy sources (kWh)



Target:

50%

less carbon dioxide emissions 2016–2025

materials by 2023 at the latest, and the use of plastic in our own production will be reduced. A new technology for wrapping pallets that reduces the amount of plastic film by 30 percent was implemented at our plants in Denmark, Norway and Sweden during the year.

Efficient energy use

Each plant is working continually on energy efficiency. The systematic work on charting this and the actions taken, such as recirculating heat and changing over to energy-efficient LED lighting, has proved beneficial. In recent years, we have also been gradually phasing out fossil energy sources. Since 2018 we have been buying proof of origin-labelled renewable power for our plants in Sweden and Finland.

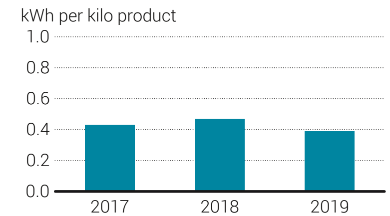
Efficient water use

The work on reducing the use of fresh water primarily focuses on indirectly reducing the use of energy, and reducing the amount of wastewater that needs to be treated. Work on optimising the use of water is ongoing. Local authorities are setting extensive requirements on the quality of wastewater, which is checked by monitoring the content of nitrogen and the Biological Oxygen Demand (BOD) content. Five of the Group's plants currently have their own treatment plants that treat wastewater from the slaughtering and processing of chicken.

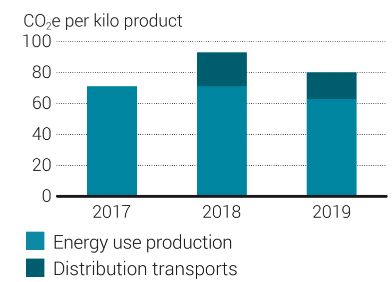
Reported carbon dioxide emissions per scope, GHG protocol		% of emissions	Ton CO_2e
Scope 1	Energy use		
	Fuel oil	5%	1,350
	Natural gas	25%	7,105
Scope 2	Energy use		
	District heating	1%	412
	Electricity	50%	14,154
Scope 3	Distribution transports	19%	5, 288

The diagrams display energy use (electricity and heat), CO_2-emissions stemming from energy use per kg chicken product and water use. Reported energy and emission data cover the following facilities: Aars, Farre, Valla, Lieto, Stokke, Jaeren and Manor Farm, together accounting for approximately 95 percent of Scandi Standard's total production 2019. For water use, reported data for 2017 is without Manor Farm.

Energy use

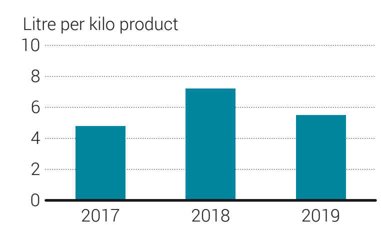


Carbon dioxide emissions



Total carbon dioxide emissions from energy use production and distribution transports 2019 was 28 309 ton, corresponding to 80 g per kg product.

Water use



Total water consumption 2019 was approximately 2 000 000 m^3.

About the Sustainability Report

Scandi Standard is subject to the requirement for sustainability reporting in accordance with the Swedish Annual Accounts Act. As well as this section, our Sustainability Report includes the sections Operations and value chain on pages 20–22, Our responsibility on pages 28–38 and Risk and risk management on pages 49–53. The Sustainability Report addresses Scandi Standard's material sustainability issues and risks, describing our work on them and the related internal control documents. In 2017–2019 the Group set the structure for joint systematic sustainability work, establishing goals, key indicators and monitoring for priority areas. Within some areas there is still an ongoing development and implementation of this.

Business model

For Scandi Standard, sustainable development is about responsible value creation over time for owners, customers, consumers and other stake holders. Our vision is to contribute to the joy of food and a sustainable food supply, by providing healthy, innovative chicken products that are produced in a responsible and resource-efficient way. This is also described in Scandi Standard's vision "Better Chicken for a Better life". For a more detailed description of our vision, mission, values and operations, see pages 1–3 and 20–22.

Material sustainability aspects and risks

In 2017 Scandi Standard identified material sustainability aspects and risks by conducting a materiality analysis. This was summarised under the following headings: Health, Food safety and hygiene, Animal welfare, Climate and resource efficiency, Good workplace and Good business ethics.

This analysis was performed internally and featured a broad representation of key people from every part of the business. It was based on the impact of operations through the value chain, stakeholder expectations, our mission and our strategic goals. Important input values included knowledge that we accumulated from stakeholder dialogues, as well as risk analyses, market analyses and external frameworks, such as Agenda 2030.

The materiality analysis is a continuous process. The results were checked during the year against the company's standard market and risk analyses, and in dialogue with investors, customers and other stakeholders. We think that it is positive that demands from shareholders and investors are increasing in terms of measurable goals and KPIs, as well as clear reporting of risk management, for example, surrounding the climate, supplier relationships and animal health.

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

Sustainability policy

Scandi Standard's Code of Conduct constitutes the Group's general sustainability policy and applies to every manager and employee and all parts of our company, as well as to members of the Board. The Code of Conduct states that environmental, economic and social responsibility is an integral part of the business strategy and describes the approaches and guidelines that apply to material sustainability aspects in the areas of environment, social conditions, human resources, respect for human rights and anti-corruption.

Scandi Standard's Supplier Code of Conduct imposes corresponding requirements on the Group's suppliers.

A whistle-blowing function has been set up to report any potential deviations and violations of the Code of Conduct. A few tasks were reported and investigated by the special committee over the year. Most of them were labor law and employee-related issues. There were no actually legal violations.

Sustainability aspect	Scandi Standard's impact	Comment/reference regarding governance, risk management and KPIs	
Social conditions	Health (for employees and consumers) Food safety and hygiene, Animal welfare (product responsibility) Responsibility in the supply chain	**Description**: **Risks and risk management**: **Policy:** **KPIs**:	Pages 30 Safe and healthy products, page 31 Scandi Standard as a workplace, and 34–35 Chickens in good health. Pages 50–52. Code of Conduct, section Code of Conduct, section Social conditions, Environment/Animal welfare, and Products. Pages 30–31, 34–35
Environment	Climate and resource efficiency (energy, transport, water and waste management in production, feed efficiency, etc.)	**Description:** **Risks and risk management:** **Policy:** **KPIs:**	Pages 36–37 Climate and resource-efficiency at all stages. Pages 50–52. Code of Conduct, section Environment. Permits and notifications under national and local environmental legislation for each plant. Pages 36–37
Human resources	Good workplace (work environment, health, safety, gender equality and diversity)	**Description:** **Risks and risk management:** **Policy:** **KPIs:**	Page 31 An attractive and healthy workplace. Pages 50–52. Code of Conduct, section Social conditions (incl. human rights, working conditions and work environment). Diversity and equality policy Page 31
Respect for human rights	Good workplace Responsibility in the supply chain	**Description:** **Risks and risk management:** **Policy:** **KPIs:**	Page 32 Responsible supplier relations, Page 31 An attractive and healthy workplace. Pages 31–32, 51–52 Code of Conduct, section Social conditions (incl. human rights, working conditions and work environment). Diversity and equality policy Supplier Code of Conduct. Follow-up is carried out through the employee survey as well as through follow-up and deviation reporting concerning the Code of Conduct and Supplier Code of Conduct, Groupwide KPIs are missing.
Anti-corruption	Good business ethics	**Description:** **Risks and risk management:** **Policy:** **KPIs:**	Ethical business risks occur in relationships with customers, suppliers and partners, as well as in the subcontractor chain. Pages 52 Code of Conduct, section Business Ethics, Supplier Code of Conduct. Page 32 Follow-up and deviation reporting regarding the Code of Conduct and the Supplier Code of Conduct, supported by the whistle-blowing function.

Auditor's report on the statutory sustainability report

To the annual meeting of the shareholders of Scandi Standard AB (publ), corporate identity number 556921-0627

Assignment and responsibility

It is the Board of Directors that is responsible for the Sustainability Report for the year 2019 on pages 28-39 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

The scope of the audit

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

Opinion

A sustainability report has been prepared.

Stockholm, 13 April 2020
Öhrlings PricewaterhouseCoopers AB

Bo Lagerström
Authorised Public Accountant

The Scandi Standard share

58%

Increase in the share price since the listing in 2014 (as of 31 December 2019)

54%

The percentage of the share capital that is controlled by the ten largest owners

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

In 2019 a total of 20.9 (23.2) million shares were traded. The average daily volume was 84,020 (92,861) shares.

The final price paid on the last day of trading in 2019 was SEK 74.4 (SEK 61.9), which entails an increase of approximately 20 percent compared with the same time in the previous year. The share price has therefore increased by approximately 58 percent since the listing in 2014. The share is a part of the Nasdaq Mid Cap index, which increased by 34 percent in 2019.

On 31 December 2019the market value amounted to approximately MSEK 4,915 (4,091).

Ownership structure

On 31 December 2019 the number of shareholders totalled 5,854 (5,594). The holding of the ten largest owners corresponded to 54 (50) percent of the share capital. On 31 December 2019 approximately 57 percent of the share capital was owned by Swedish institutions, unit trusts and private individuals.

Dividend

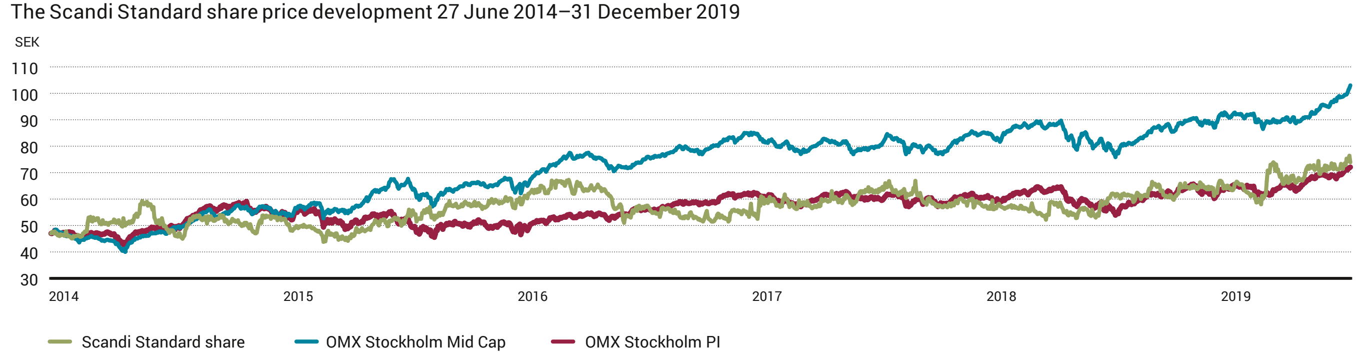
The Board of Directors proposes that no dividend will be paid for 2019 with reference to the uncertainty caused by the situation with COVID-19. The proposal does not reflect a change in the company's dividend policy or future intentions to pay dividend. For 2018, a dividend of SEK 2.00 per share was paid, corresponding to approximately SEK 131 million.

The company's dividend policy is to distribute approximately 60 percent of earnings, adjusted for non-comparable items, for the year on average over time. The dividend should be determined in a way that ensures that the proposed dividend is justifiable; this is based on the requirements that the type, scope and risks of the company's and Group's operations place on the level of the company's and Group's equity, as well as the company's and Group's required financial position and investments.

Share-based incentive programme

Scandi Standard has three share-based long-term incentive programmes for key people, LTIP 2017, LTIP 2018 and LTIP 2019. See Notes 1 and 5 for information about these programmes.

The Scandi Standard share price development 27 June 2014–31 December 2019



Ownership structure on 31 December 2019

Holding	No. of shareholders	No. of shares	Voting rights and share capital, %
1 – 500	4,284	600,620	0.9
501 – 1,000	641	516,015	0.8
1,001 – 10,000	731	2,308,223	3.5
10,001 – 20,000	62	900,258	1.4
20,001 –	135	61,735,834	93.5
Total	**5,854**	**66,060,890**	**100.0**

Per share data, SEK

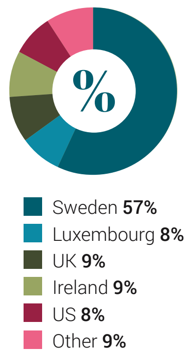
	2019	2018
Adjusted earnings per share [1]	4.06	3.79
Earnings per share	3.60	3.05
Dividend per share	– [2]	2.00
Operating cash flow, per share	9.03	5.27
Equity per share	26,58	24.60
Average no of shares [3]	65,383,603	65,285,191
Number of shares at the end of period	66,060,890	66,060,890

1) Adjusted for non-comparable items, see page 44.
2) Board's proposal.
3) In 2019, 0 (0) own shares were repurchased.

Largest shareholder on 31 December 2019

Name	No. of shares	Capital, %
Investment AB Öresund	10,100,000	15.3
Carton Group ULC	6,000,000	9.1
Lantmännen Animalieinvest AB	3,303,461	5.0
Carnegie Fonder	3,281,848	5.0
Handelsbanken fonder	2,500,000	3.8
Länsförsäkringar Fondförvaltning AB	2,438,932	3.7
Cliens Fonder	2,385,000	3.6
JP Morgan Bank Luxembourg S.A.	2,019,072	3.1
RBC Investor Services Bank S.A.	1,940,204	2.9
State Street Bank and Trust Co	1,657,106	2.5
Other	30,435,267	46.1
Total	**66,060,890**	**100.0**

Geographic distribution of the share ownership



CFO statement

> We are well positioned to take on future opportunities and challenges.”

Adjusted operating income for 2019 was MSEK 454 which is an increase by MSEK 73 (19 percent) compared to 2018. All segments improved. I am pleased to see that the Finnish operation is very close to being profitable after several years of challenges. The Danish operation experienced strong growth, which unfortunately has come with some costs due to capacity constraints within production. This is an area where we have potential to improve

The finance net has been affected negatively by currency effects during the year. Tax expenses were also high as we made an impairment of earlier years deferred tax assets of MSEK 11 related to losses carried forward and not capitalised tax losses of MSEK 5 from this year. This is not a reflection of changes in expectations, but a consequence of clearer guidance from ESMA regarding how to manage uncertainty in future estimated profits. The year before, on the other hand, we had a positive tax effect of adjustments for changed tax rates.

We conclude the year with a stronger financial position with lower net debt despite having paid contingent consideration for our Irish acquisition as well as executed an extensive investment plan. A more efficient working capital contributed to this development, and available funds at the end of the year enables a continued high investment pace and following our dividend policy. We are also well equipped financially to make acquisitions if the opportunity arises.

In conclusion, 2019 was a year of good development. Considering the development with Covid-19, the future is increasingly uncertain but in our underlying business we see potential to improve our margins further, and right now our focus is on ensuring a stable future business.

Julia Lagerqvist
CFO

Report by the Board of Directors

When applicable, the comparative figures for 2018 have been restated for changed accounting principles according to IFRS 16 Leases, see Notes 1 and 31.

- Net sales for the Group increased by 12 percent to MSEK 9,891 (8,797). Net sales in Sweden increased by 8 percent, in Denmark by 25 percent, in Norway by 7 percent, in Ireland by 4 percent and in Finland by 18 percent.
- Adjusted operating income[1)] increased to MSEK 454 (381), corresponding to a margin of 4.6 (4.3) percent.
- Adjusted operating income[1)] improved in all segments.
- Income after finance net increased to MSEK 312 (233).
- Income for the year increased to MSEK 237 (200) and earnings per share were SEK 3.60 (3.05). Income for the year was impacted by higher tax expenses. The increased tax expenses was due to an impairment of a deferred tax asset regarding losses carried forward from previous years of MSEK 11 and not capitalised tax losses of 5 MSEK from this year.
- Operating cash flow amounted to MSEK 590 (354) positively impacted by improved working capital development.
- Net interest-bearing debt decreased to MSEK 2,200 (2,370) partly due to high capital expenditure during the year.
- The Board of Directors proposes that no dividend will be paid for 2019 with reference to the uncertainty caused by the situation with COVID-19. For 2018, a dividend of SEK 2.00 per share was paid.

Net sales and income

Net sales

Net sales for the Group for 2019 increased to MSEK 9,891 compared to MSEK 8,797 last year.

Net sales increased by 8 percent in Sweden, 25 percent in Denmark, 7 percent in Norway, 4 percent in Ireland and 18 percent in Finland.

Net sales by product category rose by 12 percent for Ready-to-cook Chilled, decreased by 3 percent for Ready-to-cook Frozen and increased by 31 percent for Ready-to-eat. The increase in Ready-to-eat is mainly driven by an increase in sales to Foodservice.

Income

Operating income for the Group, adjusted for non-comparable items[1)], increased to MSEK 454 in 2019 from MSEK 381 in 2018, corresponding to a margin of 4.6 (4.3) percent. Adjusted operating income[1)] improved in all segments.

The improved adjusted operating income was mainly driven by higher sales volumes and an improved sales mix. The increase in sales for Ready-to-eat is impacting the increase in the adjusted operating margin.

Operating income, including non-comparable items, increased to MSEK 424 from MSEK 333 in 2018, corresponding to a margin of 4.3 (3.8) percent.

Non-comparable items in operating income amounted to MSEK −30 (−49), see table on page 44.

The finance net for the Group 2019 amounted to MSEK −113 (−99). The increase is mainly driven by negative exchange rate fluctuations, as a consequence of a weak Swedish krona.

The tax on income for the year for the Group 2019 amounted to MSEK −75 (−33). The increased tax expense were impacted by an impairment, of a deferred tax asset regarding losses carried forward from previous years, of MSEK 11 and not capitalised tax losses of 5 MSEK from this year .

Income for the year for the Group 2019 increased to MSEK 237 from MSEK 200 in 2018, corresponding to earnings per share of SEK 3.60 (3.05).

Key figures

MSEK	2019	2018
Net sales	9,891	8,797
Adjusted EBITDA[1)]	776	714
Adjusted operating income (EBIT)[1)]	454	381
Operating income (EBIT)	424	333
Income after finance net	312	233
Income for the year	237	200
Earnings per share, SEK	3.60	3.05
Dividend, SEK	–[2)]	2.00
Net interest-bearing debt	2,200	2,370
Operating cash flow	590	354

%	2019	2018
Adjusted EBITDA-margin[1)]	7.8	8.1
Adjusted operating margin (EBIT)[1)]	4.6	4.3
Operating margin (EBIT)	4.3	3.8
Adjusted return on capital employed (ROCE)[1)]	11.0	9.7
Return on equity	14.2	13.2
Equity ratio	27.7	26.5
Average number of employees	3,266	3,005

1) For the non-comparable items, see page 44.
2) Proposed by the Board.

Cash flow and investments

Operating cash flow for the Group in 2019 last year amounted to MSEK 590 compared to MSEK 354 last year. Cash flow was positively impacted by an improved income before depreciation and amortization (EBITDA) and by an improved working capital development but negatively impacted by higher capital expenditure.

Working capital as of 31 December 2019 amounted to MSEK 211 (509), corresponding to 2.1 (5.8) percent of net sales. The improvement refers mainly to higher trade payables and higher other payables. Inventory in Sweden improved significantly, but the effect is offset by higher inventory levels in primarily Denmark.Inventory and biological assets increased by MSEK 77 while Trade receivables was increased by MSEK 51.

Capital expenditure

Net capital expenditure for the Group in 2019 last year amounted to MSEK 419 compared to MSEK 371 last year. The increase is mainly related to investments in Ireland with the purpose to improve animal welfare, further improve food safety and increase efficacy, productivity and capacity. There have also been investments made in increased efficiency in other sites as well.

Approximately 72 (77) percent of the capital expenditure 2019 referred to productivity and capacity improvement measures and approximately 28 (23) percent to maintenance.

Financial position

Equity as of 31 December 2019 amounted to MSEK 1,738 (1,586). The equity to assets ratio was 27.7 (26.5) percent.

Net interest-bearing debt for the Group as of 31 December 2019 amounted to MSEK 2,200 (2,370). Despite large capital expenditure, the net interest-bearing debt was improved thanks to an improved income before depreciation and amortization (EBITDA) and improved working capital. Net interest-bearing debt/adjusted EBITDA was 2.8 (3.3) times. Cash and cash equivalents for the Group amounted to MSEK 194 (89) as of 31 December 2019 and committed but not utilized credit facilities amounted to MSEK 461 (468).

Transactions with related parties

Scandi Standard has an agreement with Lantmännen, a major shareholder, regarding the lease of a property in Åsljunga, Sweden. Rent for the property during 2019 amounted MSEK 2 (2).

Non-comparable items in operating income

MSEK	2019	2018
Staff reduction costs[1]	–12	–1
Restructuring of production[2]	–7	–42
Transaction costs[3]	–1	–11
Effect of changes in estimated useful life of fixed assets[4]	–	8
Costs for faulty raw materials[5]	–6	–
Other	–4	–3
Total	**–30**	**–49**

1) Costs for staff reductions in Denmark in 2019 and in Sweden in 2018.

2) Closing of hatchery in Finland in 2019 and restructuring of and changes in production in Sweden during 2018.

3) Deal fees mainly related to the acquisitions of Rokkedahl Food ApS in Denmark in 2018 and Carton Bros ULC in Ireland 2017.

4) The share of the effect of the analysis of applied depreciation rates in relation to estimated actual useful life that refers to previous periods.

5) Costs incurred due to quality issues in purchased raw material that have not been covered by insurance.

Change in net interest-bearing debt

MSEK	2019	2018
Opening balance net interest-bearing debt	**–2,370**	**–2,323**
EBITDA	748	662
Adjustments for non-cash items	29	3
Change in working capital	264	157
Net capital expenditure	–419	–371
Net increase in leasing assets	–33	–98
Operating cash flow	**590**	**354**
Paid finance items, net	–72	–78
Paid income tax	–49	–83
Dividend	–131	–118
Acquisition	–133	–4
Other[1]	–36	–119
Total change in net interest-bearing debt	**170**	**–47**
Closing balance net interest-bearing debt	**–2,200**	**–2,370**

1) Other includes currency exchange effects. Other in 2018 includes net interest-bearing debt from the acquisition of Rokkedahl Food ApS of MSEK 92.

Segment information

Sweden

MSEK	2019	2018	Change
Net sales	2,864	2,656	8%
Adjusted EBITDA[1)]	257	238	8%
Adjusted operating income (EBIT)[1)]	182	138	32%
Non-comparable items[1)]	–	–42	–
Operating income (EBIT)	182	96	89%
Of which the effect of changes in estimated useful life of fixed assets	18	11	61%
Adjusted EBITDA-margin[1)]	9.0%	9.0%	–
Adjusted operating margin[1)]	6.3%	5.2%	–

1) For the non-comparable items, see page 44.

Net sales for the Swedish operations in 2019 increased by 8 percent to MSEK 2,864 (2,656). The increase in Net sales is mainly caused by price increases in order to compensate for raw material price increases and increases in sales volumes. Net sales increased by 8 percent for product category Ready-to-cook Chilled, was unchanged for Ready-to-cook Frozen and increased by 25 percent for Ready-to-eat product category.

Adjusted operating income increased by 32 percent to MSEK 182 (138), corresponding to a margin of 6.3 (5.2) percent. The improvement in adjusted operating income and margin was positively impacted by a favourable sales mix and sales volume effects.

The retail market for chicken products in Sweden increased in 2019 by 11 percent in value compared to 2018. Chilled products increased by 16 percent in value, and frozen products increased by 7 percent in value. The increase was partly driven by price increases, while the volume increased 9 percent.

Denmark

MSEK	2019	2018	Change
Net sales	3,426	2,750	25%
Adjusted EBITDA[1)]	186	163	14%
Adjusted operating income (EBIT)[1)]	101	92	9%
Non-comparable items[1)]	–20	–2	–
Operating income (EBIT)	80	90	–11%
Of which the effect of changes in estimated useful life of fixed assets	1	9	–87%
Adjusted EBITDA-margin[1)]	5.4%	5.9%	–
Adjusted operating margin[1)]	2.9%	3.3%	–

1) For the non-comparable items, see page 44.

Net sales for the Danish operations in 2019 increased by 25 percent to MSEK 3,426 (2,750) and by 21 percent in local currency.

The increase in net sales was mainly driven by a strong sales in the category Ready-to-eat in the Foodservice sales channel, that the sales from Rokkedahl Food Aps, acquired in the third quarter of 2018, are included in net sales for the full year 2019 and positive sales development within retail.

Adjusted operating income increased by 9 percent to MSEK 101 (92), corresponding to a margin of 2.9 (3.3) percent.

The operating profit and margin was negatively affected by high production costs in order to handle the increase in volume

About MSEK 20 was reported as non-comparable items during the year, mostly related to restructuring measures.

The market for the chicken products in the retail market in Denmark increased with 5 percent in value compared to 2018. Chilled products increased with 2 percent in value, while frozen products increased with 2 percent in value.

Norway

MSEK	2019	2018	Change
Net sales	1,619	1,512	7%
Adjusted EBITDA[1)]	223	208	7%
Adjusted operating income (EBIT)[1)]	150	131	14%
Non-comparable items[1)]	–	–	–
Operating income (EBIT)	150	131	14%
Of which the effect of changes in estimated useful life of fixed assets	7	5	38%
Adjusted EBITDA-margin[1)]	13.8%	13.8%	–
Adjusted operating margin[1)]	9.2%	8.7%	–

1) For the non-comparable items, see page 44.

Net sales for the Norwegian operations in 2019 increased by 7 percent to MSEK 1,619 (1,512) and by 6 percent in local currency.

The net sales in the product categories Ready-to-cook increased by 2 percent, while the net sales in the product category Ready-to-eat increased by 15 percent.

Adjusted operating income increased by 14 percent to MSEK 150 (131), corresponding to a margin of 9.2 (8.7) percent. The improved adjusted operating income and margin was reached mainly thanks to a positive sales mix and good efficiency.

The retail market for chicken products in Norway in 2019 grew by 9 percent in value compared to 2018. Chilled products grew by 7 percent in value, frozen products increased by 5 percent in value.

Ireland

MSEK	2019	2018	Change
Net sales	1,972	1,894	4%
Adjusted EBITDA[1)]	169	157	8%
Adjusted operating income (EBIT) [1)]	107	96	11%
Non-comparable items[1)]	–	–2	–
Operating income (EBIT)	107	94	13%
Adjusted EBITDA-margin[1)]	8.6%	8.3%	–
Adjusted operating margin[1)]	5.4%	5.1%	–

1) For the non-comparable items, see page 44.

Net sales for the Irish operations increased with 4 percent in 2019 and amounted to MSEK 1,972 (1,894) and by 1 percent in local currency.

Adjusted operating margin improved by 11 percent to MSEK 107 (96), corresponding to a margin of 5.4 (5.1) percent. The improvement in adjusted operating income and margin is mainly driven by an adjustment of inventory value of spare parts.

The retail market for chicken products in Ireland, which is predominantly chilled, remained unchanged by value compared to 2018, but increased during the fourth quarter in 2019 compared with same period last year.

Finland

MSEK	2019	2018	Change
Net sales	491	416	18%
Adjusted EBITDA[1)]	20	9	125%
Adjusted operating income (EBIT) [1)]	–2	–13	88%
Non-comparable items[1)]	–9	–	–
Operating income (EBIT)	–10	–13	19%
Of which the effect of changes in estimated useful life of fixed assets	2	4	–48%
Adjusted EBITDA-margin[1)]	4.1%	2.2%	–
Adjusted operating margin[1)]	–0.3%	–3.1%	–

1) For the non-comparable items, see page 44.

Net sales for the Finnish operations in 2019 increased by 18 percent to MSEK 491 (416) and by 14 percent in local currency.

Adjusted operating income was improved to MSEK –2 (–13), corresponding to a margin of –0.3 (–3.1) percent. The improvement in adjusted operating income is mainly driven by a more favourable sales mix and greater efficiency and yield in production. The fourth quarter was impacted by one-off costs and impairments in inventory.

About MSEK 9 of non-comparable items were reported during 2019, mainly related to the closing of a hatchery.

The retail market for chicken products in Finland, which is predominantly chilled, increased by 4 percent in value compared to 2018.

Acquisition

No acquisitions were made during the year. Acquisitions constitute an important part of Scandi Standards strategy and can create substantial advantages for the whole Group, through exchange of best practice with greater efficiency and sustainable operation as a result and contribute to a more stable earning. We are continuously following the change in structure in our business and judge that we are well-positioned in order to contribute in the consolidation of the European poultry market over time.

In conjunction with the acquisition of the Irish operation in 2017, an agreement of contingent consideration was made, to be paid in four separate payments 2018-2021. The amount is depending on the income development. The first instalment of the contingent consideration amounting to MSEK 4, was paid in 2018. The second instalment of the contingent consideration, amounting to MSEK 133, was paid in the third quarter of 2019.

The Scandi Standard share

As of 31 December 2019, the share capital in Scandi Standard amounted to SEK 659,663 (659,663), comprising 66,060,890 (66,060,890) shares. Each share carries one vote. All shares have equal rights to the company's assets and profits.

There are no restrictions on the transfer of shares, voting rights or the right to participate in the Annual General Meeting, nor is the company party to any significant agreements which might be affected, changed or terminated if control of the company were to change as a result of a public bid for acquisition of shares in the company, with the exception of the Group's financing 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 2019, the three largest shareholders were Investment AB Öresund, Carton Group ULC and Lantmännen Animalieinvest AB with 15.3, 9.1 and 5.0 percent of the share capital respectively. For information on major shareholders, see page 41.

Environmental activities

Scandi Standard operates 12 larger production facilities, of which four in Sweden, two in Denmark, three in Norway, two in the Republic of Ireland and one in Finland. Permits and notification requirements are in accordance with local legislation for all units. The main direct environmental impacts are noise, emissions into the air and water, and temporary storage of hazardous waste. There was no non-compliance reported in 2019.

Sustainability report

In accordance with the Annual Accounts Act, Chapter 6, 11§, Scandi Standard has chosen to prepare a sustainability report that is separated from the Annual Report. The extent of the sustainability report is stated on page 28.

Personnel

The average number of employees (FTE) in 2019 was 3,266 (3,005), of which 843 (813) in Sweden, 920 (767) in Denmark, 312 (280) in Norway, 1,008 (962) in Ireland and 183 (184) in Finland. For more information, see Note 5.

Annual General Meeting 2020

The Annual General Meeting (AGM) 2020 will be held on 12 May at 10:00 am in Axel Wenner-Gren salen, at the Wenner-Gren Center, Sveavägen 166 in Stockholm, Sweden. More information about the AGM is available on: investors.scandistandard.com/en/agm.

Proposed appropriation of earnings

The Board of Directors proposes that no dividend will be paid for 2019 (SEK 2.00 per share for 2018). The Board declare that the financial position is good and that the proposal does not reflect a change in the company's dividend policy or future intention to pay dividend. The decision not to propose dividend is due to the uncertainty of the development that the Coronavirus outbreak creates and with the uncertain situation prevailing in the environment, the Board of Directors considers that it is not justifiable to propose a dividend.

The company's dividend policy is to distribute a dividend of approximately 60 percent of income for the year, adjusted for non-comparable items, on average over time. The dividend shall be determined taking into account the requirements that the company's and the Group's operations type, scope and risks impose on the size of the company's and the Group's equity and the investment requirements of the company and the Group.

SEK	2019	2018
Share premium reserve	726,508,284	857,145,214
Accumulated deficit	–36,963,216	–53,225,921
Income for the year	16,993,683	16,262,706
Total	**706,538,751**	**820,181,999**
Dividend to shareholders of SEK – (2.00) per share	–	130,636,930
To be carried forward	706,583,751	689,545,069
Total	**706,538,751**	**820,181,999**

Events after the end of the period

Covid-19

During the spring of 2020, the Corona virus, first discovered in China, has spread over the world. On 11 March 2020, WHO declared the outbreak of COVID-19 as a pandemic. The outbreak affects the society in all countries where we have operations. The hospitality industry is affected the most and thereby our sales to the Foodservice channel. This is offset by an increase in sales in the Retail channel, which comprises the majority of our sales.

The extensive spread of the virus may impact our ability to maintain production if employees are not able to come to work due to illness or due to other factors. Production may also be affected by similar issues at our suppliers. As an effect of lower sales in Foodservice, one production line in Denmark was temporarily closed in March 2020.

In all the Group's operations, crisis plans are adapted and activated to ensure that the effects on our operations will be as limited as possible. The Group currently has the required funds available but prepares for additional actions if the situation deteriorates further to ensure a stable business going forward. The company is closely following the crisis actions initiated by governments in the countries where we operate.

Proposal regarding guidelines for remuneration to senior management

The board of directors proposes that the below guidelines for remuneration for the senior management are applied for remuneration agreed after the annual general meeting 2020. Remuneration resolved upon by the general meeting are not covered by these guidelines.

In these guidelines, the senior management means the managing director of the company, the senior managers in the company and other group companies who, from time to time, are reporting to the managing director or the CFO and who are also members of the senior management, as well as board members of the company that have entered into an employment or consulting agreement with a group company.

The company's remuneration principles and policies shall be designed to ensure responsible and sustainable remuneration decisions that support the company and the Group's strategy, long-term interests and sustainable business practices. Salaries and other terms and conditions of employment shall be adequate to enable the company and the group to retain and recruit skilled senior managers at a reasonable cost. The remuneration to the senior managers shall consist of fixed salary, variable salary, pension and other benefits, and it shall be based on principles of performance, competitiveness and fairness.

Principles for fixed salary

Each senior manager shall be offered a fixed salary in line with market conditions and based on the manager's responsibility, expertise and performance. To the extent a board member performs work for the company, in addition to ordinary board work, a market-based consulting fee may be paid.

Principles for variable salary

All senior managers may, from time to time, be offered a variable salary (i.e., cash bonuses). The variable salary shall be based on a set of financial and personal objectives determined in advance. To which extent the objectives for awarding variable salary has been satisfied shall be determined when the relevant measurement period of the performance criteria has ended. The remuneration committee of the board of directors is responsible for the evaluation of the variable cash salary to the managing director. The managing director is responsible for the evaluation of the variable cash salary to other members of the senior management.

The variable salary may not amount to more than 75 percent of the fixed salary (in this context, fixed salary means cash salary earned during the year, excluding pension, benefits and similar).

Principles for incentive programs

Remuneration resolved upon by the general meeting are not covered by these guidelines. Accordingly, these guidelines do not apply to the share-related long-term incentive program (LTIP 2020) proposed by the board of directors or the similar outstanding share-related long-term incentive programs resolved upon by the annual general meetings 2017, 2018 and 2019, respectively. These share-related long-term incentive programs are directed to certain key employees of the group and designed to promote the long-term value growth and sustainability of the company and the Group increase alignment between the interests of the participating employees and the company's shareholders. Under the long-term incentive programs, the participating employees may be allotted shares in the company free of charge, subject to a three-year vesting period and provided that certain performance criteria are fulfilled. In order to further increase alignment between the long-term interests of the participants and the company's shareholders, a requirement for participation is that the participant undertakes to retain all allotted shares (except for such shares that are sold to cover for tax due to the allotment of shares) for a period of two years from the date of the allotment of the shares. More information on the company's share-related long-term incentive programs, including the performance criteria which the outcome depends on, is available on company's web www.scandistandard.com.

Principles for pensions

Agreements regarding pensions shall, where applicable, be premium based and designed in accordance with the level and practice applicable in the country in which the member of senior management is employed. Pension premiums for premium defined pension may not amount to more than 25 per cent of the annual fixed salary.

Principles other non-monetary benefits

Other benefits may include, for example, life insurance, medical insurance and company cars. Premiums and other costs related to such benefits may not amount to more than 10 per cent of the annual fixed salary.

Principles for salary during periods of notice and severance pay

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

Preparation and review of matters regarding remuneration to the senior management

These guidelines have been prepared by the remuneration committee of the board of directors. When evaluating whether the guidelines and the limitations set out herein are reasonable, the remuneration committee has considered the total income of all employees of the company, including the various components of their remuneration as well as the increase and growth rate over time.

The remuneration committee shall monitor and evaluate programs for variable remuneration for the senior management, the application of these guidelines as well as the current remuneration structures and compensation levels in the company.

The members of the remuneration committee are independent in relation to the company and the senior management. The managing director and the other members of senior management do not participate in the board of directors' handling of and resolutions regarding remuneration-related matters if they are affected by such matters.

Principles for deviations from the guidelines

The board of directors may resolve to deviate from the guidelines, in whole or in part, if the board of directors, in an individual case, is of the opinion that there are special circumstances justifying a deviation and a deviation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability.

Proposal for long-term incentive program

The Board of Directors has decided to propose to the AGM 2020 a long-term incentive program 2020 (LTIP 2020) for key employees which is designed to promote the long-term value growth of the company and the Group and increase alignment between the interests of the participating individual in the program the company's shareholders. The program is of the same type as LTIP 2019 and comply partly with the program LTIP 2015 - LTIP 2018. The program comprises a maximum of 33 participants.

Performance share rights shall be allotted free of charge to the participants in the program relation to a fixed percentage of their base salary (fixed salary). After a three-year vesting period commencing in connection with the implementation of LTIP 2020 and provided that certain conditions are fulfilled, the participants in the program may exercise their performance share rights through which they will be allotted shares in the company free of charge. Each performance share entitles the holder up to one share. New from 2019 is that the participants in the program undertakes to retain all allotted shares, except for such shares that are sold to cover for employment income tax due to the allotment of shares, for a period of two years from the date of the allotment of the shares.

In order for performance share rights to entitle to allotment of shares, it shall be required that the participants in the program employed and has not given or been given notice of termination of employment within the Group during the vesting period and that certain performance criteria are fulfilled.

In order to secure the delivery of shares under LTIP 2020 and for the purpose of hedging social security charges under LTIP 2020, the Board of Directors proposes that the Board of Directors be authorized to acquire a maximum of 540,000 shares in the company on Nasdaq Stockholm. In addition, the Board of Directors proposes that the AGM resolves to transfer a maximum of 460,361 own shares to the participants of LTIP 2020 in accordance with the terms of the program.

The LTIP 2016 program was completed during 2019 with an allotment of 65,138 shares to the participants in the program.

Apart from LTIP 2017, LTIP 2018 and LTIP 2019, Scandi Standard has no other share- or share price related incentive programs. The intention is that a program similar to LTIP 2020 will be proposed annually to the AGM in the coming years.

Full details of LTIP 2020 are included in the notice to the AGM 2020. For information about the terms and the costs for LTIP 2017, LTIP 2018 and LTIP 2019, see Note 5.

RISKS AND RISK MANAGEMENT

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

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

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

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

Risks and uncertainties

Risks connected with Scandi Standard's operations can generally be divided into strategic risks, operational risks, risks related to compliance with external laws and regulations and internal steering documents, reporting risks and financial risks.
All risks can have a negative impact on Scandi Standard's net sales, financial results and financial position, and affect the Group's ability to achieve the strategic, operational and financial targets that have been set.

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

Strategic risks

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

Operational risks

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

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

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

For more information about important external laws and regulations and internal steering documents, see page 107 of the Corporate governance report. These include the Swedish Corporate Governance Code and the Scandi Standard Code of Conduct, for example. In the case of financial reporting, this is to be prepared in accordance with external laws, accounting standards and other requirements applicable to listed companies.

Reporting risks

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

A description of internal control and risk management in the Group related to the financial reporting can be found in the Corporate governance report on page 107–114.

Financial risks

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

Sensitivity analysis

A sensitivity analysis of important factors affecting the Group's financial results is shown below. The analysis is based on values as of 31 December 2019 and assumes that all other factors remain unchanged.

Sensitivity analysis

			Change in exchange rates in relation to SEK		
	Average sale price	**Cost of goods sold**	**DKK**	**NOK**	**EUR**
Change on an annual basis	+/- 1%	+/- 1%	+/- 5%	+/- 5%	+/- 5%
Approximate impact on operating income, MSEK	+/- 99	+/- 84	+/- 5	+/- 8	+/- 5

Strategic risks

Risks	Description	Management
Dependency on a few major customers	The Group's five largest customers represented approximately 41 percent of net sales in 2019, and the ten largest approximately 56 percent. This is partly due to the fact that the Nordic food retail market is consolidated with only a few major chains in each country. Loss of customers or volumes with customers can have a substantial negative impact on the Group's net sales and financial results.	• Annual strategy process. • Reporting of sales and results to Group Management and other members of operational management on a weekly basis. • Group Management holds meetings every two weeks to review the results, to update forecasts and plans, and to discuss critical business issues.
Access to birds to maintain current operations and achieve growth	It is almost exclusively external contract breeders in their local markets that breed chickens. The Group is dependent on buying significant volumes in order to maintain its current operations and achieve growth.	• The Group works closely with its contracted breeders on the efficiency and quality of the breeding and to promote good animal husbandry. • Continue to strengthen cooperation with the contracted breeders overall and in terms of the legal agreements, and to formalize the follow-up.
New trends that could lead to lower demand for chicken	Demand for the Group's products can be affected by trends in health, diets, animal welfare, slow-growing breeds, ethical values relating to animal husbandry, and the environment, which can also affect the Group's net sales and production costs.	• Greater focus on sustainability work throughout the organisation and the value chain, including stakeholder dialogues. • The Group has group functions for sustainability, quality and animal welfare. • Long-term marketing studies.
Changes in retail marketing	The retail sector is Scandi Standard's largest sales channel, representing more than half of Group Net sales. Retail has a major impact on the buying behaviour of consumers, for example, by where the goods are located in the store, shelf space and sales promotion and therefore the Group's net sales. An increase in online sales can lead to changes in volumes and market shares for the Group's most important customers.	• The Group works actively with trade organisations and retail to promote the chicken category and to ensure that the demand is stimulated, for example, through store design, allocation of shelf space and sales promotion.

Risks	Description	Management
Political risks	The Nordic markets are governed by extremely strict and extensive regulations on hygiene, food safety and animal welfare. New or changed conditions for running the business, for example, regulations on climate issues, can result in unforeseen costs and require extensive investments. Inability to adapt the business could damage the reputation of the Group among customers and shareholders.	• Continuous improvement of work processes and quality management systems to ensure high food safety and quality throughout the value chain. • Focus on sustainability work throughout the organisation and the value chain. • Certification of the production facilities in accordance with global and leading standards. • Continuous tests in production for salmonella and campylobacter.
Brexit	The 31th of January 2020, the United Kingdom formally left EU. Negotiations are still ongoing between the United Kingdom and EU regarding future trade relations. Already existing trade agreements are, however, applicable in a transitional period. The Group has export sales to the United Kingdom and changes in trade relations can impact the sales.	The group has evaluated the potential impact on our business and adopted measures in order to lower the risk where possible. The assessment is that there is going to be a transitional period that will give a possibility to adapt for the market and for our operations. The group continues to monitor the development and will adopt necessary measures in order to address risks and opportunities that arise.
Brand damage	Any issues with the quality of products, production processes, animal husbandry or in other parts of the value chain can lower trust in the Group's brands and result in lower sales volumes.	• Internal codes, policies, guidelines and instructions. • A process has been established to capture learnings from events that have occurred.
Company culture and the ability to attract competent employees	Motivated employees with the right competence are crucial to drive the Group's development and achieve the goals that have been set.	• Leadership development. • Annual employee survey (ScandiPuls). • More work on Employer branding. • Succession planning. • Focus on sustainability work.

Operational risks

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

Risks	Description	Management
Changes in purchasing costs	Total external purchasing costs of raw materials and supplies in 2019 amounted to MSEK 6,049 of which the major part refers to the purchase of live chickens. The chickens are largely sourced from third-party growing farms in each local market. By acquiring Carton Bros ULC, the Group is exposed to changes in the price of feed through the feed mill that is part of the business and that produces feed for the contracted growers.	• The Group's purchasing department works closely with suppliers to manage materials supply and monitor the financial stability, quality assurance systems and delivery capacity of suppliers. • Good relations with customers enable us in certain cases to compensate for higher prices in raw material with price increases-
Disease outbreaks among the animals	Outbreaks of diseases among the animals within the Group, in the markets where Scandi Standard operates, other geographical markets or at competitors' facilities can have a negative impact on demand for chicken products. The greatest risk is an outbreak of bird flu or similar viruses, which can result in trade bans that restrict the Group's export sales, even if the disease has not been detected in the Group's value chain. Salmonella infection is a constant challenge for the entire poultry industry.	• Nordic chicken is considered to be of the highest quality as a result of the strict rules regarding animal health and welfare. • The Group has extensive experience and well-developed processes throughout the value chain to prevent disease outbreaks. • Group-wide program regarding the quality requirements for animal welfare applies to all breeders, irrespective of their country. • The costs of any damage are minimised through insurance solutions, when available.

Operational risks cont.

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

Risks	Description	Management
Risks related to climate change	A growing awareness of climate change can lead to restrictions in emissions that affect the environment, changed or new taxes on energy and transport, as well as changes in the consumers' preferences and buying behaviour.	• The Group is actively working to secure resource efficiency in all parts of the value chain in terms of the use of energy and water, and managing waste and by-products. The target is to reduce carbon dioxide emissions from the company's own production by 50 percent per produced ton of chicken during the period 2016–2025. For more information, see the section on Sustainability Work on page 28-39.
Virus pandemic	The ongoing outbreak of the new Corona virus during the spring of 2020 affects our operations in several ways. The Group's sales to Foodservice is negatively affected since the hospitality industry is suffering consequences of the virus outbreak. Our ability to produce may also be affected by high levels of sick leave and by employees that cannot be at work due to other reasons. If the outbreak has major impact on the Group's result, it may affect the liquidity and financial position of the Group.	• The Group has crisis plans that are updated and put into action during prevailing circumstances. • Production capacity is adapted to demand. • A detailed analysis of the expected liquidity and financial position is made and updated continuously. • Crisis package from governments may be applicable in some cases.
Lack of internal processes	If roles and divisions of responsibility are unclear within the organisation, crucial action and changes can be delayed or not taken at all until the Group has suffered negative effects or damage.	• Internal codes, policies, guidelines and instructions. • Clearly defined areas of responsibility and mandatory reporting for managers and all others in supervisory positions.
Integration of acquisitions	Integration of acquisitions always involves risks. The integration costs can be higher than anticipated, and the synergies may be lower than expected. It can take longer than expected to achieve the goals that were set up for the operations at the time of the acquisition. In August 2017 Carton Bros ULC, in Ireland, was acquired, a market where Scandi Standard has not previously operated, substantially increasing the Group's net sales.	• Acquisitions are preceded by thorough due diligence processes. • Following the acquisition of Carton Bros ULC, an Integration Board was set up to provide advice on and follow up the integration work.

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

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

Reporting risks

Risks	Description	Management
Inaccuracies in reporting	Errors can affect both internal and external reporting generally but also specifically the financial reporting. For information about the internal control over financial reporting, see the Corporate governance report on pages 107–114.	• Financial and Accounting Manual • Risk management process • Internal Audit Function
IT-related risks	Lack of information security and IT-security, including cyber security, disruptions or faults in critical IT systems can affect both internal and external reporting generally but also specifically the financial reporting.	• IT security policy. • Improved governance processes and routines for IT systems are under implementation.

Financial risks

Risks	Description	Management
Currency risks, transaction and translation exposure	Transaction exposure relates mainly to export sales. Translation exposure is the effect of changes in exchange rates when foreign subsidiaries' income statements and statements of financial position in DKK, NOK and EUR are translated into SEK. See also note 22.	• The financial risks are managed by the Group's central finance function, based on the finance policy that has been established by the Board, and the risk policy for each country. • The Group's currency rate risk is hedged to some extent by denominating some loans in subsidiaries respectively reporting currency.
Interest, refinancing, liquidity, credit and counterparty risks	Interest-bearing liabilities expose the Group to interest rate risks, i.e. changes in market interest rates can negatively affect financial results and cash flow. Risks related to refinancing and liquidity include the risk that refinancing opportunities are limited when loans and credit facilities shall be renewed, that costs are higher, as well as the risk of the inability to meet payment obligations as a result of insufficient liquidity. Credit and counterparty risks include the risks that a counterparty in a transaction will be unable to discharge its obligations. For more information, see Note 22.	• The interest rate risk is managed by limiting the fixed-rate period and is to a certain extent also secured by using rate swaps. • The Group's outstanding liabilities to credit institutes, including outstanding rate swaps, had a weighted average term of 16 (21) months, as of 31 December 2019. • The refinancing risk is limited by having a well diversified group of counterparties. • The weighted average maturity of liabilities to credit institutions as of 31 December 2019 were 4 (5) years.

Consolidated financial statements

When applicable, the comparative figures for 2018 have been restated for changed accounting principles according to IFRS 16 Leases, see Notes 1 and 31.

Consolidated income statement

MSEK	Note	2019	2018
	1, 2, 3, 26, 30		
Net sales		**9,891**	**8,797**
Other operating revenues	4	24	42
Changes in inventories of finished goods and work in progress		69	–10
Raw materials and consumables		–6,049	–5,291
Cost of personnel	5	–1,972	–1,763
Depreciation, amortisation and impairment	6	–325	–331
Other operating expenses	7, 9	–1,215	–1 113
Share of income of associates	14	1	2
Operating income		**424**	**333**
Finance income	8, 9	1	1
Finance expenses	8, 9	–113	–100
Income after finance net		**312**	**233**
Tax on income for the year	10	–75	–33
Income for the year		**237**	**200**
Whereof attributable to:			
Shareholders of the parent company		235	199
Non-controlling interests		1	1
Average number of shares		65,358,083	65,285,191
Earnings per share before dilution, SEK		3.60	3.05
Earnings per share after dilution, SEK		3.60	3.05
Number of shares at the end of the period		66,060,890	66,060,890

Consolidated statement of comprehensive income

MSEK	Note	2019	2018
Income for the year		237	200
Other comprehensive income			
Items that will not be reclassified to the income statement			
Actuarial gains and losses in defined benefit pension plans	23	–11	–7
Tax on actuarial gains and losses	23	2	2
Total		**–9**	**–6**
Items that will or may be reclassified to the income statement			
Cash flow hedges		–4	–5
Currency effects from conversion of foreign operations		40	80
Income from currency hedging of foreign operations		3	–10
Tax attributable to items that will be reclassified to the income statement		1	2
Total		**40**	**67**
Other comprehensive income for the year, net of tax		**31**	**61**
Total comprehensive income for the year		**267**	**261**
Whereof attributable to:			
Shareholders of the Parent Company		266	260
Non-controlling interests		1	1

Consolidated statement of financial position

MSEK	Note	Dec 31, 2019	Dec 31, 2018
	1, 2, 3, 26, 27, 28, 30		
ASSETS			
Non-current assets			
Goodwill	11	940	922
Other intangible assets	11	957	995
Property plant and equipment	12	1,748	1,481
Right-of-use assets	13	427	486
Non-current leasing receivables	15	9	10
Participations in associated companies	14	43	41
Financial assets	15	4	5
Deferred tax assets	10	40	55
Total non-current assets		**4,167**	**3,996**
Current assets			
Biological assets	16	99	94
Inventory	17	727	655
Trade receivables and other receivables	18	901	850
Other short-term receivables	18	93	115
Prepaid expenses and accrued income	18	89	176
Current leasing receivables	19	2	2
Cash and cash equivalents	19	194	89
Total current assets		**2,105**	**1,980**
TOTAL ASSETS		**6,272**	**5,976**

MSEK	Note	Dec 31, 2019	Dec 31, 2018
	1, 2, 3, 26, 27, 28, 30		
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital		1	1
Other contributed equity		727	857
Reserves		166	134
Retained earnings		845	594
Capital and reserves attributable to owners		**1,738**	**1,586**
Non-controlling interests		**3**	**1**
Total equity	20	**1,741**	**1,587**
Liabilities			
Non-current liabilities			
Non-current interest-bearing liabilities	21, 22	1,925	1,949
Non-current leasing liabilities	21, 22	381	421
Derivative instruments	21, 22	11	11
Provisions for pensions	23	26	16
Other non-current provisions	24	5	10
Deferred tax liabilities	10	174	169
Other non-current liabilities	22	137	218
Total non-current liabilities		**2,659**	**2,794**
Current liabilities			
Current leasing liabilities	21, 22, 25	73	76
Derivative instruments	21, 22	4	1
Trade payables	25	1,117	901
Tax payables	10	12	22
Other current liabilities	22, 25	254	243
Accrued expenses and prepaid income	22, 25	412	353
Total current liabilities		**1,872**	**1,595**
TOTAL EQUITY AND LIABILITIES		**6,272**	**5,976**

Consolidated statement of changes in equity

MSEK	Note	Share capital	Other contributed equity	Hedge reserve	Translation reserve	Retained earnings	Equity attributable to the owners of the Parent Company	Non-controlling interests	Total equity
		Equity attributable to the owners of the Parent Company							
	20								
Closing balance Dec 31, 2017		1	975	–30	100	409	1,455	–	1,455
Transition effect IFRS 16						–16	–16	–	–16
Opening balance Jan 1, 2018		**1**	**975**	**–30**	**100**	**393**	**1,439**	–	**1,439**
Income for the year						202	202	1	204
Income for the year, IFRS 16						–3	–3		–3
Actuarial gains and losses on pension plans						–7	–7		–7
Cash flow hedges				–5			–5		–5
Exchange differences on translation of foreign operations					80		80		80
Net gain on hedge of net investments in foreign operations					–10		–10		–10
Tax relating to components of other comprehensive income				2		2	3		3
Other comprehensive income for the year, net of tax				**–4**	**70**	**–6**	**260**	**1**	**261**
Dividend			–118				–118		–118
Long term incentive programs						5	5		5
Non-controlling interests on acquisition of subsidiary							–	0	0
Transactions with non-controlling interest							–	0	0
Transactions with owners			**-118**			**5**	**–113**	**0**	**–113**
Other changes				–3		3	0	–	0
Closing balance Dec 31, 2018		**1**	**857**	**–36**	**171**	**594**	**1,586**	**1**	**1,587**
Opening balance Jan 1, 2019		**1**	**857**	**–36**	**171**	**594**	**1,586**	**1**	**1,587**
Income for the year						235	235	1	237
Actuarial gains and losses on pension plans						–11	–11		–11
Cash flow hedges:				–4			–4		–4
Exchange differences on translation of foreign operations					40		40		40
Net gain on hedge of net investments in foreign operations					3		3		3
Tax relating to components of other comprehensive income				1		2	3		3
Other comprehensive income for the year, net of tax				**–3**	**43**	**226**	**266**	**1**	**267**
Dividend			–131				–131		–131
Long term incentive programs						17	17		17
Transactions with owners			**–131**				**–114**		**–114**
Other changes				24	–32	8	–		–
Closing balance Dec 31, 2019		**1**	**727**	**–15**	**181**	**845**	**1,738**	**3**	**1,741**

Consolidated statement of cash flows

MSEK	Note	2019	2018
OPERATING ACTIVITIES			
Operating income		424	333
Adjustment for non-cash items		353	333
Paid finance items, net	29:1	–72	–78
Paid current income tax		–49	–83
Cash flows from operating activities before changes in operating capital		**656**	**505**
Changes in inventories and biological assets		–69	–1
Changes in operating receivables		37	56
Changes in operating payables		296	103
Changes in working capital		**264**	**157**
Cash flows from operating activities		**920**	**663**
INVESTING ACTIVITIES			
Business combinations	29:2	–133	–4
Investment in right-of-use assets		–1	–1
Investment in property, plant and equipment		–432	–378
Sale of property, plant and equipment		12	7
Cash flows used in investing activities		**–553**	**–376**
FINANCING ACTIVITIES			
New loans	29:4	–	146
Repayment of loans	29:4	–12	–156
Change in credit facility	29:4	–41	–24
Payments for amortisation of leasing liabilities	29:4	–84	–81
Paid dividend		–131	–118
Other		5	–
Cash flow in financing activities		**–262**	**–232**
Cash flows for the year		**105**	**54**
Cash and cash equivalents at beginning of the period		**89**	**30**
Currency effect in cash and cash equivalents		–	4
Cash flows for the period		105	54
Cash and cash equivalents at end of the year	29:3	**194**	**89**

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	2019	2018
Net sales		**–**	**–**
Operating expenses	31	0	0
Operating income		**0**	**0**
Finance net		31	31
Income after finance net		**31**	**31**
Group contribution		–14	–15
Tax on income for the year		–	–
Income for the year		**17**	**16**

Parent Company statement of comprehensive income

MSEK	Note	2019	2018
Income for the year		17	16
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		**17**	**16**

Parent Company statement of financial position

MSEK	Note	Dec 31, 2019	Dec 31, 2018
	32, 35		
ASSETS			
Non-current assets			
Investments in subsidiaries	33	533	533
Receivables from Group entities	34	405	405
Total non-current assets		**938**	**938**
Current assets			
Receivables from Group entities		24	16
Cash and cash equivalents		0	0
Total current assets		**24**	**16**
TOTAL ASSETS		**962**	**954**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		1	1
Non-restricted equity			
Share premium account		727	857
Retained earnings		–37	–53
Income for the year		17	16
Total equity		**707**	**821**
Current liabilities			
Liabilities to Group entities	34	255	134
Accrued expenses and prepaid income		0	0
Total current liabilities		**255**	**134**
TOTAL EQUITY AND LIABILITIES		**962**	**954**

Parent Company statement of changes in equity

MSEK	Note	Share capital	Share premium account	Retained earnings	Total equity
	20				
Equity, Jan 1, 2018		**1**	**975**	**–53**	**922**
Income for the year				16	16
Dividend			–118		–118
Equity, Dec 31, 2018		**1**	**857**	**–37**	**821**
Equity, Jan 1, 2019		**1**	**857**	**–37**	**821**
Income for the year				17	17
Dividend			–131		–131
Equity, Dec 31, 2019		**1**	**727**	**–20**	**707**

Parent Company statement of cash flows

MSEK	2019	2018
OPERATING ACTIVITIES		
Operating income	0	0
Paid finance items net	23	15
Paid current income tax	–	–
Cash flows from operating activities before changes in operating capital	**23**	**15**
Changes in operating payables	122	114
Cash flows from operating activities	**145**	**129**
FINANCING ACTIVITIES		
Lending to subsidiaries	–	–
Paid dividend	–131	–118
Repurchase own shares	–	–
Paid group contribution	–15	–11
Cash flows from financing activities	**–145**	**–129**
Cash flows for the year	**0**	**0**

Notes to the consolidated and to the parent company's financial statements

When applicable, the comparative figures for 2018 have been restated for changed accounting principles according to IFRS 16 Leases, see Notes 1 and 30.

Notes to the consolidated financial statements

Notes to the Parent Company financial statements

Notes to the consolidated financial statements

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 Strandbergsgatan 55. 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 2019 will be presented for adoption by the AGM, on May 12, 2020.

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', 'financial assets and liabilities measured at fair value less cost of sales through profit or loss' and biological assets that are valued at fair value less cost of sales according to IAS 41. 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.

Sometimes, the total amount in tables and statements do not add up due to rounding differences. The purpose is that each sub-line equals its source of origin and therefore rounding differences can occur.

Standards, amendments and interpretations that have been adopted by the EU entered into force in 2019 and are applied by the Group

IFRS 16, Leases

IFRS 16, 'Leases', was issued in January 2016 and has replaced IAS 17 Leases. The new standard was implemented as of 1 January 2019. The implementation results in almost all leases being recognised in the balance sheet, as the distinction between operating and finance leases is removed. According to the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term contracts and low-value leases. The standard affects the accounting of the Group's operating leasing contracts. In Scandi Standard, these mainly consist of leases for production facilities and offices, leasing of production equipment as well as cars and vehicles for production and logistics purposes.

In 2018, the Group completed the analysis of the leasing contracts affected by the new standard. The standard allows different transition principles and Scandi Standard has chosen to apply the full retrospective method. This means that comparative figures for 2018 have been restated, for the full year and each quarter.

Note 30 presents how the comparative figures for 2018 in the Group's financial reports for 2019 have been affected by the restatement. The assets are MSEK 448 higher on 31 December 2018 while the Group's liabilities are MSEK 467 higher. The effects in the Income Statement for 2018 have increased EBITDA by MSEK 99 and operating profit by MSEK 9. The Group's net financial items are MSEK 13 lower, compared with the amounts reported in the financial reports for 2018.

IFRIC 23, Uncertainty over income tax treatments

IFRIC 23 is in effect as of 1 January 2019. It clarifies the reporting and measurement requirements in accounting for uncertainties in income taxes. The interpretation has had no impact on the financial statements of the Group.

Prepayment Features with Negative Compensation – Amendments to IFRS 9

The narrow-scope amendments made to IFRS 9 Financial Instruments in October 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. The amendment has had no impact on the financial statements of the Group.

Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 Interests in Associates and Joint Ventures

The amendments are in effect as of 1 January 2019. They clarify that IFRS 9, Financial Instruments, should be applied for the accounting for long-term interests in an associate or joint venture. The amendment has had no impact on the financial statements of the Group.

Changes to the Parent Company's accounting policies

No standards, amendments and interpretations effective from January 2019, 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 and assumptions. 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.

Parent company

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

Subsidiaries

Subsidiaries are all entities over which the company 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 separate 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 correspond 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.

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.

The Group's main currencies in addition to SEK, 2019

SEK	Average rate	Closing rate
DKK	1.4183	1.3968
NOK	1.0747	1.0579
EUR	10.5892	10.4336

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 Sweden, Denmark, Norway, Ireland and Finland. Activities not included in a Region and corporate functions are reported as Group-wide. 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 (IFRS 9 only at Group level).

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

REVENUE

Net sales

Revenue from the sale of goods for the main businesses that comprise the sale of products is reported when the buyer receives control over a product. Control is obtained when the buyer can control the use of the asset and receive all future benefit from it.

Every promise to transfer an asset to a customer distinct from other commitments in a contract constitutes a performance commitment. Each distinct performance commitment is reported separately. A commitment is fulfilled when the customer receives control of the asset. The Group assess that this point in time mainly occurs upon delivery to the customer in accordance with current delivery terms in contracts entered into.

Revenue is reported at transaction price, which is the compensation the Group expects to receive in exchange for the transfer of goods and services. When determining the transaction price, any discounts, but also any commitments regarding goods that the customer fails to sell further, are taken into account. The transaction price is not adjusted for the customer's credit risk, but a possible write-down of a remuneration is made according to IFRS 9 and the credit loss is recognized as an impairment loss in the income statement. Payment is made on the basis of agreed payment terms in contracts entered into, which normally takes place at a time that occurs after delivery has taken place. There are no financing solutions within the Group.

Net sales include invoiced sales for main activities. Most of the Group's revenue comes from the sale of manufactured goods. Revenue is reported excluding VAT because the Group does not collect the tax on its own account but acts as agent for the state.

Other operating revenue

As other operating revenue, income from activities outside the company's main business is reported. They mainly consist of rental income, insurance payments and profit on sales of tangible fixed assets. Other operating revenue includes foreign exchange gains on operating receivables and liabilities, which arise on translation at the closing day rate and profit on derivatives that are not hedged. In addition, other income and profits are reported from activities outside the company's main business.

BORROWING COSTS

Borrowing costs attributable to investments in assets that take at least 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.

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 other comprehensive income (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.

INTANGIBLE ASSETS

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

Goodwill

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

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

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

Trademarks

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

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

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

Customer and supplier relationships

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

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

Research and development

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

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

Impairment losses

Intangible assets with an indefinite useful life are not amortised but are tested for impairment annually or more frequently if there is an indication of impairment. The carrying amounts of assets that are amortised are regularly tested. At the end of each reporting period, an assessment is made as to whether there is any indication that the assets are impaired and need to be written down. The recoverable amount is estimated for these assets and for assets with indefinite useful life. 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.

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 life 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

RIGHT-OF-USE ASSETS

IFRS 16, Leases, that supersedes IAS 17, Leases, is in effect as of 1 January 2019. It has resulted in that almost all leases being recognized on the balance sheet, as the distinction between operating and financial leases is removed. For Scandi Standard, this means that rental agreements for production facilities, offices, production equipment and for cars and other vehicles are reported in the statement of financial position, mainly classified as right-of-use assets and leasing liabilities.

The standard allows for several transition methods, and Scandi Standard selected to use the full retrospective method where the accumulated effect of the transition is reported in the opening balance for 1 January 2018 in the financial statements for 2019. Consequences of the new standard are that the accounting, valuation and presentation of certain amounts in the financial statements are affected. The new accounting principles are disclosed in Note 30, which also shows the effects of the transition and the restatement of the comparison figures for the quarters and the full year 2018.

The Group shall test whether a contract contains a lease by investigating if the contract, for a compensation, gives the control of the use of an asset during a period. At the start of the lease, a right-of-use asset (the right to use a lease object) and a financial liability to pay rents are recognized.

Exceptions according to the standard's simplification rules, are short-term leases (shorter than one year) and low value leases (below KSEK 50). These must however be disclosed separately. The Group has selected to use the simplification rules and do not report right-of-use assets and lease liabilities for short term agreements and leased assets with a low underlying value. Expenses for these leases are reported over the lease period and the amounts are disclosed separately in the financial statements, see Note 13.

When a contract is found to contain a lease, the right-of-use asset is initially valued at the value of the leasing liability adjusted for any lease payments made before or on the initial date of the lease with the addition of any direct costs and the estimated cost of restoring the underlying asset.

The lease liability is initially estimated to the present value of future lease payments, discounted by the implicit interest rate of the agreement, or if difficult to identify, the marginal loan rate of the Group. In general, the marginal loan rate is used. Interest costs are disclosed separately. The leasing liability includes the present value of the following lease payments:

- Fixed fees,
- Variable fees that is dependent on an index or price, initially valued by using an index or price at the start date,
- Amounts expected to be paid for residual value guarantees,
- The strike price for an option to buy the asset if the lessee is reasonably certain to exercise the option, and
- Penalties that are paid upon cancellation, if the lease period indicates that the lessee plans to cancel the lease.

When the lease period is determined, the company uses all available information impacting the incentive to utilize an extension option, or to not use the option to cancel the lease. Extension options are only included in the lease period if the lessee is reasonably certain that the option will be exercised, and periods included in an option to cancel are only included in the lease period if the lessee is reasonably certain to not use the option.

Revaluation of leasing liabilities is done when changes in future lease payments are caused by changes in an index or price or if the Group changes its estimate regarding buy-out, extension or cancellation of the lease agreement. The value of the right-of-use asset is also changed with the same amount.

The right-of-use asset is depreciated on a straight-line basis over the shortest of the useful life of the assets and the term of the lease. The right-of-use asset is adjusted for revaluation of the lease liability and any write downs. Depreciation and write-downs are disclosed separately.

Revenues from any sub-lease of assets are disclosed separately.

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.

BIOLOGICAL ASSETS

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

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

INVENTORIES

Inventories are measured, according to IAS 2, 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

Financial assets and liabilities recognised in the statement of financial position include cash and cash equivalents, trade receivables, shares, loan receivables, other interest-bearing instruments, trade payables, borrowings and derivative instruments. Derivative instruments are recognised in the statement of financial position when the agreements are made. 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.

From 2018, the Group classifies its financial assets in the following categories; fair value through profit or loss, fair value through comprehensive income or amortized costs. Assets held for the purpose of collecting contractual cash flows and where these cash flow constitute principal amounts and interests, and have not been identified as valued at fair value, are valued at amortized cost. The booked value of these assets is adjusted with expected loan losses. Interest income from these financial assets is reported using the effective interest method and is included in financial income. Financial assets held both for the purpose of collecting contractual cash flows and for sale, and where the assets' cash flows constitute only capital amounts and interest, and have not been identified as valued at fair value, are valued at fair value through other comprehensive income. Interest income, write-downs and exchange rate differences are reported at fair value through other comprehensive income, while the other fair value changes are recognized in other comprehensive income. Assets that do not meet the requirements for amortized cost or fair value through other comprehensive income are measured at fair value through income statement. Financial liabilities are normally reported as amortised cost. Additional purchase price in connection with the acquisition of business and to be settled in cash is reported at fair value through the income statement.

The Group assesses the future expected loan losses related to assets reported at amortized cost and assets reported at fair value through other comprehensive income. The Group reports a credit reserve for such expected losses at each reporting date. For accounts receivable, the Group applies the simplified approach for credit reserve i.e. the reserve will correspond to the expected loss over the entire life of the claim. To estimate the expected loan losses, accounts receivable has been grouped based on credit properties and the number of days in relation to maturity. The Group also uses forward-looking variables to assess the expected loan losses. Claims that are not accounts receivable are divided into three groups. For the first group, expected credit risk is assessed based on the risk of default within the next 12 months. If an assessment is made that the credit risk for a receivable has increased significantly since the first accounting date, the receivable is transferred to group two, where the assessment of the expected credit risk is based on the risk of default during the entire remaining term of the receivable. If a claim is deemed to have failed, it is moved to group three, where an assessment is made of the expected recoverable amount.

The transition to IFRS 9 from IAS 39 has not had any effect on Scandi Standard regarding hedge accounting. Scandi Standard has updated the hedge documentation according IFRS 9. Hedges that qualify for hedge accounting shall be deemed to be reasonably effective during the remaining term of the hedge. Sources of inefficiency must be identified. The hedged item and hedging instrument must have a clear financial relationship, the hedging ratio must be in accordance with the company's hedging strategy and credit risk must not be the dominant cause of the hedging instrument's change in value.

Derivative instruments and hedge accounting

Scandi Standards' holdings of financial derivative instruments comprise interest rate swaps and currency forward contracts. Forward exchange agreements are made in order to limit the effect on Scandi Standards' profit and loss and financial position, due to short-term changes in the foreign exchange rates. Interest rate swaps are agreed in order to prolong the interest period for the liabilities and decrease the uncertainty of future interest expenses.

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 and then the effective part of the remeasurement instead affects other comprehensive income.

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.
There are 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. Scandi Standard hedges net investments by borrowing in the subsidiaries currencies. 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.

Parent Company

In the Parent Company, financial instruments are accounted for using the cost method. The parent company applies the rules in RFR2 and thus not IFRS 9. 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

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 liabilities, the fair value is estimated through discounting future cash flow of relevant market interest rate taking into account Scandi Standard's credit risk.

For financial assets and liabilities with short maturities, below three months, 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, according to IAS 37, 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

Employee benefits are reported according to IAS 19. 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 (PUC). 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 other comprehensive income 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 the company and the Group's long-term value growth and increase shared interest in value growth between the employee and the company's shareholders.

The programs 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 reduce 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.

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.

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 and are therefore considered to be related parties.

Note 2 Significant judgments, 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 are 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 life 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 1,897 (1,917) at the end of the year, which corresponds to 30 (33) 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 (WACC) established within the Group for the markets in which the cash-generating units are active.

Other estimates regarding expected future results and the discount rates used can give different values of assets from those applied. Impairment is described in more detail in Note 6. Contingent consideration agreed in connection with the acquisition of Carton Bros ULC in Ireland is recognized as a liability. The liability is determined based on the most probable outcome of the consideration and is assessed at the end of each reporting period. Changes in the reported value is recognised in the profit and loss.

Deferred tax assets and tax liabilities

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

More detailed information about the 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 reduction of the discount rate by 0.25 percentage points would increase the pension obligation by MSEK 7 (7) while an increase would reduce the obligation by MSEK 7 (6).

More detailed information about the amounts can be found in Note 23.

Biological assets

The Group has biological assets in the form of broiler parent stock, in the rearing of day-old chicks in Sweden, as well as broilers kept in Sweden and at some contract broiler producers in Denmark and Ireland. These assets are valued at fair value less cost of sales according to IAS 41. The value of those assets is 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 1 (1).

Detailed information about the amounts and changes can be found in Note 16.

Note 3 Segment reporting

INFORMATION ABOUT OPERATING SEGMENTS

Financial year, Jan 1–Dec 31	Region Sweden		Region Denmark		Region Norway		Region Ireland		Region Finland		Group-wide[1]		Eliminations		Total Group	
MSEK	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Net sales																
External sales	2,615	2,431	3,202	2,553	1,617	1,512	1,972	1,894	485	408	–	–	–	–	9,891	8,797
Internal sales	248	225	225	197	2	–	–	–	6	8	2	9	–482	–439	–	–
Total net sales	**2,864**	**2,656**	**3,426**	**2,750**	**1,619**	**1,512**	**1,972**	**1,894**	**491**	**416**	**2**	**9**	**–482**	**–439**	**9,891**	**8,797**
Adjusted operating income	182	138	101	92	150	131	107	96	–2	–13	–83	–64	–	–	454	381
Non-comparable items	–	–42	–20	–2	–	–	–	–2	–9	–	–1	–3	–	–	–30	–49
Operating income	**182**	**96**	**80**	**90**	**150**	**131**	**107**	**94**	**–10**	**–13**	**–84**	**–67**	**–**	**–**	**424**	**333**
Of which share of income of associates	–	–	2	2	0	0	–	–	–	–	–	–	–	–	1	2
Finance income															1	1
Finance expenses															–113	–100
Tax on income for the year															–75	–33
Income for the year															**237**	**200**
Other disclosures																
Assets	1,151	1,186	2,039	1,954	1,016	1,133	767	617	51	59	3,823	3,895	–2,618	–2,911	6,229	5,935
Holdings in associates	–	–	28	26	15	15	–	–	–	–	–	–	–	–	43	41
TOTAL ASSETS	**1,151**	**1,186**	**2,067**	**1,980**	**1,031**	**1,148**	**767**	**617**	**51**	**59**	**3,823**	**3,895**	**–2,618**	**–2,911**	**6,272**	**5,976**
Liabilities	1,077	1,120	1,289	1,174	926	1,130	485	435	220	200	1,228	1,319	–2,618	–2,911	2,607	2,468
Unallocated liabilities															1,925	1,920
Equity															1,741	1,587
TOTAL EQUITY AND LIABILITIES	**1,077**	**1,120**	**1,289**	**1,174**	**926**	**1,130**	**485**	**435**	**220**	**200**	**1,228**	**1,319**	**–2,618**	**–2,911**	**6,272**	**5,976**
Net investments	67	39	160	164	18	54	140	55	15	21	20	38	–	–	419	371
Net increase in leasing assets	5	8	10	36	14	1	1	3	3	3	–	1	–	–	33	52
Depreciation, amortisation and impairment	–75	–105	–87	–65	–73	–77	–62	–61	–24	–22	–3	–2	–	–	–325	–331

[1] EBIT reported under Group-wide includes central corporate costs of MSEK –83 (–69). Group-wide assets includes assets and liabilities relating to central functions.

Scandi Standard's business is operationally divided into the countries of Sweden, Denmark, Norway, Ireland and Finland
Internal reporting to Group Management and the Board 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's 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 (IFRS 9) 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, are included in the segments' investments.

Segment Sweden comprises the companies Kronfågel AB, SweHatch AB, Bosarpskyckling AB and AB Skånefågel. SweHatch AB 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.

Segment Denmark comprises Danpo A/S, Rokkedahl Food ApS and the associate Farmfood A/S. Danpo A/S slaughters, produces, develops and processes chicken products with heat treatment for both the Danish market and exports within Europe and to Asia. Rokkedahl Food ApS slaughters and produces organic and free-range chicken. Farmfood A/S 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 Nærbø Kyllingslakt AS. The segment consists of two parts – the production slaughtering, processing of chicken products, and the packing of eggs in the segment's own egg packing facility. Nærbø Kyllingslakt AS slaughters chicken products on behalf of Den Stolte Hane AS and other chicken producers.

Segment Ireland comprises Carton Bros ULC. The segment includes slaughtering, production and development of chilled chicken products for the Irish market. The segment also produces feed for its contracted farmers.

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

Net sales (external sales) per product category and segment

	Sweden		Denmark		Norway		Ireland		Finland		Group-wide		Total	
MSEK	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Ready-to-cook Chilled	1,174	1,091	1,051	783	786	750	1,780	1,699	387	325	–	–	5,178	4,648
Ready-to-cook Frozen	743	730	583	597	138	152	120	113	30	20	–	–	1,614	1,612
Ready-to-eat	360	288	1,354	982	285	247	–	–	12	12	–	–	2,011	1,529
Other	338	322	214	191	408	363	72	82	56	51	–	–	1,088	1,008
Total	**2,615**	**2,431**	**3,202**	**2,553**	**1,617**	**1,512**	**1,972**	**1,894**	**485**	**408**	–	**–**	**9,891**	**8,797**

Net sales per country

MSEK	**External sales 2019**	**External sales 2018**
Sweden	2,595	2,659
Norway	1,647	1,543
Denmark	1,853	1,410
Ireland	1,753	1,695
Germany	618	446
Finland	549	457
United Kingdom	334	337
Rest of Europe	378	191
Rest of the world	163	59
Total	**9,891**	**8,797**

Two of Scandi Standard's customers account for more than 10 percent of the Group's total net sales. The net sales amount on a full year basis of MSEK 1,106 (1,073) and MSEK 1,048 (688). The customers are located in Region Sweden and Denmark.

Note 4 Breakdown of revenue

MSEK	**2019**	**2018**
Net sales		
Sales of goods	9,891	8,797
Total	**9,891**	**8,797**
Other operating income		
Capital gains	1	1
Rental income	0	–4
Government grants	1	0
Canteen sales	8	7
Insurance compensation	6	3
Other	8	35
Total	**24**	**42**

Government grants were received of 3 (0) and 1 (0) have been reported as revenue and 2 (0) as a reduction of cost.

Note 5 Employees and employee benefits expenses

Average number of employees	2019	of which women	2018	of which women
Group				
Sweden	843	41%	813	36%
Denmark	920	41%	767	39%
Norway	312	53%	280	54%
Ireland	1,008	43%	962	45%
Finland	183	46%	184	48%
Total, Group[1)]	**3,266**	**43%**	**3,005**	**42%**

[1)] No employees in the Parent company.

Cost of personnel, MSEK	2019	2018
Salaries and benefits, Board of Directors and MDs	28	32
– of which variable salary	13	12
Salaries and benefits, other employees	1,612	1,458
Social security expenses	214	152
Pension expenses[1)]	99	92
Other staff costs	64	30
Capitalised personnel expenses[2)]	–45	
Total	**1,972**	**1,763**

[1)] MSEK 2 (2) of the Group's pension costs relate to boards and Managing Directors. There are no outstanding pension obligations for these individuals.
[2)] Capitalised personnel expenses of ongoing investment project.

Gender representation in executive management

	Group		Parent Company	
Female representation, %	**2019**	**2018**	**2019**	**2018**
Board of Directors	15	10	29	29
Other senior executives	27	26	–	–

Guidelines for remuneration to senior management

The AGM has decided about the guidelines for remuneration to senior management. In these guidelines, the senior management means the managing director of the company, the senior managers in the company and other group companies who, from time to time, are reporting to the managing director or the CFO and who are also members of the senior management, as well as board members of the company that have entered into an employment or consulting agreement with a group company.

Salaries and other terms and conditions of employment shall be adequate to enable the company and the group to retain and recruit skilled senior managers at a reasonable cost. The remuneration to the senior managers shall consist of fixed salary, variable salary, pension and other benefits, and it shall be based on principles of performance, competitiveness and fairness.

Principles for fixed salary

Each senior manager shall be offered a fixed salary in line with market conditions and based on the manager's responsibility, expertise and performance. To the extent a board member performs work for the company, in addition to ordinary board work, a market-based consulting fee may be paid.

Principles for variable salary

All senior managers may, from time to time, be offered a variable salary (i.e., cash bonuses). The variable salary shall be based on a set of financial and personal objectives determined in advance. The variable salary may not amount to more than 75 percent of the fixed salary (in this context, fixed salary means cash salary earned during the year, excluding pension benefits and similar).

Principles for incentive programs

The general meeting may resolve on long-term incentive programs such as share and share price-related incentive programs for certain key persons. Such incentive programs shall be designed to promote the long-term value growth of the company and the group, sustainability and alignment between the interests of the participating individual and the company's shareholders.

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

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

Principles for deviations from the guidelines

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

Guidelines for remuneration to senior managers, remuneration to senior managers, see Note 5.

Variable salary

Scandi Standard has a general program for variable salary that applies to senior management, local management teams and certain key persons. Targets may be qualitative as well as quantitative. Decisions about participants and targets are made annually by Scandi Standard's board of directors. Variable salary 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, most employees are covered by defined benefit pension plans (ITP) through PRI Pensionstjänst AB. 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 are based on individual defined contribution pension agreements with contributions of between 5 and 12 percent of the pensionable salary.

In Ireland, the pension contribution corresponds to between 9 to 20 percent of the pensionable salary.

In Finland, the pension contribution corresponds to between 5 to 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 company if breached, corresponding to between 3 and 12 months remuneration.

Other benefits

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

Long term incentive program

LTIP 2016 was terminated during 2019 and led to that 65,138 shares with a fair value of MSEK 4 were allotted to the participants in the program. Participants in the programs are senior managers and key employees.

At the end of 2019 the following incentive programs are on-going, that have been accepted by the AGM the year they were started:

LTIP 2017 for 22 participants, and originally a maximum of 251,386 shares could be allotted.

LTIP 2018 for 26 participants, and originally a maximum of 289,975 shares could be allotted.

LTIP 2019 for 29 participants, and originally a maximum of 334,596 shares could be allotted.

The Board of Directors have decided to propose to the AGM 2020 a long-term incentive program for 2020 (LTIP 2020), of the same type as the earlier programs.

All programs are mainly based on the same terms. They imply 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. For performance share rights to entitle to allotment of shares, it is 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. New to LTIP 2019 is that the participants undertake to retain all the allotted shares (except to cover payment of tax that arises in connection with the allotment of the shares) for a period of two years from the date of the allotment.

Performance requirement

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

Value and estimated costs for Long term incentive programs

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

The vesting period for LTIP 2016 expired May 9, 2019. EPS CAGR for the period January 1, 2016 – December 31, 2018 was 5,87 percent, leading to allotments according the terms for the program, corresponding to 33,7 percent of the performance share rights and of 65,138 shares.

The vesting period for LTIP 2017 expires May 9, 2019. EPS CAGR for the period January 1, 2017 – December 31, 2019 was 19.1 percent, leading to allotments according the terms for the program, corresponding to 100 percent of the performance share rights and of 220,415 shares.

Assuming 100 percent vesting and full fulfilment of the EPS requirement, LTIP 2018 and LTIP 2019 will result in allotments of 259,826 and 312,889 shares respectively in the company. The corresponding values amount to 15,586,962 SEK for LTIP 2018 and 19,086,228 SEK for LTIP 2019 based on share prices of 59.99 SEK and 61,00 SEK at the time of exercise of the performance share rights.

As per December 2019, total accumulated accrued costs for LTIP 2017 – LTIP 2019 amounted to MSEK 29 (13).

Social security charges are expected to amount in average to approximately 18.4 percent of the market value of the shares allocated upon exercise of the performance share rights. The average percentage of social charges is depending on the mix of nationalities participating in the programs. In order to ensure the delivery of shares and for purpose of hedging social charges because of the incentive programs, Scandi Standard AB (publ) repurchased 742,425 own shares, whereof 65,138 shares were allotted to the participants of LTIP 2016. At year-end, Scandi Standard AB (publ) had 677,287(742,425) shares in own custody.

Board of Directors' Fees SEK	2019	2018
Per Harkjaer, chairman of the Board	750,000	710,000
Gunilla Aschan[1)]	302,000	400,000
Vincent Carton	–	–
Øystein Engebretsen	450,000	430,000
Michael Parker	345,000	325,000
Karsten Slotte	375,000	355,000
Heléne Vibbleus	495,000	475,000
Total	**2,717,000**	**2,695,000**

1) Board member until 2019-11-18

Salaries and remuneration of senior management 2019, TSEK	Directors' fees	Fixed salary[1)]	Variable salary[2)]	LTIP[3)]	Pension[1)]	Other benefits[5)]	Total 2019
Board members, specified above	2,717						2,717
Managing Director and CEO Leif Bergvall Hansen		5,012	1,706	1,367	727	133	8,945
Group Management, other[6)]		21,499	2,908	1,851	1,797	1,644	29,699
Total	**2,717**	**26,511**	**4,614**	**3,218**	**2,524**	**1,777**	**41,361**

Salaries and remuneration of senior management 2018, TSEK	Directors' fees	Fixed salary[1)]	Variable salary[2)]	LTIP[4)]	Pension[1)]	Other benefits[5)]	Total 2018
Board members, specified above	2,695						2,695
Managing Director and CEO Leif Bergvall Hansen		5,194	2,200	–1,927	689	134	6,289
Group Management, other[6)]		16,843	4,439	–2,890	1,321	592	20,305
Total	**2,695**	**22,037**	**6,639**	**–4,817**	**2,009**	**726**	**29,289**

1) Certain members of Group Management is entitled to exchange fixed salary for pension contribution within the framework of current tax legislation.
2) The variable salary is based on financial performance and financial targets.
3) The Group's expense, referring to LTIP 2016–LTIP 2019.
4) The Group's expense per 2018, referring to LTIP 2015–LTIP 2018. The net outcome for 2018 was impacted by reductions due to lower expected allotments than expected.
5) Mainly car, phone and health insurance benefits.
6) Group Management consists of 9 (8) individuals that are members of the Group Management of the Scandi Standard Group.

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

MSEK	2019	2018
Depreciation and amortisation		
Intangible assets	58	57
Land and buildings	31	28
Plant and machinery	125	136
Equipment, tools, fixtures and fittings	24	20
Rights-of-use assets, buildings and land	49	58
Rights-of-use assets, plant, machinery and other technical assets[1]	38	32
Total	**325**	**331**

[1] Rights-of-use assets, plant, machinery and other technical assets includes equipment, tools, fixtures and fittings.

Impairment

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

The cash generating units are the Groups operating segments. Cash flow expectations for the segments are based on business plans agreed by Group management for the next five years and on 2 percent organic growth thereafter. The cash flows are discounted by a calculated WACC before tax at 9.1–11.3 (9.7–11.3) percent based on the estimated return requirement for the segments.

For the impairment testing at the end of 2019, 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 impairment 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 decreased the outcome of the impairment test, 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.

Market growth is strong in Sweden but margins have been under pressure due to stock clearance. It is the management's expectation that this is a passing effect and that margins will recover over time. This change is not reflected in the business plan used as basis for the impairment test thus understating expected cash flow. The impairment test shows no impairment need even if EBITDA margin were to drop by more than three percentage points.

Denmark is assumed to show modest growth in line with the market. Denmark has showed a weaker performance during 2019. The expectation is that the margins will recover but the operation is exposed to fluctuating prices in the export markets since a large share of the sales is sold on export. The impairment test for this factor shows that there is no need for impairment even if prices on export markets would cause EBITDA margin to be reduced by more than three percentage points.

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.

The operations in Ireland, which was acquired in 2017, is tested with the assumptions and calculations made at the time of the acquisition. The business is developing better than expected and no impairment is required.

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. The actions, such as changes in management and reduction of labour force, that have been initiated during the last year, have given result. In 2019 the production volumes and sales are up and the underlying operating profIt was positive .The business position in the market continues to be strong and it is the estimate of management that the future profitability development mainly is dependent on a continued increase in sales in connection with capacity strengthening investments. Hence impairment of Goodwill is not considered necessary.

Note 7 Fees and reimbursement to auditors

MSEK	2019	2018
PricewaterhouseCoopers (PwC)		
Audit services	6	6
Audit related services	0	0
Tax services	1	1
Other services	0	0
Total	**7**	**7**

[1] Of which MSEK 0 (0) concerns audit services beyond the annual audit.

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

The share of the total fees to PwC that refers to non-audit services, defined by the EU audit legislation, performed by the Swedish Öhrlings PricewaterhouseCoopers AB amounts to MSEK 0 (0) whereof MSEK – (0) regarding audit services and MSEK – (0) regarding tax services. The services include advices from an accounting perspective for preparation of the financial reports, as well as other guidance regarding accounting and tax.

Note 8 Finance income and finance expenses

	Income		Expenses		Total	
MSEK	2019	2018	2019	2018	2019	2018
Loans and other receivables						
Other interest income	1	1	–	–	1	1
	1	**1**	**–**	**–**	**1**	**1**
Derivatives used in hedging						
Interest and currency swaps	–	–	–6	–13	–6	–13
	–	**–**	**–6**	**–13**	**–6**	**–13**
Other financial liabilities						
Interest expenses, pension plans	–	–	–4	–2	–4	–2
Interest expenses, borrowing	–	–	–44	–37	–44	–37
Interest expenses, earn-out	–	–	–13	–18	–13	–18
Other borrowing expenses	–	–	–9	–5	–9	–5
Other interest expenses	–	–	–7	–4	–7	–4
Financial cost, leasing			–12	–13	–12	–13
Currency effects	–	–	–18	–8	–18	–8
	–	**–**	**–107**	**–87**	**–107**	**–87**
Total	**1**	**1**	**–113**	**–100**	**–113**	**–99**

Note 9 Exchange differences affecting income

MSEK	2019	2018
Exchange differences affecting operating income	2	21
Exchange differences, financial items	–18	–8
Total	**–16**	**13**
Exchange differences in operating income are included in:		
Other operating income/expense	2	21
Total	**2**	**21**

Note 10 Taxes

Tax on income for the year, MSEK	2019	2018
Current tax expense (–) / tax income (+)		
Tax expense / income for the year	–52	–37
Adjustment of tax attributable to prior years	–1	–1
Total current tax	**–53**	**–38**
Deferred tax expense (–) / tax income (+)		
Deferred tax from changes in temporary differences	–21	–10
Deferred tax from changes in changed tax rates	1	9
Deferred tax income in capitalized losses carry forward	8	13
Deferred tax expense use of capitalized losses carry forward	–	–7
Reassessment attributable to losses carry forward	–11	–
Total deferred tax	**–22**	**5**
Total recognised tax expense	**–75**	**–33**

	2019		2018	
Reconciliation of effective tax	**%**	**MSEK**	**%**	**MSEK**
Income after finance net		312		233
Anticipated tax according to enacted Swedish tax rate	–21.4	–67	–22.0	–51
Effect of other tax rates for foreign subsidiaries	3.0	9	3.4	8
Unrecognised tax loss, incurred during the year	–1.5	–5	–	–
Non-deductible expenses	–0.9	–3	–1.3	–3
Non-taxable income	0	0	0.1	0
Effect of tax related to previous year	–0.2	–1	–0.3	–1
Reversal of income of associates	0.1	0	0.2	0
Change in deferred tax due to changes in tax rates in Sweden and Norway	0.4	1	3.9	9
Reassessment of deferred tax on carry forward losses	–3.5	–11	–	–
Other	–0.1	0	1.9	5
Recognised effective tax	**–24.1**	**–75**	**–14.1**	**–33**

Tax items recognised in equity through other comprehensive income, MSEK	2019	2018
Actuarial gains and losses on defined benefit pension plans	2	2
Cash flow hedges	1	2
Total tax effects in other comprehensive income	**3**	**3**

The tax rates in Sweden and Norway have been changed as from 2019, from 22 percent respectively 23 percent, to 21.4 percent and 22 percent respectively. As from 2021 the tax rate in Sweden will decrease further to 20.6 percent. The Group has recalculated deferred tax for these jurisdictions based on their new tax rates, valid as from 2019. For Sweden the deferred tax has been valued to 20.6 percent for tax bases that are not expected to change before 2021. The effects amounted to MSEK 3 for Sweden and MSEK 6 for Norway. During 2019 further adaptions to the new tax rate have been made in Sweden. The effects of the tax rate changes in 2018 for Norway were mainly due to adjustments for previous years.

Deferred tax assets/tax liabilities	Deferred tax assets		Deferred tax liabilities		Net	
MSEK	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Intangible assets	–	–	160	167	–160	–167
Buildings	24	29	2	1	21	28
Machinery and equipment	–	–	50	35	–50	–35
Right-of-use assets	6	6	–	–	6	6
Other assets	0	2	12	14	–12	–12
Pension provisions	5	3	–	–	5	3
Other liabilities	18	17	–	1	18	17
Losses carryforward	52	54	–	–	52	54
Other	3	6	16	14	–13	–8
Total	**106**	**116**	**240**	**230**	**–134**	**–114**
Netting of offsettable assets/liabilities by jurisdiction	–66	–61	–66	–61	–	–
Total net deferred tax asset/ tax liability	**40**	**55**	**174**	**169**	**–134**	**–114**

Deferred tax assets and liabilities nettable within the same jurisdiction were netted in 2019 and 2018.

Change in deferred tax in temporary differences	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	
and loss carryforwards, MSEK	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Intangible assets	–167	–185	10	23	–	–	–	0	–4	–5	–160	–167
Buildings	28	30	–7	–3	–	–	–	–	1	1	21	28
Machinery and equipment	–35	–17	–15	–18	–	–	–	0	0	0	–50	–35
Right-of-use assets	6	5	0	1	–	–	–	–	0	0	6	6
Other assets	–12	–10	0	–2	–	–	–	0	0	0	–12	–12
Pension provisions	3	2	0	0	2	2	–	–	–	–	5	3
Other liabilities	17	11	0	4	1	2	–	0	0	0	18	17
Losses carryforward	54	41	–3	4	–	–	–	8	1	1	52	54
Other	–8	–3	–7	–3	–	–	–	–	1	–1	–13	–8
Total	**–114**	**–127**	**–22**	**5**	**3**	**3**	–	**8**	**–1**	**–3**	**–134**	**–114**

Losses carryforward

At the end of the year, the Group had losses carry forward of MSEK 308 (253), of which MSEK 249 (253) were recognised as base for the deferred tax asset MSEK 52 (54). MSEK 30 (40) of the deferred tax assets relates to losses carry forward in Finland, which have been partly capitalized. The maturity for losses in Finland is 10 years and nothing expires before six years. The remaining part of the deferred tax asset for 2019, MSEK 22 (14) is related to Denmark, where the lifetime is unrestricted.

When the operation in Finland was acquired in 2015 it showed a low level of capacity utilization and generated a negative income. The actions taken after the acquisition, such as changes in management and reduction of labour force, have given positive effects. During 2019 production volumes and sales have continued to increase and the underlying operating income was positive. The business position in the market continues to be strong and it is the estimate of management that the future profitability development mainly is dependent on a continued increase in sales in connection with capacity strengthening investments. Hence the management has come to the conclusion that the tax asset reported concerning the losses in Finland should be further reported in the statement of financial position.

Note 11 Intangible assets

	Goodwill		Other intangible assets							
			Brands		Customer and supplier relationships		Capitalized expenditure on internal development work		Total other intangible assets	
MSEK	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Accumulated cost	940	922	461	455	742	728	37	34	1,240	1,217
Accumulated amortisation	–	–	–58	–54	–195	–145	–30	–24	–283	–222
Carrying amount	**940**	**922**	**403**	**401**	**546**	**584**	**7**	**10**	**957**	**995**
Balance at beginning of year	922	896	401	397	584	606	10	14	995	1,017
Investments	–	–	–	–	–	–	3	1	3	1
Additions	–	0	–	–	–	–	–	1	–	1
Sale and disposals	–	–	–	–	–	–	–	–	–	–
Amortisation for the year	–	–	–4	–4	–48	–47	–6	–6	–58	–57
Translation differences	18	26	6	9	11	24	0	0	16	33
Book value	**940**	**922**	**403**	**401**	**546**	**584**	**7**	**10**	**957**	**995**

Allocation of Goodwill, brands and customer/supplier relationships	Goodwill 2019	Goodwill 2018	Brands 2019	Brands 2018	Customer and supplier relationships 2019	Customer and supplier relationships 2018
Sweden	121	121	144[1]	144[1]	19	22
Denmark	207	204	90[2]	88[2]	25	28
Norway	366	355	97[3]	94[3]	54	68
Ireland	216	213	72[4]	75[4]	448	466
Finland	30	29	–	–	–	–
Total	**940**	**922**	**403**	**401**	**546**	**584**

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

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

Note 12 Property, plant and equipment

MSEK	Land and land improvements 2019	2018	Buildings and land 2019	2018	Plant and machinery and other technical assets 2019	2018	Equipment, tools, fixtures and fittings 2019	2018	Construction in progress 2019	2018	Total property, plant and equipment 2019	2018
Accumulated cost	25	25	988	882	2,811	2,522	362	268	188	213	4,374	3,909
Accumulated depreciation	–9	–8	–462	–358	–1,947	–1,745	–205	–179	–	–	–2,623	–2,290
Accumulated impairment	–	–	–	–68	–	–66	–	–1	–3	–3	–3	–138
Book value	**16**	**17**	**526**	**455**	**864**	**711**	**157**	**88**	**185**	**210**	**1,748**	**1,481**
Balance at beginning of the period	17	18	455	355	711	623	88	78	210	170	1,481	1,244
Investments[1]	–	4	52	108	114	162	14	11	248	78	428	363
Acquisitions	–	–	–	–	–	24	–	6	–	1	–	31
Sales and disposals	0	–	–1	0	–11	–2	–1	1	–	–5	–13	–6
Depreciation for the period	–1	–1	–30	–27	–125	–136	–24	–20	–	–	–180	–183
Reclassifications	–	–5	43	5	165	22	78	11	–272	–36	15	–3
Translation differences	0	0	6	14	11	17	1	1	–1	1	17	34
Book value	**16**	**17**	**526**	**455**	**864**	**711**	**157**	**88**	**185**	**210**	**1,748**	**1,481**

[1] Does not include capitalised interest.

No government grants affecting investment values were received in 2019 or 2018. For further information about depreciation, amortisation and impairment, see Note 6.

Note 13 Rights-of-use assets

Right-of-use assets are disclosed separately in the financial reports as from 2019. Information about the transition to IFRS 16, Leases, is shown in Note 30.

MSEK	Buildings and land 2019	2018	Plant and machinery and other technical assets[1] 2019	2018	Total rights-of-use assets 2019	2018
Accumulated cost	560	572	175	209	735	781
Accumulated depreciation	–236	–196	–71	–93	–307	–290
Accumulated impairment	–2	–6	–	–	–2	–6
Carrying amount	**322**	**370**	**104**	**116**	**427**	**486**
Balance at beginning of the period	370	369	116	58	486	427
Expenditure/Increase of right-of-use assets	9	16	29	50	37	65
Acquisitions	–	50	–	43	–	93
Sales and disposals/Decrease of right-of-use assets	0	–14	–4	–5	–4	–18
Depreciation for the period	–47	–53	–38	–32	–85	–84
Impairment for the period	–2	–6	–	–	–2	–6
Reclassifications	–15	3	–	–	–15	3
Translation differences	8	5	2	1	9	6
Book value	**322**	**370**	**104**	**116**	**427**	**486**

[1] Plant and machinery and other technical assets include equipment, tools, fixtures and fittings.

Further information about leasing contracts that are not apparent in the financial statements or have to be disclosed separately.

Non-current leasing receivables and current leasing receivables MSEK 9 (10) and MSEK 2 (2) is a sublease of right-of-use asset.

MSEK	2019	2018
Net interest expenses	–12	–13
Leasing fees for		
short term leases	–7	–6
assets with a low underlying value, not included in the fees for short term leases	–8	–5
variable leasing fees not included in leasing liabilities	–7	–4
Reported in the statement of cash flows		
investments in right-of-use assets	–1	–1
payments for amortization of leasing liabilities	–84	–81
Total cash flow for leasing contracts	**–118**	**–109**
Of which revenues for sub-lease of assets		
interest income (included in the net interest expenses)	0	0
rental income (included in amortization of leasing liabilities)	2	1

Note 14 Participations in associated companies

MSEK	Dec 31, 2019	Dec 31, 2018
Balance at the beginning of the year	41	40
Share of income in associates	1	2
Other adjustment	–	–2
Translation difference	1	1
Carrying amount	**43**	**41**

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

Information of associates in 2019

MSEK	Assets	Liabilities	Net sales	Income for the period
Farmfood A/S	174	90	316	5
Nærbø Kyllingslakt AS	32	22	85	–1

Information of associates in 2018

MSEK	Assets	Liabilities	Net sales	Income for the period
Farmfood A/S	174	90	303	6
Nærbø Kyllingslakt AS	30	21	76	–1

Group holdings in associates, December 31, 2019

	Corporate name	Corp. identity no.	Domicile	Number of shares	Share of capital, %	Carrying amount in Group 2019, MSEK	Carrying amount in Group 2018, MSEK
Associates in the Group:							
Denmark	Farmfood A/S	27 121 977	Loegstoer	10,000	33.3	28	26
Norway	Nærbø Kyllingslakt AS	985 228 175	Nærbø, Hå	3,875	50.0	15	15
Total						**43**	**41**

Note 15 Non-current financial assets

MSEK	Dec 31, 2019	Dec 31, 2018
Other long-term financial fixed assets	3	5
Other shares and interests	1	0
Total	*4*	*5*
Non-current leasing receivables	9	10
Total	**13**	**15**

Non-current leasing receivables is a sublease of right-of-use asset.

Note 16 Biological assets

MSEK	Dec 31, 2019	Dec 31, 2018
Balance at beginning of the period	94	72
Change in number of hens	-6	3
Change in revenue per hen	17	32
Change in production cost	0	0
Other	-6	–13
Balance at end of the period	**99**	**94**

The biological assets consist 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 160 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 514,000 (555,000) hens in stock with a total fair value less cost of sales of MSEK 72 (68).

Note 17 Inventory

MSEK	Dec 31, 2019	Dec 31, 2018
Raw materials and consumables	175	158
Goods in progress	12	17
Finished goods and merchandise	540	480
Total	**727**	**655**

MSEK 158 (42) of inventories this year were measured at net realizable value. Impairment losses of MSEK 4 (17) were recognised during the year. Previous impairments of MSEK 2 (24) has been reversed during the year since the impairment is no longer remains. The inventory is not subject for pledge assets or contingent liabilities.

Note 18 Trade receivables and other receivables

MSEK	Dec 31, 2019	Dec 31, 2018
Trade receivables	901	850
Other current receivables	93	115
Prepaid expenses and accrued income	89	176
Total	**1,083**	**1,141**

The closing loss allowances for trade receivables as follows:	Trade receivables 2019	2018
Opening loss allowance as at 1 January 2019 – calculated in accordance with IFRS 9	**28**	**28**
Increase in loss allowance, acquired companies	–	–
Increase in loss allowance recognised in profit or loss during the year	8	15
Receivables written off during the year as uncollectible	0	–6
Unused amount reversed	–6	–9
Closing balance 31 December	**31**	**28**

Prepaid expenses and accrued income, MSEK	Dec 31, 2019	Dec 31, 2018
Prepaid rent	1	3
Prepaid insurance	0	1
Prepayments to contract broiler producers	20	18
Prepaid interest	0	–
Other prepaid expenses	66	153
Other accrued income	1	1
Total	**89**	**176**

Age analysis of trade receivables, MSEK	Dec 31, 2019	Expected loss rate in %	Loss allowance	Dec 31, 2018	Expected loss rate in %	Loss allowance
Receivables, not yet due	632	–	–	628	–	–
Receivables, past due						
< 31 days	196	–	–	167	–	–
31–60 days	43	–	–	–14	–	–
61–90 days	10	–	–	76	15%	12
> 90 days	52	60%	31	21	76%	16
Total	**932**		**31**	**878**		**28**
Provision for doubtful debts	–31			–28		
Total	**901**			**850**		

For information of assessment of trade receivables, see Note 22.

Note 19 Current interest-bearing assets and cash and cash equivalents

MSEK	Dec 31, 2019	Dec 31, 2018
Cash and bank balances	194	89
Current leasing receivables	2	2
Total	**196**	**91**

Receivables with a maturity of up to one year are recognised. Current leasing receivables is a sublease of right-of-use asset. as current interest-bearing assets.

Note 20 Equity

Share capital

The share capital amounted to SEK 659,663 (659,663) and represented by 66,060,890 (66,060,890) shares of which the number of shares outstanding was 65,383,603 (65,318,465). Each share carries one vote. All shares have equal rights to Scandi Standard's assets and profits. The quota value of the share is SEK 0.009986 (0.009986).

Other paid-up capital

Shareholder's equity paid up by shareholders and dividend to shareholders. The divdend in 2019 amounted to MSEK 131 (118). No repurchase of own share has been made during the year.

Fair value reserve

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.

Translation reserve

The translation reserve includes all exchange rate differences that arise upon translation of financial statements of foreign operations that have prepared their financial statements in another currency than the presentation currency for the Group's financial statements. The Parent Company and Group present their financial statements in Swedish kronor (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.

Retained earnings

This item includes mainly accrued earnings in the Group, actuarial gains and losses, treasury shares and performance-based incentive programs. The adjustments in accordance with IFRS 16 Leases is also included in this item.

Non-controlling Interests

51 percent of the shares in Rokkedahl Food Aps, which was acquired 1 September 2018.

Earnings per share	2019	2018
Income for the period attributable to owner of the Parent company, MSEK	325	199
Average number of shares	65,358,083	65,285,191
Earnings per share, SEK	3.60	3.05

Equity per share	2019	2018
Equity attributable to owners of the Parent company, MSEK	1,738	1,586
Number of outstanding shares	65,358,603	65,318,465
Equity per share, SEK	26.58	24.60

Changes in share capital

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

Note 21 Interest-bearing liabilities

Non-current interest-bearing liabilities

MSEK	Dec 31, 2019	Dec 31, 2018
Non-current liabilities to credit institutions	1,925	1,949
Derivative instruments	11	11
Financial liabilities, leases	381	421
Total	**2,317**	**2,381**

Current interest-bearing liabilities

MSEK	Dec 31, 2019	Dec 31, 2018
Derivative instruments	4	1
Other short-term interest-bearing debt	73	76
Total	**77**	**77**

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

In 2016, a syndicated loan agreement was signed, replacing previous outstanding debt. The financing is a five-year facility of MSEK 1,450 and a revolving facility of MSEK 750. Both facilities were extended in 2018 by two more years and are to be repaid in December 2023. The loan agreement also gives Scandi Standard the opportunity to extend the loan facility if needed, from additionally MSEK 1,250 to MSEK 2,000. 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 change has been presented as a loan extension of existing loan agreement, as the loan conditions reconcile with previous conditions.

Covenants

The syndicated loan agreement sets forth a covenant on leverage (quota ratio of net interest-bearing debt in relation to EBITDA on rolling twelve-month 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 2019.

Note 22 Financial instruments and financial risk management

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

CURRENCY RISK

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

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

Transaction exposure

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

Distribution of trade receivables by currency

MSEK	Dec 31, 2019	Dec 31, 2018
SEK	128	141
DKK	145	143
NOK	100	89
EUR	509	493
Other currencies	49	12
Total	**932**	**878**

Distribution of trade payables by currency

MSEK	Dec 31, 2019	Dec 31, 2018
SEK	588	262
DKK	302	229
NOK	178	87
EUR	45	319
Other currencies	4	4
Total	**1,117**	**901**

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, NOK and EUR are hedged.

If the Swedish krona would change against other currencies by 5 percent, equity would be impacted by MSEK +/– 150 (146), not taking into account the equity hedge. If the equity hedge is taken into account, equity would be impacted by MSEK +/– 93 (90), 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 would change against subsidiaries' currencies by 5 percent, this would have an impact of MSEK +/–18 (15) on operating income, all other things being equal. The impact is broken down as follows: DKK/SEK +/– 5 (5) MSEK and NOK/SEK +/–8 (6) MSEK and EUR/SEK +/–5 (4) MSEK. The calculation does not take into account any changes in prices and customer behaviour 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, 2019, the Group's outstanding liabilities to credit institutions, including outstanding interest rate swaps, had a weighted average fixed-rate period of 16 (21) months.

REFINANCING RISK AND LIQUIDITY RISK

Refinancing risk is the risk that costs will be higher and opportunities for financing limited when loans and other credit arrangements are renewed. Liquidity risk is the risk that the Group will encounter difficulty in discharging payment obligations. Scandi Standard limits its refinancing risk by having a well-diversified group of counterparties for its loan facilities. The weighted average maturity of loans with credit institutions as per December 31, 2019 was 4 (5) 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, 2019 was MSEK 655 (557).

Maturity structure of liabilities to credit institutions by currency 2019

MSEK	2020	2021	2022	2023	2024–	Total
SEK	14	14	14	802	–	843
NOK	17	17	17	493	–	544
DKK	7	7	7	405	–	425
EUR	7	7	7	269	–	290
Total	**44**	**44**	**44**	**1,969**	**–**	**2,102**
Of which interest	42	42	42	42	–	168

Maturity structure of liabilities to credit institutions by currency 2018

MSEK	2019	2020	2021	2022	2023–	Total
SEK	17	17	17	17	805	875
NOK	16	16	16	16	477	541
DKK	9	9	9	9	401	435
EUR	8	8	8	8	275	309
Total	**50**	**50**	**50**	**50**	**1,959**	**2,160**
Of which interest	48	48	48	48	48	240

Maturity structure of derivative instruments, nominal amounts December 31, 2019

MSEK	2020	2021	2022	2023–	Fair value
Currency derivatives	259	–	–	–	–4
Interest rate derivatives	894	–	367	359	–11
Total	**1,154**	**–**	**367**	**359**	**–16**

Maturity structure of derivative instruments, nominal amounts December 31, 2018

MSEK	2019	2020	2021	2022–	Fair value
Currency derivatives	190	–	–	–	–1
Interest rate derivatives	–	886	–	719	–11
Total	**190**	**886**	**–**	**719**	**–12**

Maturity structure of liabilities regarding leasing by currency 2019

MSEK	2020	2021	2022	2023	2024–	Total
SEK	24	21	16	14	44	119
NOK	32	31	30	30	123	246
DKK	22	26	19	13	45	125
EUR	6	3	3	2	6	20
Total	**84**	**82**	**67**	**59**	**218**	**510**
Of which interest	11	9	8	6	22	56

Maturity structure of liabilities regarding leasing by currency 2018

MSEK	2019	2020	2021	2022	2023–	Total
SEK	25	24	20	16	61	145
NOK	29	29	28	27	142	255
DKK	26	24	20	16	57	142
EUR	8	5	2	2	7	24
Total	**89**	**82**	**70**	**61**	**266**	**567**
Of which interest	13	12	11	7	27	70

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

CREDIT AND COUNTERPARTY RISK

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

Customer credit risk

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

VALUATION FINANCIAL LIABILITIES

An agreement of additional payments was made when acquiring Carton Bros ULC, by the time of closing of the books calculated to MSEK 234 (346), which is to be paid yearly until 2021. The amount is depending on the progress of operating income before depreciation and amortization (EBITDA) of the acquired operation. The amount is the most likely outcome and recognized as liability in the Group balance sheet.

Hedging instruments with associated hedged items and Derivative instruments

						Assets		Liabilities			
	Average hedging price/-rate	Nominal amount Remaining term		Nominal amount		Booked value		Booked value		Annual change in value	Accumulated change in value
MSEK		**< 1 year**	**> 1 year**	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**	**2019**	**Dec 31, 2019**
Cash flow hedges											
Interest related contract											
Interest swap	0,90%	312	624	936	923	–	–	–12	–13	1	–12
Interest floor	–0,23%	676	–	676	671	1	2	–	–	–1	0
Currency related contract											
FX hedges											
EUR/DKK	7,45	103	–	103	–	–	–	0	–		
GBP/DKK	8,29	77	–	77	141	–	–	–5	–1		
USD/DKK	6,61	79	–	79	48	–	–	0	–1		
Total hedging		**1,248**	**624**	**1,872**	**1,784**	**1**	**2**	**–16**	**–14**	**–4**	**–16**
Currency hedging of foreign operations											
Currency related contract											
Derivatives instruments – Loan		–	1,139	1,139	1,123	–	–	1,139	1,123	–3	–
Income from currency hedging of foreign operations		–	1,139	1,139	1,123	1,139	1,123	–	–	3	–
Total derivative instrument						**–**	**–**	**1,139**	**1,123**	**–**	**–**

Types of hedge accounting applied in the consolidated financial statements

Type of exposure	Type of hedged items	Hedged risk	Derivative instruments	Hedging model[1)]
Interest exposure	Loans with variable interest rates	Interest rate risk	Interest rate derivatives	Cash flow hedges
Currency exposure	Forecasted purchase and sales in foreign currency	Currency risk	Currency derivatives	Cash flow hedges
Currency exposure	Investments in foreign operations	Currency risk	Loan in foreign currency	Currency hedging of foreign operations

1) Deviations in critical conditions between hedging instruments and hedged items represent the main source of inefficiency for all types of hedging.

Financial assets and liabilities by measurement category December 31, 2019

December 31, 2019, MSEK	Valued at amortised cost	Valued at fair value through profit and loss[1)]	Valued at fair value through other comprehensive income[1)]
ASSETS			
Financial assets	4	–	–
Leasing receivables	10	–	–
Biological assets	–	99	–
Trade receivables and other receivables	901	–	–
Derivative instruments	–	–	–
Cash and cash equivalents	194	–	–
Total financial assets	**1,110**	**99**	**–**
LIABILITIES			
Non-current interest-bearing liabilities	1,925	–	–
Other non-current liabilities	–	116	–
Leasing liabilities	454	–	–
Derivative instruments	–	–	16
Current interest-bearing liabilities	0	–	–
Other short-term payables	–	118	–
Trade payables	1,117	–	–
Total financial liabilities	**3,495**	**234**	**16**

[1)] The Group's financial assets and liabilities are valued in accordance with the following fair value hierarchy:

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 observe able for the asset or liability, i.e. quoted prices or data derived therefrom.
Level 3: Unobservable inputs for measurement of the asset or liability.

Financial assets and liabilities by measurement category December 31, 2018

December 31, 2018, MSEK	Valued at amortised cost	Valued at fair value through profit and loss[1)]	Valued at fair value through other comprehensive income[1)]
ASSETS			
Financial assets	5	–	–
Leasing receivables	12	–	–
Biological assets	–	94	–
Trade receivables and other receivables	850	–	–
Derivative instruments	–	–	–
Cash and cash equivalents	89	–	–
Total financial assets	**956**	**94**	**–**
LIABILITIES			
Non-current interest-bearing liabilities	1,949	–	–
Other non-current liabilities	–	218	–
Leasing liabilities	497	–	–
Derivative instruments	–	–	12
Current interest-bearing liabilities	0	–	–
Other short-term payables	–	128	–
Trade payables	901	–	–
Total financial liabilities	**3,347**	**346**	**12**

Note 23 Pensions

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

The obligations in Ireland concern closed pension plans.

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

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

Defined benefit plans, MSEK	Dec 31, 2019	Dec 31, 2018
Funded plans		
Defined benefit obligations under Swedish PRI Pensionsgaranti, plans	199	180
Fair value of plan assets	–176	–167
Total net value of funded plans	**23**	**13**
Surplus in funded pension plan reported as asset	–	–
Partially funded pension plan reported as liability	23	13
Unfunded plans		
Other unfunded obligations	3	3
Total unfunded plans	**3**	**3**
Provision for pensions, net value	**26**	**16**

Defined benefit pension plans are in Sweden and Ireland.

Pension cost in the income statement, MSEK	2019	2018
Defined benefit plans		
Incurred pension expense during the year		
Interest income / expenses	–4	–2
Cost of defined benefit plans	**–4**	**–2**
Cost of defined contribution plans	–99	–92
Total pension cost	**–104**	**–94**
The cost is recognised in the following lines in the income statement		
Employee benefits expenses, Note 5	–99	–92
Finance expenses, Note 8	–4	–2
Total pension cost	**–104**	**–94**

Pension-related charges in other comprehensive income, MSEK	2019	2018
Defined benefit plans		
Return on plan assets in excess of what is recognised as interest income in the income statement	13	8
Remeasurement of pension obligations:		
– Experience based adjustment of obligation	–1	–1
– Effect of changes in demographic assumptions	–4	–3
– Effects of changes in financial assumptions	–20	–11
Total remeasurement of pension obligations	**–25**	**–15**
Total actuarial gains (+) and losses (–)	**–11**	**–7**
Tax in gain / loss	2	2
Total recognised in other comprehensive income	**–9**	**–6**

Changes in obligations, assets and net amount:

	Defined benefit obligations		Plan assets		Net	
31 December, MSEK	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Opening balance, funded plans	180	170	–167	–163	13	7
Service cost	–2	–2	–	–	–2	–2
Interest recognised in income statement	4	4	–4	–4	0	0
Payment of pension benefits	–8	–7	–	–	–8	–7
Compensation received	–	–	8	7	–	7
Return in plan assets in excess of recognised interest	–	–	–13	–8	–13	–8
Remeasurement of pension obligations recognised in other comprehensive income	25	15	–	–	25	15
Closing balance, funded plans	**199**	**180**	**–176**	**–167**	**23**	**13**
Unfunded plans	3	3	–	–	3	3
Closing balance, pension liability	**202**	**183**	**–176**	**–167**	**26**	**16**

A reduction of the discount rate by 0.25 percentage points would increase the pension obligation by MSEK 7 (7) while an increase of the discount rate would reduce the obligation by MSEK 7 (6). A change in the expected life span of one year would change the obligation by MSEK 9 (8). A change of the inflation rate of 0.25 percentage points would change the obligation by about MSEK 7 (6). The pension fund's return was 10 (7) percent and a change of 1 percentage point would change the value of plan assets by about MSEK 2 (2).

Funded plans cover to 49.6 (53.4) percent paid-up policy holders and to 50.4 (46.6) percent retired persons. Duration is 15 (15) years.

Expected payments under defined benefit pension plans in 2020 are MSEK 8.

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

	2019		2018	
	MSEK	**%**	**MSEK**	**%**
Property	71	40.3	94	56.3
Fixed-interest investments	46	26.1	28	16.6
Equity investments	39	22.2	34	20.5
Alternative investments	10	5.7	8	4.8
Cash and cash equivalents	10	5.7	3	1.8
Total	**176**	**100.0**	**167**	**100.0**

Equity investments are all listed equity.

Actuarial assumptions	**2019**	**2018**
Discount rate	1.50%	2.25%
Future pension increase	2.00%	2.00%
Inflation	2.00%	2.00%
Mortality table	**DUS14**	**DUS14**

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 4 (4) of total pension cost of MSEK 99 (92) 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 148 (142) percent. 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 IAS 19.

Note 24 Other provisions

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

MSEK	Dec 31, 2019	Dec 31, 2018
Restructuring	2	7
Other provisions	3	2
Total	**5**	**10**

Note 25 Trade payables and other current liabilities

MSEK	Dec 31, 2019	Dec 31, 2018
Trade payables	1,117	901
Other current liabilities	254	243
Current leasing liabilities	73	76
Accrued expenses and prepaid income	412	353
Total	**1,855**	**1,573**

Accrued expenses and prepaid income

MSEK	Dec 31, 2019	Dec 31, 2018
Accrued personnel-related expenses	239	212
Bonuses and discounts	37	32
Other accrued expenses	136	109
Prepaid income	0	1
Total	**412**	**353**

Note 26 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 included in Notes 15 and 25. Further information about associated companies can be found in Note 14.

Owner transactions

MSEK	2019	2018
Paid rentals to Lantmännen	2	2

Other related party transactions

MSEK	2019	2018
Intra-group purchases, share of total purchases, %	7.4	9.7
Intra-group sales, share of total sales, %	6.6	6.5
Purchases of goods and services from associates, MSEK	90	67
Sales of goods and services to associates, MSEK	74	77
Other transactions with associates, MSEK	4	7
Transfer of capital from pension fund, credited, MSEK	8	7

Note 27 Acquired operations

Scandi Standard has not made any acquisitions during 2019.

Acquisition of 51 percent of the shares in Rokkedahl Food Aps
In 2018, the group company Danpo A/S, which is reported in segment Demark, acquired 51 percent of the outstanding shares in Rokkedahl Food ApS. Payments for the shares were made in kind by transferring customer contracts from Danpo A/S to Rokkedahl Food ApS.

Acquisition of Carton Bros ULC in 2017
In connection with the acquisition of Carton Bros ULC in Ireland in 2017, additional purchase price was debited at a nominal value of approximately MEUR 35. The amount is revalued at the end of each reporting period with the consideration of the expected payment and the change are booked in the income statement, In 2019, no revaluation was made since the expected payment has not changed. The second part of the additional purchase price of MSEK 133 was paid during the third quarter in 2019. The first payment amounted MEUR 0,4 and was paid in 2018.

MSEK	2019	2018 Rokkedahl Food ApS
Acquisition price		
Cash payment	–	–
Issued shares	–	–
Deferred consideration, recognised liability	–	–
Liability related to the acquisition of minority	–	–
Total	**–**	**–**
Acquired assets and liabilities at fair value		
Brand	–	–
Other intangible assets	–	–
Provisions etc.	–	–
Deferred tax	–	8
Property, plant and equipment	–	73
Inventories	–	11
Other current and non-current assets	–	6
Other liabilities	–	–6
Net assets acquired, total	**–**	**92**
Cash and bank balances	–	–
Borrowing	–	–92
Net interest-bearing debt, acquired	**–**	**–92**
Non-controlling interests	–	**0**
Goodwill	–	**0**
Total	–	**0**

MSEK		Rokkedahl Food ApS
Cash impact from acquisition		
Cash paid for acquired companies	–	–
Cash and cash equivalents in acquired companies	–	–
Total	–	**–**

Note 28 Pledged assets and contingent liabilities

Pledged assets	For own liabilities	
MSEK	**Dec 31, 2019**	**Dec 31, 2018**
Real estate mortgages	242	242
Total	**242**	**242**

Contingent liabilities

MSEK	Dec 31, 2019	Dec 31, 2018
Guarantee multicurrency credit facility	2,200	2,241
Rent guarantee	1	–
Other contingent liabilities	318	57
Total	**2,520**	**2,298**

The parent company Scandi Standard AB (publ) has pledged a guarantee for Kronfågel AB regarding rental agreement. The annual rent of the agreement amounts to MSEK 10.

Note 29 Notes to the statement of cash flows

1) Paid finance items net, MSEK	2019	2018
Interest received	0	1
Interest paid	−64	−74
Other paid financial items	−9	−5
Total	**−72**	**−78**

2) Business combinations, MSEK	2019	2018
Acquired assets and liabilities		
Property, plant and equipment	–	73
Intangible assets	–	0
Inventories	–	11
Trade and other receivables	–	14
Liabilities	–	−98
Cash and cash equivalents	–	–
Total	**–**	**0**
Additional consideration, recognized liability	133	4
Provision for acquisition of minority	–	–
Loans in acquired business combination	–	–
Paid consideration	**133**	**4**
Cash and cash equivalents in acquired business combination	–	–
Cash flow effect	**133**	**4**

3) Cash and cash equivalents, MSEK	2019	2018
Cash and bank deposits	194	89
Total	**194**	**89**

The Group's total liquidity, defined as cash, bank deposits and credit available under the provisions of applicable loan agreements, amounted to MSEK 655 (557) at the end of the year.

4) Reconciliation of Net interest-bearing debt

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

Net interest-bearing debt[1], MSEK	2019	2018
Cash and cash equivalents	194	89
Interest-bearing liabilities – repayable within one year	−77	−77
Interest-bearing liabilities – repayable after one year	−2,317	−2,381
Net interest-bearing debt	**−2,200**	**−2,370**
Cash and bank deposits	194	89
Gross debt – variable interest rates	−2,394	−2,458
Net interest-bearing debt	**−2,200**	**−2,370**

[1] The Group utilises the same definition of Net interest-bearing debt as the current Credit agreement.

	Liabilities from financing activities				
Changes in gross debt, MSEK	**Interest-bearing liabilities due within 1 year**	**Leasing liability due within 1 year**	**Borrowing due after 1 year**	**Leasing liability due after 1 year**	**Total**
Gross debt December 31, 2018 (Note 21)	**−1**	**−76**	**−1,960**	**−421**	**−2,458**
Cash flows					
new loans	–	–	–	–	–
repayments	–	84	12	–	96
changes in credit facility	–	–	41	–	41
Total	–	*84*	*53*	–	*137*
Foreign exchange adjustments	–	–	−38	−10	−48
Acquisitions	–	–	–	–	–
Other non-cash movements	−3	−81	9	50	−25
Changes	**−3**	**−81**	**−29**	**40**	**−73**
Gross debt December 31, 2019 (Note 21)	**−4**	**−73**	**−1,936**	**−381**	**−2,394**

Note 30 Changes in accounting principles as of 2019

This note describes the effect on the Group's financial statements by the application of IFRS 16 as of January 2019.

IFRS 16, Leases, published in January 2016 superseded IAS 17, Leases. The standard is mandatory for financial years starting on or after 1 January 2019. It has resulted in almost all leases being recognized on the balance sheet, as the distinction between operating and financial leases has been removed. The only exceptions are short-term (under 1 year) and low value (below kSEK50). The lease cost for those leases are disclosed separately. According to the new standard an asset (a right to use the leased item) and a financial liability to pay rentals are recognised. Associated depreciation expenses and interest expenses are disclosed separately. Changes in estimated lease period, lease payments and similar may require revaluation of the right to use asset and lease liability in future periods.

The Group finalized the analysis of lease contracts affected by the new standard during 2018. The simplification to not test if an existing contract contains a lease or not at implementation has been used.

The standard allows for several transition methods, and Scandi Standard has elected to use the full retrospective method where the accumulated effect of the transition is reported in the opening balance for 1 January 2018.

At the transition to IFRS 16, the Group reported leasing liabilities for leases previously reported as operating leases according to IAS 17, Leases. These liabilities were valued at the present value of future lease payments. In addition, when relevant, lease fees that have not been paid have been included, such as fixed and variable fees, amounts expected to be paid as residual value guarantees and penalties for premature terminations of the lease.

Changes will affect the Group's accounting principles, which affects the accounting, valuation and presentation of certain amounts in the financial statements. The effects are disclosed below, where the restated financial reports for the full years and the quarters of 2018 are disclosed.

The transition to IFRS 16 have resulted in reporting of operating lease commitments as liabilities in the statement of financial position, this means that the value of pledged assets and contingent liabilities has reduced compared to what is disclosed in this annual report in Note 28, Pledged assets and contingent liabilities. The operating leases that has reported in Scandi Standard's balance sheet as a consequence of IFRS 16 mainly refers to land and buildings (offices and production facilities), transportation (cars, forklifts and trucks) and other equipment (such as IT and other office equipment).

The following accounting principles are applied as of the implementation of IFRS 16 on 1 January 2019:
As of 1 January 2019, the majority of the Group's leases are reported in the balance sheet and the standard will therefore impact the classification of the Group's operating leases. The standard impacts the accounting of the Group's operational leasing agreements.

The Group shall test whether a contract contains a lease by investigating if the contract, for a compensation, gives the control of the use of an asset during a period.

At the start of the lease, a right-of-use asset (the right to use a lease object) and a financial liability to pay rents are recognized.

The right-of-use asset is initially valued at the value of the leasing liability adjusted for any lease payments paid before or on the initial date of the lease with the addition of any direct costs and the estimated cost of restoring the underlying asset.

The leasing liability includes the present value of the following lease payments:

- Fixed fees,
- Variable fees that are dependent on an index or price, initially valued by using an index or price at the start date,
- Amounts expected to be paid for residual value guarantees,
- The strike price for an option to buy the asset if the lessee is reasonably certain to exercise the option, and
- Penalties that are paid upon cancellation, if the lease period indicates that the lessee plans to cancel the lease.

When the lease period is determined, the company uses all available information impacting the incentive to utilize an extension option, or to not use the option to cancel the lease. Extension options are only included in the lease period if the lessee is reasonably certain that the option will be exercised, and periods included in an option to cancel are only included in the lease period if the lessee is reasonably certain to not use the option.

Revaluation of leasing liabilities is done when changes in future lease payments are caused by changes in an index or price or if the Group changes its estimate regarding buy-out, extension or cancellation of the lease agreement. The value of the right-of-use asset is also changed with the same amount.

The right-of-use asset is depreciated on a straight-line basis over the shortest of the useful life of the assets and the term of the lease. The right-of-use asset is adjusted for revaluation of the lease liability and any write downs. Depreciation and write-downs are disclosed separately.

The lease liability is initially estimated to the present value of future lease payments, discounted by the implicit interest rate of the agreement, or if difficult to identify, the marginal loan rate of the Group. In general, the marginal loan rate is used. Interest costs are disclosed separately.

The Group has elected to not report right-of-use assets and lease liabilities for short term agreements (lease term up to twelve months) and leased assets with a low underlying value. Lease expenses for these leases are reported over the lease period and the amounts are disclosed separately in the financial statements.

Revenues from any sub-lease of assets are disclosed separately.

The change in accounting principles means that the comparison numbers for 2018 have been restated according to the principles for leasing applied under IFRS 16. The restated amounts for the full year and individual quarters 2018 are disclosed below. Items that are not affected are not included, which means that subtotals and totals cannot be calculated from the information in the tables.

Impact on the comparison figures in the financial statements, as a result of changes in accounting principles as of January 1, 2019

The adjustments recognized for each line item are shown below for the full year and the quarters of 2018. Parts of the line items that are not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Consolidated income statement MSEK	According present policies Q1 2018	Restate-ment IFRS 16	Restated Q1 2018	According present policies Q2 2018	Restate-ment IFRS 16	Restated Q2 2018	According present policies Q3 2018	Restate-ment IFRS 16	Restated Q3 2018	According present policies Q4 2018	Restate-ment IFRS 16	Restated Q4 2018	According present policies 2018	Resta-ted 2018	Restated 2018
Net sales	2,116	–	2,116	2,252	–	2,252	2,263	–	2,263	2,166	–	2,166	8,797	–	8,797
Other operating income	8	–	8	24	–	24	11	0	11	0	–1	–1	43	–1	42
Depreciation, amortisa-tion and impairment	–68	–19	–87	–70	–20	–90	–73	–27	–100	–32	–22	–54	–242	–89	–331
Other operating expenses	–296	22	–274	–325	23	–303	–309	29	–280	–282	26	–256	–1,212	99	–1,113
Operating income	**80**	**2**	**82**	**67**	**2**	**69**	**87**	**2**	**89**	**89**	**3**	**91**	**323**	**9**	**333**
Financial income	0	–	0	0	–	0	1	0	1	0	0	0	1	0	1
Financial expenses	–25	–4	–29	–27	–4	–31	–20	–3	–23	–15	–3	–17	–87	–13	–100
Income after finance net	**55**	**–2**	**53**	**40**	**–1**	**39**	**68**	**–1**	**67**	**74**	**0**	**74**	**237**	**–4**	**233**
Tax on income for the year	–11	0	–11	–7	0	–7	–15	0	–14	–1	0	–1	–33	1	–33
Income for the year	**44**	**–2**	**42**	**33**	**–1**	**32**	**53**	**–1**	**52**	**73**	**0**	**74**	**204**	**–3**	**200**
Whereof attributable to:															
Shareholders of the parent company	44	–2	42	33	–1	32	53	–1	52	72	0	73	202	–3	199
Non-controlling interests	–	–	–	–	–	–	0	0	0	1	0	1	1	0	1
Average number of shares	65,233,578		65,233,578	65,268,959		65,268,959	65,318,465		65,318,465	65,318,465		65,318,465	65,285,191		65,285,191
Earnings per share before dilution, SEK	0.67		0.65	0.51		0.49	0.82		0.80	1.10		1.13	3.10		3.07
Earnings per share after dilution, SEK	0.67		0.65	0.51		0.49	0.82		0.80	1.10		1.13	3.10		3.07

Segment reporting MSEK	According present policies Q1 2018	Restate-ment IFRS 16	Restated Q1 2018	According present policies Q2 2018	Restate-ment IFRS 16	Restated Q2 2018	According present policies Q3 2018	Restate-ment IFRS 16	Restated Q3 2018	According present policies Q4 2018	Restate-ment IFRS 16	Restated Q4 2018	According present policies 2018	Restate-ment IFRS 16	Restated 2018
Adjusted operating income per segment															
Sweden	31	1	32	28	1	28	35	0	35	42	1	43	136	2	138
Denmark	22	0	22	22	0	22	28	0	28	19	0	19	91	1	92
Norway	26	1	27	33	2	35	30	2	31	36	2	38	125	6	131
Ireland	20	0	20	27	0	27	23	0	23	26	0	26	96	0	96
Finland	–5	0	–5	–4	0	–4	–3	0	–3	0	0	0	–13	0	–13
Group-wide	–14	0	–14	–15	0	–15	–13	0	–13	–21	0	–21	–64	0	–64
Adjusted operating income	**80**	**2**	**82**	**90**	**2**	**93**	**100**	**2**	**102**	**102**	**3**	**104**	**372**	**9**	**381**
Non-comparable items		–	–	–23	–	–23	–12	–	–12	–13	–	–13	–49	–	–49
Operating income	**80**	**2**	**82**	**67**	**2**	**70**	**87**	**2**	**89**	**89**	**3**	**91**	**323**	**9**	**333**

Adjusted operating margin per segment and total operating margin

MSEK / Percent	Net sales Q1 2018	According present policies Q1 2018	Restated Q1 2018	Net sales Q 2 2018	According present policies Q2 2018	Restated Q2 2018	Net sales Q3 2018	According present policies Q3 2018	Restated Q3 2018	Net sales Q4 2018	According present policies Q4 2018	Restated Q4 2018	Net sales 2018	According present policies 2018	Restated 2018
Sweden	*649*	4.8%	4.9%	*661*	4.2%	4.3%	*692*	5.1%	5.1%	654	6.4%	6.5%	*2,656*	5.1%	5.2%
Denmark	*635*	3.5%	3.5%	*688*	3.2%	3.2%	*729*	3.9%	3.9%	698	2.7%	2.8%	*2,750*	3.3%	3.3%
Norway	*362*	7.2%	7.6%	*393*	8.4%	8.8%	*384*	7.8%	8.2%	373	9.6%	10.1%	*1,512*	8.3%	8.7%
Ireland	*464*	4.3%	4.3%	*499*	5.4%	5.4%	*479*	4.8%	4.8%	451	5.8%	5.9%	*1,894*	5.1%	5.1%
Finland	*106*	–4.7%	–4.7%	*114*	–3.8%	–3.8%	*99*	–3.3%	–3.2%	97	0.0%	0.0%	*416*	–3.1%	–3.1%
Group-wide and eliminations	*–100*	n/a	n/a	*–103*	n/a	n/a	*–120*	n/a	n/a	–108	n/a	n/a	*–430*	n/a	n/a
Total net sales and adjusted operating margin, respectively	***2,116***	**3.8%**	**3.9%**	***2,252***	**4.0%**	**4.1%**	***2,263***	**4.4%**	**4.5%**	***2,166***	**4.7%**	**4.8%**	***8,797***	**4.2%**	**4.3%**
Total net sales and operating margin, respectively	***2,116***	**3.8%**	**3.9%**	***2,252***	**3.0%**	**3.1%**	***2,263***	**3.9%**	**3.9%**	***2,166***	**4.1%**	**4.2%**	***8,797***	**3.7%**	**3.8%**

Other disclosures in the segment reporting

	Total assets per segment			Total liabilities per segment and equity for Group			Expenditure and increase in right of use assets per segment			Depreciation, amortisation and impairment per segment		
MSEK	According present policies Dec 31, 2018	Restate-ment IFRS 16	Restated Dec 31, 2018	According present policies Dec 31, 2018	Restate-ment IFRS 16	Restated Dec 31, 2018	According present policies 2018[1]	Restate-ment IFRS 16[2]	Restated 2018	According present policies 2018	Restate-ment IFRS 16	Restated 2018
Sweden	1,054	131	1,186	984	136	1,120	41	8	50	–67	–38	–105
Denmark	1,887	94	1,980	1,080	94	1,174	162	36	198	–47	–18	–65
Norway	948	200	1,148	917	214	1,130	54	1	55	–52	–25	–77
Ireland	604	13	617	422	13	435	55	3	59	–57	–4	–61
Finland	50	9	59	191	9	200	21	3	24	–18	–4	–22
Group-wide	3,895	1	3,895	1,318	1	1,319	38	1	38	–2	0	–2
Unallocated liabilities	–	–	–	1,920	–	1,920	–	–	–	–	–	–
Eliminations	–2,911	–	–2,911	–2,911	–	–2,911	–	–	–	–	–	–
Equity	–	–	–	1,606	–19	1,587	–	–	–	–	–	–
Total	**5,527**	**448**	**5,976**	**5,527**	**448**	**5,976**	**371**	**52**	**424**	**–242**	**–89**	**–331**

1) Including eventual financial leasing.

2) Reported expenditure is constituted of increases in right-of-use assets, in comparison with the investments shown in the statement of cash flows, which solely includes prepayments for contracts not yet started.

Consolidated statement of financial position

MSEK	According present policies Jan 1, 2018	Restatement IFRS 16	Restated Jan 1, 2018	According present policies Mar 31, 2018	Restatement IFRS 16	Restated Mar 31, 2018	According present policies Jun 30, 2018	Restatement IFRS 16	Restated Jun 30, 2018	According present policies Sep 30, 2018	Restatement IFRS 16	Restated Sep 30, 2018	According present policies Dec 31, 2018	Restatement IFRS 16	Restated Dec 31, 2018
ASSETS															
Non-current assets															
Right-of-use assets	–	428	428	–	441	441	–	462	462	–	515	515	–	486	486
Property, plant and equipment	1,245	–1	1,244	1,324	–1	1,323	1,421	–16	1,405	1,531	–58	1,473	1,537	–56	1,481
Non-current leasing receivables	–	–	–	–	–	–	–	–	–	–	11	11	–	10	10
Deferred tax assets	40	5	45	43	5	48	45	5	50	58	6	64	50	5	55
Total non-current assets	**3,238**	**431**	**3,670**	**3,389**	**445**	**3,834**	**3,513**	**451**	**3,964**	**3,624**	**474**	**4,097**	**3,549**	**446**	**3,996**
Current assets															
Current leasing receivables	–	–	–	–	–	–	–	–	–	–	2	2	–	2	2
Total current assets	**1,915**	**–**	**1,915**	**1,968**	–	**1,969**	**2,023**	**0**	**2,023**	**2,016**	**2**	**2,018**	**1,978**	**2**	**1,980**
TOTAL ASSETS	**5,153**	**431**	**5,585**	**5,357**	**445**	**5,802**	**5,536**	**451**	**5,987**	**5,640**	**476**	**6,115**	**5,527**	**448**	**5,976**
EQUITY AND LIABILITIES															
Retained earnings	409	–16	393	450	–17	433	427	–18	409	483	–19	464	612	–19	593
Capital and reserves attributable to owners	**1,455**	**–16**	**1,439**	**1,589**	**–17**	**1,572**	**1,537**	**–18**	**1,519**	**1,583**	**–19**	**1,564**	**1,604**	**–19**	**1,586**
Non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**19**	**–**	**19**	**1**	**–**	**1**
Total equity	**1,455**	**–16**	**1,439**	**1,589**	**–17**	**1,572**	**1,537**	**–18**	**1,519**	**1,602**	**–19**	**1,583**	**1,606**	**–19**	**1,587**
LIABILITIES															
Non-current liabilities															
Non-current leasing liabilities	1	370	371	1	380	380	0	385	386	41	405	446	41	381	421
Total non-current liabilities	**2,373**	**370**	**2,743**	**2,496**	**380**	**2,876**	**2,414**	**385**	**2,799**	**2,420**	**405**	**2,825**	**2,413**	**381**	**2,794**
Current liabilities															
Current leasing liabilities	–	67	67	–	72	72	–	74	74	–	80	80	0	76	76
Accrued expenses and prepaid income	306	10	316	310	10	320	332	10	342	321	10	331	342	11	353
Total current liabilities	**1,326**	**77**	**1,403**	**1,272**	**82**	**1,354**	**1,585**	**84**	**1,670**	**1,618**	**90**	**1,708**	**1,509**	**86**	**1,595**
TOTAL EQUITY AND LIABILITIES	**5,153**	**431**	**5,585**	**5,357**	**445**	**5,802**	**5,536**	**451**	**5,987**	**5,640**	**476**	**6,115**	**5,527**	**448**	**5,976**

Consolidated statement of cash flows

MSEK	According present policies Q1 2018	Restate-ment IFRS 16	Restated Q1 2018	According present policies Q2 2018	Restate-ment IFRS 16	Restated Q2 2018	According present policies Q3 2018	Restate-ment IFRS 16	Restated Q3 2018	According present policies Q4 2018	Restate-ment IFRS 16	Restated Q4 2018	According present policies 2018	Restate-ment IFRS 16	Restated 2018
OPERATING ACTIVITIES															
Operating income	80	2	82	67	2	69	87	2	89	89	3	92	323	10	333
Adjustments for non-cash items	72	19	91	99	20	119	48	27	75	25	22	47	244	89	333
Paid finance items, net	–16	–3	–19	–15	–3	–18	–18	–3	–22	–15	–3	–19	–65	–13	–78
Cash flow from operating activities before change in operating capital	**117**	**19**	**136**	**117**	**20**	**137**	**111**	**26**	**137**	**75**	**22**	**96**	**419**	**86**	**505**
Change in operating receivables	36	0	36	–34	0	–34	–18	1	–17	71	0	71	55	1	56
Change in operating payables	–75	0	–75	98	0	98	–39	–5	–44	124	0	124	108	–5	103
Changes i working capital	**81**	**0**	**81**	**72**	**0**	**72**	**–6**	**–5**	**–11**	**132**	**1**	**133**	**162**	**–4**	**157**
Cash flow from operating activities	**198**	**19**	**217**	**189**	**20**	**209**	**105**	**21**	**126**	**207**	**22**	**229**	**581**	**82**	**663**
INVESTING ACTIVITIES															
Investments in right-of-use assets	–	0	0	–	0	0	–	–1	–1	–	0	0	–	–1	–1
Cash flows used in investing activities	**–90**	**0**	**–90**	**–142**	**0**	**–142**	**–109**	**–1**	**–110**	**–34**	**0**	**–34**	**–375**	**–1**	**–376**
FINANCING ACTIVITIES															
Payments for amortisation of leasing liabilities	–	–18	–18	–	–20	–20	–	–20	–20	–	–22	–22	–	–81	–81
Cash flows in financing activities	**47**	**–18**	**29**	**–35**	**–20**	**–55**	**41**	**–20**	**21**	**–205**	**–22**	**–227**	**–152**	**–81**	**–232**
Cash flows for the period	**38**	**–**	**38**	**12**	**–**	**12**	**36**	**–**	**36**	**–32**	**–**	**–32**	**54**	**–**	**54**
Cash and cash equivalents at the end of the period	**70**	**–**	**70**	**84**	**–**	**84**	**118**	**–**	**118**	**89**	**–**	**89**	**89**	**–**	**89**

Values for right-of use assets if they had been disclosed 2018

	Buildings and land			Plant and machinery			Equipment, tools, fixtures and fittings		
MSEK	Financial leasing reported as property plant and equipment 2018	Right-of-use assets according IFRS 16	Restated right-of-use assets 2018	Financial leasing reported as property plant and equipment 2018	Right-of-use assets according IFRS 16	Restated right-of-use assets 2018	Right-of-use assets according IFRS 16	Total right-of-use assets according IFRS 16	Total restated right-of-use assets 2018
Accumulated cost	17	555	572	84	69	153	56	681	781
Accumulated depreciation	–2	–194	–196	–43	–26	–69	–24	–244	–290
Accumulated impairment	–	–6	–6	–	–	–	–	–6	–6
Booked valued	**15**	**355**	**370**	**41**	**43**	**84**	**32**	**430**	**486**
Balance at beginning of the period	1	368	369	0	34	34	24	426	427
Expenditure/Increase of right-of-use assets	13	3	16	1	28	29	21	52	65
Acquisitions	–	50	50	42	2	43	0	51	93
Sales and disposals/ Decrease of right -of-use assets	0	–13	–14	–	–5	–5	0	–18	–18
Depreciations for the period	0	–52	–53	–2	–16	–18	–14	–82	–84
Impairment for the period	–	–6	–6	–	–	–	–	–6	–6
Reclassifications	3	–	3	–	–	–	–	0	3
Translation differences	–1	6	5	0	0	0	1	7	6
Booked value	**15**	**355**	**370**	**41**	**43**	**84**	**32**	**430**	**486**

Maturity structure of liabilities regarding leasing, by currency

MSEK	2019	2020	2021	2022	2023–	Total
SEK	22	20	16	15	58	130
NOK	22	23	23	23	121	212
DKK	24	22	18	15	54	133
EUR	8	5	2	1	6	22
Total	**76**	**69**	**59**	**54**	**239**	**497**

The major part of the leasing agreements in the group can be extended. Termination in advance would normally generate increased costs.

Note 31 Events after the close of the period

During the spring of 2020, the Corona virus, first discovered in China, has spread over the world. In 11 March 2020, WHO declared the outbreak of COVID-19 as a pandemic. The outbreak affects the society in all countries where we have operations. The hospitality industry is affected the most and thereby our sales to the Foodservice channel. This is offset by an increase in the Retail channel, which comprises the majority if our sales.

The extensive spread of the virus may impact our ability to maintain production if employees are not able to come to work due to illness or other factors. Production may also be affected by similar issues at our suppliers. As an effect of lower sales in Foodservice, one production line in Denmark was temporarily closed in March 2020.

It is not possible to assess the financial effects of the pandemic or the actions taken to mitigate the effects, but management currently estimates that the effects are manageable for the Group.

Notes to the Parent Company financial statements

Note 32 Fees and reimbursements to auditors

MSEK	2019	2018
Öhrlings PricewaterhouseCoopers AB		
Annual audit	0	0
Total	**0**	**0**

Note 33 Pledged assets and contingent liabilities

MSEK	Dec 31, 2019	Dec 31, 2018
Contingent liabilities	–	–
Guarantor long-term multi-currency credit facilities	2,200	2,200
Total	**2,200**	**2,200**

Scandi Standard AB (publ) has pledged a guarantee for Kronfågel AB regarding rental agreement. The annual rent of the agreement amounts to MSEK 10.

Note 34 Investments in subsidiaries

MSEK	Dec 31, 2019	Dec 31, 2018
Accumulated cost of acquisition	533	533
Carrying amount	**533**	**533**

MSEK	2019	2018
Balance at the beginning of the period	533	533
Carrying amount	**533**	**533**

Parent Company and Group holdings of interests in Group companies, December 31, 2019

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	533
Scandi Standard ApS	25 710 029	Farre, Denmark	100	
Naapurin Maalaiskana OY	2644740-9	Helsinki, Finland	100	
Kronfågel Holding AB	556529-6372	Stockholm, Sweden	100	
Kronfågel AB	556145-4223	Stockholm, Sweden	100	
SweHatch AB	556033-3386	Stockholm, Sweden	100	
AB Skånefågel	556056-1457	Örkelljunga, Sweden	100	
Bosarpskyckling AB	556673-6608	Stockholm, Sweden	100	
Danpo A/S	31 241 316	Farre, Denmark	100	
Rokkedahl Foods ApS	33 576 382	Nibe, Denmark	51	
Scandi Standard Norway AS	911 561 077	Oslo, Norway	100	
Den Stolte Hane AS	980 403 715	Jæren, Norway	100	
Scandi Standard Ireland Holding AB	559119-0789	Stockholm, Sweden	100	
Carton Bros ULC	7313	Dublin, Ireland	100	
Total, Parent Company				**533**

Note 35 Financial instruments

MSEK	Dec 31, 2019	Dec 31, 2018
Loans and receivables		
Non-current interest-bearing receivables from subsidiaries	405	405
Total	**405**	**405**
Financial liabilities measured at amortised cost		
Liabilities to subsidiaries	255	134
Total	**255**	**134**

There are no derivative instruments in the Parent Company. See Note 22 for information on interest-bearing liabilities.

Note 36 Proposed appropriation of earnings

The Board of Directors and the Managing Director proposes a dividend for 2019 of SEK – (2.00) per share to the Annual General Meeting 2020.

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

SEK	
Share premium reserve	726,508,284
Accumulated deficit	-36,963,216
Income for the year	16,993,683
Total	**706,538,751**
Dividend to shareholders	–
To be carried forward	706,538,751
Total	**706,538,751**

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	726,508,284
Accumulated deficit	-36,963,216
Income for the year	16,993,683
Total	**706,538,751**

	SEK
Dividend to shareholders	–
To be carried forward	706,538,751
Total	**706,538,751**

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, 13 April 2020

Per Harkjær
Chairman of the Board

Heléne Vibbleus
Board member

Vincent Carton
Board member

Øystein Engebretsen
Board member

Michael Parker
Board member

Karsten Slotte
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 15 May 2020.
Our audit report was submitted on 13 April 2020.

Öhrlings PricewaterhouseCoopers AB

Bo Lagerström
Authorized Public Accountant

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 (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 43-97 in 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 and the group as of 31 December 2019 and its financial performance and cash flow 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 of 31 December 2019 and their financial performance and cash flow 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 statement of financial position for the Parent Company and for the Group.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities according to these standards are further described in the Auditor´s Responsibility section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled tour ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or its controlled companies within the EU.

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

Our audit approach

Scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management 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 consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our group audit includes 15 reporting units operating in four countries in the Nordic region and the Republic of Ireland. The operations are managed and monitored country by country in Sweden, Denmark, Norway, Finland and the Republic of Ireland. We have therefore scoped our audit procedures for the reporting units within each country, taking into account the current control environment and business processes at the individual reporting unit level and also by assessing business performance reviews and Group management's oversight and follow-up activities on each unit.

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

The group consolidation, financial statement disclosures, a number of complex transactions and Swedish entities were audited by the Group engagement team. These procedures include among others 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 throughout the year. For the interim report covering the period January 1 to September 30, 2019, 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.

We also report our main observations to the entire Board of Directors when the annual financial statements have been prepared.

Materiality

The scope of our audit was 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 consolidated financial statements.

Based on our professional judgment, 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 console as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter

Valuation of inventories

Refer to Annual report Note 17 and Accounting policies.

Inventory of frozen chicken and processed products is held at a few locations in the Group and amounts to SEK 727 million as of December 31, 2019. Inventory of finished goods 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. Product calculations require a number of judgments necessary by management that have consequences to the inventory values recognised.

Our audit included an assessment of the Group's accounting policy of provision for obsolescence, analytical procedures and inquiries with controllers and detailed tests of inventory accounts.

We have tested controls regarding the methods applied in determining product calculations for finished goods, inward and outward deliveries from inventory, and the monitoring undertaken to ensure that stock-taking takes place at all inventory sites and that count differences are investigated.

We have performed price tests on the inventory stock of frozen chicken products. We have walked through management's monitoring controls for slow moving items and management's assessment of obsolescence.

We have participated in stock-takings to verify existence and the Group's assessment of obsolescence.

Our audit procedures at year-end focused on assessing the remaining risk of write-downs and evaluating management's assessment for write-downs made.

Recognition of business combination and valuation of related goodwill and intangible assets

Refer to the Annual Report Note 6 – Amortization and Impairment of Intangible Assets, Note 11 – Intangible Assets and Accounting policies

The majority of Scandi Standard intangible assets have been acquired externally, mostly through acquiring businesses. Assets with indefinite useful life such as goodwill are not subject to yearly depreciation. Instead, an annual test will show whether the carrying amount for the cash generating unit can still be supported.

Management's estimates of the intangible assets' potential to generate future cash flows and other assumptions are decisive when preparing the annual impairment tests.

The carrying value of goodwill amounts to SEK 940 million as of December 31, 2019. Intangible assets with an indefinite life comprise various brand names acquired in Sweden, Denmark and Norway. The carrying value of such brands amounts to SEK 331 million as of December 31, 2019. Goodwill and brands are significant assets in the consolidated balance sheet. No impairment charge has been recognised against goodwill or brand names with indefinite life in 2019.

Our audit included a number of audit procedures to verify that the business combination has been recognised according to applicable accounting policies and that the impairment tests of Goodwill and other intangible assets with indefinite life have been performed by the use of generally accepted valuation methods, are mathematically correct, and by the use of reasonable assumptions of, among others, future cash-flow estimates and discount rates.

In our audit we have performed, among others, the following procedures:

- assessed the model used by the Group for impairment testing and evaluated the significant assumptions for establishing forecasted cash flows and discount interest rates used for calculating the value-in-use of the cash generating units. In our evaluation, we have compared with the historic business performance and the Group's forecasts and strategic planning as well as with external data sources when possible and relevant.
- evaluated management's sensitivity analysis of changes in the assumptions that could lead to impairment.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–42 and 102–104 and 120.

The Board of Directors and Managing Directors 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 this 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, 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 controls 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 going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend 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 in the 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/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Scandi Standard AB (Publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

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

Basis for opinions

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

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

Responsibilities of the Board of Directors and Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size 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 and 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 member of the Board of Directors or the Managing Director in any material respect:

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

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

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

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21 SE-113 97 Stockholm, was appointed auditor of Scandi Standard AB (publ) by the general meeting of the shareholders on the 09 May 2019 and has been the company's auditor since the 09 September 2013.

Stockholm, 13 April 2020
Öhrlings PricewaterhouseCoopers AB

Bo Lagerström
Authorized Public Accountant

Five-year summary*

MSEK, unless otherwise stated	2019	2018	2017[3]	2016[3]	2015[3]
Net sales	9,891	8,797	7,101	5,967	5,423
EBITDA	748	662	525	438	445
Operating income	424	333	295	238	260
Income for the year	237	200	168	131	164
EPS, SEK	3.60	3.05	2.73	2.21	2.73
Adjusted EBITDA[1]	776	714	559	452	477
Adjusted EBITDA-margin[1], %	7.8	8.1	7.9	7.6	8.8
Adjusted operating income[1]	454	381	329	252	292
Adjusted operating margin[1], %	4.6	4.1	4.6	4.2	5.4
Dividend, SEK	–[2]	2.00	1.80	1.35	1.80
Operating cash flow	590	354	213	126	324
Capital expenditure, net	419	371	199	265	206
Adjusted return on capital employed (ROCE)[1], %	11.0	9.7	11.1	10.3	12.7
Equity to assets ratio, %	27.7	26.5	28.2	27.8	29.4
Average number of employees	3,266	3,005	2,264	1,680	1,670

[1] Adjusted for non-comparable items, see table to the right.
[2] Proposed by the Board.
[3] Not recalculated for effects in accordance with IFRS 16.

Non-comparable items in EBITDA and operating income	2019	2018	2017	2016	2015
Restructuring costs[a]	–12	–1	–2	–4	–
Write down of inventory[b]	–	–	–	–7	–
Financial support to associated company [c]	–	–	–	–	–7
Transaction costs[d]	–1	–11	–25	–2	–25
Restructuring of production[e]	–7	–42	–19	–	–
Revaluation of contingent consideration[f]	–	–	30	–	–
Costs related to fire[g]	–	–	–4	–	–
Costs for cancellation of leasing contract[h]	–	–	–15	–	–
Costs for faulty raw materials[i]	–6	–	–	–	–
Other	–4	–3	–	–	–
Total non-comparable items in EBITDA	**–30**	**–57**	**–34**	**–13**	**–32**
Effect of changes in est. life expectancy of fixed assets[j]	–	8	–	–	–
Total non-comparable items in operating income	**–30**	**–49**	**–34**	**–13**	**–32**

[a] Restructuring costs in Denmark in 2019 and in Sweden 2018.
[b] Write down of inventory in Denmark.
[c] Financial support to associated company Farmfood A/S.
[d] Transaction costs for completed and non-completed acquisitions, as well as costs related to the formation of the Scandi Standard Group.
[e] Closing of hatchery in Finland in the second quarter 2019 and restructuring of and changes in production in Sweden in 2018.
[f] Revaluation of contingent consideration in connection with the acquisition of the remaining 20 percent of the shares in Sødams in Denmark.
[g] Costs related to a fire in Sødams' facility in Denmark.
[h] Costs for cancellation of leasing contract and project costs in Sweden.
[i] Costs incurred due to quality issues in purchased raw material that have not been covered by insurance.
[j] Effect of changes in estimated useful life of fixed assets related to previous periods.

* When applicable, the comparative figures for 2018 have been restated for changed accounting principles according to IFRS 16 Leases, see Notes 1 and 30.

Segment information by quarter*

MSEK		Q1 2019	Q1 2018	Q2 2019	Q2 2018	Q3 2019	Q3 2018	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Group	Net sales	2,458	2,116	2,472	2,252	2,541	2,263	2,420	2,166	9,891	8,797
	Adjusted operating income[1)]	110	82	115	92	125	102	104	104	454	381
	Adjusted operating margin, %	4.5	3.9	4.6	4.1	4.9	4.5	4.3	4.8	4.6	4.3
	Non-comparable items[1)]	–	–	-13	–23	–	–12	-16	–13	-30	–49
	Operating income	110	82	101	69	125	89	87	91	424	333
Sweden	Net sales	695	649	711	661	765	692	692	654	2,864	2,656
	Adjusted operating income[1)]	42	31	43	29	48	35	49	43	182	138
	Adjusted operating margin, %	6.0	4.8	6.1	4.3	6.2	5.1	7.1	6.5	6.3	5.2
	Non-comparable items[1)]	–	–	–	–23	–	–11	–	–8	–	–42
	Operating income	42	31	43	6	48	24	49	35	182	96
Denmark	Net sales	860	635	826	688	873	729	868	698	3,426	2,750
	Adjusted operating income[1)]	32	22	25	22	28	28	16	19	101	92
	Adjusted operating margin, %	3.7	3.5	3.0	3.2	3.2	3.9	1.8	2.8	2.9	3.3
	Non-comparable items[1)]	–	–	-6	–	–	–	-14	–2	-20	–2
	Operating income	32	22	19	22	28	28	2	18	80	90
Norway	Net sales	400	362	419	393	415	384	385	373	1,619	1,512
	Adjusted operating income[1)]	37	28	41	34	40	31	32	38	150	131
	Adjusted operating margin, %	9.2	7.8	9.8	8.7	9.7	8.2	8.2	10.1	9.2	8.7
	Non-comparable items[1)]	–	–	–	–	–	–	–	–	–	–
	Operating income	37	28	41	34	40	31	32	38	150	131
Ireland	Net sales	496	464	501	499	496	479	479	451	1,972	1,894
	Adjusted operating income[1)]	17	20	32	27	30	23	28	26	107	96
	Adjusted operating margin, %	3.5	4.3	6.3	5.4	6.1	4.8	5.9	5.9	5.4	5.1
	Non-comparable items[1)]	–	–	–	–	–	–	–	–2	–	–2
	Operating income	17	20	32	27	30	23	28	24	107	94
Finland	Net sales	112	106	129	114	132	99	118	97	491	416
	Adjusted operating income[1)]	1	–5	1	–4	2	–3	-4	0	-2	–13
	Adjusted operating margin, %	0.5	–5.0	0.4	–3.7	1.3	–3.2	-3.7	0.0	-0.3	–3.1
	Non-comparable items[1)]	–	–	-7	–	–	–	-2	–	-9	–
	Operating income	1	–5	-7	–4	2	–3	-6	0	-10	–13

1) For a description of non-comparable items, see page 44.

* When applicable, the comparative figures for 2018 have been restated for changed accounting principles according to IFRS 16 Leases, see Notes 1 and 30.

Alternative KPIs*

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

From income statement, MSEK		2019	2018
Net sales	A	9,891	8,797
Income for the year	B	237	200
+ Reversal of tax on income for the year		75	33
Income after finance net	C	**312**	**233**
+ Reversal of financial income and expenses, net		113	99
Operating income	D	**424**	**333**
+ Reversal of depreciation, amortization and impairment		325	331
+ Reversal of share of income of associates		–1	–2
EBITDA	E	**748**	**662**
Non-comparable items in income for the period	F	30	49
Adjusted operating income for the period	D+F	**454**	**381**
Adjusted operating margin, %	(D+F)/A	**4.6**	**4.3**
Non-comparable items in EBITDA	F	27	52
Adjusted EBITDA	E+F	**776**	**714**
Adjusted EBITDA-margin, %	(E+F)/A	**7.8**	**8.1**

From statement of cash flows, MSEK		2019	2018
Operating activities			
Operating income		424	333
Adjustment for non-cash items			
Depreciation, amortization and impairment		325	331
Share of income of associates		–1	–2
EBITDA		**748**	**662**
Non-comparable items in EBITDA	G	27	52
Adjusted EBITDA		**776**	**714**

From statement of financial position, MSEK		Dec 31, 2019	Dec 31, 2018
Total assets		**6,272**	**5,976**
Non-current non-interest-bearing liabilities			
– Deferred tax liabilities		–174	–169
– Other non-current liabilities		–137	–218
Total non-current interest-bearing liabilities		**–311**	**–387**
Current non-interest-bearing liabilities			
Trade payables		–1,117	–901
Tax payables		–12	–22
Other current liabilities		–254	–243
Accrued expenses and prepaid income		–412	–353
Total current non-interest-bearing liabilities		**–1,795**	**–1,518**
Capital employed		**4,166**	**4,071**
Cash and cash equivalents		–194	–89
Operating capital		**3,972**	**3,982**
Average capital employed	H	**4,118**	**3,943**
Average operating capital	I	**3,977**	**3,884**
Operating income, LTM		424	333
Adjusted operating income, LTM	J	454	381
Finance income	K	1	1
Adjusted return on capital employed, % (ROCE)	(J+K)/H	**11.0**	**9.7**
Adjusted return on operating capital, % (ROC)	J/I	**11.4**	**9.8**
Interest-bearing liabilities			
Non-current interest-bearing liabilities		1,925	1,949
Non-current leasing liabilities		381	421
Derivatives instruments		16	12
Current interest-bearing liabilities		73	76
Total interest-bearing liabilities		**2,394**	**2,458**
Cash and cash equivalents		–194	–89
Net interest-bearing debt		**2,200**	**2,370**

* When applicable, the comparative figures for 2018 have been restated for changed accounting principles according to IFRS 16 Leases, see Notes 1 and 31.

Definitions

EBIT
Operating income.

Adjusted operating income
Operating income adjusted for non-comparable items.

Operating margin
Operating income as percent of net sales.

Adjusted operating 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.

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

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

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

Operating cash flow
Cash flow before acquisition, paid finance items and paid income tax.

Adjusted income for the period
Income for the period adjusted for non-comparable items.

Earnings per share (EPS)
Income for the period, attributable to the shareholders, divided by the average number of shares.

Adjusted Earnings per share (EPS)
Adjusted income for the period divided by average number of shares.

Equity per share
Equity attributable to the shareholders, divided by the outstanding number of shares at the end of the period.

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

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

COGS
Cost of goods sold.

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

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.

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

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

Working capital
Total inventory and operating receivables less non-interest-bearing current liabilities.

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

Average operating capital
Average operating capital as of the last two years.

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

Average capital employed
Average capital employed as of the two last years.

RTC
Ready-to-cook. Products that requires cooking.

RTE
Ready-to-eat. Products that are cooked and may be consumed directly or after heating-up.

Corporate governance

Corporate governance report

Corporate governance within Scandi Standard aims to promote sustainable value creation for shareholders and a sound corporate culture where business opportunities are utilised within the framework of good risk control. This corporate governance report, which is a part of the Annual Report for 2019, has been prepared by the Board of Directors and has been examined by Scandi Standard's external auditor. No deviations from the Swedish Corporate Governance Code are reported. No breaches of the Nasdaq Rule book for Issuers or good practice in the stock market was reported by Nasdaq's surveillance or the Swedish Securities Council.

Scandi Standard AB (publ) (the company) or the company with subsidiaries (the Group or Scandi Standard) is a Swedish Public Limited Liability Company with its registered office in Stockholm. The company's shares have been listed on Nasdaq Stockholm since June 2014.

Responsibility for management and control of Scandi Standard is distributed between the shareholders at the general meetings, the Board of Directors with appointed committees, and the Managing Director, pursuant to applicable laws and regulations, Scandi Standard's Articles of Association, as well as internal codes, policies, guidelines and instructions.

Share capital and shareholders

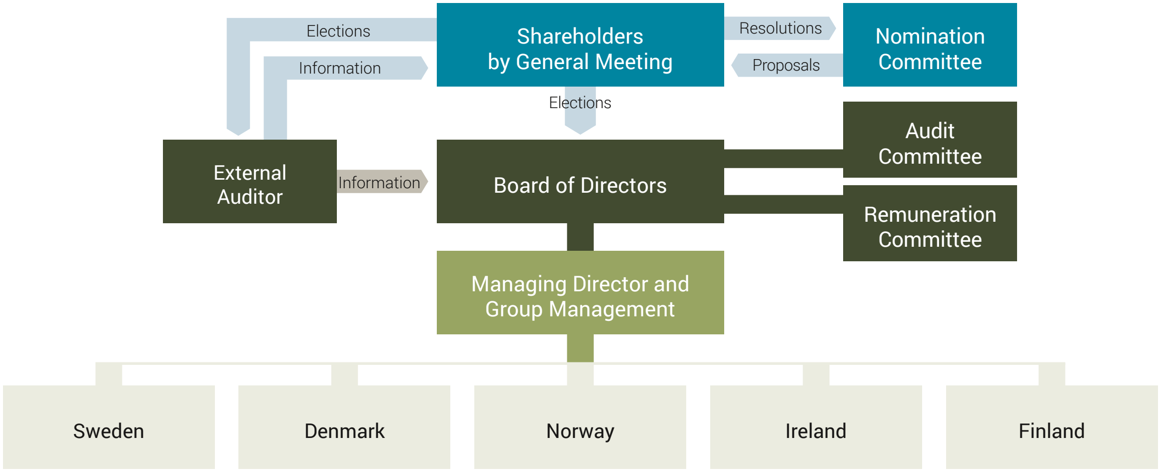
As of 31 December 2019, the share capital amounted to SEK 659,663, represented by 66,060,890 shares with a quota value of SEK 0.009986 per share. Each share carries one vote. All shares have equal rights to Scandi Standard's assets and profits.

The total number of shareholders as of 31 December 2019 was 5,863. Approximately 47 percent of the share capital was owned by foreigners. One owner, Investment AB Öresund, had more than 10 percent of the capital. The holding amounted to 15.3 percent on 31 December 2019. For more information of the share and shareholders, see pages 40–41.

General Meeting of shareholders

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

Governance structure



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

Major internal steering documents
- Articles of Association.
- Procedure for the Board of Directors, Instruction for the Managing Director, Instruction regarding financial reporting etc.
- Code of Conduct.
- Other codes, polices, guidelines and instructions.

Matters to be resolved by the AGM:

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

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

Participation in the decision-making at the General Meetings requires the shareholder's presence at the meeting, either in person or through proxy. In addition, the shareholders must be registered directly in the share register kept by Euroclear five business days prior to the General Meeting, and must provide notice of participation at the latest by the date specified in the notice convening the General Meeting.

Annual General Meeting 2019

The AGM 2019 was held in Stockholm, Sweden, on May 9. Decisions by the AGM included among other:

- Adoption of the income statement and the statement of financial position for the Parent Company and the Group in 2018.
- Dividend of SEK 2.00 per share for the 2018 financial year.
- Discharge of liability for the Board members and the Managing Director for the 2018 financial year.
- Re-election of Per Harkjaer, Gunilla Aschan, Vincent Carton, Øystein Engebretsen, Michael Parker, Karsten Slotte and Heléne Vibbleus 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 2,835,000, of which SEK 690,000 to the Chairman of the Board, SEK 345,000 each to the other five Board members not employed by the company or any of its subsidiaries, SEK 150,000 to the Chairman of the Audit Committee and SEK 75,000 each to the other two members of this Committee, and SEK 60,000 to the Chairman of the Remuneration Committee and SEK 30,000 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 2020.
- Approval of Guidelines for remuneration for senior management, long-term incentive programme 2019 (LTIP 2019), authorisation for the Board of Directors to acquire and transfer own company shares to hedge the commitments under LTIP 2019 and authorisation for the Board of Directors to determine issue of new company shares on the conditions set forth in the AGM 2019 minutes, available at the company web site investors.scandistandard.com/en/previous-general-meetings.

Annual General Meeting 2020

The AGM 2020 will be held in Stockholm on 12 May at 10 am. For more formation regarding the AGM see page 120 and at the company web site investors.scandistandard.com/en/agm.

Nomination Committee

The Nomination Committee represents the shareholders of the company and shall, in accordance with the instruction, which is available on the company web site, submit proposals to the AGM 2020 regarding:

- Chairman of the AGM, other Board members, Chairman of the Board, and when applicable the external auditor.
- Fees to the Board members elected at the AGM and to the Chairman of the Board, who are not employees of the company, and to the external auditor.
- To the extent it is considered necessary, amendments to the Instructions for the Nomination Committee.

In accordance with the Instruction for the Nomination Committee, the committee shall consist of no less than four members. One of these members shall be the Chairman of the Board or a Board member nominated by the Chairman of the Board. Based on the shareholding statistics as per the last bank day of August following the AGM, the Nomination Committee shall identify the four largest shareholders in the company in terms of number of votes and urge them to elect the person which each shareholder wishes to appoint as member of the Nomination Committee.

The proposals of the Nomination Committee to the AGM are publicly announced no later than on the date of notification of the AGM.

The Nomination Committee started its work by reviewing the tasks incumbent on it under the Swedish Corporate Governance Code and the Instruction for the Nomination Committee adopted at the Annual General Meeting 2017. A time plan was set for the Nomination Committee's work going forward and the Chairman of the Board of Directors presented his views on the company's and Group's financial position and strategy.

The Nomination Committee reviewed the results of the external evaluation of the Board work and procedures, including the performance of the Chairman of the Board and its members individually. On this basis, the Nomination Committee has assessed what competence and experience is required of the Board members and evaluated the need for increased diversity on the Board in terms of age, gender, cultural/geographic background and ownership representation and has interviewed candidates for nomination as Board members. The Nomination Committee also had contacts with the Chairman of the Audit Committee to familiarize itself with the assessments made by the company and the Audit Committee of the quality and efficiency of external auditor work. The Audit Committee also provided its recommendations on external auditor and auditor fees. The Nomination Committee also has been in contact with the external auditor regarding the cooperation with the company and the Audit Committee. Prior to submitting their proposal to the AGM 2020, the Nomination Committee had held four meetings.

The Nomination Committee's proposals to the AGM 2020

The proposals of the Nomination Committee to the 2020 AGM will be announced in a press release in April 2020, which will be available on the company website investors.scandistandard.com/eng/. The proposals will be included in the notice convening the AGM, which is available on the company website investors.scandistandard.com/en/agm.

Diversity policy

The nomination committee applies Rule 4.1 of the Swedish Corporate Governance Code as Board diversity policy. This means that when preparing its proposals to the AGM, the Nomination Committee will consider that the Board of Directors is to have a composition appropriate to the company and Scandi Standard's operations, phase of development and other relevant circumstances. The Board members elected by the AGM are collectively to exhibit diversity and competence, experience and background in order to ensure the ability of the Board to manage the company with integrity and efficiency. The Nomination Committee is to strive for gender balance on the Board of Directors of the company but also for diversity including age, geographical provenance and educational and professional background. In particular, the Nomination Committee notes the necessity to increase the gender balance of the Board of Directors over time.

Nomination Committee for the 2020 AGM

The names of the members of the Nomination Committee as set out below were announced in a press release on 16 September 2019.

Member	Appointed by	Percent of share capital Dec 31, 2019	Percent of share capital Aug 31, 2019	Independent[1]
Andreas Hofmann	Investment AB Öresund, Chairman of the Board	15.3%	15.1%	Yes/No
Justin Carton	Carton Group ULC	9.1%	9.1%	No/ Yes
Viktor Henriksson	Carnegie Fonder	5.0%	4.1%	Yes/ Yes
Per Olof Nyman	Lantmännen Animalieinvest AB	5.0%	5.0%	Yes/ Yes
Per Harkjaer	Chairman of the Board of Scandi Standard AB (publ)			Yes/ Yes

1) Refers to independence of the company and its executive management and the independence of the company's largest shareholder in terms of votes or any group of shareholders who act in concert in the governance of the company.

Board of Directors

According to the Company's Articles of Association, the Board of Directors shall consist of not less than three and not more than nine members, without deputy members. The AGM elects the Board members and the Chairman of the Board.

Until the AGM 2019, the Board comprised seven ordinary members, elected by the AGM 2018, and after the AGM 2019, seven ordinary members, elected by the AGM 2019, with no deputies and no employee representatives. For more information on the Board of Directors, see pages 116-117.

The 18th of November 2019, it was announced that the Board member Gunilla Aschan resigns from the Board dye to personal reasons. The Board comprised six ordinary members after this, with no deputies and no employee representative.

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 the company 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 111.

The Board's tasks and responsibilities

The Board of Directors is responsible for the organisation and management of the company's affairs in the interest of all shareholders and safeguard and promote a good company culture. The Board's responsibility and work are governed by laws and regulations as well as internal steering documents, including the Procedure for the Board of Directors. In addition, the General Meeting can provide instructions.

The Procedure for the Board of Directors describes the Board's tasks and responsibilities, the work of the Board including responsibility for the Chairman as well as responsibilities delegated to Committees appointed by the Board, Board meetings and information and reporting to the Board, insider trading, relations with Nasdaq Stockholm, information and reporting to the Board, and information about corporate governance. The Procedure is reviewed annually and adjusted as needed.

In addition to the inaugural Board meeting held in conjunction with the AGM, the Board shall meet at least six times a year.

The Board has established an Instruction for the Managing Director, including among other things specifications of issues requiring the Board's approval and an instruction regarding financial reporting to the Board.

Board activities in 2019

In 2019, the Board held 12 meetings, of which one was held by telephone and four per capsulam including the statutory board meeting.

The standing items on the agenda for the ordinary Board meetings include a financial and operational review of the operations with an outlook for the coming quarter, a review of investments, and reports from the committees.

In addition, the Board continuously addresses strategic issues concerning the market, product development, purchasing, production, acquisitions and financing.

Important issues that were addressed during the year included:

- Strategic priorities for the Group.
- Continuing development of the sustainability platform in the Group.
- Investment programmes for Carton Bros ULC in the Republic Ireland.
- The development of the Finnish operations.
- Segment reporting
- IT and information security

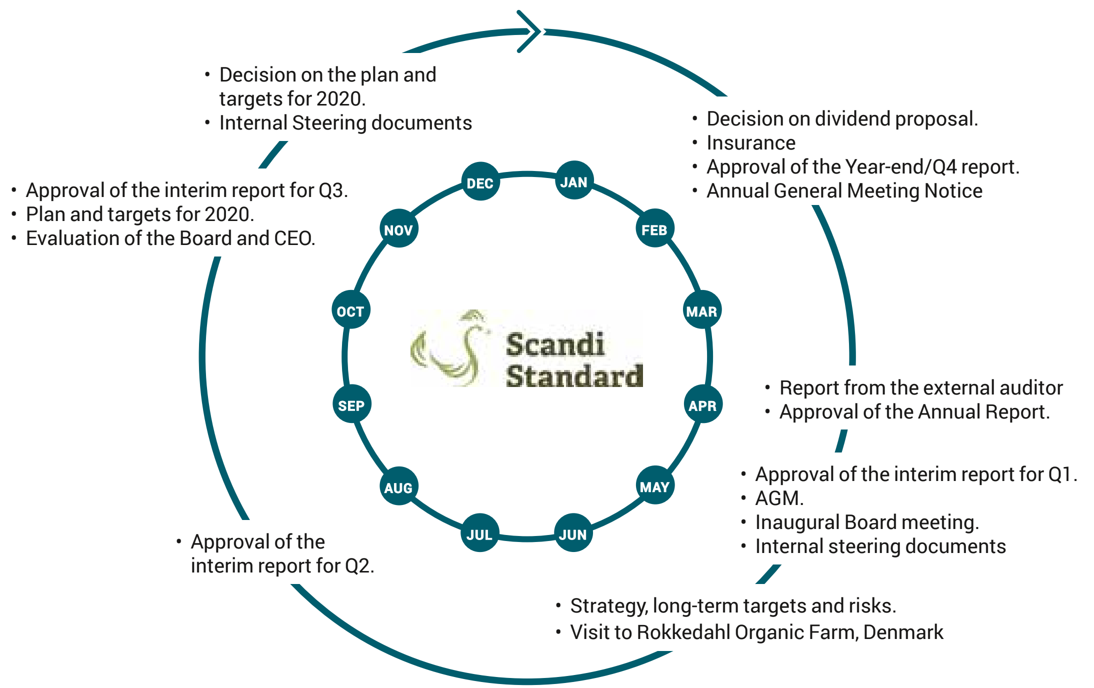
Evaluation of the Board's work

The Chairman of the Board is responsible for evaluating the Board's work on an annual basis with the aim of developing the Board's forms of working and efficiency. The results of the evaluation are communicated to the Board and reported to the Nomination Committee. In 2019, the Chairman procured an external evaluation of the Board's work, which was communicated to the Board and reported to the Nomination Committee.

Board tasks and responsibilities include:

- Appoint, evaluate and, if necessary, dismiss the Managing Director.
- Establish the overall objectives and strategy.
- Identify how the sustainability issues affects risks and business opportunities.
- Defining appropriate guidelines to govern the company's conduct in society, with the aim of ensuring its long-term value creation capability.
- Define necessary internal steering documents incl. the Code of Conduct.
- 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 internal steering documents.
- 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.
- Decisions on investments, incl. acquisitions, divestments and financing arrangements in accordance with set approval procedures.
- Approval of interim reports, Year-end reports, and annual reports.

The Board of Director's work cycle 2019



Board Committees

The Board has established an Audit Committee and a Remuneration Committee. The work of the committees is mainly of a preparatory and consultative nature, but the Board may delegate decision-making authority to the committees on specific matters. The committees are subordinated to the Board and do not discharge the Board members from their general responsibility and commitment as Board members. The issues considered at the committee meetings shall be recorded in minutes and the minutes shall normally be presented to the Board as information at the Board meeting following the committee meeting along with an oral presentation by the committee chairman.

Board of Directors

Name		Nationality	Independence[1]	Attendance 2019 Board meetings	Audit Committee Meetings	Remuneration Committee Meetings	Authorized fees, SEK[3]	Shareholdings no. of shares[4]
Per Harkjaer	Chairman	Danish	Yes/Yes	12		3	750,000	110,000
Gunilla Aschan[2]	Committee member	Swedish	Yes/Yes	9	6		405,000	
Vincent Carton[5]		Irish	No/Yes	12			–	6,000,000
Øystein Engebretsen	Committee member	Norwegian	Yes/No	12	7	3	450,000	135,000
Michael Parker		British	Yes/Yes	10			345,000	16,000
Karsten Slotte	Committee member	Finnish	Yes/Yes	11		3	375,000	13,698
Heléne Vibbleus	Committee Chairman	Swedish	Yes/Yes	11	7		495,000	6,250
Total				**12**	**7**	**3**	**2,820,000**	**6,280,948**

1) Refers to independence in relation to the company and its management, and to the company's major shareholders controlling, directly or indirectly, ten percent or more of the shares or votes in the company.
2) Resign in November 2019
3) Fees exclude travel allowances.
4) As of December 31, 2019. Holdings include, when applicable, also holdings by related parties.

Audit Committee

The main tasks of the Audit Committee are to monitor Scandi Standard's financial reporting and to make recommendations and suggestions in order to secure the reliability of the reporting. The tasks also include to monitor the effectiveness of the Group's internal control, internal audit and risk management, but also to monitor the effectiveness of internal control in general for the business activities, and specifically in relation to the financial reporting. In addition, the task includes keeping itself informed regarding the external audit of the annual report and the consolidated financial statements, as well as of the results of the Swedish Inspectorate of Auditors' quality control. As part of this, the Audit Committee shall inform the Board of the results of the external audit and in what way the external audit has contributed to the reliability of the financial reporting as well as of the role of the Audit Committee.

The Audit Committee's tasks also involve to review and monitor the impartiality and independence of the external auditor and in particular pay attention to whether the external auditor has provided other services than auditing, and to assist in preparation of the proposal to the General Meeting regarding election of the external auditor.

The Audit Committee of Scandi Standard shall comprise no fewer than three Board members. The members of the Audit Committee must not be employed by the Group. At least one of the members must have accounting or auditing proficiency. The members of the Audit Committee must be independent in relation to the company and the management and at least one of the members must be independent in relation to the company's major shareholders.

The Audit Committee 2019, after the AGM, comprised the three Board members, Heléne Vibbleus (Chairman), Gunilla Aschan and Øystein Engebretsen until 18 November 2019. After this date, when Gunilla Aschan left the Board, the Audit Committee comprised two Board members, Heléne Vibbleus (Chairman) and Øystein Engebretsen. The Audit Committee had a total of seven meetings during the year. The company's CFO, Head of Finance and the external auditor attend meetings with the Audit Committee. The internal auditor attends when necessary.

The work was primarily focused on:

- Year-end report and Annual Report 2018.
- Interim reports 2019.
- Critical accounting issues, such as the reporting of acquisitions, inventories, intangible assets etc. and other issues that could affect the quality of the company's and the Group's financial reporting.
- Disputes and insurance.
- Segment reporting.
- Risk management and internal control, linked to the control environment, processes and the IT environment including information security.
- Review of the programme for development and implementation of a Framework for internal control.
- Review of internal steering documents.
- Internal audit plan and follow-up of the results of the internal audit.
- External audit plan and follow-up of the results of the external audit.

Remuneration Committee

The main tasks of the Remuneration Committee include to prepare the Board's decisions on issues concerning guidelines for remuneration, remuneration and other terms of employment for executive management. The main tasks also include to monitor and evaluate both ongoing and completed programs during the year for variable remuneration for executive management and to monitor and evaluate the application of the guidelines for remuneration that the AGM has established as well as the current remuneration structures and levels in Scandi Standard.

The Remuneration Committee of Scandi Standard shall comprise three Board members. The Chairman of the Board may chair the Committee. The other members are to be independent of Scandi Standard and its executive management.

The Remuneration Committee 2019, after the AGM, comprised the three Board members Per Harkjaer (Chairman), Øystein Engebretsen and Karsten Slotte. The Remuneration Committee had a total of three meetings. The Group's HR director attends on the meetings when needed.

The work mainly focussed on reviewing salary processes for remuneration to executive management, including bonus schemes, as well as preparation of proposal for a new long-term incentive programme to be proposed to the AGM 2020.

Guidelines for remuneration to senior management

Salaries and other terms and conditions of employment shall be adequate to enable the company and the Group to retain and recruit skilled senior managers at a reasonable cost. The remuneration to the senior managers shall consist of fixed salary, variable salary, pension and other benefits, and it shall be based on principles of performance, competitiveness and fairness.

The General Meeting may resolve on long-term incentive programs such as share and share price-related incentive programs for certain key persons. Such incentive programs shall promote the long-term value growth of the company and the Group and increase alignment between the interests of the participating individual and the company's shareholders. The 2019 AGM resolved on a new long-term incentive programme (LTIP 2019), which is similar to the previous programmes, LTIP 2017 and LTIP 2018.

For information about the guidelines for remuneration to senior management and long-term incentive programmes, see the Report by the Board of Directors on pages 47–48 and Note 5.

Whistleblowing procedure

Scandi Standard has a whistleblowing procedure that makes it possible for employees and other stakeholders to anonymously report illegal or unethical behaviour that violates the Group's Code of Conduct. A whistleblowing policy has been established for the functions operations.

External auditor

Scandi Standard's external auditor is Öhrlings PricewaterhouseCoopers AB (PwC), elected at the AGM 2019 until the end of the AGM 2020, with Bo Lagerström as the Auditor in charge.

Bo Lagerström is born in 1966 and has been an authorised public accountant since 1997. He has no involvement in companies related to the principal owners of Scandi Standard or with the management in Scandi Standard. For remuneration to the external auditor, see Note 7.

Internal control over financial reporting

The Board is responsible for internal control and risk management in accordance with the Swedish Companies Act and the Swedish Corporate Governance Code. Below is the Board's report on internal control and risk management over financial reporting.

The description of the Group's system of internal control and risk management with regards to financial reporting is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The framework comprises five integrated components; the control environment, risk assessment, control activities, information and communication, and monitoring, as well as 17 fundamental principles related to the five components. The description below is limited to internal control and risk management over financial reporting.

Internal control over financial reporting aims to provide reasonable assurance of the reliability of external financial reporting in interim reports, full year reports and annual reports, and to ensure that external financial reporting is prepared in accordance with external laws, accounting standards and other requirements applicable to listed companies.

Control environment

Internal control over financial reporting is based on the overall control environment. The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the Group. The Board and Group Management establish the tone at the top regarding the importance of internal control including expected standards of conduct of the employees. This involves integrity and ethical values, the parameters enabling the Board to carry out its oversight responsibilities, the organizational structure and assignment of responsibility and authority, the process for attracting, developing, and retaining competent employees, and the rigor around performance measures, as well as incentives and rewards to drive accountability for performance. The resulting control environment has a pervasive impact on the overall system of internal control and risk management for the financial reporting. This is communicated in the form of internal steering documents such as:

- Articles of Association.
- Procedure for the Board of Directors.
- Instruction for the Managing Director.
- Instruction regarding financial reporting.
- Code of Conduct.
- Other codes, policies, guidelines and instructions.

The control environment is also based on applicable external laws and regulations.

The Board has established a procedure for its work and the Audit Committee and the Remuneration Committee. The main task of the Audit Committee includes to monitor Scandi Standard's financial reporting and to make recommendations and suggestions in order to secure the reliability of the reporting. The task also includes to monitor the effectiveness of the Group's internal control, internal audit and risk management, and more specifically regarding the financial reporting in general for the business activities. In addition, the task includes keeping itself informed regarding the external audit of the annual report and the consolidated financial statements, as well as of the results of the Swedish Inspectorate of Auditors' quality control. As part of this, the Audit Committee's work also includes to inform the Board of the results of the external audit and in what way the external audit has contributed to the reliability of the financial reporting and the role of the Audit Committee.

Responsibility for implementing the Board's internal steering documents regarding internal control and risk management over financial reporting, maintaining an effective control environment as well as the day-to-day work on internal control and risk management over financial reporting is delegated to the Managing Director. This responsibility is in turn delegated to managers within their specific areas of responsibility at various levels in the Group.

Responsibility and authority are defined by the Board in, among others, internal steering documents such as Instruction for the Managing Director stipulating resolutions that are subject to decision by the Board or the General Meeting of shareholders, Authority to sign for the company and Delegated Authorities. The Board also approves, among others, the following internal steering documents; Instruction regarding financial reporting, Code of Conduct, Whistleblowing Policy, Information Policy, Insider Policy, IT Security Policy and Finance Policy. The Managing Director approves the Group's Finance and Accounting Manual, which is available to all personnel in finance and accounting. Based on the Board's internal steering documents, the Managing Director, the CFO and other managers establish guidelines and instructions 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. A Framework for internal control over financial reporting has been developed and implemented and a formal program for developing the Framework has been established during 2019. As part of this, efforts to strengthen the internal control over financial reporting through formalised and documented internal processes with control activities have continued during the year, as well as IT and information security.

Risk assessment

The Group has a formalised and proactive process for risk management with clearly established roles and areas of responsibility. The process implies that risks and risks related to the financial reporting should be identified, evaluated, managed and followed-up as an integral part of corporate governance. The program for developing the Framework for internal control for financial reporting includes strengthening the internal control for financial reporting, through formalised and documented processes that function as intended as well as with a focus on IT and information security. This in order to secure that the Group in an efficient way lives up to the aim of internal control related to the financial reporting. In accordance with the risk management process, an annual update of risks related to the financial reporting shall be made, which among other things comprises items in the income statement and the statement of financial position, and the processes and control activities that are linked to the financial reporting, the financial statements and the IT-environment are analysed on the basis of materiality and the risk for errors.

Control activities

Risks over financial reporting are mitigated through control activities to ensure that the aims for internal control over financial reporting are met.

Control activities are performed at different levels of the Group and its processes including processes for financial reporting, closing and over the IT environment. They may be preventive or detective in nature and may encompass a range of manual and automated activities, such as approvals, verifications, reconciliations, and monitoring of the business performance. Segregation of duties is typically built into the selection and development of control activities. The work on formalising and documenting these control activities has continued during the year.

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, Whistleblowing policy, Information Policy, IT Security Policy, Finance Policy and Finance and Accounting Manual. The documents can be accessed on the Group's intranet by all relevant personnel.

The Group CFO reports to the Audit Committee on the results, critical accounting issues and other issues that could affect the quality of the Group's financial reporting at the Audit Committee meetings where the interim reports, Year-end report and annual report are dealt with. When reporting on the quality of the financial reporting, there is particular focus on any critical accounting issues, any uncertainties in valuations, any changes in assumptions and estimates, any unadjusted faults in the annual accounts, any events after the end of the accounting period as well as the quality of the financial reporting process and the closing process.

The Chairman of the Audit Committee reports on the Committee's work to the Board in the form of observations, recommendations and proposed decisions at the Board meeting following the Committee meetings and in the form of minutes from the Audit Committee meetings that are submitted to the Board.

Internal financial reporting for monitoring of performance and for decision support is submitted to Group Management and the Board on a regular basis.

External information and communication

The Group's process for external information and communication aim at providing the financial markets with accurate, reliable and relevant information which is characterised by openness regarding the development of the Group and its financial results and financial position in a timely manner.

The Group has an Information policy meeting the requirements of a listed company.

Financial information is issued regularly in the form of:

- Interim reports and Year-end 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 Year-end report that are also webcasted.
- Meetings with financial analysts and investors in Sweden and abroad.

Interim reports, Year-end reports and annual reports are to be found on Scandi Standard's website at scandistandard.com, as well as press releases, presentations and relevant internal steering documents.

Monitoring

Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control is present and functioning. Ongoing evaluations are performed by the Board and management at different levels of the Group, and separate evaluations are conducted as deemed necessary for instance by the Group's internal audit function.

Financial reporting

Financial data is reported every month by the reporting units, being a business unit operating within a subsidiary of the Parent Company, in accordance with the routine stipulated in the Finance and Accounting Manual. All consolidation of the Group's financial reports is centralised to the Group Finance function. All financial reports are stored in a central database from which data is retrieved for analysis and monitoring.

The Group is continuously working with the financial reporting process as well as the closing process to make it more efficient.

Controller

Each business unit operating within a subsidiary of the Parent Company has a controller whose responsibilities include to ensure adequate internal control concerning financial reporting and to comply with the Group's internal steering documents such as the Finance and Accounting Manual. The responsibility also includes reporting complete, accurate and timely financial information to the Parent Company.

Country Managers

A Country Manager is appointed in each country where the Group operates subsidiaries of the Parent Company. The Country Manager's duties include to ensure adequate internal control over financial reporting and to comply with the Group's internal steering documents as well as to identify and report risks that can have an impact on the financial reporting and review the financial information for reasonableness.

Group Finance

The central Group Finance function is responsible for the consolidation of the Group's financial reports and to ensure adequate internal control over financial reporting, and that the reporting by each reporting unit that is conducting business within any of the subsidiaries and the Group are made in accordance with the Finance and Accounting Manual.

Group Management

Group management comprises the Managing Director and the CFO, the COO, the Group Business Development Director, the Director of Group Live Operations and the five country managers. Group Management review sales and results on a weekly basis. They hold video meetings every second week and meet once a month to review the monthly results, to update forecasts and plans and to discuss critical business issues. Group Management is responsible for implementing the annual business plan and target for the Group.

Internal audit

An internal audit function was established in 2015, which is insourced from Deloitte. The work in 2019 focused to a large extent on evaluating the efficiency in the internal control over financial reporting and the business in general in the Group in accordance with an annual internal audit plan. The work also included support to the organisation in the further development of the Framework for internal control over financial reporting including formalising and documenting processes and control activities as well as improving the IT environment.

The Board of Directors

The Board is responsible for internal control and risk management including internal control and risk management related to the financial reporting. This responsibility includes establishing internal steering documents and monitoring compliance with these as well with applicable external laws and regulations.

The Board's follow-up of compliance is based on different sources such as:

- Reporting from the Managing Director regarding fulfilment of established goals, operational follow-up, as well as financial results and financial position. In the Instruction for the Managing Director and the Instruction regarding financial reporting, the Board has defined the reporting required to be made to the Board.
- Reporting from the Chairman of the Audit Committee regarding the work in the Committee in the form of observations, recommendations and proposals for decisions regarding the effectiveness of the internal control regarding the financial reporting and the business in general in the Group, as well as the reliability of the financial reporting. The work of the Audit Committee is based on an instruction established by the Board. The internal audit function reports the result of its work to the Audit Committee and this forms the basis for the Committee's observations and recommendations.
- Reporting from the Whistleblowing function.

Stockholm, 13 April 2020

Scandi Standard AB (publ)
The Board of Directors

Auditor's report on the Corporate Governance Statement

To the Annual 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 2019 on pages 107–114 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, 13 April 2020

Öhrlings PricewaterhouseCoopers AB
Bo Lagerström
Authorised Public Accountant

Board of Directors

Holdings in Scandi Standard includes, when applicable, also holdings by related parties.

1 PER HARKJÆR

Chairman
Born 1957.
Bachelor's degree in International Marketing, Copenhagen Business School, Denmark.
Elected 2014. Chairman of the Remuneration Committee.
Other assignments: Chairman of Make-A-Wish Foundation.
Previous assignments: Group CEO, United Coffee, Findus Group and Toms Confectionery Group.
Holdings in Scandi Standard: 110,000 shares.

2 VINCENT CARTON

Board member
Born 1958.
Bachelor of Commerce, University College Dublin, Ireland. CIMA Chartered institute of Management Accountants.
Elected 2018.
Other assignments: Member of Foodwise 2025 (a strategic advisory Board for the Irish agriculture and food industry). Board member of MII (Meat Industry Ireland). Member of the boards of Consumer Foods and Meat and Livestock in Bord Bia (An Irish organisation for marketing of food).
Previous assignments: –.
Holdings in Scandi Standard: 6,000,000 shares.

3 ØYSTEIN ENGEBRETSEN

Board member
Born 1980.
BI Norwegian School of Management, Sandvika/Oslo, Master of Science in Business, Major in Finance.
Elected 2017.
Other assignments: Investment manager, Investment AB Öresund. Board member of Catena Media P.L.C, Insr Insurance Group AS and Projektengagemang AB.
Previous assignments: Board member of Investment AB Öresund, Project manager, Viking Sverige AB. Corporate Finance, HQ Bank.
Holdings in Scandi Standard: 135,000 shares.

4 MICHAEL PARKER

Board member
Born 1953.
Bachelor of Science hons in Business Administration, University of Bath, UK, and a Booker Senior Management Certificate from INSEAD.
Elected 2014.
Other assignments: Board member of Brookes Parker Ltd, Karro Food Group and Prospect Publishing Ltd.
Previous assignments: Deputy CEO of Young's Bluecrest Seafood (now Young's Seafood). Board member of Marine Harvest ASA.
Holdings in Scandi Standard: 16,000 shares.

5 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 (publ), Royal Unibrew A/S, Antti. Ahlström perilliset Oy and Finnish-Swedish Chamber of Commerce.

Previous assignments: President and CEO, Fazer Group, various leading positions at Cloetta/Fazer. Board member in Oriola-KD Corporation.
Holdings in Scandi Standard: 13,698 shares.

6 HELÉNE VIBBLEUS

Board member
Born 1958.
Bachelor of Science in Business Administration and Economics, University of Linköping, Sweden.
Elected 2014. Chairman of the Audit Committee.
Other assignments: Vice President Internal Audit, Chief Audit Executive (CAE), Autoliv Inc. Board member of Dometic Group 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, Board member and Chairman of Nordic Growth Market NGM AB and Invisio Communications AB. Group Vice President, Chief Audit Executive (CAE), Elekta AB. Senior Vice President, Group Controller, AB Electrolux. Partner (Authorized public accountant) and Board member of PwC Sweden.
Holdings in Scandi Standard: 6,250 shares.

EXTERNAL AUDITOR

Öhrlings PricewaterhouseCoopers AB
Bo Lagerström, Authorised Public Accountant, born 1966, chief auditor.
Holdings in Scandi Standard: 0 shares.

Gunilla Aschan resigned from the Board in November 2019.

When applicable, holdings in Scandi Standards includes also holdings by related parties.

Group Management

Standing from, the left: Per Alan Jensen, Magnus Lagergren, Tommi Saksala, Mark Hemmingsen, Julia Lagerqvist, Fredrik Strømmen, Ado Carton. Sitting from the left: Mats Hedlund, Leif Bergvall Hansen, Samuli Eskola.

1 LEIF BERGVALL HANSEN

Chief Executive Officer
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: 664,349 shares.

2 JULIA LAGERQVIST

Chief Financial Officer, CFO
Born 1979.
Master of Science, Stockholm school of Economic, Sweden.
In Group Management since 2019.
Previous assignments: CFO of SverigesEnergi, Business Finance Manager, Barilla and several different position in Procter & Gamble.
Holdings in Scandi Standard: 0 shares.

3 PER ALAN JENSEN

Chief Operating Officer, COO
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: 442,482 shares.

4 MAGNUS LAGERGREN

Group Business Development Director
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 Dagligvaru-leverantörernas 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: 142,737 shares.

5 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-Tuottajat Oy (Atria Group Abs)
Holdings in Scandi Standard: 67,213 shares.

6 MATS HEDLUND

Country Manager, Sweden
Born 1966.
Market Economist DIHM.
In Group Management since 2019.
Previous assignments: Vice President Fresh Dairy Products Arla Sweden, Managing Director Barilla Sweden, Commercial Director Consumer Products Division L'Oréal Sweden.
Holdings in i Scandi Standard: 0 shares.

7 MARK HEMMINGSEN

Country Manager, Denmark
Born 1974.
Cand. Negot University of Southern Denmark, Executive Management Program, INSEAD.
In Group Management since 2016.
Previous assignments: Chief Commercial Officer, Rynkeby Foods A/S. Leading positions in sales and marketing, Merrild Kaffe A/S. Product Manager, Bähncke A/S.
Holdings in Scandi Standard: 0 shares.

8 FREDRIK STRØMMEN

Country Manager, Norway
Born 1971.
Master of Science, Norwegian School of Economics, Norway.
In Group Management since 2015.
Other major assignments: Board of Directors, DLF Norway. Deputy chairman of the Board, KLF.
Previous assignments: CEO, Orkla Commercial Excellence ASA. CEO and Country manager, Sætre AS. Management positions within Sætre AS and KiMs AS.
Holdings in Scandi Standard: 25,943 shares.

9 ADO CARTON

Country Manager, Ireland
Born 1968.
Bachelor of Commerce vid University College Dublin.
In Group Management since 2019.
Previous assignments: Different Management positions in Kerry Group.
Holdings in Scandi Standard: 0 shares.

10 SAMULI ESKOLA

Country Manager, Finland
Born 1974.
Master of Science at Swedish School of Economics and Business Administration, Vaasa, Finland.
In Group Management since January 2019.
Previous assignments: CEO of Polarica Group, EVP Consumer Business HKScan Oyj Finland and Baltics, 15 years of other executive positions in HKScan Group, HKScan Finland, Apetit Plc and Atria Abp.
Holdings in Scandi Standard: 0 shares.

Julia Lagerqvist is a part of Group Management since May 2019. Ado Carton is included in Group Management since June 2019. Mats Hedlund joined the Group management since September 2019.

Anders Hägg and Vincent Carton resigned from the Board in May 2019 and June 2019, respectively.

When applicable, holdings in Scandi Standards includes also holdings by related parties.

Annual General Meeting

The Annual General Meeting 2020 will be held on Tuesday, 12 May at 10 am at Axel Wenner-Gren Salen, Wenner-Gren Center, Sveavägen 166 in Stockholm. For more information, see investors.scandistandard.com/en/agm.

Participation

In order to participate in the Annual General Meeting, the person who has the nominee register, in addition to give notice of intent to Scandi Standard no later than Monday, 11 May 2020, must have the shares registered in his or hers own name so that he or she is registered in share register kept by the Swedish central securities depositary, Euroclear Sweden AB, on Friday 8 May 2020 (reconciliation day is Saturday, May 9, 2020). Such registration may be temporary.

Notice of participation

Notice of intent to participate can be given:

- on the company's website; investors.scandistandard.com
- 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 Friday 8 May 2020 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 has proposed that no dividend should be paid for 2019 with reference to the uncertainty caused by the outbreak of COVID-19.

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, product quality and safety, interruptions in supply, increased raw material cost, 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 50–53 and on page 81–84.

Information about markets, market shares, market growth etc. are based on established independent external sources, internal sources and the company estimates.

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

Production: Scandi Standard in cooperation with Hallvarsson & Halvarsson.
Script: Scandi Standard. Foto: Niklas Agaton, Bengt Alm, Edgar Castrejon, Juliana Fälldin, Eirik Halvorsen, Peter Hoelstad, IStock, Maiju Katila, Kronfågels bildbank and Anders Wasser.
Printing: Larsson Offsettryck AB 2020.

MIX
Paper from responsible sources
FSC® C104421
www.fsc.org

NORDIC SWAN ECOLABEL
Printed matter
3041 0298

Strandbergsgatan 55
Box 30174
112 51 Stockholm
Sweden

info@scandistandard.com

scandistandard.com
kronfagel.se
danpo.dk
denstoltehane.no
naapurinmaalaiskana.fi
chicken.ie