



2017

Lantmännen Annual Report
including Sustainability Report

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Lantmännen's Annual General Meeting

The Annual General Meeting will be held at Hilton Stockholm Slussen, Guldgränd 8, Stockholm, on Monday, May 7, 2018

Financial Reporting

Interim 1st four months June 1, 2018
Interim 2nd four months October 4, 2018

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Listen to selected parts of Lantmännen's Annual Report including Sustainability Report on a computer or mobile. (Available in Swedish)
Learn more at  lantmannen.com/lyssna2017

Distribution & Ordering

Lantmännen's complete Annual Report including Sustainability Report can be downloaded from  lantmannen.com/financial-information or ordered by calling +46 10-556 00 00.
The reports are available in Swedish and English.

Sustainability Reporting

Lantmännen reports in accordance with the Global Reporting Initiative guidelines for sustainability reporting, GRI Standards. Sustainability reporting comprises the Annual Report including Sustainability Report and Key Sustainability Facts, available at  lantmannen.com



A woman with short blonde hair, wearing a black zip-up hoodie and blue jeans, stands in a field of green leafy plants. She is holding a large beet root with its green leaves attached in her left hand and a small trowel in her right hand. She is smiling at the camera. The background shows a rolling green landscape with trees in the distance.

**Lantmännen's assignment is to
contribute to the profitability
of its owners' farms and
optimize the return on their
capital in the association.**

”

Annual overview

2017



Our strong position

throughout the value chain from field to fork means that we can develop profitable, sustainable businesses and make Swedish farming thrive. The LM² digital tool, designed to strengthen the competitiveness of Swedish farming, was launched during the year.

We are well placed for the future, and I have strong confidence that we will continue the positive development.

Per Olof Nyman
President & CEO, Lantmännen

Lantmännen Cerealia expands its crispbread operations



Lantmännen Cerealia acquired Orient Products, Russia's leading crispbread producer, to strengthen its geographic presence. Orient Products is based in St Petersburg and has about 250 employees.

Lantmännen acquired K-maalalous

The purpose of the acquisition was to establish a greater presence in the Finnish market's grain value chain and to grow in the Baltic Sea region. K-maalalous is one of the largest players in the Finnish agricultural market, with a strong product portfolio and many well-established brands. In 2016, K-maalalous reported net sales of EUR 334 million and an operating profit of EUR 5.3 million.

Owner dialogue 2017

The owner dialogue has involved elected representatives and members in Lantmännen's development, giving them the opportunity to discuss ownership matters.

The dialogue shows that there is unanimity about Lantmännen's long-term direction and the importance of a strong agribusiness. Topic also discussed:

- The importance of engaging younger entrepreneurs
- The strength of international initiatives
- A long-term dividend policy
- The desire for a continuous owner dialogue

Lantmännen Aspen acquires Marline

Lantmännen continues to grow in the alkylate petrol market. Since the Group bought Swedish company Aspen ten years ago, Lantmännen Aspen has developed into a leader in specialty fuel in several markets in Europe. As the next step in its development, Lantmännen Aspen has now acquired France's leading alkylate petrol producer, Marline, which has sales of just over EUR 20 million and about 20 employees.

Marline is the leading French company in specialty fuels and finished blends for small engines.



Lantmännen sets new climate target on reduced emissions for its own production

The new Group-wide target will be achieved through the following initiatives:

- Reduction of emissions by 40 percent in the Group's own production facilities up to year 2030, with 2015 as the base year.
- Fully fossil-free production in Sweden and Norway by 2025, the rest of the Nordic region by 2030 and the rest of Europe by 2040.
- Energy efficiency of 3 percent per year and per volume, produced up to 2020.

Lantmännen recognized for successful innovations



Lantmännen BioAgri CEO Kenneth Alness and ThermoSeed were awarded at the Swedish University of Agricultural Sciences' awards for the most successful innovations in its 40-year history.

“ Lantmännen took over Massey Ferguson imports and market support

By taking over the import agency for Massey Ferguson, Lantmännen Maskin strengthens its network of committed dealers with excellent knowledge and ability to conduct business.

New research results give hope to patients with type 2 diabetes

Through its research foundation, Lantmännen has contributed to research showing positive effects in patients with type 2 diabetes. The active substance, an antioxidant found in broccoli, has been shown to lower blood sugar levels in persons with type 2 diabetes.

Swecon becomes a separate business area in 2018

To create a more consistent and customer-oriented agricultural business, Lantmännen Maskin, as a retained unit, is moving to the Agriculture Sector.

A new, separate business area, Swecon, will be formed and Agro Oil will be transferred to Lantmännen Aspen in the Energy Sector as part of the change.



Lantmännen in figures

Net sales MSEK **39,686**

Net sales for the Group amounted to MSEK 39,686 (37,244), an increase of 7 percent. Adjusted for acquired and divested operations, net sales were 5 percent higher. Currency effects had only a marginal impact on net sales for the year.

Operating income MSEK **1,677**

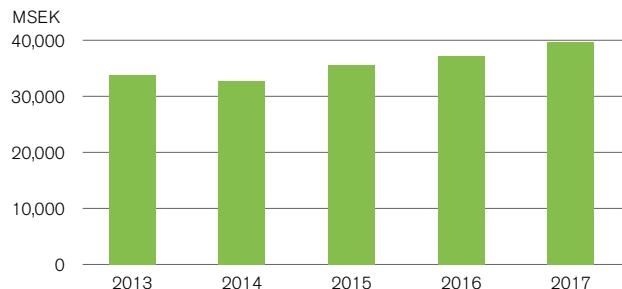
Operating income was MSEK 1,677 (1,606) and adjusted for items affecting comparability MSEK 1,708 (1,697).

After financial items MSEK **1,521**

Income after financial items totaled MSEK 1,521 (1,457) and adjusted for items affecting comparability MSEK 1,552 (1,548).



Net sales



Net income MSEK **1,305**

Net income was MSEK 1,305 (1,274).

Cash flow MSEK **-703**

Cash flow from operating activities for the year was MSEK 2,398 (3,136). Cash flow from investing activities was MSEK -3,101 (-2,310). Investments in non-current assets totaled MSEK 2,593 (2,333). Total cash flow before financing activities was MSEK -703 (826).

Dividend to owners MSEK **566**

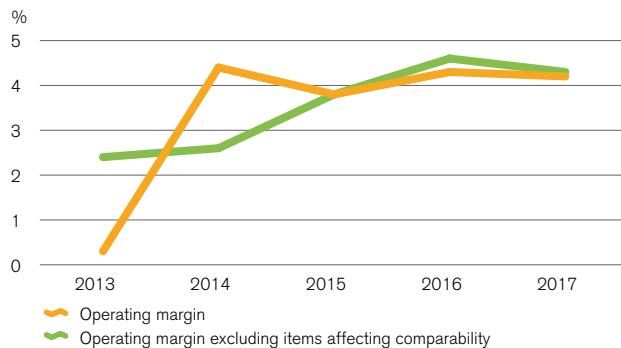
The Board has decided to pay a refund and supplementary payment of 2.5 (2.5) percent on trade with Lantmännen Lantbruk Sweden. The Board has also decided to pay a 0.5 (0.5) percent refund on members' purchases from the Machinery Sector's Swedish operations. The total refund and supplementary payment is estimated at MSEK 244 (231).

The Board proposes that the Annual General Meeting adopt a contribution dividend of 9 (9) percent of the contributions' nominal value, totaling MSEK 222 (207), and a contribution issue of MSEK 100 (70). Together, the proposed contribution dividend and contribution issue represent 13 (12) percent of the association's contributed capital.

The total dividend to the owners is therefore expected to be MSEK 566 (508).

The Board also proposes that the Annual General Meeting adopts a 6.0 (7.25) percent dividend on subordinated debentures, totaling MSEK 15 (18).

Operating margin



Key figures

Lantmännen's key figures	2017	2016
Net sales, MSEK	39,686	37,244
Operating income, MSEK	1,677	1,606
Operating margin, %	4.2	4.3
Income after financial items, MSEK	1,521	1,457
Net income for the year, MSEK	1,305	1,274
Cash flow before financing activities, MSEK	-703	826
Return on equity, %	9.0	9.6
Return on operating capital, %	7.8	8.0
Total assets, MSEK	34,540	32,490
Equity ratio, %	43.3	42.7
Investments in non-current assets, MSEK	2,593	2,333
Net debt, MSEK	7,274	6,289
Interest coverage ratio, times	6.0	5.6
Net debt/EBITDA (bank definition)	2.70	2.53
Number of members	25,021	25,159
Average number of employees of which women/men, %	9,850 34/66	9,880 30/70
Total CO ₂ emissions, thousand tonnes ¹⁾	183.7	200.4
CO ₂ emissions, tonnes per MSEK net sales ¹⁾	4.6	5.4
Employee satisfaction index	70	68 ²⁾
Total sick leave, %	4.4	4.8

¹⁾ Key figure based on new climate target with new calculation method.
Read more in Key Sustainability Facts.

²⁾ Refers to 2015, as survey is conducted every two years.

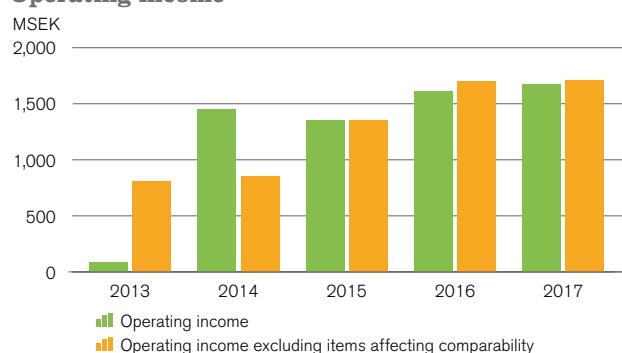
Alternative performance measures

Lantmännen reports alternative performance measures in accordance with the European guidelines from ESMA (European Securities and Markets Authority). The purpose of APMs is to facilitate the analysis of business results and position not directly derived from the financial reports. Definitions and explanations of alternative performance measures can be found on  page 145 of this Annual Report, under the heading "Description of financial performance measures".

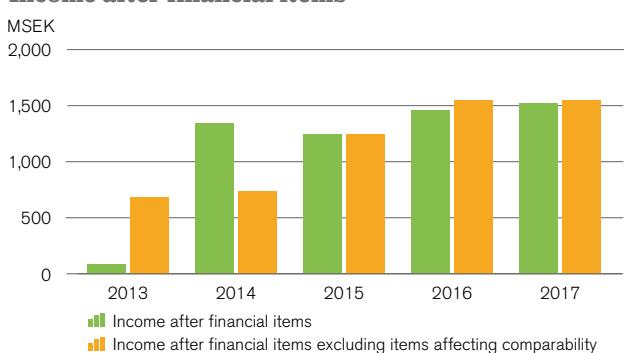
Excl. items affecting comparability	2017	2016
Operating income, MSEK	1,708	1,697
Operating margin, %	4.3	4.6
Income after financial items, MSEK	1,552	1,548
Net income for the year, MSEK	1,353	1,457
Return on equity, %	9.4	11.0
Return on operating capital, %	7.9	8.4

Sales by market, MSEK	2017	2016
Sweden	18,242	17,089
Germany	4,720	4,497
Finland	3,735	1,998
Denmark	2,855	3,392
Norway	2,108	2,975
United Kingdom	1,389	1,585
Netherlands	1,191	884
Baltic region	854	886
Belgium	549	450
Spain	500	530
Poland	456	390
Russia	452	329
France	358	430
Switzerland	281	158
Rest of Europe	808	595
United States	944	864
Rest of world	244	192
Total	39,686	37,244
Sweden, %	46	46
Rest of world, %	54	54

Operating income



Income after financial items

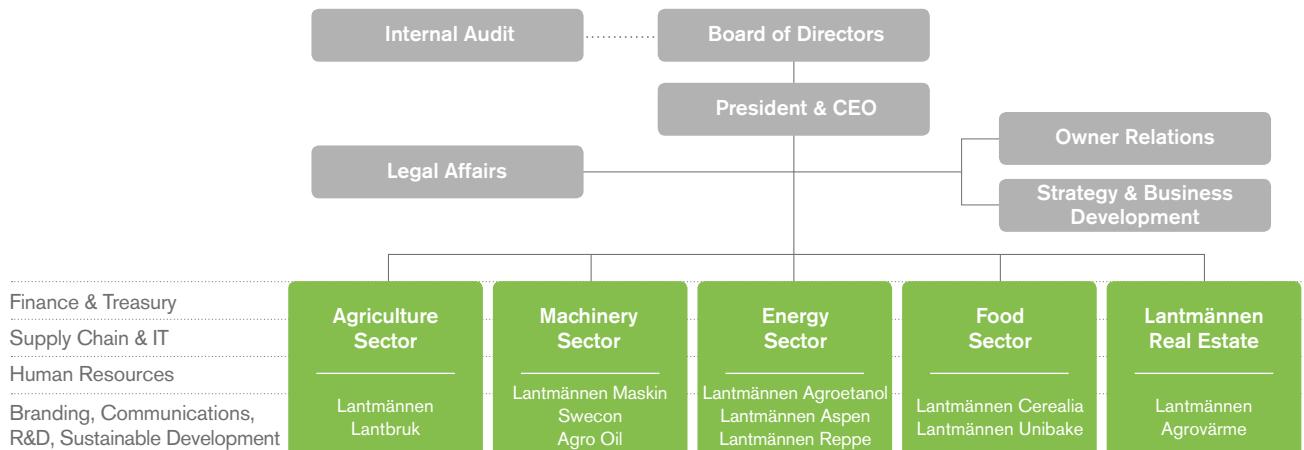


Lantmännen's structure

Lantmännen is an agricultural cooperative and Northern Europe's leader in agriculture, machinery, bioenergy and food products. Owned by 25,000 Swedish farmers, we have 10,000 employees, operations in over 20 countries and an annual turnover of approximately SEK 40 billion (EUR 4 billion). With grain as our basis, we create value from farmland resources to make farming thrive. Some of our best-known food brands are AXA, Bonjour, Kungsörnen, GoGreen, Gooh, FINN CRISP, Korvbrödsbagarn and Hatting.

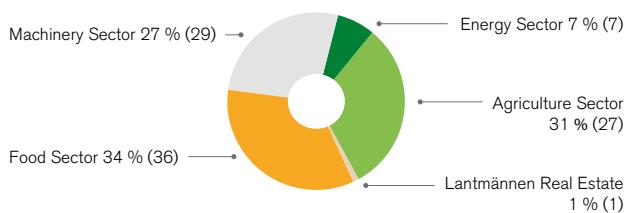
Lantmännen's business is divided into four Sectors and one Real Estate segment. The Sectors also include holdings in several international companies. The Group's corporate functions include finance & treasury, branding and communications, legal affairs, supply chain and human resources.

Lantmännen's organization 2017*

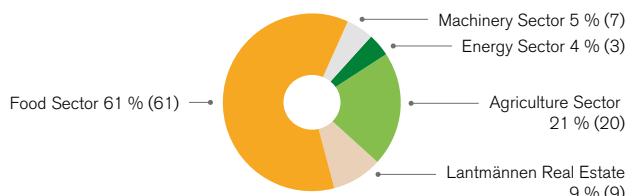


* In the annual report, Lantmännen is reported according to the above organizational structure. With effect from January 2018, Lantmännen consists of the Agriculture Sector, the Energy Sector and the Food Sector, and the business areas Swecon and Lantmännen Real Estate. At the beginning of the year, Lantmännen Maskin's operations moved to the Agriculture Sector and Agro Oil became part of Lantmännen Aspen. See also pages 173-175.

Distribution of the Group's sales



Distribution of the Group's operating capital





**Our core business is based on the grain value chain.
The Baltic Sea region is our extended home market and the
starting point for our business operations.**

**Expertise, experience and operations in every part
of the value chain give us unique conditions for creating
profitable business and added value for owners, customers
and agricultural companies.**

”

Business overview

Key figures	Agriculture Sector		Machinery Sector		Energy Sector	
	2017	2016	2017	2016	2017	2016
Net sales, MSEK	13,067	10,767	11,140	11,343	2,884	2,698
Operating income, MSEK	340	318	381	316	142	4
Operating margin, %	2.6	3.0	3.4	2.8	4.9	0.1
Return on operating capital, %	7.5	7.8	25.2	17.8	19.1	0.4
Investments in non-current assets, MSEK	112	82	532	324	86	48
Average number of employees	866	766	1,933	1,951	248	234
of which women/men, %	33/67	30/70	10/90	10/90	27/73	26/74
Total CO ₂ emissions, thousand tonnes ¹⁾	20.0	19.6	-	-	20.2	20.3
Total sick leave, %	3.1	3.3	3.4	3.4	2.7	2.2

Excl. items affecting comparability	2017	2016	2017	2016	2017	2016
Operating income, MSEK	340	318	381	316	282	304
Operating margin, %	2.6	3.0	3.4	2.8	9.8	11.3
Return on operating capital, %	7.5	7.8	25.2	17.8	37.8	31.4

¹⁾ Key figure based on new climate target with new calculation method. Read more in Key Sustainability Facts.



Elisabeth Ringdahl
Head of Agriculture Sector

Agriculture Sector page 38

The Agriculture Sector, which constitutes Lantmännen's core business, develops and markets products and services to promote strong, competitive farming. The Sector operates in Sweden and internationally. The Sector is also responsible for Lantmännen's ownership interests in *HaGe Kiel*, *Scandagra Group* and *Scandagra Polska*. The Finnish company K-maalalous, now renamed Lantmännen Agro Oy, has been part of the Agriculture Sector since its acquisition in June 2017.



31 % of
the Group's
sales



Håkan Pettersson
Head of Machinery Sector

Machinery Sector page 44

The Machinery Sector's operations in 2017 have comprised three business areas: *Lantmännen Maskin*, which specializes in agricultural machinery, *Swecon*, which operates in construction machinery, and *Agro Oil*, which develops and sells lubricants. The Machinery Sector's companies continue to focus on machinery sales and further development of concepts related to servicing and services, such as service contracts, financing, spare parts and accessories, and driver training.



27 % of
the Group's
sales



Magnus Kagevik
Head of Energy Sector
(from March 2018)

Energy Sector page 50

The Energy Sector is one of Sweden's largest producer of bioenergy products. The Sector's companies manufacture and market sustainable ethanol, protein feed, carbonic acid, glucose syrup, starch products, alkylate petrol, vodka and gluten. The Sector is also responsible for Lantmännen's ownership interests in the partly-owned company *Scandbio*, Sweden's largest wood fuel company.



7 % of
the Group's
sales

“

The association's core values of responsibility, openness, sustainability and profitability have guided us since the late 1800s.

Key figures	Food Sector		Lantmännen Real Estate		Lantmännen total	
	2017	2016	2017	2016	2017	2016
Net sales, MSEK	14,349	14,048	511	455	39,686	37,244
Operating income, MSEK	739	1,058	302	281	1,677	1,606
Operating margin, %	5.2	7.5	-	-	4.2	4.3
Return on operating capital, %	5.4	8.4	14.3	16.2	7.8	8.0
Investments in non-current assets, MSEK	1,351	1,439	440	383	2,593	2,333
Average number of employees	6,499	6,610	45	39	9,850	9,880
of which women/men, %	40/60	35/65	40/60	32/68	34/66	30/70
Total CO ₂ emissions, thousand tonnes ¹⁾	139.6	156.8	3.9	3.7	183.7	200.4
Total sick leave, %	4.9	5.7	0.5	0.9	4.4	4.8

Excl. items affecting comparability	2017	2016	2017	2016	2017	2016
Operating income, MSEK	708	849	204 ²⁾	188 ²⁾	1,708	1,697
Operating margin, %	4.9	6.0	-	-	4.3	4.6
Return on operating capital, %	5.1	6.7	9.7 ²⁾	10.9 ²⁾	7.9	8.4

¹⁾ Key figure based on new climate target with new calculation method. Read more in Key Sustainability Facts.

²⁾ Operating income and return on operating capital excluding property sales.



Per Olof Nyman
President and CEO,
Head of Food Sector

Food Sector page 54

The Food Sector develops, processes and markets flour, breakfast foods, pasta, frozen and fresh bread, crispbread and ready meals. The Sector has its base around the Baltic Sea and has a presence in about 20 countries. The Sector's business areas are *Lantmännen Cerealia* and *Lantmännen Unibake*. The Sector is also responsible for Lantmännen's ownership interests in the partly-owned company *Viking Malt*.



34 % of
the Group's
sales



Joachim Haas
Head of Lantmännen
Real Estate

Lantmännen Real Estate page 62

Lantmännen Real Estate manages the Group's properties and is one of Sweden's major property companies. Lantmännen Real Estate manages about 150 properties in 80 locations, with a total surface area of approximately 1,200,000 m², one-tenth of which is owned by Lantmännen's Grodden pension fund. The operations consist of commercial premises, such as offices, shops, workshops and warehouses. The Sector also includes *Lantmännen Agrovärme*, which provides ready heat and district heating.



1 % of
the Group's
sales



Significant events

2017



Period 1 January – April

- Lantmännen announced its target to double trade in organic grain by 2020 in response to strong demand in and outside Sweden.
- Lantmännen Unibake acquired Anderson Bakery, a baguette bakery in Huddinge, Stockholm. Anderson Bakery has an annual turnover of MSEK 75 and 30 employees.
- The Swedish Foundation for Strategic Research awarded a grant of MSEK 100 to the new ScanOats research center at Lund University.
- Lantmännen launched “Little Farmer” baby food – a brand new organic range from Swedish farms.
- Lantmännen joined Ekologiska Lantbrukarna’s *blickobonde.nu* campaign to enable Swedish agricultural entrepreneurs to benefit more from the growing organic market.
- Lantmännen has set a new target to reduce climate emissions in its own production by a further 40 percent by 2020.
- Claes Johansson, Lantmännen’s Director Sustainable Development, came in the top ten in Aktuell Hållbarhet’s 101 most influential individuals in sustainability in Sweden.
- In the 2017 Sustainable Brand Index survey, Lantmännen maintained its second place in the food category.
- Lantmännen’s company with importing responsibility for Claas in Denmark, LMB Danmark, was divested.

Period 2 May – August

- At the Annual General Meeting, Per Lindahl, Gunilla Aschan, Johan Mattsson and Hans Wallemyr were re-elected to the Board, and Henrik Wahlberg and Ove Gustafsson were elected as new members. The other Board members are Ulf Gundemark, Pauline Lindwall and Thomas Magnusson. At the statutory Board meeting, Per Lindahl was elected Chairman and Hans Wallemyr Vice Chairman.
- The LM² digital tool was launched for Lantmännen’s agribusiness customers.
- Lantmännen Maskin took over imports and market support for Massey Ferguson in Sweden and strengthened its network of committed machinery dealers.
- Lantmännen acquired the Finnish agricultural company K-maalalous to establish a greater presence in the Finnish market and to grow in the Baltic Sea region.
- During summer, farmers added color to Sweden’s fields with blue and pink bales in support of the Swedish Breast Cancer Association and prostate cancer research.
- Lantmännen contributed to research that shows positive effects in patients with type 2 diabetes. The active substance, an antioxidant found in broccoli, has been shown to lower blood sugar levels in persons with type 2 diabetes.
- Lantmännen continued its focus on development and management of community properties by starting a joint venture with the property owner Hemsö.
- 50 percent of the shares in Akershus Traktor were sold. The company is a Norwegian Valtra dealer.



Period September – December

- Lantmännen Cerealia acquired Orient Products, Russia's leading crispbread producer, with the Schedrie and Kruazett brands. The company is based in St Petersburg and has about 250 employees.
- The government decided to invest MSEK 90 in Swedish plant breeding during 2018-2020 following an initiative from Lantmännen, LRF, Region Skåne and SLU.
- Carl-Peter Thorwid was appointed Head of Lantmännen Cerealia.
- Lantmännen BioAgri's CEO Kenneth Alness and Thermoseed were awarded at the Swedish University of Agricultural Sciences' awards for the most successful innovations in its 40-year history.
- Under the slogan "Eat greener", Kungsörnen launched two new flours and a bread mix with root crops and white beans – a simple way to make baking and cooking greener.
- Lantmännen Agroetanol and Fossil Free Sweden took part in a seminar on industry's transition to fossil free fuel at the UN Climate Conference, COP23, in Bonn, Germany.
- Lantmännen Agrovärme acquired the district heating company Byavärme in Vinslöv in Skåne.
- Lantmännen Aspen acquired the French alkylate petrol producer Marline.
- "Lantmännens hus" in Kalmar was opened – a new facility gathering all Lantmännen's operations in the region. See photo above with Per Lindahl and Council Leader Johan Persson.

2018 After year-end

- The Swedish biotech company CropTailor is first in the world to map the DNA of oats. The research will contribute to healthier and more sustainable oat varieties. Lantmännen, which is a world leader in oat research, is the majority owner of CropTailor.
- In January, Lantmännen acquired a majority shareholding in ThermoSeed Global. The acquisition ensures continuing investment in environmentally-friendly seed treatment, both in Sweden and internationally.
- Bengt Alestig took over as new CEO of Lantmännen Maskin in early 2018.
- Magnus Kagevik has been appointed as new Head of the Energy Sector, starting in March 2018



Chairman's comments

During the year, the Owner dialogue has been a green thread running through Lantmännen. Elected representatives and members have provided input to sharpen the company and help develop our strategy beyond 2020. The Owner dialogue is still in progress, but there are some points from the year's work that I want to share with you straight away. The value of working from Field to Fork. The strength in Lantmännen being a farmer-owned cooperative enterprise. The importance of being an international player. And the importance of a competitive agribusiness.

During the year, Lantmännen has developed into an increasingly strong partner to Swedish farming. Creating profitable growth for both crop and livestock companies is a priority of our strategy and this is of vital importance for Swedish farming. I would like to highlight the positive development in the feed area, the involvement in HKScan and our organic strategy. At the same time, the year's harvest showed that we need to upgrade our grain infrastructure. With its array of expertise and breadth, Lantmännen is well equipped to be the strong business partner that spars with us agricultural entrepreneurs and contributes to our international competitiveness. But to develop in an increasingly tough market, there are some areas that are extra important for a company at the forefront.

The first one I would like to mention is digitalization. I believe that both Lantmännen and we as farmers are in a great position to benefit from the development here – from field to fork. Lantmännen must lead the digitalization of Swedish farming to create profitability for agricultural companies. With LM² and the majority ownership in DataVäxt, we have every opportunity to drive productivity in both crops and livestock. The launch of LM² at Borgeby and Brunnby has engaged many parties and creates definite competitive advantages for Lantmännen.

In addition to digitalization, I see internationalization as one of the most important drivers of development. Mergers, networks and collaborations are a natural part of the business that drives us forward. For Lantmännen, our international networks through the Scandagra companies and HaGe Kiel are extremely important, and a strong foothold in the Baltic Sea region gives us a larger market to work on and good scope for monitoring agribusiness development in Europe. For Lantmännen Lantbruk, the circle around the Baltic Sea has been completed with the acquisition of Finnish K-maalalous, now Lantmännen Agro Oy. And with consolidation on the market continuing, regardless of whether it is farming or bakeries, we should be active and grasp the opportunities presented. To me it is clear – standing still is not an option; not to grow is to go backwards.

A third important area is Lantmännen's investments in research and development. During the year, we continued our focus on oats with the establishment of the ScanOats center

in Lund, and on the shelves, you can find pasta made from durum wheat from Gotland and pasta with beans from Öland. The process of developing Agroetanol into a green biorefinery is a very exciting project. Regardless of whether wheat kernels or breadcrumbs are used as raw materials, we produce sustainable ethanol, sustainable feed and carbonic acid. Our research benefits the consumer, society and the environment, but also has everything it takes to increase the value of what we produce as farmers. During the year, Lantmännen has also defined new climate targets to reduce emissions in its own production, including completely fossil-free production by 2025 in Sweden and Norway. Challenging – but fully possible with today's innovation and development drive.



Our research benefits the consumer, society and the environment, but also has everything it takes to increase the value of what we produce as farmers.

I would also like to mention Lantmännen's involvement in the Government's Food Strategy. A number of important decisions have already been made, including a plant breeding competence center and investments in food exports. Lantmännen has been a bridge builder here, with government departments and universities happy to cooperate with us. Clear evidence of the important role we play for Swedish agriculture and the food industry.

But to achieve our goals, there are many operations, people and activities that need to work together – something we were successful with during the last year. 2017 has been a good year for Lantmännen. When all Sectors perform well and show good results, this has a huge effect. I also want to mention



Lantmännen Lantbruk and Lantmännen Unibake – two completely different parts of the Group. The fact that Swedish farmers own Unibake, Europe's second-largest bakery company, leader in the Baltic Sea region, with sales in 60 countries such as the US, South Africa and Australia, is a fantastic asset that few are aware of. Lantmännen Lantbruk, on the other hand, is the basis for membership and it is therefore very positive that the agriculture-related operations can combine efficiency with being customer-oriented.

For this reason, the Board is proposing another high dividend to Lantmännen's members. The strong financial position and positive growth in agriculture-related operations means that we can maintain our high dividend level. The Board has decided on a refund and supplementary payment of 2.5 percent on trade with Lantmännen Lantbruk and a refund of 0.5 percent for the machinery operations. The Board also proposes that the Annual General Meeting adopt a contribution dividend of 9 percent of the contributions' nominal value and a contribution issue of MSEK 100. Lantmännen shows that cooperative enterprises can be professional, businesslike and profitable.

I also want to highlight the strength of committed members and elected representatives. I have already mentioned the involvement in the Owner dialogue which will provide many valuable contributions to our continuing work. Long-term owners enable long-term – and profitable – investments that can continue to deliver dividends and business value to us farmers. For me, Lantmännen is an international company owned by Swedish farmers.

I would like to conclude by thanking all employees of Lantmännen. People make the difference. Competent and committed employees and managers are one of our most important resources. It is a very great asset to all of us that our President and CEO Per Olof Nyman is a leader who knows the different businesses well and can combine inspirational leadership with a clear picture of how we can develop.

Kristianstad, February 2018

Per Lindahl
Chairman, Lantmännen

President's overview

Lantmännen has continued its positive development in 2017. Income after net financial items, adjusted for items affecting comparability, was MSEK 1,552, which is in line with the previous year.

2017 has been another good year for Lantmännen. The Group as a whole is developing positively, with the majority of our operations maintaining or strengthening their positions in their respective markets. At the same time, some businesses face challenges in terms of tougher conditions and more intense competition in the market, which means we must increase our focus on improvements and increased efficiency. The strong results for the year shows that Lantmännen can once again provide a historically high dividend this year, which is very pleasing.

How our Sectors performed

The Agriculture Sector continues its positive development and reports a higher operating income. The year's large and late harvest brings stresses in many places, both for our own infrastructure and for farmers. To address the larger grain harvests and contribute to continued positive development for Swedish grain cultivation, a number of strategic investments are being made that will strengthen the future infrastructure.

From 2018, Lantmännen Maskin is part of the Agriculture Sector, which means that our agriculture-related operations can together strengthen their customer offering, cooperate more closely and create better customer contact. December saw the inauguration of "Lantmännens hus" in Kalmar, gathering all Lantmännen's operations in the new Kalmar Öland district under one roof – and in November, Lantmännen Lanbruk moved into Lantmännen Maskin's social channels.

The acquisition of the Finnish agricultural company K-maalalous – now Lantmännen Agro Oy – was completed during the year. The acquisition completes the circle around the Baltic Sea and provides further opportunities for our agribusiness.

A number of strategic changes have been made within Lantmännen Maskin during the year. We have left the Claas business and started importing Massey Ferguson to Sweden. Fendt's combine segment was also introduced in the Swedish market during the year and the range of tools was expanded. In our spare parts business, we now serve AGCO's entire distribution in Scandinavia from our central warehouse in Malmö, with Claas spare parts also included in the range. As part of the new strategy, the majority of our machinery business in Norway and Denmark has been divested. The machinery business is still challenging in terms of profitability, as a result of a declining market and fierce competition for customers.

Swecon showed very strong growth during 2017, partly driven by strong construction and civil engineering activity. After the reorganization of the Machinery Sector, Swecon remains a separate business area in Sweden, Germany and the Baltic region from 2018. With this change to the organization, we hope to create further focus and continue to grow the business profitably.

The Energy Sector has had another successful year, with a continuation of successful ethanol exports, mainly to Germany. Lantmännen Agroetanol has continued to create sustainable and profitable business, most recently with the development of circular business models, which involve using residues from other sectors such as bakeries. This enables us to produce second-generation ethanol with high climate premiums. However, lower ethanol prices and climate premiums were noted in the latter part of the year. Other businesses in the Energy Sector performed well during the year and in December 2017, Lantmännen Aspen acquired Marline in France, thereby strengthening its position in the large and important French alkylate market.

In the Food Sector, an action program to increase Lantmännen Cerealia's profitability has been initiated. The key points are a focus on our core businesses, improved quality and cost-efficiency. There were several interesting new product launches during the year, including Kungsörnen's pasta made from durum wheat from Gotland and locally produced baby food under the "Little Farmer" brand. The Russian crispbread company Orient Products was acquired in 2017, thereby strengthening our position in the profitable and growing Russian market.

Lantmännen Unibake continues its positive growth in most markets, particularly in Russia, where demand for our fast food products continued to rise strongly during the year and in fresh bread in Finland and the Baltic region, where both market shares and earnings were further strengthened. In Sweden, we are continuing to do a very good job of further developing the business in an even more competitive market. In Europe, we are in the process of implementing our industrial strategy which will equip Lantmännen Unibake for the future. Large investments are being made in, among other things, bakeries in Belgium, Poland and Russia. During the year, Lantmännen Unibake also launched distribution operations in Singapore and continued to strengthen its position in Australia.

Lantmännen Real Estate has similarly shown stable development during the year. A new joint venture in community



properties has been formed with Hemsö and Lantmännen Agrovärme has acquired a district heating company in Vinslöv. With the base in our own properties, we have successfully developed a profitable and growing business. However, the foundation for the business is still to provide our own operations with appropriate and cost-effective premises.

Strong results in the year's employee survey

Lantmännen's employee survey was conducted in 2017. Both the response rate and results in all areas have improved since the previous survey in 2015. Compared with other similar companies, Lantmännen's results are strong, both in terms of employees' job satisfaction, loyalty to the company and evaluation of our managers. Loyal, committed and competent employees are one of Lantmännen's primary assets. I see the results of the employee survey as testimony to the success of our efforts to make Lantmännen an attractive and modern employer.

Developed strategy beyond 2020

During the year, we began the process of updating and developing Lantmännen's long-term strategy. An important part of the work has been our Owner dialogue, with much valuable input from members and elected representatives on what Lantmännen should look like beyond 2020.

While the Baltic Sea region continues to be a natural home market for Lantmännen's businesses, it is becoming increasingly

important to compete in a larger and growing international market. We have good opportunities here through several of our international initiatives, including in the bakery area, where Lantmännen Unibake is the prime example of successful internationalization.

Digitalization is another important issue for the future. LM², a digital tool designed to increase farmers' profitability, was launched in the summer. New applications are constantly being launched to increase the business value and with the continuing development of LM² we can create a unique position in the digital landscape for agricultural companies.

Thank you for a good year!

Lantmännen has shown extremely good development in recent years, which is testimony to the fact that we are a company with the right strategy, strong expertise and good customer relationships. In 2018, we will take further steps to become even better in all these areas and remain Swedish farmers' best business partner.

I would like to thank all employees, owners, suppliers, customers and partners for a good year – and look forward to continuing the positive development in 2018!

Stockholm, February 2018

Per Olof Nyman
President & CEO, Lantmännen

Owner dialogue that involves

Lantmännen is more than an ordinary company. Lantmännen is an agricultural cooperative rooted in Swedish farming. The association's core values of *responsibility, openness, sustainability and profitability* have guided us since the late 1800s. Lantmännen is built up and owned by many agricultural companies in cooperation.

Lantmännen has **20 districts** and is owned by **25,000 farmers**

Involvement and corporate governance through the districts, owner meetings, council of trustees and inter-groups are important ways of utilizing the strength of the cooperative form of enterprise. In this way, we can be both local and customer-oriented with our size and international operations. Following a motion at the 2016 AGM, the process of establishing an *Owner dialogue* began in 2017.



Meetings with the district boards in 2017 covered subjects such as strategy, dividend policy, capital supply, corporate governance and agribusiness. The topic for the fall meeting was Owner dialogue in order to enable elected representatives and members to be involved in Lantmännen's long-term direction beyond 2020.

In the continuing inter-group work, elected representatives worked on different areas, from training to credit issues. One inter-group is a reference group for work on Lantmännen's organic strategy, while another deals with digital matters, such as LM² and related services.

In October, a meeting was conducted as a combination of diversity issues, with the aim of broadening skills and engaging more female elected representatives, as a prelude to the district nomination committees. Active nomination committees at all levels are crucial to involvement and corporate governance.

District organization

Lantmännen's 20 districts are important links between the members and Lantmännen, and form the basis for members' influence and ownership role. The district boards work both locally and on cross-cutting issues. To involve more young farmers, an initiative with five regional Future Groups was conducted during the year. The project ended in spring with a seminar in Stockholm with Board members and a visit to Lantmännen Cerealia.

Council of Trustees

Lantmännen's Council of Trustees provides support for the Board and works to promote positive development for Lantmännen. The Council's October meeting was held in Finland and in addition to the discussions, visits included a Vaasan bakery and one of Lantmännen Agro Oy's retailers.

Lantmännen's Annual General Meeting

The Meeting was held on May 4, 2017 in Stockholm and dealt with several motions related to the dividend policy and corporate governance. Following a motion from Södra Skåne, it was decided that the Board would examine possible changes to owner representation in order to increase transparency for owners and their opportunities to exert influence. Bengt-Olov Gunnarson and Björn Wallin left the Board. Ove Gustafsson and Henrik Wahlberg were elected new members. At the statutory Board meeting, Per Lindahl was elected Chairman and Hans Wallemyr Vice Chairman.

District Board Conference

The Conference was held on November 27-28, 2017. The focus of Day 1 was on the cooperative form, the role of elected representative and Lantmännen's development over the decades. Day 2 was devoted to following up on a number of important issues related to the Owner dialogue, including dividend policy, trading in contribution issues, internationalization and digitalization.

The dividend makes a difference

Lantmännen's mission is to contribute to the profitability of its owners' farms and maximize the return on their capital in the association. The farmers are both business partners and owners. This means that Lantmännen's earnings go back to the owners – the Swedish farmers. Since it was established in 2001, Lantmännen has distributed almost SEK 5 billion – funds that help make farming thrive.



Where are earnings created?

Effective, customer-oriented agribusiness and strong operations throughout the value chain from field to fork enables long-term profitability to be created. Most of the earnings are generated in the processing activities, e.g. processing grain into food or bioenergy. Here, we can clearly see the benefits of value-adding industrial and processing activities, which not only provide a market for members' grain, but also generate significant added value. The earnings are distributed to members according to the dividend policy. In this way, Lantmännen contributes to the development of Swedish farming.

Refunds and supplementary payments are based on earnings from contribution-based agriculture operations, Lantmännen Lantbruk and Lantmännen Maskin. Contribution dividends and contribution issues are primarily based on earnings achieved in the processing and industrial activities: food, energy and property.

Dividend policy

The principles for dividends to owners are set out in the dividend policy adopted by the Board. The overall intention is that the dividend will be adjusted to reflect factors such as the Group's earnings, financial position, cash flow and strategic investment needs. It is the Board's aim for Lantmännen to generate regular and stable dividends for its owners over time in the form of refunds and supplementary payments, contribution dividends and contribution issues.

Contributed capital – paid-in and issued

Lantmännen's members invest capital through their contributions in the association. Contributed capital amounted to MSEK 2,464 (2,299) at the end of 2017 and consisted of paid-in contributions of MSEK 1,208 (1,101) and issued contributions of MSEK 1,256 (1,198).

Trading in contribution issues

Members of Lantmännen have been able to buy and sell their contribution issues since 2009. This trading, which is exclusively between members, provides opportunities for more active ownership. Contribution issues carry the same entitlement to contribution dividends and new contribution issues as paid-in contributions. There were 13 trading sessions in 2017. The total turnover was MSEK 23 (23) in 2017 and the transaction price varied between 110 and 135 percent of the nominal value.

Member contributions

MSEK	2017	2016	2015	2014	2013
<i>Member contributions:</i>					
Paid-in	1,208	1,101	986	931	829
Issued	1,256	1,198	1,160	1,046	1,074
Total	2,464	2,299	2,146	1,977	1,903

Dividend ¹⁾

MSEK	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Refund, supplementary payment	244	231	188	135	129	120	110	95	1	122
Contribution, dividend ²⁾	222	207	193	178	171	88	78	68	63	57
Contribution issue ²⁾	100	70	50	150	-	80	152	177	100	110
Total	566	508	431	463	300	288	340	340	164	289
Contribution dividend and contribution issue as % of contributed capital	13 %	12 %	11 %	17 %	9 %	9 %	15 %	18 %	13 %	14 %

¹⁾ Reported amounts may include adjustments compared with previous years' proposals.

²⁾ Pursuant to the Board of Directors' proposal for 2017.



Contribution issues – trading and price trend



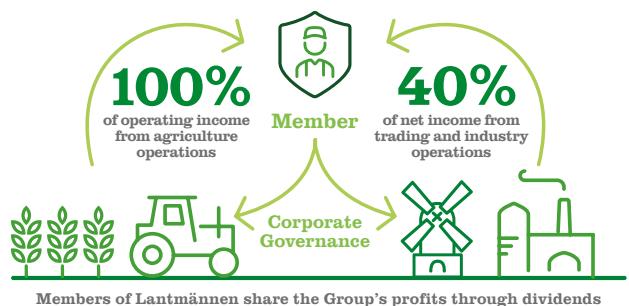
The Board proposes that the Annual General Meeting adopt a contribution dividend of 9 (9) percent of the contributions' nominal value, totaling MSEK 222 (207), and a contribution issue of MSEK 100 (70). Contribution dividends are paid in proportion to members' paid-in and issued contributions. Contribution issues mean that part of the collectively-owned unrestricted capital is transferred to members' individual contributed capital.

The contribution issue is distributed as follows: paid-in and issued contributions (75 percent) and contribution-based trade with Lantmännen (25 percent). In addition, a 6.0 (7.25) percent dividend on subordinated debentures, totaling MSEK 15 (18), is proposed, based on the conditions in the subordinated debenture offer. The subordinated debentures have a term of 5 years, maturing on December 30, 2019.

How are earnings distributed?

Refunds and supplementary payments are distributed in proportion to members' business with the agriculture operations.

The Board has decided to pay a dividend in the form of a refund and supplementary payment of 2.5 (2.5) percent on trade with Lantmännen Lantbruk Sweden and a 0.5 (0.5) percent refund on purchases from the Machinery Sector's Swedish operations. The total refund and supplementary payment is estimated at MSEK 244 (231).



Lantmännen has a clear mission

More and more customers are now choosing products from companies that take responsibility and offer greater value to the market. This means that the companies and brands that have a clear mission – creating lasting values beyond the business goals – are perceived as more relevant and have greater competitiveness in the market. Lantmännen's mission is clear: "We make farming thrive".

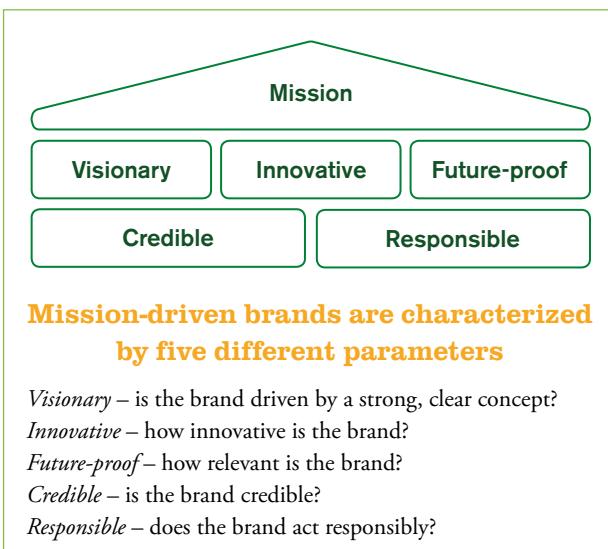
In recent years, we have started to see increasing demands being imposed on companies – demands that go much further than customers' product and service requirements. The new demands include, among other things, the impact of the company's operations on society at large and the company's responsibility and accountability.

This means that companies are being increasingly called on to create value for more stakeholders than those directly affected by the business.

Lantmännen's assignment is *to create profitability for its owners*, which is done through the operations within food, agriculture, agricultural machinery and bioenergy. When Lantmännen acts on its assignment, this creates long-term sustainable agriculture and products with clear added values. Our investments in research and development help resolve the challenges of today and the future.

Lantmännen's operations in combination with our responsibility from field to fork and the power of being an agricultural cooperative leads to what is Lantmännen's mission – *to make farming thrive*.

The mission *to make farming thrive* reflects what Lantmännen does to meet the new demands on companies. It answers the question of what value Lantmännen's business create in addition to the direct value for owners.



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Lantmännen is one of Sweden's most responsible and credible brands.

Companies that have clearly formulated and communicated how they will contribute to social development through their operations are commonly referred to as *mission-driven companies*.

When a company is driven by a clear mission, this is clear at all levels of the organization. Consumers prefer mission-driven companies and consider these organizations to have greater future potential than other companies. A clear mission also plays an important part in attracting and retaining talented employees.

For Lantmännen, the mission value is reflected in brand surveys, in which Lantmännen holds a position as one of Sweden's most responsible and credible brands.

Continuing work to develop Lantmännen's brand, also beyond the aspects related to products and services, will be an important basis for our future differentiation and competitiveness. This is why we continue building on our mission *to make farming thrive*.

Market and trends

The northern European agricultural markets have many common denominators in terms of growing conditions and production methods. Many of Lantmännen's transactions are conducted in a northern European context and help to strengthen our international knowledge and expertise.

Changing megatrends bring new conditions

The growing global and urban middle class is the primary driver of changes in demand Globally, increased demand for protein has been noted, which means an opportunity for livestock and feed production.

Seven mega trends with a significant impact

- ① **A growing middle class in Asia and Africa** makes trade and exports to these markets increasingly important for northern European players
- ② **Varied growth** in neighboring markets around the Baltic Sea Region and strong population growth in Sweden
- ③ **Consumer trends that drive demand:** Health, sustainability, convenience, origin and transparency
- ④ **Shift** in consumer demand to new customer channels such as e-commerce, restaurants and specialty stores
- ⑤ **Climate change** has an impact through actual climate effects, political decisions and consumer demand
- ⑥ **Volatile commodity prices** increasingly need to be managed by players in the food value chain, from farmers to end customers
- ⑦ **Digitalization** creates new opportunities for driving productivity throughout the food chain

In the Nordic market, demand is increasing for, among other things, plant-based protein. Population growth creates higher demand and good conditions for everything from food to construction machinery in the Swedish market.

Food customers are making a gradual shift from the current market-dominating food chains to e-commerce, restaurants, specialty stores and "out of home" providers. At the same time, brand players face a challenging situation as the food chains are launching more and more of their own brands.

Global grain stocks growing

As production has increased faster than demand, with several record harvests globally, grain stocks have grown significantly in recent years.

Population growth and wealth growth will continue to be the main drivers for increasing demand for food, and growth in meat consumption is keeping up demand for feed.

Food security

Food supply is increasingly being discussed from a security perspective with regard to Swedish society. This is also something that is highlighted in the National Food Strategy, and is one of the reasons for the goal to increase Swedish food production.

World of new opportunities

- Population and economic growth, mainly in Asia and Africa, offers scope to enter new markets.
- Lantmännen's position from field to fork is a unique platform in the Baltic Sea region and globally.
- Moderate growth in northern Europe is driving consolidation in the food industry together with a challenging situation with regard to food retail customers.
- Digitalization offers tools for working together on productivity in crop and livestock production.
- Concepts based on consumer demand create new opportunities for the agricultural company to share the values on the market such as *Friendlier wheat* and organic.
- A European agribusiness consolidation is in progress, aimed at reducing costs for players in inputs and agriculture.

“ Digitalization offers new opportunities from field to fork. Lantmännen has the opportunity to create a unique position with agricultural companies.

Consumer trends in the Nordic food market

1 Health	2 Origin	3 Sustainability	4 Convenience	5 Transparency
A balanced view of health where enjoyment and quality of life also has a place	Increased focus on where the food comes from	Increased awareness of aspects that contribute to greater sustainability	Increased focus on complete meal solutions and time-saving concepts	Increased consumer focus on what is in the food and how it is produced

Protein shift in emerging economies

Globally, consumption of animal protein is expected to increase in line with a high standard of living, particularly in developing countries. In Sweden, the increase in animal protein consumption has slowed. However, there are signs that Swedish consumers are increasingly demanding high-quality meat, both in terms of production quality and eating quality.

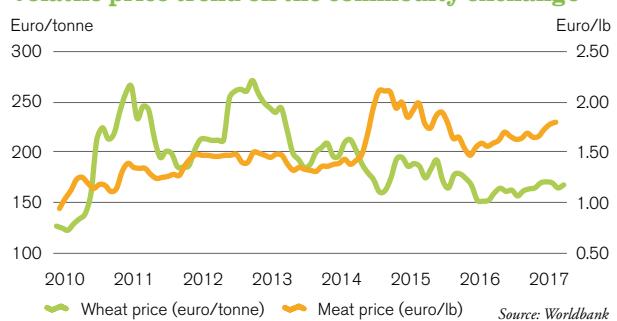
In Sweden, demand for vegetable protein is also increasing and many new products are being launched. With vegetable protein becoming increasingly important, many food companies are looking at how they can use this to add value to their segments.



Sales and growth in Lantmännen's main markets

	% of Group's sales		Forecast GDP growth 2018
	2017	2016	
Sweden	46	46	2.7 %
Germany	12	12	2.3 %
Finland	9	6	2.6 %
Denmark	7	9	2.0 %
Norway	5	8	1.8 %
United Kingdom	3	4	1.5 %
Baltic Region	2	2	3.7 %
Poland	1	1	3.3 %
Main markets. total	85	88	average 2.1 %

Volatile price trend on the commodity exchange



The price trend is weak for grain, while the meat price has a positive trend.

Strategy 2020

– leading player from field to fork in the Baltic Sea region



- 1 Business development from field to fork**
Lantmännen takes responsibility for the entire value chain to create added value for customers and agricultural companies.
- 2 Develop agribusiness in partnership with agricultural companies**
Leading player in grain trade, feed and oilseeds in the Baltic Sea region.
- 3 Create value from grain through business in the processing industry**
Be market leader and meet demand throughout the value chain through processing of grain.
- 4 Manage and achieve profitable growth in strategic portfolio holdings**
Expand Lantmännen's grain business and infrastructure through strategic portfolio holdings.

Our strategy makes farming thrive

Lantmännen has its base in Swedish farming, with a focus on value creation through profitable growth. Through research and development, a regional presence and new tools, we provide the opportunity to make a difference with innovative products and strategic holdings.

Strategy 2020 clarifies Lantmännen's goals

Implementation of Strategy 2020 and changes in our external environment mean that strategy work is under constant development. "Strategy and owner dialogue on the Lantmännen of tomorrow" is a key member project involving the owners. Much of the strategy is business development focusing on the agricultural company, mainly aimed at developing the opportunities offered by new technology, digitalization and new services to facilitate and improve the efficiency of work on the individual farm.

Lantmännen continuously develops strategic projects that drive profitable growth with a focus on the Baltic Sea region.

Lantmännen's grain strategy

The grain strategy *from field to fork* is a central pillar in Lantmännen's strategy to be the leader from field to fork in the Baltic Sea region. The next step in the strategy is to invest in the grain infrastructure in order to strengthen the capacity to handle the

growing grain harvests in Sweden. Grain concepts that drive added values are another important part of the grain strategy.

Business development with the agricultural company at the center

Lantmännen creates offerings that enable efficient and innovative utilization of arable and pasture land to drive value in farming. We do this by developing new products and services or improving existing ones, in areas such as feed, inputs, machinery, risk management and availability. Here, our research and development activities are important in creating added value from grain with new business in new markets. The strategy involves advancing Lantmännen's position in the area of innovation to further drive business development with the agricultural company at the center. This is particularly true in the area of plant breeding where the government is making a welcome investment in plant material for Nordic climate and consumption.

LM² – our digital strategy for agricultural companies

Lantmännen's integrated digital solution for agricultural companies, LM², is leading the digitalization of Swedish farming, bringing increased productivity and profitability for agricultural companies. Lantmännen's digital strategy involves using

“ There are continued opportunities to create value by strengthening Lantmännen’s position in the grain value chain in the Baltic Sea region.

the potential of digitalization to create value throughout the value chain. This includes everything from farming and supply chain throughout the grain value chain to food companies.

Brand position from field to fork

The Lantmännen brand is held together through a community of values between all our brands and communication initiatives in order to safeguard the value of the brand, thereby strengthening our common competitiveness. Lantmännen’s innovative and future-oriented branding position is maintained through our strong position in responsibility, sustainability and origin.

Some of the activities that have been carried out since the launch of Strategy 2020:

- 1** Establishment of a Group-wide grain strategy, work on sustainable cultivation and flour concepts, and development of an organic strategy.
- 2** A profitable feed business has been established. The international cooperation with DLG has been strengthened through Lantmännen DLG International (LDI).
- 3** Acquisition of Vaasan, Frozen Bakery Products, Dataväxt, K-maalalous and Marline. Investments in production facilities in Yegorievsk, Londerzeel, Strängnäs and Nowa Sól. Viking Malt has acquired Danish Malting Group.
- 4** Scandbio established. Strong profitability for Swecon, Lantmännen Aspen and Lantmännen Agrovärme. Divestment of Doggy and Kronfågel.

Our assignment:

Lantmännen’s assignment is to contribute to the profitability of members’ farms and optimize the return on their capital in the association.

Our mission:

We make farming thrive.

Our vision:

We lead the use of farmland resources in an innovative and responsible manner for the farming of tomorrow.

Our business concept:

We are a farmers’ cooperative that creates value from farmland resources in a responsible manner. Our collective knowledge and our operations from field to fork enable us to lead the development in the grain value chain. We operate in an international market, with Sweden as the base for our business activities.

Our brand promise:

Together we take responsibility from field to fork.

Our values:

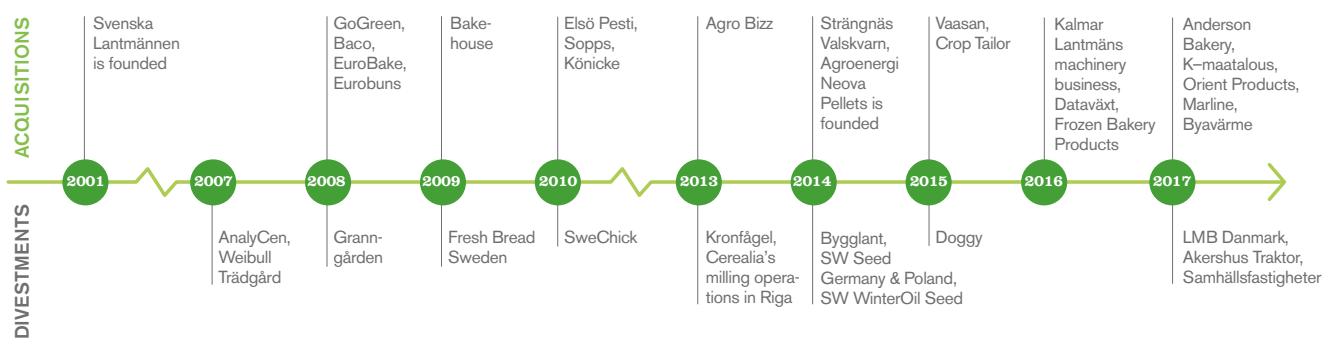
Openness, a holistic view and drive.

Our employee promise:

Growing together from field to fork.



Lantmännen’s major acquisitions, divestments and ownership interests



Our financial targets

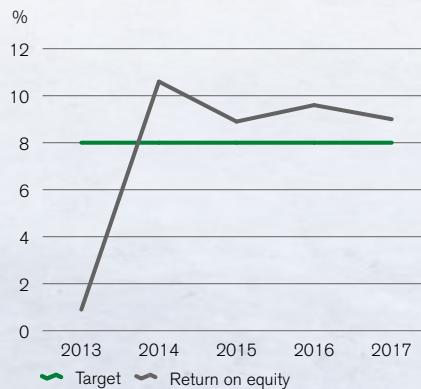


Return on equity

The Group's target

8 %

The Group's return target is dependent on the composition of the portfolio. Lantmännen's current business portfolio is estimated as having a total return on equity potential of 8 percent over a business cycle.



2017 outcome

9.0 %

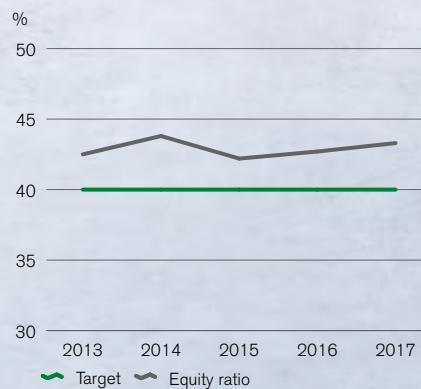
Return on equity was 9.0 (9.6) percent in 2017. The average return on equity over the last five years has been 7.8 percent.

Equity ratio

The Group's target

40 %

Lantmännen's equity target is a minimum of 40 percent, which reflects Lantmännen's desired financial risk profile and the Board's view of long-term financial stability.



2017 outcome

43.3 %

The equity ratio was 43.3 (42.7) percent at December 31, 2017. The equity ratio has improved from 32.5 percent to 43.3 percent since 2008.

Net debt*/EBITDA*

The Group's target

<3

Lantmännen's aim is to maintain a net debt/EBITDA ratio of below 3, in order to ensure financial stability.



2017 outcome

2.70

The present net debt/EBITDA ratio is 2.70 (2.53).

* According to bank definition.

Description of financial performance measures see page 145.

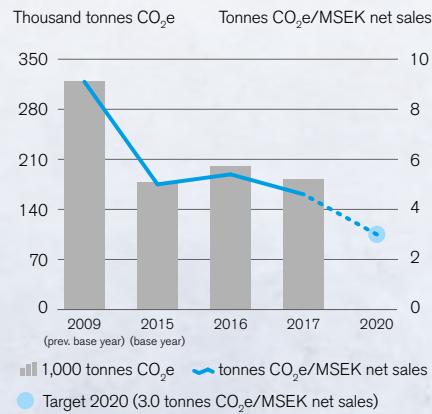
Our sustainability targets

Climate target

The Group's 2020 target

40 %

The Group's target is to reduce carbon dioxide emissions from its operations (energy consumption at own facilities and own transport) by 40 percent in the period 2015–2020, calculated as CO₂e, tonnes per MSEK net sales.



2017 outcome

6.7 %

Emissions were reduced due to conversion from fossil fuels and a transition to green electricity for example in Finland. Compared with the base year 2015, emissions in relation to sales have fallen by 6.7 percent.

Employee survey– target

The Group's target

70/70

Our employees' job satisfaction and motivation, and good leadership are very important to Lantmännen's success. The target for both Job satisfaction and Management is 70.



2017 outcome

70/74

The 2017 survey showed good results. We achieved the Job satisfaction target of 70 (68) and exceeded the Management target with a score of 74 (72).



Our responsibility from field to fork

Lantmännen's vision is to lead the use of farmland resources in an innovative and responsible manner for the farming of tomorrow. Throughout the chain from field to fork, we work to take responsibility for the impacts of the operations on people, animals and the environment, and to continue developing profitable businesses that contribute in a sustainable direction.



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Lantmännen's responsibility spans the entire value chain, from cultivation, sourcing raw materials and processing to sales and consumption of the products we offer.

We place our greatest focus on issues of particular importance to our customers, owners and other key stakeholders, and where our operations have a significant impact on people and the environment.

Governance and approach

Lantmännen's Code of Conduct describes how we must conduct ourselves in order to be a responsible company. The Code applies to all employees, board members and elected representatives in the organization, with clear governance, a systematic approach, goals and monitoring on site. Responsibility and sustainable business development are integrated into strategic business planning and firmly established in both Group management and the Board.

Lantmännen's CSR Committee (Corporate Social Responsibility), with representatives from Group management, has overall responsibility for implementing and following up the Code of Conduct. Each business unit is responsible for systematic work on risk management and responsibility. In 2017, the follow-up of a number of sustainability-related performance measures was started.

Lantmännen's Supplier Code of Conduct applies to all suppliers. Suppliers with an annual purchase volume over MSEK 1 or with high risk must be approved based on a self-assessment. During 2017, we conducted more detailed risk analyzes, increased monitoring and planned measures for compliance control.

Global Compact and Agenda 2030 work

In 2015, nations of the world signed Agenda 2030, comprising the UN's 17 Sustainable Development Goals. To achieve these goals requires joint efforts at international, national and local level. All companies and enterprises are encouraged to implement the Sustainable Development Goals in their strategy and reporting.

Lantmännen supports the Agenda 2030 goals and has analyzed the implications for Lantmännen's businesses. Five of the goals are directly linked to Lantmännen's mission and business. Several other Sustainable Development Goals are significant to our impacts and operations, and are integrated into Lantmännen's Code of Conduct. Learn more in Key Sustainability Facts or view the UN goals in full at globalamalen.se

Agenda 2030



Agenda 2030 is the UN's vision for sustainable development defined in 17 goals. The most important goals directly linked to Lantmännen's mission and business are: *Zero hunger, Affordable and clean energy, Responsible consumption and production, Climate action and Life on land*.

Source UN Agenda 2030

“ The cooperative ownership model is a sound base for the long-term approach and sustainability ambition.

Our sustainability strategy

The sustainability strategy is based on Lantmännen's mission, vision and strategies, and is a response to global developments, with challenges such as food and energy supply, dependency on fossil fuel and climate change. The cooperative ownership model is a sound base for the long-term approach and sustainability ambitions.

Lantmännen's ambition for sustainable development is to create value from farmland resources with a leading sustainability performance and to contribute to sustainable solutions for food, energy and bio-based materials. To achieve the ambition, we must create value from grain by optimizing cultivation and production yields, utilizing side flows and switching to bio-based circular business.

Lantmännen's brand promise *Together we take responsibility from field to fork* is the core from which the work is conducted in four dimensions:

- *Risk management*, through clear governance and monitoring
- *Resource efficiency*, of which climate work is an important part
- *Sustainable business development*, for increased profitability
- *Open and transparent communication*.

Materiality analysis

Lantmännen places greatest focus on issues that are of importance to our stakeholders and where we can contribute to sustainable development through profitable business. A materiality analysis has been used to prioritize the key issues. Lantmännen's materiality analysis is based on strategies and knowledge about operational impacts, the UN's Sustainable Development Goals, Global Compact, external and market trends and results from stakeholder dialogue. The analysis forms the basis of our sustainability strategy and our sustainability reporting under the Global Reporting Initiative framework.

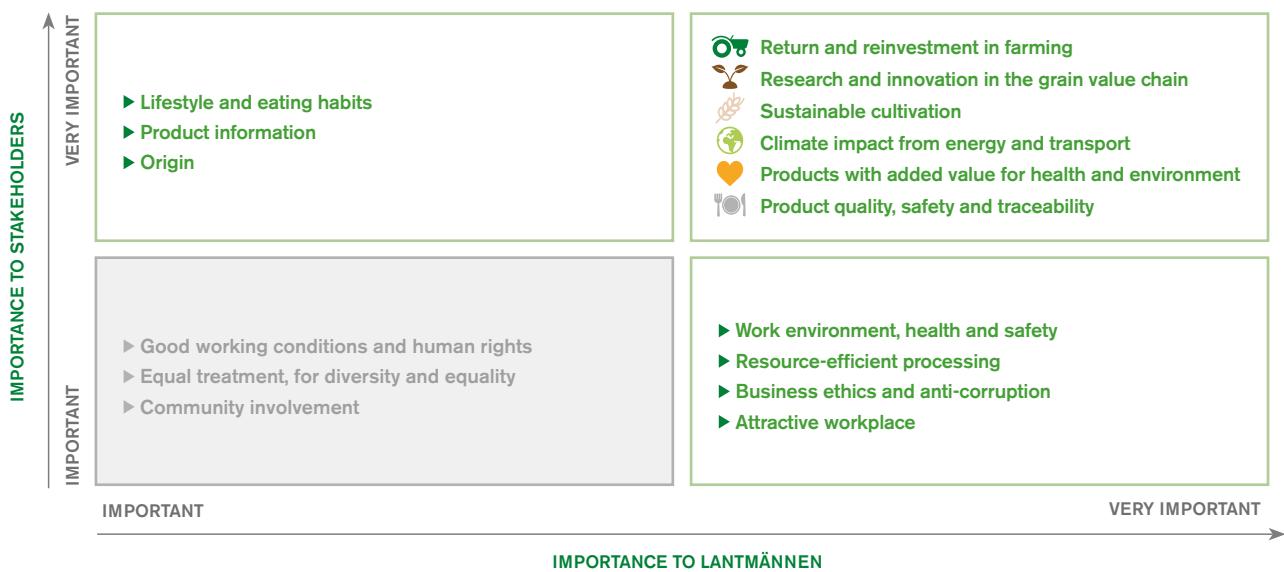
Read the full analysis in  Key Sustainability Facts. Learn more about the report on  page 170.

Focus of the work

Our most important sustainability issues are dealt with in four areas, with goals for what we want to achieve, which are monitored with metrics. The areas are sustainable cultivation, supply chain responsibility, safe and resource-efficient production, and development of products with sustainable added values.

Learn more  lantmannen.com/en/sustainable-development/ and on page 171.

Materiality analysis



The most important issues for Lantmännen to pursue and develop are in green text. Learn more about the analysis, our important issues, work and results on  page 171 and in Key Sustainability Facts.

Sustainability for profitable businesses

Sustainable cultivation methods and products with added values for the environment and health are part of Lantmännen's strategic business development. Our contribution to future supply of food and energy is based on knowledge of grain processing and our presence throughout the value chain from field to fork.

Value is created in the field

Lantmännen's knowledge and proximity to its cultivation provides opportunities to contribute to more sustainable production and create profitable added values. A significant part of the value of our products is created during cultivation on farmland. This is also where a considerable proportion of the total environmental impacts occur. The challenges include land use, biodiversity, climate impacts and use of plant nutrients and crop protection.

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Sustainable business development is about both investment in long-term research and innovative product development.

Lantmännen contributes to more sustainable forms of cultivation through advisory services offered to farmers and development of technology and methods. The digital platform LM² was launched during the year. We also work on plant breeding and non-chemical seed treatment. With farmers and customers, we are developing new grain concepts with specified added values, such as climate performance and traceability.

Focus on both conventional and organic

Sustainable cultivation is about utilizing the best from different production methods and tools, and taking into account local growing conditions. Lantmännen focuses on development of both conventional production and a broad organic offering within inputs, animal feed and food.

Conventional farming is developed through, for example, plant breeding, precision tools, more sustainable inputs and cultivation concepts. Lantmännen is also a major participant in the organic market, from organic farming inputs to organically produced food. Consumer demand is increasing, and by developing the organic value chain, Lantmännen can help to make farming thrive in a long-term perspective and strengthen the competitiveness of Swedish farmers.

In 2017, an organic strategy was adopted together with a target to double trade in organic grain for animal feed and food by 2020.

Climate & Nature cultivation method

Climate & Nature is a cultivation method for grain. The method enables us to offer customers a more sustainable flour and farmers are paid more for producing grain in a more sustainable way.

All Kungsörnen's wheat flour is labeled *Ett vänligare vete* – *Friendlier wheat*, produced using the Climate & Nature cultivation method. The rye equivalent is *En vänligare råg*.

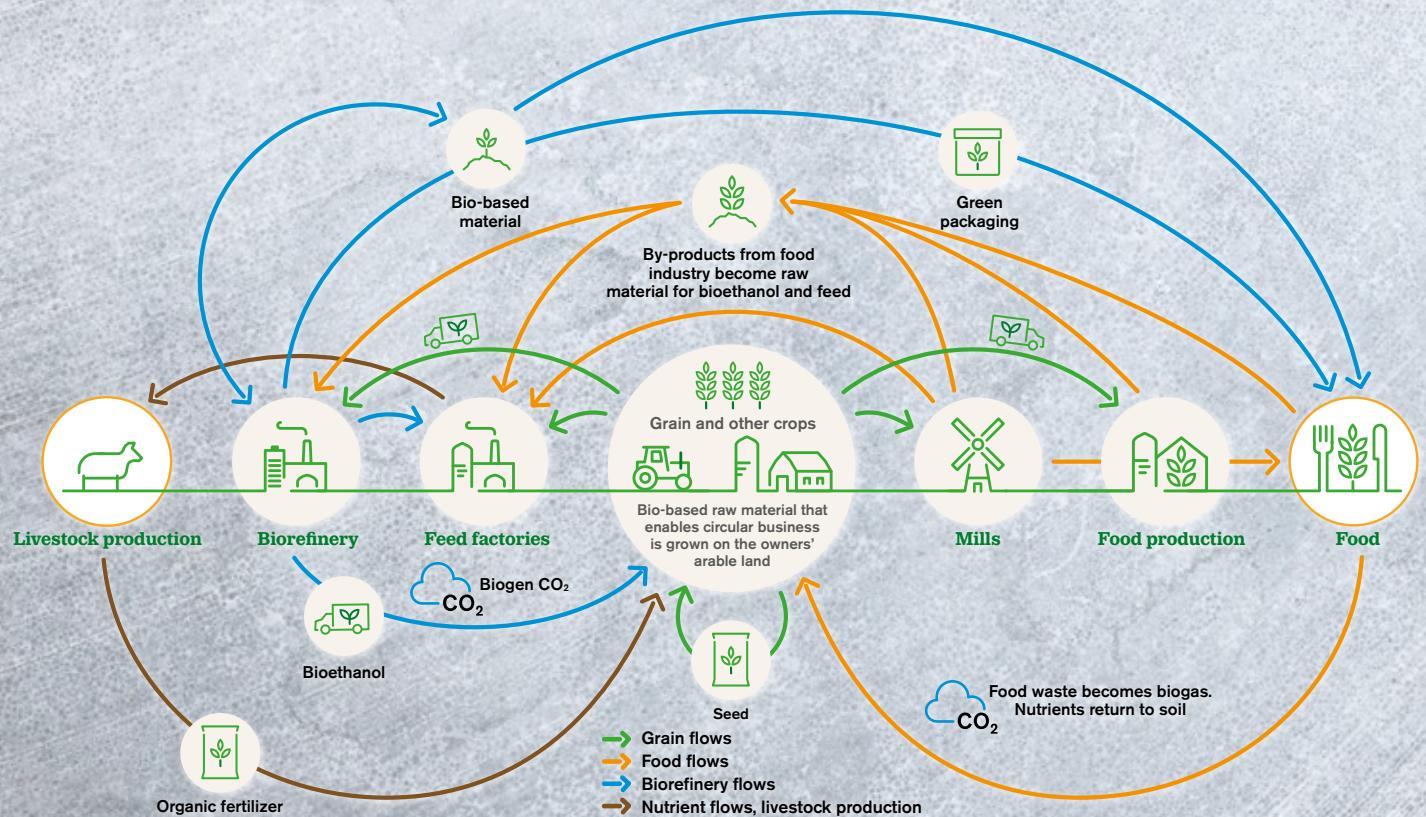
Climate-smart feed in sight

During the year, Lantmännen has worked with RISE research institute to produce climate data for Lantmännen's feed and other products. The work may result in climate performance calculations that can be communicated to customers and consumers. It will also result in raw materials with a higher climate impact being fully or partly replaced to reduce the carbon footprint. An example of a product where climate performance has already improved is cattle feed. Using synthetic amino acids increases feed efficiency and reduces dependency on soy. The result is a feed that contributes to more efficient production and a reduced climate impact from beef production.

More opportunities for the biorefinery

Lantmännen Agroetanol has developed a bio-based circular business, where grain is processed into ethanol with low greenhouse gas emissions, animal feed and carbonic acid. The energy in the process is renewable and Lantmännen Agroetanol is working for fossil-free transport from 2030.

In 2017, the refinery's capacity to use waste from the food industry was expanded. The bioethanol is used as low-level blends (petrol) and high-level blends (E85 and ED95). The climate benefits mean that biofuel is an important product for reducing emissions. Agroetanol's feed raw material is produced from the wheat protein and is an important locally produced source of protein that replaces imported soy. The carbon dioxide released in the fermentation is captured and converted into carbonic acid to replace fossil-produced carbonic acid. Learn more on  page 51.



Lantmännen's bio-based circular business

Lantmännen's development is moving towards circular business where flows of grain, raw and other materials are closed, increasing resource efficiency.

Grain residue is circulated to heat

Local biofuels are turned into local district heating at Lantmännen Agrovärme's plants. With the circular business model, flows from agriculture that would not otherwise be used are diverted to district heating production. During 2017, work towards a fossil-independent fuel mix by 2020 was intensified through investments, conversions and rebuilding. Learn more on [page 31](#) and in Key Sustainability Facts.

Healthy food with clear origin

Lantmännen aims to contribute to more sustainable food consumption by developing products and ranges, and by spreading knowledge and inspiration. Lantmännen conducts research in areas such as health effects of eating habits, carbohydrates and fiber. Increased whole grain content, and less salt, sugar and saturated fat are easy ways to improve health, which Lantmännen is working for. Learn more in [Key Sustainability Facts](#).



Lantmännen aims to contribute to more sustainable food consumption by developing products and ranges, and by spreading knowledge and inspiration.

Our work on health and development of sustainable food has resulted in Swedish beans and bean pasta, climate-friendly flour, vegetarian protein-rich ready meals, an increased range of bread products based on rye and whole grains, a large breakfast selection with oats as the main ingredient and a broad range for people with gluten intolerance.

Innovation for future demand

To develop its offering, meet demand and remain a profitable company, Lantmännen invests in research and innovation in both own and external research projects. Focus areas include creating added value from grain, new business opportunities, an innovative corporate culture and conducting business in cooperation with agricultural companies.

The long-term goal is the development of bio-based circular business, which optimizes the potential of cultivation in a sustainable way. Every year, MSEK 200-250 is invested in research and development which reflects Lantmännen's strategy. The areas range from sustainable intensification of farming to new materials and products with health benefits.

Work on innovation and business development has resulted in several good examples that contribute to a more sustainable energy and food supply.

Plant breeding for sustainable cultivation with growth

Locally adapted variety development is required to enable farms to deliver increased and sustainable production, with less dependence on crop protection and increased biodiversity and ecosystem services. Plant breeding has many advantages, such as increased productivity, cultivation security and farm profitability. It can also lead to new values, such as specialty oils, different starch quality in cereals and different baking qualities in wheat. Lantmännen conducts plant breeding to develop products based on sustainable farming.

Oat shell becomes furniture and wheat bran packaging
Lantmännen is part of a new Vinnova-funded project aimed at creating furniture and furnishings from oat shells. The shells, residue from grain production, enable fossil raw materials to be replaced with renewable ones.



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Lantmännen is part of a new Vinnova-funded project aimed at creating furniture and furnishings from oat shells.



Lantmännen Research Foundation

The foundation awarded MSEK 15 to external research projects in 2017. Investments are made in all parts of the grain value chain, from plant breeding and cultivation to healthy products.



Lantmännen Växthus

The Växthus development program is for innovative business ideas. Through Växthus, we work to nurture the intrapreneurship of employees and owners, and collaborate with entrepreneurs and startups.

We ran two Växthus sessions in 2017 – one for employees and entrepreneurs, and one for Lantmännen's owners.

In a project funded by Lantmännen's Research Foundation, researchers at KTH have developed a method for refining wheat bran. Its possible uses include bio-based packaging film for food, replacing oil-based plastic.

Research on oats

The ScanOats research center in Lund is first in the world to analyze oat DNA. The center, which opened in June, is run by Lantmännen in cooperation with the university and colleges. The goal is to produce new oat varieties for intensified cultivation and with improved health-promoting properties.

Positive effect of broccoli on diabetes

Lantmännen focuses on healthy food. Through Lantmännen's research foundation, we have contributed to research showing that a natural antioxidant from broccoli can lower blood sugar in type 2 diabetes patients. The plan is for the active antioxidant to be added to food products, as a valuable supplement to existing medicines.

Climate work leading to 2030

With Lantmännen's climate work, we will continue to reduce our impacts, prepare the organization and businesses for tomorrow's conditions and contribute to more climate-friendly production of food, energy and other bio-based products throughout the value chain. The food industry accounts for a considerable proportion of the world's greenhouse gas emissions.

To slow down climate change and ensure productive agriculture, the carbon footprint needs to be reduced at every stage from field to fork. As a food producer and agricultural cooperative, Lantmännen has both the responsibility and opportunity to contribute in the right direction.

Climate strategy for the target year 2030

Lantmännen's climate work is aimed at the target year 2030 and consists of the following strategic components:

- to reduce the impact from energy use at our own facilities
- to reduce the carbon footprint of our transport
- to develop sustainable businesses with products with a leading sustainability performance
- contribute to production adapted to climate change that has an impact on growing conditions.



Reduce transport emissions by 70 percent by 2030

All the way from field to finished product, Lantmännen has transport that requires energy and creates emissions with climate impact. Efforts to take a firmer grip on emissions have intensified in 2017. After a mapping, Lantmännen has set a target of a 70 percent reduction in transport emissions by 2030, from the 2009 levels.

To reduce the impact from our own production, Lantmännen is in the process of switching to renewable fuels and electricity, and continuing energy efficiency based on adopted plans.

Lantmännen's strategic climate work also includes investments and measures to reduce climate impacts in other parts of the value chain, such as cultivation and transport. Development of sustainable cultivation methods, product development and dialogue with customers and consumers are a few examples. Climate change and water shortages can affect the supply of raw materials in our business and risk analyses are conducted continuously.

Step by step towards Lantmännen's climate target

Lantmännen adopted a new climate target of a 40 percent reduction in CO₂ emissions in relation to sales in the period 2015-2020. The outcome for 2017 was a reduction of 6.7 percent.

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In line with the climate target plan, Lantmännen has continued replacing fossil with renewable fuels during the year.

Completed measures include a transition to district heating in grain dryers, e.g. in Helsingborg and Sala, and conversion to green electricity, e.g. in the Falkenberg feed factory. In October, Korvbrödssbagarn in Örebro transferred from oil-fired ovens for the bakery to the biodiesel RME (rape methylester), which halves emissions. However, the largest reduction in CO₂ emissions comes from the switch to origin-labeled electricity from hydropower for all Finnish production companies. Learn more in Key Sustainability Facts.



Active dialogue and cooperation

Cooperation between politicians, industry and interest groups is becoming increasingly important in resolving common challenges. By participating in debate and conducting active advocacy, Lantmännen contributes to a positive social development that promotes our businesses and strategies at the same time.

We drive the dialogue in issues that are important to our business, where we must keep in step with the market to take responsibility or where we want to increase our influence but are unable to move forward on our own. Dialogue takes place both in industry initiatives and by being a competent and constructive partner to decision-makers. This creates good conditions for Lantmännen and our owners to contribute to sustainable social development.

Strategy for competitive food chain

The government's food strategy leading up to 2030 was presented during the year. The strategy involves increased food production by fully utilizing and developing the food chain. Lantmännen is actively participating in the concretization of goals and action plans. Key issues are increased food exports, innovation and increased competitiveness in both primary production and industry.

One of the strategy's initiatives is to create an arena for innovation in the food chain, where players will work in a structured way and where government input will be coordinated. Lantmännen is taking an active role and welcomes the opportunity for the entire industry to raise the innovation level, particularly in high technology, and to strengthen international competitiveness.

Important industry policy issues during the year

Lantmännen is pursuing specific industry policy issues that have a major bearing on our business. One of these is an EU

renewable energy directive proposing a limit on crop-based biofuels. Another is the reduction obligation for fuels in Sweden. Lantmännen wants good conditions for domestic production of biofuels and a market for bioenergy without unjustified restrictive regulations.

Since 2016, Lantmännen has participated in the government's collaboration group for a bio-based and circular economy, with topics including biofuel-related issues and plant breeding.

Other industry initiatives and cooperation forums

Lantmännen participates in a large number of industry organizations and networks, including the Swedish Food Federation, LRF Plant Breeding, Sustainable Food Chain, Haga Initiative, Fossil Free Sweden, Climate Neutral Freight Transportation (KNEG), the Swedish Bioenergy Association and the World Bioenergy Association. By working together, we create better conditions for our owners and businesses.

An important step towards strengthening cooperative enterprise is the formation of Svensk Kooperation (Cooperatives Sweden), a collaboration between LRF, KF, HSB, the employers' organization KFO and others, including Lantmännen. The purpose is to spread knowledge and help to modernize the image of cooperative enterprise.

Lantmännen pursues specific issues such as sustainable production of palm oil and responsibly produced soy through industry cooperation.

Current issues in dialogues

Issues identified by stakeholders as most important for Lantmännen to monitor or pursue are found in three areas, with sustainable development as the overall theme.

Examples of current issues in 2017

- Sweden's national food strategy
- Transport and climate policy instruments
- Organic production
- The government's cooperation program for the circular economy
- Regulatory framework and focus for biofuels in Sweden and the EU



Active dialogue in organizations and networks

- *Thriving farming:* LRF, KRAV, Spannmålsodlarna, Soy Dialogue
- *Responsibly produced food:* Swedish Food Federation, Consumer associations, Sustainable Food Chain
- *Green energy/bio-economy:* Environmental organizations, Haga Initiative, SPBI, Copa-Cogeca, Svebio

Our employees

Lantmännen works with a long-term approach to attract and develop leaders and employees, to increase diversity and equality and to create safer, better and more engaging workplaces. The latest employee survey shows improved scores for perceived job satisfaction and the leadership index.

Committed employees

Our corporate culture is based on our values: *openness, a holistic view and drive*. Annual performance appraisals are held between managers and employees, focusing on individual performance in relation to defined targets and conduct in relation to our values. Another important aspect is the employee's short and long-term development plan.

Lantmännen conducts an employee survey every two years as a way of monitoring the effectiveness of employee participation and leadership in the Company. Lantmännen's results in the most recent survey in October were 70 (68) for job satisfaction and 74 (72) for the leadership index. Both scores have improved since the previous survey, and are strong compared with other similar companies.

An attractive employer

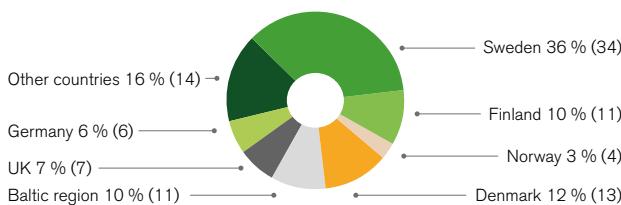
Lantmännen strives to be an attractive employer. Extensive efforts have been devoted to strengthening Lantmännen's employer brand, including a clarified employee promise for existing and potential employees.

For the fourth consecutive year, Lantmännen has been nominated as "Sweden's Talent Company of the Year", an award given to the company that is best at attracting, recruiting, developing and retaining talented employees.

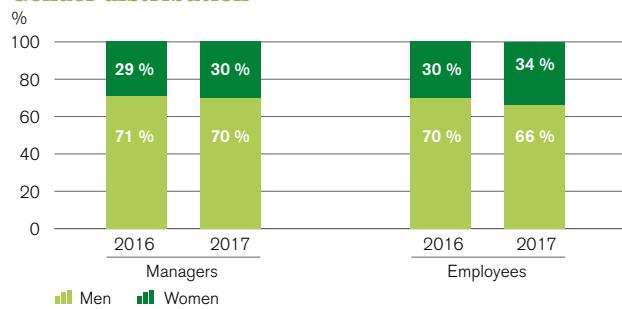
Lantmännen's latest trainee program was completed in November. The participants are now in new roles in different



Our employees – Geographic distribution



Gender distribution





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In 2017, the focus on leadership development continued and a new assessment tool for potential was introduced.

The 2017 employee survey is the basis for continuous efforts to create even more engaging workplaces where skills and ideas are nurtured.



companies and countries. The next trainee program begins in September 2018.

Development of Lantmännen's remuneration policy continued in 2017. In addition to monetary compensation the policy covers factors such as work-life balance, international assignments, development and appraisal.

Our skills and leadership

Lantmännen works continuously to develop skills and leadership within the Group. Key elements for achieving our goals and having access to the right skills include a successful recruitment process, internal development programs and internal career development. Leadership development for all managers and international leadership programs for high potentials continued in 2017. A new tool has also been developed for more objective identification of development potential.

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Our corporate culture is based on our values: *openness, a holistic view and drive.*

Almost half of the year's managerial recruitment was filled by internal candidates. The goal is for at least one in two managers to be recruited internally by 2020.

Lantmännen works in a long-term framework to improve equality and strengthen the international perspective. All Sectors and business areas have defined targets and action plans. Age distribution for our managers improved during the year and the proportion of young managers has increased.

Safe work environment

Lantmännen works systematically to identify and address risks in the work environment by regularly monitoring the work environment. Monitoring also includes about 50 annual injury prevention inspections at the production facilities. Work environment training is held continuously.

Implementation of the IA (work environment information) system, providing web-based support for reporting accidents, risks and incidents, was further developed during the year. The IA system is now in place throughout the organization, with an accompanying information campaign to strengthen work environment expertise. The injury rate continues its downward trend and has fallen to 13.9 (14.5). Incident reporting remains at a similar level, 12.4 (12.9), which is above the target of 10 reported incidents per accident. Lantmännen sees proactive health and wellness initiatives as important to a sound and safe work environment. Based on the results of the employee survey in 2017, continuous efforts are devoted to identifying areas for improvement and to improving health aspects, particularly for the psychosocial work environment and workload. Sick leave has declined in 2017 compared with the previous year. Learn more in Key Sustainability Facts ▶ page 14.

A whistleblowing procedure is in place, which gives all employees a safe and simple way of reporting malpractice or anything that is contrary to the law or Lantmännen's Code of Conduct, guidelines or policies. Employees in Lantmännen's businesses can anonymously, and in their own language, report observations and concerns in a web-based system. A total of 11 reports from four countries were recorded in 2017. All cases were dealt with by Lantmännen's Whistleblowing Committee and investigations have been made. After the Whistleblowing Committee's comments, a number of reports have led to stronger leadership, improved local procedures and policies, training and support for local managers. Learn more in Key Sustainability Facts ▶ page 8.

Our employees, accidents and incidents

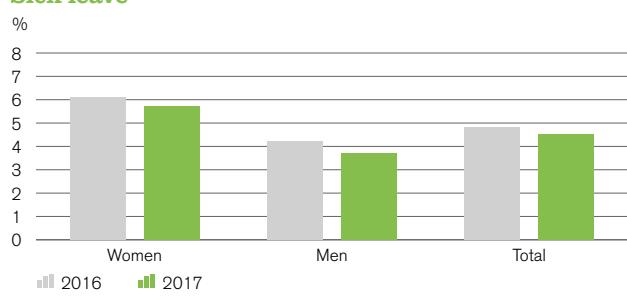
	2017	2016
No. of fatalities due to work-related injuries	0	0
Number of accidents ¹⁾	231	239
Injury rate ²⁾	13.9	14.5
Number of reported incidents ³⁾	2,869	3,072
Number of incidents per accident (lost-time)	12.4	12.9

¹⁾ Work-related accident resulting in at least one day's absence after the accident occurred.

²⁾ Injury rate is defined as the number of accidents per million actual hours worked.

³⁾ Incidents are defined as unintended events that could have resulted in ill health or an accident.

Sick leave



LM² The farmer's digital tool

LM² is Lantmännen's digital initiative for more productive and profitable Swedish farming. A tool that gives you full control of machinery, grain, feed, cultivation and finance. In LM², we have collected both new and existing services. The first version was launched in May 2017, but new services are constantly launched – development has just begun!

LM² gathers all Lantmännen's digital services, adapted for computer, mobile and tablet.



To ensure security, login is with BankID.

Business overview

The business overview is what the user sees when logging in. This is a quick and easy way of viewing the user's current business information. The main focus of the business overview is contractual and order information.

Machinery overview

The user's machines are collected under the machinery tab. Information about machinery or equipment purchased from Lantmännen Maskin is automatically displayed under the machinery overview. It is also easy to add your other machinery and equipment. Under the machinery tab, you can view the servicing history, access Lantmännen Maskin's e-commerce or request a machine service.

My grain business

My grain business gives a full overview of your physical grain business with Lantmännen. For example, how much of your harvest of each crop you have sold, at what prices, and how much remains to be sold. LM² also enables you to engage in financial trading in grain, directly on one of the world's largest commodity exchanges.



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LM² is a digital journey that will continue for a long time to come – join us on this journey and let's make LM² a real success together!

Feed agreements and market information

Under the Feed tab, you can view all your feed agreement details and receive alerts when they are about to expire. You can order feed smoothly through our e-commerce. You can also access market information, which is updated weekly.

Keeping on top of your cultivation

If you use DataVäxt's services, you can access them directly through LM². And if you are a subscriber, you will also find Växtråd's newsletters. For seed and forage growers, all details of agreements are easy to access in LM².

LM² Finance

In 2018, we are launching a secure, modern and user-friendly financial service in LM². The service's features include enhanced history and better support for tax returns and ongoing accounting.

Role assignment

You can assign unique permissions to individuals in your business – for example, you can allow your auditor to access just your financial information.





Agriculture Sector

The Agriculture Sector, which constitutes Lantmännen's core business, develops and markets products and services to promote strong, competitive farming. The Sector operates in Sweden and internationally and accounts for 31 percent of Lantmännen's sales.

From 2018, Lantmännen Maskin is part of the Sector. Lantmännen Maskin imports, markets and sells agricultural machinery, spare parts and services.



Agriculture Sector

We create the conditions for the long-term profitability of agribusiness

Based in Sweden and with wholly and partly-owned international companies, the Agriculture Sector is a strong player in the Baltic Sea region. The Sector includes *Lantmännen*, *Lantbruk Sweden*, *Lantmännen Kraft*, *Lantmännen Agro Oy*, *Lantmännen Agro A/S* and *Lantmännen SW Seed BV*. The Sector is responsible for *Lantmännen*'s ownership interests in the German group *HaGe Kiel, Scandagra Group* in the Baltic region, and *Scandagra Polska* in Poland and offers products for livestock and crop production and the equestrian segment. The Sector also trades globally in grain, oilseeds, pulses and seed.

The Finnish company K-maatalous, now *Lantmännen Agro Oy*, joined the Agriculture Sector on June 1, 2017. International growth is part of *Lantmännen*'s Baltic Sea Strategy and this was a strategically important acquisition. Integration and development of *Lantmännen Agro Oy* is in progress, together with a review to find synergies with the Sector's other operations.

Lantmännen's digital initiative LM² was launched in May 2017.

Market and business environment

For the fifth year running, there was a large wheat harvest and global stocks rose. Global demand is increasing as before, but the increased stocks are putting pressure on world grain prices. Uncertainty about availability of malting barley has created a price premium for quality malting barley. Demand for organic grain is still good and organic farming is increasing.

There is a positive trend in the milk, meat, poultry and egg sectors. European pig settlement prices have begun to approach the Swedish prices, showing increased stability in the industry.

Key sustainability issues

Key sustainability issues include contributing inputs, knowledge and business concepts for sustainable cultivation, resource-efficient production and transports with low climate impact, safe work environments, value added products for climate, environment and health, and responsible sourcing and business relationships.

Outlook for 2018

The Agriculture Sector will continue its strategic efforts to become a leader in agribusiness in the Baltic Sea region. By establishing *Lantmännen Lantbruk* in Finland, the Sector can grow and develop its position in the area, and the integration and development of *Lantmännen Agro Oy* will be an important activity in 2018.

From 2018, *Lantmännen Maskin* is part of the Agriculture Sector, enabling increased cooperation and synergies between the operations. *Lantmännen*'s strategic focus on business development, with the farmer at the center, also gains a stronger foundation, with availability, cohesion and presence being three areas to develop together.



Agriculture Sector's brands



**Nötfor
Piggfor**

**Pullfor
Protect**

Agriculture Sector, key figures

	2017	2016
Net sales, MSEK ¹⁾	13,067	10,767
Operating income, MSEK	340	318
Operating margin, %	2.6	3.0
Return on operating capital, %	7.5	7.8
Investments in non-current assets, MSEK	112	82
Average number of employees	866	766
of which women/men, %	33/67	30/70
Women/men in executive management, %	50/50	22/78
Sick leave, %	3.1	3.3
CO ₂ emissions, thousand tonnes ²⁾	20.0	19.6

¹⁾ Including intra-Group sales.

²⁾ Key figure based on new climate target with new calculation method.
Learn more in Key Sustainability Facts.

Excl. items affecting comparability

	2017	2016
Operating income, MSEK	340	318
Operating margin, %	2.6	3.0
Return on operating capital, %	7.5	7.8

Lantmännen Lantbruk Sweden

Lantmännen Lantbruk Sweden offers a wide range of livestock and crop production products under strong brands. Lantmännen Lantbruk Sweden is a major player in the grain market, trading in grain, oilseeds, pulses and seed with farmers, grain traders and industry in Sweden and internationally. Through product and business development, Lantmännen Lantbruk Sweden works to strengthen Swedish farming.

Lantmännen Lantbruk Sweden's positive development continued in 2017. The operations are stable and positive volume development in all businesses contributes to the good result. Structural changes in recent years have contributed to an efficient organization with a strong focus on the end customer.

Lantmännen Lantbruk Sweden and Lantmännen Maskin launched the LM² digital portal during the year. Interest has been strong and the portal was successfully used by farmers during the harvest. LM² now enters the next phase, with the technology company DataVäxt playing a key role. In 2018, farmers will have access to an improved financial service, LM² Finance and the current online Cash service will be closed.

Learn more on  page 36.

Grain

Lantmännen Lantbruk Sweden buys and sells grain, oilseeds and pulses. In 2017, Lantmännen handled a volume of about 3.1 million tonnes. Half of the quantity is used in Lantmännen's own industries. Exports are important for the grain business and export markets include Europe, North Africa and North America.

Preliminary figures show that the Swedish harvest of grain, oilseeds and pulses for 2017 is about 6.3 million tonnes, which is above the five-year average. The year's harvest was generally of high quality, but with some skin damage to malting barley, mainly in the south. Lantmännen has gained market shares in the purchasing market, with the new receiving facilities contributing to the increase. Sales have also increased to over three million tonnes, with good volume growth in Sweden and globally.

Heavy rain in parts of the country contributed to a late and very intensive harvest. Lantmännen received 1.8 million tonnes of grain during the harvest period and the intensity put pressure on the grain facilities. During the year, a new plant structure was decided on at Österlen and in Uppland, and work on the establishments has begun. A review of existing grain elevators is assessing the need for investments in increased capacity during the harvest.

The launch of LM² enables Lantmännen to offer farmers direct trading on the MATIF commodity exchange. LM² also includes "My grain business", which gives a clear overview of physical grain business with Lantmännen.

Lantmännen Lantbruk Sweden	2017	2016
Net sales, MSEK ¹⁾	11,169	10,587
Operating income, MSEK	226	225
Operating margin, %	2.0	2.1
Return on operating capital, %	8.2	8.2
Investments in non-current assets, MSEK	110	81
Average number of employees	807	734
of which women/men, %	33/67	29/71

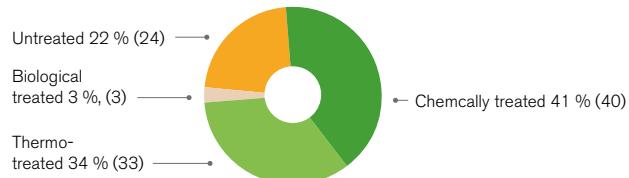
¹⁾ Including intra-Group sales.

Excl. items affecting comparability	2017	2016
Operating income, MSEK	226	225
Operating margin, %	2.0	2.1
Return on operating capital, %	8.2	8.2

Use of total volume of sold grain



Seed treatment (calculated on a percentage of the volume in tonnes)





Feed

After a long period of low settlement prices for milk, prices showed an upward trend in 2017. Pig farming continued to develop positively with high settlement prices. The industry's drive to promote "Swedish meat" has produced results and contributed to a positive trend. The market for meat chickens shows a long-term positive trend but slowed a little in the second half of the year. The market for eggs stagnated early in the year but increased during the second half of 2017.

Feed developed positively during the year with the highest volumes since 2010. The feed unit is at the forefront of development with new ranges, both within the conventional and organic segment. The new feed products have been well received, contributing to good production for customers and increased market shares for Lantmännen. Development cooperation with external players has been intensified.

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With more organic grain receiving facilities, new feed varieties for organic livestock production and high-quality inputs, Lantmännen Lantbruk Sweden will continue to be the leader in organic farming.



During the year, the feed unit focused on high quality control throughout the feed chain, from grain to finished feed, with stronger cooperation between production and feed unit. Long-term work to reduce costs in the feed chain has continued, and production efficiencies have resulted in lower overheads.

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Lantmännen Lantbruk develops and offers a comprehensive range of feed for livestock production, and the feed business showed positive growth in 2017.

Seed & Forages

Seed breeding and marketing in the areas of seed grain, oilseed and grass seed takes place under the SW brand.

Sales of seeds and forages have been successful during the year. Despite a decline in Sweden's fall sowing, Lantmännen's volumes and market shares have increased. Demand for organic seed shows a 20 percent increase from 2016, contributing to increased crop growing in 2018 and Lantmännen is now the world's largest producer of organic seeds.

Lantmännen's plant breeding is focusing strongly on new technology to increase precision and efficiency. Projects related to special crops are in progress aimed at increasing the proportion of locally produced products in food production. The unique ThermoSeed treatment was awarded at the Swedish University of Agricultural Sciences' awards for the most successful innovations. The ScanOats research center, a project in which Lantmännen has a driving role, opened during the year.

Merchandise

Lantmännen Lantbruk Sweden markets a wide range of products for crop production and feed conservation. The range includes fertilizer, lime, pesticides, silage agents, salt, stretch film and net.



The summer's favorable fertilizer prices contributed to strong fertilizer demand. The changeable weather resulted in generally lower sales of insecticides and very varied demand for fungicides. Difficult weather conditions had an adverse effect on demand for lime and plant protection during fall. Stretch film sales were initially low, but with more favorable fall weather, the sales rate increased.

Lantmännen Krafft

Lantmännen Krafft is Sweden's largest supplier of horse feed and one of the largest in the Nordic region. In recent years, the company has expanded outside Scandinavia with significant volumes in Europe. Volume growth in the first half of the year was slightly lower than planned, partly due to a delayed establishment in Germany. The launch of new products brought a positive volume trend towards the end of the year.

Agriculture Sector

Finland

Lantmännen Agro Oy (formerly K-maalatous)

The company is one of the largest players in the Finnish agricultural market. Lantmännen Agro Oy has 45 independent retailers providing inputs for crop production, feed and spare parts and equipment. The company also trades in grain in the Finnish market. The company's earnings trend is as expected. The process of integrating Lantmännen Agro Oy into the Lantmännen Group began in 2017. A review of the company is also being conducted to find synergies with other operations within Lantmännen.

Agriculture Sector

Rest of world

Lantmännen Agro A/S

The company's main task is the purchase of grain in Denmark. The operations show positive results, as grain trade increased during the year. New grain receiving facilities have contributed to the increased purchasing volume. Fertilizer sales have been also good during the year.

Lantmännen SW Seed BV

The company conducts plant breeding of triticale and potato at the processing station in Emmeloord, Netherlands. The operations have continued to develop positively during 2017.

New acquisition



Lantmännen's Board of Directors and Council of Trustees visit Lantmännen Agro Oy, Lohja.

Increased focus on Finland

Lantmännen Agro Oy

Lantmännen has acquired the Finnish agricultural company K-maalalos from the listed Kesko Group. K-maalalos, now Lantmännen Agro Oy, is one of the largest players in the Finnish agricultural market with a turnover of over EUR 300 million. The purpose of the acquisition was to establish a presence in the Finnish market's grain value chain and to grow in the Baltic Sea region as part of Lantmännen's Baltic Sea Strategy.

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For Lantmännen's owners, the operations in Finland will contribute to profitability through increased purchasing power and higher grain volumes in trade.

The company has a strong position in Finnish agriculture and operates in four areas: *plant production, feed, grain, and implements and spare parts for agricultural machinery*. With the acquisition, Lantmännen is expanding its offering in the Finnish market and sees scope for future synergies.

Lantmännen Agro Oy has a strong product portfolio and many well-established brands. Lantmännen Agro has

45 independent retailers with 78 stores providing the industry's best solutions, leading products and services.

The acquisition also brings synergies, including the ability to supply the industry with oats. It is also a possible channel for exporting Agro Oil's and Aspen's products.



From left: Antti Meriläinen, CEO Lantmännen Agro Oy, Kaj Björklöf, retailer and store manager Lantmännen Agro Oy, Lohja, Peter Annas, Head of the Seed Unit at Lantmännen Lantbruk, and Per Lindahl, Chairman Lantmännen Group.



Machinery Sector

In 2017, the Machinery Sector's operations comprised three business areas: Lantmännen Maskin, specializing in agricultural machinery, Swecon, active in construction machinery, and Agro Oil, which develops and sells lubricants. The Sector accounts for 27 percent of Lantmännen's sales.

The Machinery Sector's companies continue to focus on machinery sales and further development of servicing and service concepts, such as service contracts, financing, spare parts and accessories, and driver training.



We stand strong, with a broad product portfolio and a comprehensive service network

The Machinery Sector's companies continue to focus on development of servicing and digital services. Swecon and Volvo CE work together to improve customer value with the help of machinery connectivity. There is a similar partnership between Lantmännen Maskin and the agricultural equipment manufacturer AGCO, in areas such as LM².

During the year, Lantmännen Maskin took over imports and market support for Massey Ferguson in Sweden, which means it now offers AGCO's entire product range. Sales of machines and equipment under the Claas brand have been completely discontinued, although Lantmännen continues to provide spare parts and servicing. Lantmännen Maskin, Swecon Anläggningsmaskiner and industry organizations have signed a letter of intent for Motorbranschcollege, an initiative for new and improved high school training in vehicle technology in Sweden. Lantmännen Maskin and Swecon have also provided training for technicians, including newly arrived service technicians.

Swecon's main markets showed good growth, particularly Sweden which is at a record level. The growth was due to the construction industry boom and major investments in infrastructure.

The Swedish agricultural machinery market declined while competition increased as new players arrived in the market.

In a declining market, Agro Oil continues to gain market shares, largely due to efficient cooperation between the internal sales channels in Lantmännen Machine and Swecon.

On January 1, 2018, an organizational change was made in order to create more consistent and customer-oriented businesses. Lantmännen Maskin moved to the Agriculture Sector, as a retained unit, whereupon the Machinery Sector ceased to exist as organizational unit. Swecon became an independent business area and Agro Oil was transferred in its entirety to Lantmännen Aspen in the Energy Sector.

Key sustainability issues

Key sustainability issues include energy-efficient, high quality and safe machinery that contributes to sustainable farming, safe working environments, energy efficient workshops, and responsible sourcing and business relationships.

Outlook for 2018

The global construction machinery market is showing an upward trend. Swecon's major markets, Germany and Sweden, are expected to be stable with a high level of activity due to investments in infrastructure. The Baltic countries are also expected to show positive growth.

Changes to distribution systems and product ranges are resulting in a continuation of the intense competition. The Swedish agricultural machinery market is expected to remain unchanged. Lantmännen Maskin stands strong, with a broad product portfolio, efficient distribution of spare parts and a comprehensive nationwide service network.



Machinery Sector's brands



Machinery Sector, key figures

	2017	2016
Net sales, MSEK ¹⁾	11,140	11,343
Operating income, MSEK	381	316
Operating margin, %	3.4	2.8
Return on operating capital, %	25.2	17.8
Investments in non-current assets, MSEK	532	324
Average number of employees	1,933	1,951
of which women/men, %	10/90	10/90
Women/men in executive management, %	22/78	20/80
Sick leave, %	3.4	3.4
CO ₂ emissions, thousand tonnes ²⁾	-	-

¹⁾ Including intra-Group sales.

²⁾ Key figure based on new climate target with new calculation method.
Learn more in Key Sustainability Facts.

Excl. items affecting comparability

	2017	2016
Operating income, MSEK	381	316
Operating margin, %	3.4	2.8
Return on operating capital, %	25.2	17.8

Lantmännen Maskin

Lantmännen Maskin imports, markets and sells agricultural machinery, spare parts and services. Lantmännen Maskin offers strong brands, including Valtra, Fendt, Kuhn and Väderstad.

An important part of Lantmännen Maskin's offering to owners is high quality agricultural machinery. Over 60 of the company's own facilities and a further 30 contracted service partners provide spare parts and servicing in a nationwide network.

Sales volumes in the global agricultural machinery market have declined in recent years, placing manufacturers under pressure. At the same time, the Swedish market is affected by turbulent restructuring, with several new sales channels and facilities being established. The number of farmers in Sweden continues to decline and several segments in the agricultural industry are showing lower profitability. Kalmar Lantmän's machinery operations, acquired in 2016, have now been integrated, and a new facility has been opened. The cooperation with one of the world's leading agricultural equipment manufacturers, KUHN, continues to strengthen, contributing to improved profitability.



Growth in agricultural equipment sales contributes to increased profitability for Lantmännen Maskin.

Under the AGCO cooperation, Lantmännen Maskin has taken over imports and market support for the Massey Ferguson brand in Sweden. This has brought organic employee growth from AGCO's Swedish operations.

The aim *to always be close to the customer* is reflected in the opening of new facilities in Östersund and Kalmar. Two brand new training facilities have been established – the Competence Center for Precision Growing in Skurup and a Training Center in Tomelilla.

Lantmännen Maskin's new warehouse structure, with the expanded central warehouse in Malmö as its hub, currently serves facilities throughout the Nordic region. Sellers, managers, and local and regional specialists have been trained in providing support in the new digital technology.

Business environment

Agricultural companies in Scandinavia are being affected by low global market prices and changed EU subsidies. Farmers have shown less willingness to invest. With the krona remaining weak, costs keep rising and the total market for tractors continued to decline during the year.

Market

The Swedish machinery market has been turbulent, with large changes and new sales channels squeezing both margins and profitability in the industry. The market situation is placing particular price pressure on tractors. The assessment is that the tractor market will continue to decline in 2018 with a clear shift towards fewer and larger machines.

Lantmännen Maskin Sweden	2017	2016
Net sales, MSEK ¹⁾	3,629	3,362
Operating income, MSEK	-3	-10
Operating margin, %	-0.1	-0.3
Return on operating capital, %	-0.3	-1.0
Investments in non-current assets, MSEK	16	23
Average number of employees	831	799
of which women/men, %	9/91	8/92

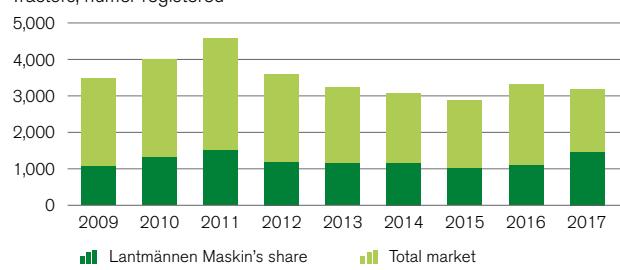
Excl. items affecting comparability	2017	2016
Operating income, MSEK	-3	-10
Operating margin, %	-0.1	-0.3
Return on operating capital, %	-0.3	-1.0

¹⁾ Including intra-Group sales.



Total market for tractors in Sweden

Tractors, numer registered



“

Cooperation with reputable brands, like the swedish Väderstad, continues to contribute to our strong customer offering.

Swecon

Swecon is a partner of Volvo Construction Equipment and a dealer in machinery for the construction and civil engineering industry in Sweden, Germany, Estonia, Latvia and Lithuania.

Operations

Sweden

Swecon increased its market shares and showed excellent growth in 2017. The construction and civil engineering industry is booming and Swecon's challenge has been to find and train employees in line with the market's increasing needs. Lantmännen Maskin, Swecon Anläggningsmaskiner, Volvo Lastvagnar Sverige and Scania Bilar Sverige signed a letter of intent for *Motorbranschcollege*, an initiative for new high school training in vehicle technology. Swecon also provides education for vocational teachers to raise the skills level at vocational schools. Swecon has arranged several "school days" to present Swecon as a future employer.

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Swecon wants to take responsibility in supporting schools to train mechanics and service technicians.

Demand for new machines is still high and the number of Volvo machines in the Swedish market is growing. Increasing utilization of machinery is also contributing to an increased need for servicing and spare parts. To ensure customer availability, Swecon has strengthened its organization in the servicing market by about 25 people.

Swecon	2017	2016
Net sales, MSEK ¹⁾	7,361	6,639
Average number of employees of which women/men, %	1,043 11/89	995 11/89

¹⁾ Including intra-Group sales.

Brands



Swecon has continued to develop the servicing concept with equipment workshops in Eskilstuna, Jönköping and Staffanstorp, with the aim of ensuring quality in equipment and accessory deliveries. Two new Swecon plants were opened in Sundsvall and Södertälje during the year.

Swecon is working with Volvo CE to develop its digital services and customer offerings. There is still keen interest in customer training, such as "Eco operator", which provides training in eco-driving. This helps customers reduce costs and contributes to lower environmental impacts, a better work environment and less machinery wear.

During the year, Swecon broadened its product range for the mining industry and launched Terex Trucks forklift trucks on the Swedish market.

Swecon has started to introduce GPS tracking for service vehicles and personal safety alarms for technicians on fieldwork, providing increased security and better service to customers.

Germany

The German market is stable at a very high level. Swecon has increased its market shares, particularly in the compact segment (smaller machines). The businesses in the servicing market performed well during the year. Expansion of the rental network continued with new external partners, and the total rental volume increased during the year. Swecon's three dealers increased their volumes.

During the year, new facilities were established in Herford, Hamburg and Monheim, helping Swecon to become even more





efficient in serving customers and ensuring a healthy and safe work environment for its employees.

A new website was launched, with better customer interaction and e-commerce functionality, a web shop for spare parts and the opportunity to hire construction equipment through our online rental solution. The platform is also used as a branding tool to attract new employees.

Baltic region

In August, a new facility in Riga, Latvia was opened to further improve the service structure and customer service offering. GPS tracking for service vehicles in Latvia was introduced during the year to increase servicing and repairs in the field.

In Estonia, Swecon is renovating used machinery components as part of its used spare parts business. This is important for Baltic customers, who use their machines considerably longer than Swedish and German customers.

Business environment

The world market for construction machinery has grown and is stable. Global demand for excavators is increasing more than other types of machines. Volvo CE continues to focus on developing machinery connectivity and electrification.

Market

Sweden

The construction industry is still thriving and Swecon is growing and strengthening its market position. A major challenge for Swecon is finding and training employees in line with the market's increased needs.

Germany

The German construction machinery market continued to grow and Swecon increased its market shares. All sales transactions, such as servicing, spare parts and rental solutions, grew during the year.

Baltic region

A growing trend in the construction machinery industry in the Baltic region is leasing as an alternative to purchasing. Growth in the construction sector is still strong and increasing due to major infrastructure projects. The Rail Baltica project, a train link to Poland, will result in an increased market in the long term. The forest industry remains strong, generating increased sales of machines and servicing.

Machinery Sector

Agro Oil

Agro Oil offers proprietary products produced in Sweden and adapted for the agricultural, forestry and construction markets. Agro Oil is a major supplier of lubricants to the professional market in northern Europe under the Agrol brand.

The goal is to improve customers' operations by offering high-quality products that reduce maintenance costs, increase productivity and reduce environmental impacts, either directly with eco-friendly products or indirectly with products that extend the machines' service life or reduce fuel consumption.

Agro Oil offers expertise with in-depth application knowledge and advanced technical support that provide great security in the choice of product. Products are sold through internal and external distributors.

In a declining market, Agro Oil continues to gain market shares, largely due to efficient cooperation between sales channels in Lantmännen Machine and Swecon.

Agro Oil	2017	2016
Net sales, MSEK ¹⁾	185	185
Average number of employees of which women/men, %	11 19/81	11 12/88

¹⁾ Including intra-Group sales.



Agro's lubricant support team and oil experts.



Energy Sector

The Energy Sector is one of Sweden's largest producer of bioenergy products and accounts for 7 percent of the Group's sales. The Sector's companies manufacture and market sustainable ethanol, protein feed, carbonic acid, glucose syrup, starch products, alkylate petrol, vodka and gluten.

The Sector is also responsible for Lantmännen's ownership interests in the partly-owned company Scandbio, Sweden's largest wood fuel company.



We produce ethanol with world-leading carbon efficiency

The Energy Sector comprises *Lantmännen Agroetanol*, *Lantmännen Aspen* and *Lantmännen Reppe* and the partly-owned *Scandbio*. The Energy Sector is active in a global market, with the main focus on Europe, and offers responsibly produced environmentally smart energy, food and industrial products and related services. Production takes place in Sweden and Latvia, and the Sector has wholly or partly-owned sales companies in the Nordic region, France and Germany. Other sales are conducted through distributors and the export business of its own companies. Energy Group's climate and energy targets permeate the Sector's operations and the Sector continuously improves its production quality and process yield.

Business environment and market

Bioenergy is Sweden's most widely used type of energy, accounting for over a third of the country's energy consumption. The transport sector is dependent on fossil energy, and sustainable transport is a key challenge in reducing carbon dioxide emissions. The Energy Sector produces ethanol with world-leading carbon efficiency. Sweden is the first EU country to have achieved the target of ten percent renewable energy in the transport sector by 2020. Sweden also has targets of a 70 percent reduction in transport emissions by 2030 and zero net emissions of greenhouse gases by 2045.

Increased use of low level blends of ethanol in petrol is a cost-effective and important tool for reducing the transport sector's emissions and may also be raised from the current five percent to ten percent in Sweden. Strong demand for Lantmännen Agroetanol's feed product Agrodrank continues and demand for Lantmännen Reppe's wheat starch in the paper and packaging industries is increasing. Lantmännen Aspen's alkylate petrol continues to take market share from conventional petrol in the small engine segment.

Key sustainability issues

Key sustainability issues include products with added value for climate, environment and health, driving development of circular business models, resource-efficient production and transports with low climate impact, safe work environments, and responsible sourcing and business relationships.

Outlook for 2018

German demand for Lantmännen Agroetanol's ethanol with a high climate performance is expected to persist. The underlying ethanol market in Europe will become even tougher. Work continues on complementing the raw material base with alternative raw materials in addition to grain. Prospects for continuing growth are considered good for Lantmännen Reppe and Lantmännen Aspen.



Energy Sector's brands



Energy Sector, key figures	2017	2016
Net sales, MSEK ¹⁾	2,884	2,698
Operating income, MSEK	142	4
Operating margin, %	4.9	0.1
Return on operating capital, %	19.1	0.4
Investments in non-current assets, MSEK	86	48
Average number of employees	248	234
of which women/men, %	27/73	26/74
Women/men in executive management, %	30/70	14/86
Sick leave, %	2.7	2.2
CO ₂ emissions, thousand tonnes ²⁾	20.2	20.3

¹⁾ Including intra-Group sales.

²⁾ Key figure based on new climate target with new calculation method.
Learn more in Key Sustainability Facts.

Excl. items affecting comparability	2017	2016
Operating income, MSEK	282	304
Operating margin, %	9.8	11.3
Return on operating capital, %	37.8	31.4

Lantmännen Agroetanol

Lantmännen Agroetanol is a large-scale biorefinery with grain as its main base. The company processes the renewable raw material into alternatives to fossil or non-sustainable products. Grain and starchy waste products are processed into ethanol for the fuel market and technical products, and protein products for the feed market.

Lantmännen Agroetanol is a leading player in the transition to a bio-economy with a climate-smart society, and the vision is to be leader in sustainable solutions.

The company is the Nordic region's largest producer of sustainable ethanol. The annual production capacity of the Händelö facility in Norrköping is 230,000 m³ of ethanol, 200,000 tonnes of protein-rich animal feed under the product name Agrodank and about 90,000 tonnes of carbon dioxide. Differentiation of the product portfolio has continued in 2017 and the process of broadening the raw material base also continues. The overall effect of the differentiation has created significant added value for Lantmännen Agroetanol, which is behind the continuing strong improvement in profitability in 2017.

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Lantmännen Agroetanol's ethanol is among the most sustainable in the world, with reductions in greenhouse gas emissions of more than 90 percent compared with petrol.

During the year, more than half of Lantmännen Agroetanol's production was exported to Germany, where the market for climate-efficient ethanol has been favorable. In Germany, climate instruments are creating demand for biofuels with

high climate performance. Lantmännen Agroetanol's development projects for new products and markets, such as Etha, ethanol-based fuel for adapted diesel engines in partnership with Scania, and climate-smart mycoprotein for use as animal feed and food, are continuing with full momentum. The development of recycling of residues from the food industry contributes to the profitability of Lantmännen Agroetanol and to the circular economy, placing the company at the forefront of innovative and sustainable system solutions.

The market has been favorable in 2017, with low grain prices and relatively high ethanol prices. As a result of low grain and protein prices, the price of feed has been lower than in previous years.

Lantmännen Agroetanol's ability to create added value created good conditions for strong results in 2017. There is continuing uncertainty about future policy instruments for biofuels in Sweden, Germany and the rest of the EU. At the end of 2016, the European Commission proposed a measure that was negative to all crop-based fuels.

A further provision of MSEK 140 was recognized in connection with the European Commission's ongoing investigation of Lantmännen Agroetanol and two other ethanol producers for alleged violation of EU competition law, bringing the total provision to MSEK 440.

Learn more at lantmannenagroetanol.se

Agrow Feed™ is Lantmännen Agroetanol's Swedish-made raw material.

Lantmännen Agroetanol

	2017	2016
Net sales, MSEK ¹⁾	1,903	1,676
Operating income, MSEK	173	157
Average number of employees	105	95
of which women/men, %	29/71	26/74

¹⁾ Including intra-Group sales.



Lantmännen Aspen

Lantmännen Aspen develops, manufactures and markets Aspen alkylate petrol, an environmentally friendly petroleum product, almost free from harmful products like benzene and other aromatics.

Alkylate petrol is used in petrol-driven engines, such as lawn mowers, chainsaws and boats. Focusing on people, machinery and the environment, Lantmännen Aspen has evolved into the market leader in large parts of Europe and in Canada. The year developed strongly in several of Aspen's markets outside the Nordic region, which compensated for slightly weaker Nordic growth due to tougher competition and adverse weather conditions.

Aspen's new diesel product, Aspen D, was launched in a number of countries during the year and was positively received, although it will take time to establish the product and gain a strong market foothold. Aspen Bio Chain, launched at the end of the year, is an eco-friendly saw chain oil that reflects the broadening of the alkylate petrol product range.

At the end of the year, Lantmännen Aspen acquired the French alkylate petrol producer Marline. Marline has a turnover of just over EUR 20 billion and about 20 employees.

Learn more at [aspen.se](#)

*Alkylate petrol
is used in petrol-
driven engines,
e.g. lawn mowers,
chainsaws and boats.*



Lantmännen Aspen

	2017	2016
Net sales, MSEK ¹⁾	537	557
Average number of employees	59	57
of which women/men, %	29/71	29/71

¹⁾ Including intra-Group sales.

Lantmännen Reppe

Lantmännen Reppe creates value by processing wheat into glucose syrup, wheat gluten, vodka, starch products and animal feed, and is one of Sweden's oldest companies.

Lantmännen Reppe supplies products for use in the food industry, e.g. in the bakery, confectionery and ice-cream segments. The products are also widely used in the paper industry and in the biotechnology area.



Lantmännen Reppe has one of the Nordic region's largest distilleries, that produces fine spirits and high-quality vodka for the beverage industry.

More than half of Lantmännen Reppe's products are transported with biofuels.

Continued strong demand for Lantmännen Reppe's products will lead to investments in increased capacity. Development work in all product segments has resulted in both new customers and new applications, some of these in the growing packing and packaging industry where wheat-based starch products are in demand.

Learn more at [lantmannenreppe.se](#)

Lantmännen Reppe

	2017	2016
Net sales, MSEK ¹⁾	454	466
Average number of employees	79	78
of which women/men, %	21/79	24/76

¹⁾ Including intra-Group sales.



Good food from
Lantmännen

Food Sector

The Food Sector processes grain and markets products such as flour, pasta, breakfast products, bread and ready meals. Operations are based around the Baltic Sea and the Sector has a presence in about 20 countries. The Sector accounts for 34 percent of the Group's sales.

Lantmännen's green sprout is a guarantee of responsibly produced food that we make every effort to produce in a sustainable manner from field to fork.



We offer a broad range of high-quality grain-based food

The Food Sector comprises two business areas: *Lantmännen Cerealia* and *Lantmännen Unibake*. Production takes place at 46 facilities, and the Sector has many well-known brands, including Kungsörnen, AXA, Bonjour, Schulstad, Hatting, FINN CRISP, GoGreen, Gooh and Korvbrödsgarn. The Sector is also responsible for Lantmännen's ownership interests in the partly-owned company *Viking Malt*.



We invest in product development and innovation to enable us to offer a high-quality range.

Market and business environment

The food market is still affected by strong price pressure, with an increase in competition from private labels. Demand for discount products remains high and permeates the entire food industry. At the same time, consumers are turning to organic products, products with no added sugar, low-salt products, gluten-free foods and palm-oil-free products. The vegetarian food trend means an increasing market for vegetables. In a number of markets, including Sweden, demand for locally produced products is rising.



Sales by market

	2017	2016
Nordic countries	63 %	64 %
Rest of Europe	30 %	29 %
Rest of the world	7 %	7 %

The origin and traceability of food products is important. Digitalization of the Nordic food retail sector is accelerating. Lantmännen's position in the market with major R&D investments and operations throughout the value chain means that we are well positioned to meet these trends.

Key sustainability issues

Key sustainability issues include food produced from raw materials from a sustainable value chain that contributes to health, resource-efficient production and transports with low climate impact, safe work environment, and responsible sourcing and business relationships. Lantmännen works actively on sustainability issues and has a number of Group-wide programs to support this work.

Outlook for 2018

The Food Sector's focus is to further develop all operations in the value chain from field to fork through innovation and product development in close cooperation with the Sector's suppliers, customers and different units. The aim is to offer a high-quality product range and clear added values. Lantmännen's brand portfolio of very well-known brands gathered under our green sprout is a stable platform in our work.

Food Sector, key figures

	2017	2016
Net sales, MSEK ¹⁾	14,349	14,048
Operating income, MSEK	739	1,058
Operating margin, %	5.2	7.5
Return on operating capital, %	5.4	8.4
Investments in non-current assets, MSEK	1,351	1,439
Average number of employees	6,499	6,610
of which women/men, %	40/60	35/65
Women/men in executive management, %	25/75	12/88
Sick leave, %	4.9	5.7
CO ₂ emissions, thousand tonnes ²⁾	139.6	156.8

¹⁾ Including intra-Group sales.

²⁾ Key figure based on new climate target with new calculation method.
Learn more in *Key Sustainability Facts*.

Excl. items affecting comparability

	2017	2016
Operating income, MSEK	708	849
Operating margin, %	4.9	6.0
Return on operating capital, %	5.1	6.7

Lantmännen Cerealia

Lantmännen Cerealia develops, produces and markets products such as flour, hulled grains, breakfast products, crispbread, pasta, ready meals, baby food, plant-based drinks, beans and lentils.

Lantmännen Cerealia offers healthy and sustainable products to both consumers and companies. Products are sold to consumers through food retail stores under well-known brands, and to many of the Nordic region's largest bakeries, restaurants and catering establishments through B2B (business-to-business) and Food service. Some of the best-known brands are Kungsörnen, AXA, FINN CRISP, Amo, Regal, GoGreen, Gooh and Vaasan Koulunäkki. Operations are conducted in Sweden, Norway, Denmark, Finland, Ukraine and Russia.



Lantmännen Cerealia offers healthy, high-quality and mainly grain-based products.

Business environment

A desire for affordable food is a strong consumer trend in the Nordic region. Consumers are demanding discount products, but also high-quality products for which they are willing to pay a higher price.

Climate impact and health are increasingly seen as interconnected added values, and organic food has evolved from

a premium product with a small market into a product with ever-growing demand. The vegetarian food market is growing. Origin and traceability are key parameters, and digitalization of the Nordic food retail sector is accelerating.

Market and market performance

The starting points for Lantmännen Cerealia's innovation and product development are *health and sustainability*. Most of the production is at Lantmännen Cerealia's own facilities.

Sales of consumer products are good, but Lantmännen Cerealia faces challenges in several of its product categories in the Nordic markets, notably in Denmark. This is due to more intense price pressure and competition from private labels.

Investments in innovation and brands continue and several product launches have been completed. Organic Swedish-produced baby food has been launched under the new "Little Farmer" brand, which offers cereal milk drinks, porridge and supplementary nutrition in the Swedish market. Sales are increasing steadily, and consumers can find the brand in all large food chains in Sweden.

Kungsörnen has launched two new flours and a bread mix. The new flours contain wheat flour, but also flour made from root crops and white beans. In both Sweden and Norway, Lantmännen Cerealia has launched GoGreen gluten-free pasta based mainly on lentils and peas.

Lantmännen Cerealia, key figures	2017	2016
Net sales, MSEK ¹⁾	3,980	4,077
Average number of employees of which women/men, %	1,182 42/58	1,178 41/59

¹⁾ Including intra-Group sales.



Lantmännen Cerealia's brands





In September, Lantmännen Cerealia acquired the Russian crispbread producer Orient Products. The company is the market leader in Russia, which is Europe's fastest growing crispbread market. The acquisition gives Lantmännen Cerealia a good platform for continuing growth in Russia.

Exports of breakfast products to China have increased and a program to bring more product categories to the Chinese market was introduced in early 2018. FINN CRISP shows stable growth in the international markets and particularly positive development in Russia.

B2B business is developing positively despite price pressure and intense competition. The focus is on creating value together with customers, and several industrial collaborations have been set up during the year.

Lantmännen Cerealia is first on the market with pasta made from Swedish durum wheat from Gotland. The launch follows several years of test cultivation.



To reflect environmental trends and customers' wishes, there is a major focus on concept-grown products that have added values in terms of origin and climate.

The food service market is growing in both the public and private sectors. Pancake sales are developing positively, and the new Gotland pasta has been well received by customers. During the year, Lantmännen Foodservice has invested in "*Bakademin*" (*Baking Academy*), which educates customers in flour quality and baking. The baking academy has been very well received, particularly by public catering operations, such as school kitchens.

Structure and cost-efficiency

An extensive program has been initiated in the Nordic milling operations with the aim of increasing productivity, cost-efficiency and delivery performance. The expansion of the mill

in Strängnäs has been completed and the facilities in Uppsala and Odense have been closed.

To strengthen the position in the Norwegian market, Lantmännen Cerealia has moved parts of its muesli production from Sweden to Norway. The Norwegian sales organization is now fully located in Oslo.

Outlook for 2018

Lantmännen Cerealia will concentrate on creating the conditions for stable and cost-efficient production and distribution. This will be achieved by improving cooperation throughout the value chain from product development, sourcing and production to sales and cooperation with customers.

Lantmännen Unibake

Lantmännen Unibake is one of Europe's largest bakery companies, with 35 bakeries in 15 countries. Lantmännen Unibake offers frozen and fresh bakery products to the food retail and restaurant market in more than 60 countries and has a long history of successful concepts and high-quality products.

Lantmännen Unibake is showing growth mainly in Russia, Poland and Benelux, and with its Vaasan and Schulstad fresh bread operations. The focus is on important and profitable areas with significant growth potential and efficient production and distribution. All product categories contribute to the total growth, with light bread, rye bread and bread for the fast-food industry accounting for the largest shares. Food service and food retail are driving the increase. Higher butter prices had an adverse effect on profitability for croissants.



Lantmännen Unibake's innovation program makes it possible to create both growth and value.

Preparations for the future

Lantmännen Unibake's new bakery in Nowa Sól, Poland, opened its first production line at the end of the year. The investment is one of Lantmännen Unibake's largest for many years and the bakery will deliver to markets such as Poland, eastern Europe and Germany and strengthen Lantmännen Unibake's position in the Baltic Sea region. Initially, Nowa Sól's production of bread for the fast-food industry will help Lantmännen Unibake maintain and strengthen its leading position in key markets and with key customers.



Vaasan's fresh bread operations been restructured and the bakeries in Tampere, Kuopio and Seinäjoki have been closed, while significant investments have been made in brand new production lines in Finland and Estonia.

During the year, Lantmännen Unibake reworded its mission as "*Towards billions of smiling tummies*" and updated its commercial strategy with clear growth-driving factors and evaluation and development of the geographic market.

Lantmännen Unibake, key figures

	2017	2016
Net sales, MSEK ¹⁾	10,726	10,313
Average number of employees of which women/men, %	5,316 40/60	5,433 41/59

¹⁾ Including intra-Group sales.

Lantmännen Unibake's brands





In Finland, Lantmännen Unibake has worked for several years to produce a bread that has a high rye content but is still soft.

One of the most successful launches was the Vaasan Ruispalat Thins rye bread.



Innovation that drives market value

Lantmännen Unibake's innovation program is driven by market trends and insight, making it possible to create both growth and value in the main bakery categories. Here, Lantmännen Unibake works with key customers to help them develop their business and jointly drive the bakery market forward.

An important megatrend is health, which creates greater demand for vegetables. One in four Nordic consumers expects to eat more fruit and vegetables during the next five years and food concepts for a healthier lifestyle are growing rapidly. In Denmark, Lantmännen Unibake successfully launched its protein-rich bread, with at least 25 percent vegetable content. Some of the wheat flour in bread and buns was replaced with flour made from spinach, carrots, turnips, beans and chick peas and the product sales exceeded all expectations.

One of the most successful launches in 2017 was Vaasan Ruispalat Thins rye bread, which meets consumer demand for thinner bread. After the success of Vaasan Ruispalat Thins, an alternative oat bread was also launched.

A new fiber-rich toast bread with seeds and high protein content meets consumer demand for bread that gives a longer feeling of fullness. It also follows the international trend towards increased consumption of protein and seeds. The launches of a new oat bread and chia bread have also been successful.

Unibake responds to health trends in the confectionery category, and under the B2B brand Schulstad Bakery Solution has created the concept *Good Mornings made better* with a range of croissants made from multi-grains, oats and honey, and rye and sourdough.

In collaboration with the Swedish burger chain Max, Lantmännen Unibake has developed a toast bun variant of the bestselling Frisco burger bun. Together with Circle K, Lantmännen Unibake has worked on several new concepts, including the development of a new sandwich range launched in Circle K's stores in a number of countries.

Lantmännen Unibake's UK bakeries in Milton Keynes and Bedford have continued the process of adapting their salt content in line with market demands and the focus on health. Lantmännen Unibake is also working on producing new recipes with lower sugar content in the UK.

Lantmännen Unibake works actively on *clean labeling*, which involves reducing the number of additives in the entire product range.

Outlook for 2018

The updated business strategy clarifies the expectation that Lantmännen Unibake will be a leader in all its categories and in all channels in the main markets, and that the focus is on profitable growth in the other markets.

“

Lantmännen Unibake continues to work actively for increased freshness and longer-lasting fresh bread, which brings quality benefits and reduces bread waste.



Lantmännens Real Estate

Lantmännens Real Estate manages commercial premises, such as offices, shops, workshops and warehouses. Lantmännens Real Estate's assignment is to provide Lantmänner with appropriate premises and optimize external revenue. Lantmännens Agrovärme is also part of Lantmännens Real Estate.

Premises are rented out both externally and internally, with the strategy of increasing the proportion of external rental income. Lantmännens Real Estate works to concentrate the property portfolio on a number of strategic locations in Sweden.



We manage the Group's properties and are one of Sweden's major property companies

Lantmännen Real Estate manages about 150 properties in 80 locations, with a total surface area of about 1,200,000 m², one-tenth of which is owned by Lantmännen's Grodden pension fund. The property portfolio is largely concentrated on strategic locations in Sweden. Properties that do not fit in the company's management strategy or have limited development potential are sold.

“

Lantmännen Real Estate creates long-term sustainable energy solutions and contributes to a stronger environmental profile.

A number of property transactions were conducted in 2017, including the acquisition of two properties in Vantaa and Kotka in Finland. The properties are production facilities rented to Lantmännen Cerealia and Lantmännen Unibake.

Lantmännen Real Estate works continuously on development of the property portfolio. In 2017, a new facility was built for Swecon in Södertälje and "Lantmännen's hus" in Kalmar, gathering together Lantmännen's operations in the region.

Lantmännen Real Estate also continues its focus on development and management of community properties. Lantmännen Real Estate and Hemsö formed the company Lanthem Samhällsfastigheter during the year. The new joint venture will develop land acquired from Lantmännen Real Estate into completed community properties. In this way, Lantmännen Real Estate can create value from land that the business does not need.

Lantmännen Real Estate

	2017	2016
Net sales, MSEK ¹⁾	511	455
Operating income, MSEK	302	281
Return on operating capital, %	14.3	16.2
Investments in non-current assets, MSEK	440	383
Average number of employees	45	39
of which women/men, %	40/60	32/68
Women/men in executive management, %	29/71	14/86
Sick leave, %	0.5	0.9
CO ₂ emissions, thousand tonnes ²⁾	3.9	3.7

¹⁾ Including intra-Group sales.

²⁾ Key figure based on new climate target with new calculation method.
Learn more in Key Sustainability Facts.

Market developments

The property market remained strong during 2017. The transaction volume for property in Sweden is high and there is keen foreign interest in Swedish property. Towards the end of 2017 price growth slowed, particularly for residential development land.

Lantmännen Agrovärme

Lantmännen Agrovärme supplies district heating and ready heat (locally produced and delivered hot water) to ten or so small towns in central and southern Sweden. Lantmännen Agrovärme's district heating has almost 100 percent security of supply to customers, which is far above the average and gives peace of mind. The heating operations' earnings for 2017 improved from the previous year as a result of continued cost-awareness and well implemented fuel purchases. The district heating company Byavärme was acquired during the year and three small district heating networks were established in Skåne.

Key sustainability issues

Key sustainability issues include energy-efficient properties and sustainable heat production with transports with low climate impact, future-proofing properties for climate change, and responsible sourcing and business relationships.

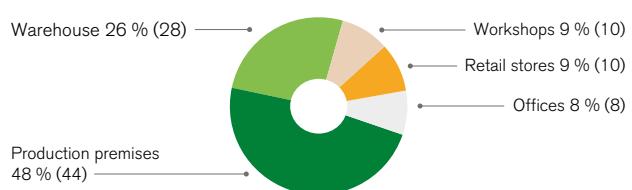
Outlook for 2018

Lantmännen Real Estate will develop and continue working with the property company Lanthem Samhällsfastigheter. Lantmännen Agrovärme is focusing on acquisitions and business development.

Key figures excl. property sales

	2017	2016
Operating income, MSEK	204	188
Return on operating capital, %	9.7	10.9

Lantmännen Real Estate, surface distribution



Lantmännen's international ownership

Lantmännen has interest holdings in a number of international companies. These companies' operations are primarily located in the Nordic region, Germany, Poland and the Baltic countries. Lantmännen's share of income is reported in each Sector.

With these holdings, Lantmännen is well positioned to offer customers in Sweden and in export markets long-term business relationships with stable delivery performance.



Our international partnerships enable us to participate in the global market

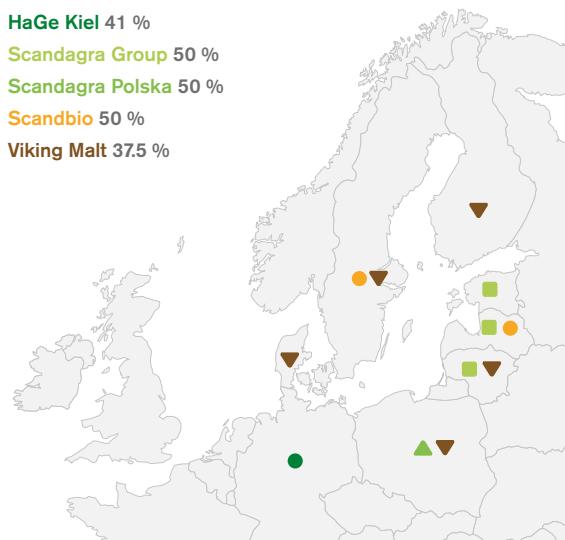


An important part of Lantmännen's Strategy 2020 is to manage and profitably develop strategic portfolio holdings. The holdings create value for Lantmännen and agricultural companies in the Baltic Sea region and offer significant development opportunities through economies of scale, with increased power in the market.

In order to strengthen and expand existing international agricultural cooperation, Lantmännen and the Danish agricultural company DLG (Dansk Landbrugs Grovareselskab) have established the company Lantmännen DLG International (LDI). The purpose of the company is to expand the position in markets and businesses where Lantmännen and DLG already have a strong partnership and to expand into new, mainly European, markets.

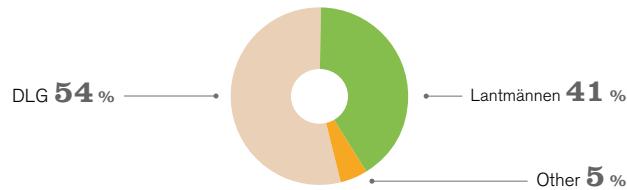
International ownership, shares

- HaGe Kiel 41 %
- Scandagra Group 50 %
- ▲ Scandagra Polska 50 %
- Scandbio 50 %
- ▼ Viking Malt 37.5 %





Ownership HaGe Kiel

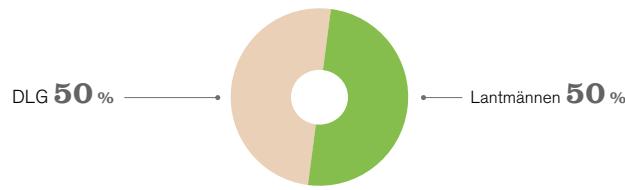


HaGe Kiel Part of the Agriculture Sector

Hauptgenossenschaft Nord AG (HaGe Kiel) has an annual turnover of approximately SEK 21 billion and about 1,600 employees. Lantmännen owns 41 percent of HaGe Kiel, while DLG owns 54 percent. Operations include grain trading and the sale of inputs in the agricultural market.

HaGe Kiel has well developed logistics chains and port terminals located in Hamburg, Kiel and Rostock which supply the market with grain and oilseeds, both locally and internationally. HaGe Kiel has feed factories and also trades in agricultural goods, machinery and sales of leisure and garden products. Lantmännen's share of income is included in the Agriculture Sector.

Ownership Scandagra Group and Scandagra Polska



Scandagra Group Part of the Agriculture Sector

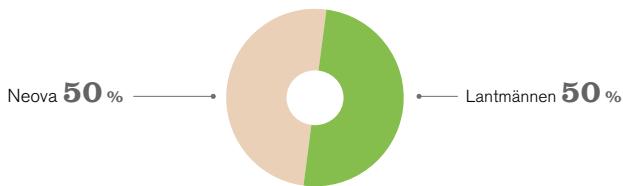
Scandagra Group AB operates in the Baltic region. The Group has an annual turnover of just under SEK 3 billion and about 300 employees. The company is jointly owned (50-50) by Lantmännen and DLG. The operations are conducted through three sales companies – Scandagra Eesti, Scandagra Latvia and Scandagra Lietuva. The sales companies engage in the sale of crop production inputs and the purchase and sale of grain. Scandagra Eesti also has a feed plant with a production capacity of just over 100,000 tonnes. Lantmännen's share of income is included in the Agriculture Sector.

Scandagra Polska Part of the Agriculture Sector

Scandagra Polska, which is a merchant of grain and other inputs in the Polish agricultural market, has an annual turnover of just over SEK 1 billion and about 170 employees. The company is jointly owned (50-50) by Lantmännen and DLG. Scandagra Polska is one of many traders in the large and fragmented Polish market. Lantmännen's share of income is included in the Agriculture Sector.



Ownership Scandbio

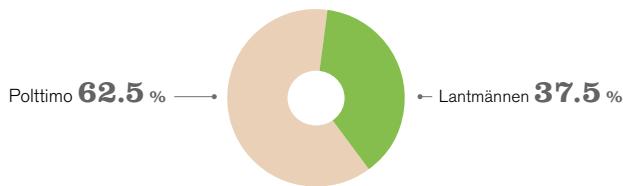


Scandbio Part of the Energy Sector

Scandbio produces and sells solid refined wood fuels. Scandbio is the largest wood fuel company in Sweden and sells 100 percent renewable energy in the form of heat pellets, bedding pellets, briquettes, biomass logs and wood powder to industry, municipal and government operations, local entrepreneurs and individual homeowners. The products are manufactured by using residues from the sawmill industry. The company produces and sells about 650,000 tonnes of biofuels every year and has a turnover of approximately SEK 1 billion and 160 employees.

Scandbio has a strong position in the Swedish market and in the Baltic Sea region. Lantmännen and Neova each own 50 percent of the company. Lantmännen's share of income is included in the Energy Sector.

Ownership Viking Malt



Viking Malt Part of the Food Sector

Viking Malt is one of Europe's leading malt suppliers. Viking Malt is refiner of grain, and supplies about 600,000 tonnes of malt annually to breweries and distilleries in northern Europe, and a number of customers around the world. Viking Malt produces malt in Finland, Sweden, Denmark, Poland and Lithuania.

The company has an annual turnover of just over SEK 2 billion and about 240 employees. Lantmännen owns 37.5 percent of the company, with the remainder being owned by the Finnish company Polttimo. Lantmännen's share of income is included in the Food Sector.

Annual Report

This is a translation of the Swedish Annual Report.

Board of Directors' Report

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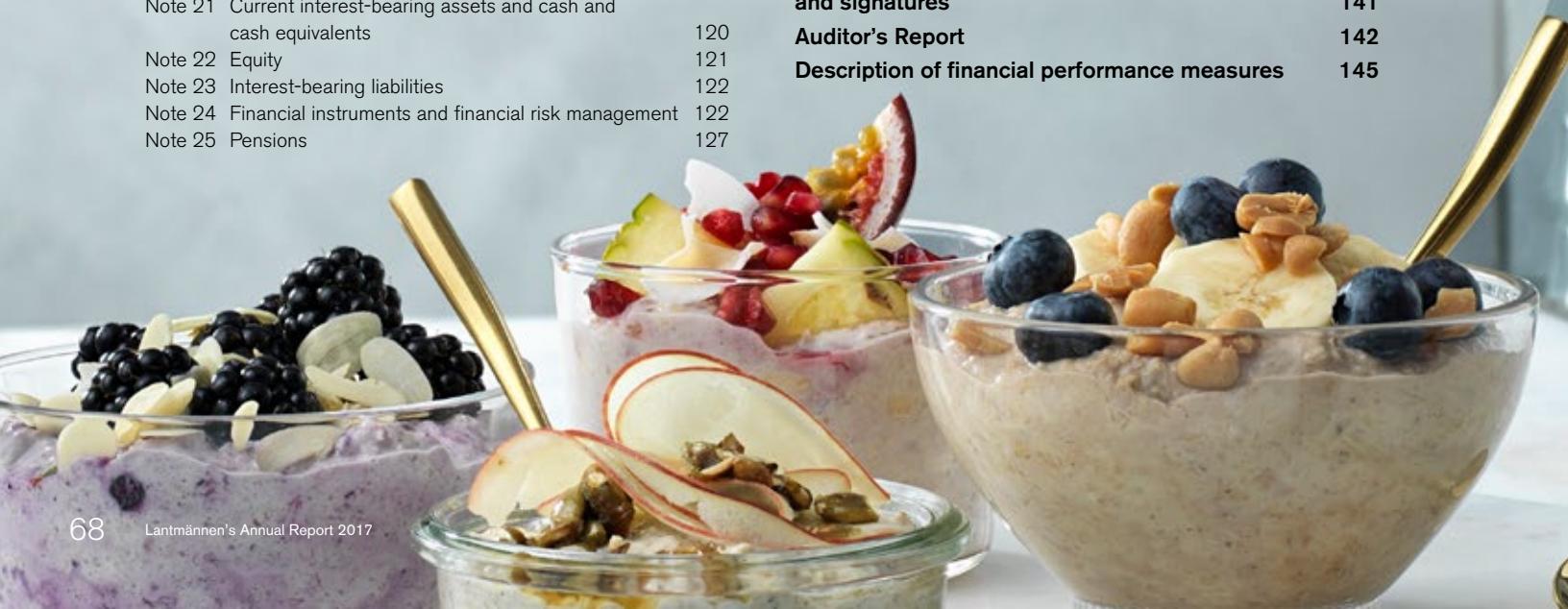
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Board of Directors' Report

The Board of Directors and President & CEO of Lantmännen ek för, Corporate Identity No. 769605-2856, hereby present the annual report for the 2017 financial year. The earnings and financial position of the Parent Company and Group are presented in the following income statements and statements of financial position, with associated comments and notes.

The Group in brief

- **Net sales** for the Group amounted to MSEK 39,686 (37,244), an increase of 7 percent. Adjusted for acquired and divested operations, net sales were 5 percent higher than in the previous year.
- **Operating income** was MSEK 1,677 (1,606) and adjusted for items affecting comparability MSEK 1,708 (1,697).
- **Income after financial items** amounted to MSEK 1,521 (1,457) and adjusted for items affecting comparability MSEK 1,552 (1,548).
- **Net income** was MSEK 1,305 (1,274).
- **Investments** totaled MSEK 2,593 (2,333).
- **Cash flow before financing activities** was MSEK -703 (826).
- **The total refund and supplementary payment** for 2017 was MSEK 244 (231).
- **The Board** proposes a contribution dividend of MSEK 222 (207) and a contribution issue of MSEK 100 (70).

Description of financial performance measures  see page 145.

The Group's business and organization

Lantmännen is an agricultural cooperative and northern Europe's leader in agriculture, machinery, bioenergy and food products. Lantmännen creates value from farmland resources in a responsible manner from field to fork and is part of food consumers' everyday life.

In 2017, the Group was divided into four Sectors and one Real Estate segment: *The Agriculture Sector, the Machinery Sector, the Energy Sector, the Food Sector and Lantmännen Real Estate*. Lantmännen is owned by 25,000 farmers, who are also business partners and important customers.

Agriculture Sector, MSEK **13,067**

The Agriculture Sector constitutes Lantmännen's core business, with products and services for strong and competitive farming, and conducts trading in grain, oilseeds, pulses and seed with farmers, grain traders and industry in the Baltic Sea region. The Sector is based in Sweden but is also active globally, with northern Europe as a particular growth market. The Agriculture Sector accounted for 31 percent of the Group's sales and is also responsible for Lantmännen's ownership interests in the German group *HaGe Kiel, Scandagra Group* in the Baltic region and *Scandagra Polska*.

Distribution of Group's total sales



In the annual report, Lantmännen is reported according to the above structure. From January 2018, Lantmännen consists of the Agriculture Sector, the Energy Sector and the Food Sector, and the Business Areas Swecon and Lantmännen Real Estate. At the beginning of the year, Lantmännen Maskin's operations was included in the Agriculture Sector and Agro Oil became part of Lantmännen Aspen (Energy Sector). See also  pages 173-175.



Lantmännen Lantbruk Sweden

Lantmännen Lantbruk Sweden is a major player in the grain market, trading in grain, oilseeds, pulses and seed with Swedish and international industry, and offers a wide range of products for livestock and crop production.

Agriculture Sector in Finland

Lantmännen Agro Oy (formerly K-maalatous) was acquired in 2017. The company is a major player in the Finnish agriculture market and has 45 independent retailers with 78 stores providing crop production inputs, feed and spare parts and equipment. The company also trades in grain in the Finnish market.

Agriculture Sector in the rest of the world

Lantmännen Agro A/S. The company is part of Lantmännen's grain unit, its main task being the purchase of grain in Denmark.

Lantmännen SW Seed BV. The company conducts plant breeding of triticale and potato at the processing station in Emmeloord, Netherlands

Machinery Sector, MSEK 11,140

In 2017, the Machinery Sector's operations comprised three business areas: Lantmännen Maskin, Swecon and Agro Oil. The Sector accounted for 27 percent of the Group's sales.

Lantmännen Maskin imports, markets and sells agricultural machinery, spare parts and services. Lantmännen Maskin offers strong brands, including Valtra, Fendt, Kuhn and Väderstad. During the year, Lantmännen Maskin assumed responsibility for imports and market support for Massey Ferguson in Sweden, which means it now offers AGCO's entire product range. Sales of machines and equipment under the Claas brand have been completely discontinued, although Lantmännen continues to provide spare parts and servicing.

Swecon is a partner of Volvo Construction Equipment and a dealer in machinery and servicing for the construction and civil engineering industry in Sweden, Germany, Estonia, Latvia and Lithuania.

Agro Oil, with the Agrol brand, is a major supplier of lubricants to the professional market in northern Europe. Agro Oil offers proprietary products adapted for the agricultural and forestry market and the construction market.

Energy Sector, MSEK 2,884

The Energy Sector is one of Sweden's largest producer of bio-energy products and accounted for 7 percent of the Group's sales. The Sector's companies manufacture and sell sustainable ethanol, protein feed, carbonic acid, glucose syrup, starch products, alkylate petrol, vodka and gluten. The Sector is also responsible for Lantmännen's ownership interests in the partly-owned company *Scandbio*, Sweden's largest wood fuel company. The Energy Sector comprises the following business areas:

Lantmännen Agroetanol is a large-scale biorefinery processing grain and starch waste products into ethanol for the fuel market and technical products, and protein products for the feed market.

Lantmännen Aspen develops, manufactures and markets Aspen alkylate petrol, an environmentally friendly petroleum product up to 99 percent cleaner than conventional petrol.

Lantmännen Reppe creates value by processing wheat into glucose syrup, wheat gluten, vodka, starch products and animal feed. Lantmännen Reppe is one of Sweden's oldest companies.

Food Sector, MSEK 14,349

The Food Sector processes grain and markets flour, breakfast products, pasta, frozen and fresh bread, crispbread and ready meals. Operations are based around the Baltic Sea and the Sector has a presence in about 20 countries. The Food Sector accounted for 34 percent of the Group's sales and consists of Lantmännen Cerealia and Lantmännen Unibake. The Sector is also responsible for Lantmännen's ownership interests in the partly-owned company *Viking Malt*.

Lantmännen Cerealia offers healthy and sustainable products to both consumers and companies. Lantmännen Cerealia



develops, produces and markets grain-based products such as flour, hulled grains, breakfast products, crispbread, pasta, ready meals, children's food, plant-based drinks, beans and lentils. Operations are conducted in Sweden, Norway, Denmark, Finland, Ukraine and Russia.

Lantmännen Unibake is one of Europe's largest bakery companies, with 35 bakeries in 15 countries. Lantmännen Unibake is an international bakery group with expertise in frozen and fresh bakery products for food retail and the restaurant market in over 60 countries. Lantmännen Unibake shows particular growth in Russia, Poland and Benelux, and with its Vaasan and Schulstad fresh bread operations.

Lantmännen Real Estate, MSEK **511**

Lantmännen Real Estate manages about 150 properties in 80 locations, with a total surface area of about 1,200,000 m², one-tenth of which is owned by Lantmännen's Grodden pension fund. Lantmännen Real Estate manages commercial premises, such as offices, shops, workshops and warehouses.

Lantmännen Real Estate's assignment is to provide Lantmännen with appropriate premises and optimize external revenue. Premises are rented out both externally and internally, with the strategy of increasing the proportion of external rental income. Lantmännen Real Estate works to concentrate the property portfolio on a number of strategic locations in Sweden.

Lantmännen Agrovärme is also part of Lantmännen Real Estate and supplies district heating and ready heat to certain locations in central and southern Sweden.

Long-term financial targets and outcomes

Lantmännen defines the overall profitability target as a return on equity of 8 percent. Return on equity in 2017 was 9.0 (9.6) percent and adjusted for non-recurring items 9.4 (11.0) percent.

Lantmännen's target for the equity ratio is at least 40 percent. The equity ratio was 43.3 (42.7) percent at the end of 2017.

Changes in the Group structure in 2017

In January, Lantmännen's operation with importing responsibility for Claas in Denmark (LMB Danmark A/S) was divested to Danish Agro.

In March, Lantmännen Unibake acquired the baguette producer Anderson Bakery (PS Bageri AB) outside Stockholm.

In May, 50 percent of the shares in the subsidiary Akershus Traktor AS, a Norwegian Valtra dealer, were sold. Akershus Traktor AS is now an associated company.

In June, Lantmännen Lantbruk acquired the Finnish company K-maalalous from Kesko Group. K-maalalous is one of the largest players in the Finnish agricultural market. The company operates in four areas: crop production, feed, grain and accessories and spare parts for agricultural machinery. K-maalalous was renamed Lantmännen Agro Oy.

In August, 50 percent of the shares in the real estate group Lantmännen Samhällsfastigheter AB were sold to the property company Hemsö. After the divestment, the real estate group became a joint venture and was renamed Lanthem Samhällsfastigheter AB.

In September, Lantmännen Cerealia acquired the Russian crispbread producer Orient Products, which is a market leader in crispbread in Russia, with the Schedrie and Kruazett brands.

In December, Lantmännen Aspen acquired the French alkylate petrol producer Marline, the leading French company in specialty fuels and finished blends for small engines. The acquisition provides scope to expand the offering in France and grow outside the premium segment.

In December, Lantmännen Real Estate acquired the district heating company Byavärme in Vinslöv. The business is based on local biofuels in cooperation with local players.

The acquisition balance sheets for acquisitions in the third four-month period are still preliminary.

Election of the Board

At Lantmännen's Annual General Meeting in May, Henrik Wahlberg and Ove Gustafsson were elected as new Board members after Bengt-Olov Gunnarson and Björn Wallin left the board.



Per Lindahl, Gunilla Aschan, Johan Mattsson and Hans Wallemyr were re-elected to the Board. The meeting adopted a contribution dividend and contribution issue which with the supplementary payment and refund represented a dividend of MSEK 508 to members.

At the statutory Board meeting, Per Lindahl was elected Chairman and Hans Wallemyr Vice Chairman.

Other significant events in 2017

The Swedish Foundation for Strategic Research awarded a grant of MSEK 100 to the new ScanOats research center at Lund University.

In the 2017 Sustainable Brand Index survey, Lantmännen maintained its second place in the food category.

Owner dialogue with the district boards covered the topics strategy, dividend policy, capital supply, corporate governance and agribusiness.

The LM² digital tool was launched for all Lantmännen's agricultural customers.

Lantmännen Maskin took over imports and market support for the Massey Ferguson brand in Sweden and strengthened its network of machinery dealers.

The government is investing MSEK 90 in Swedish plant breeding during the period 2018-2020 after an initiative from Lantmännen, LRF, Region Skåne and SLU (Swedish University of Agricultural Sciences).

Carl-Peter Thorwid was appointed the new Head of Lantmännen Cerealia and Jan Mauritzson took over as CEO of Lantmännen Agroetanol.

Lantmännen BioAgri's CEO Kenneth Alness and ThermoSeed were awarded when the Swedish University of Agricultural Sciences named the most successful innovations in its 40-year history.

Lantmännen participated in the UN Climate Conference (COP23) in Bonn, Germany.

"Lantmännen's hus" in Kalmar was opened. This a new facility gathering together all Lantmännen's operations in the region.

Risks and risk management

Risks are inherent in all business activity. Risks can arise from mismanagement or events and decisions outside Lantmännen's control. A properly managed risk can lead to increased opportunities and value creation while an improperly managed risk can involve damage to the business. Risks are identified, assessed and reported annually as part of Lantmännen's strategy and business planning process.

Strategic risks

Strategic risks are associated with business development and long-term planning, and Lantmännen's brand. The main strategic risks are concerned with adapting the business, conducting effective business development and fulfilling Lantmännen's brand promise in the face of external risks, such as economic changes, trends, competition, climate, overall brand positioning, political decisions and regulatory changes in Lantmännen's markets. The security situation may affect the association's operations, earnings, financial position and prospects. Lantmännen's Group management establishes the strategic risk levels with the Board. Strategic risks are evaluated as part of the annual strategic planning process and in connection with critical business decisions.

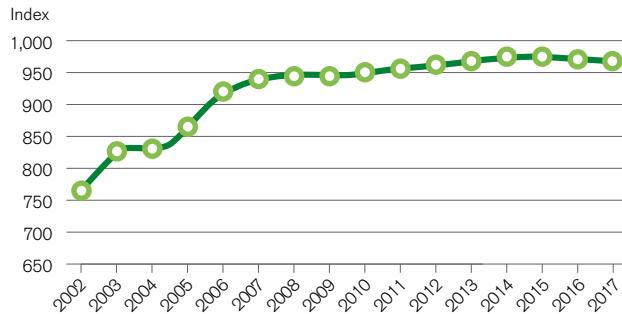
Operational risks

Operational risks are part of the Sectors' day-to-day operations and include risks of handling errors that compromise quality and safety, risks associated with compliance with laws and regulations, and risks in financial reporting and internal control. Several operational risks can be controlled, and are often regulated by policies, guidelines and instructions to provide consistent and effective safety in the Group. A large number of operational risks are managed with insurance through insurers with good credit ratings and Lantmännen's insurance company Dirual AG. Quality risks are managed through Lantmännen's comprehensive product quality and product safety programs.

As a *risk-prevention measure*, about 50 facilities are inspected annually on the basis of Lantmännen's Safety and Security Guidelines. The purpose is to identify and control



Safety level, facilities



The graph shows the results from the annual risk-prevention safety inspections at Lantmännen's facilities.

risks, which in the long term saves lives and prevents personal injury, and to protect property and results. These inspections result in recommendation and inspection reports with action lists for injury and damage prevention, safety and risk quality improvement, and cost reduction for insurable risks.

Financial risks

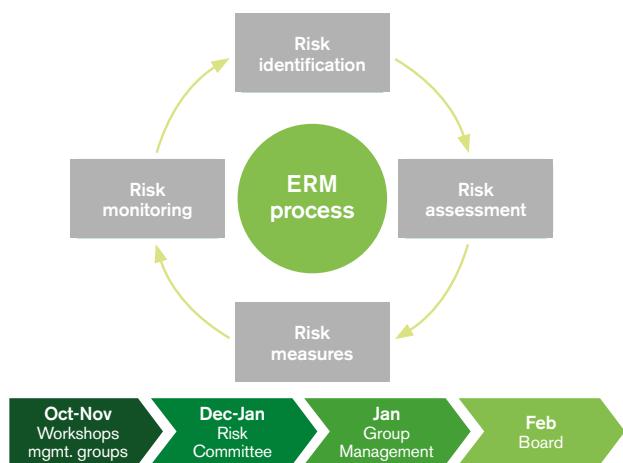
Lantmännen is exposed to financial risks that could cause fluctuations in earnings, cash flow and items in the statement of financial position. This risk management is described in the financial policy, Lantmännen's overall governing document for financial risks, adopted by the Board. Financial status reporting and financial policy compliance are regularly reported to Group management and the Board by the Risk Committee, led by the CFO. Agreements have been signed with several banks to safeguard Lantmännen's long-term financing and a number of capital market programs have been established.

The central treasury function is responsible for financing, control of financial risk, liquidity planning, payment solutions and capital efficiency projects. Risk consolidation and control minimizes the actual risk and also the costs of measures such as hedging currency flows.

Financial transactions with a financial or commercial counterparty are subject to credit risk, which is minimized by

credit control of customers and a good spread of customers across multiple segments and markets. In rare cases, credit insurance is also used. Counterparty risk in financial transactions is minimized by using several different players with good credit ratings. Every year, Lantmännen handles large volumes of grain sourced locally in Sweden or internationally. The grain is then sold to external customers or internally to Lantmännen's industries. Changes in grain market prices expose Lantmännen to commodity risk when buying and selling. Commodity risk is minimized by matching purchases and sales or by price hedging in the financial markets. Commodity risk is monitored daily through Lantmännen's own commodity risk system, and each business unit's risk is checked against the permitted risk in the established risk policy. Financial and risk policies are evaluated and ratified by the Board. Financial risk management is described in more detail in [note 24](#).

Risk management process



The risk management process is established as an annual ERM (Enterprise Risk Management) process that includes the functions Group Risk Management, Group Compliance, Sustainable Development, IT and Internal Audit. Each business unit's



Financial risk management and control



risks are identified and assessed, and measures are established in workshops with the management group. The Group's risks are aggregated and the largest identified risks are communicated to the Risk Committee, Group Management and the Board. Lantmännen's Risk Committee is responsible for ensuring compliance with the Board's adopted risk mandates, and reports to the Board's Audit Committee on a monthly basis. The business managers are responsible for implementing risk management in the daily operations, while risk identification and continuity planning are an important part of every manager's responsibility.

Sustainable business development

Lantmännen's Group strategy has a clear emphasis on sustainable business development, with a focus on farmland resources in the grain value chain. Sustainable business development work is an answer to, and a part of, strategic and operational risk management. Working with customers and suppliers, there is potential to significantly reduce the impact on the environment and natural resources, while generating profitable growth from new and existing businesses that meet

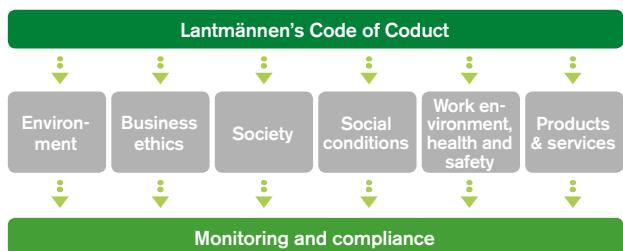
the needs of the outside world and the market for food, bio-energy and bio-based raw materials.

During the year, Lantmännen continued its focus on cultivation concepts with added values for health and the environment. Kungsörnen's flours *Ett Vänligare vete* (*a friendlier wheat*) and *En Vänligare råg* (*a friendlier rye*) are produced using a method with up to 20 percent lower climate impact. Another example is the focus on Swedish-grown beans and durum wheat from Gotland that are made into pasta. Lantmännen Agroetanol's development of bioethanol with a good climate performance, made from grain and by-products from the food industry.

Lantmännen has further developed a strategy for the organic offering, aimed at developing and operating the organic market in all parts of the value chain, and in 2017 presented its target of doubling trade in organic grain to 200,000 tonnes by 2020.

In 2017, Lantmännen adopted a new climate target of a 40 percent reduction in CO₂ emissions at its own production facilities in the period 2015-2020. The target focuses on fossil-free production and transport, continuing energy efficiency and investments and measures to reduce the carbon footprint throughout the value chain.

Ensuring responsibility – implementation of the Code of Conduct
Lantmännen's Code of Conduct applies to the entire operations and all employees are trained in the Code.



The Code of Conduct applies to all employees and summarizes the Group's guidelines for responsible ethical, social and environmental behaviour.



In 2017, 83 percent of employees received e-training in the Code. The Code also applies to Board members and elected representatives in the owner organization, and in applicable parts to suppliers and partners. All employees can report any deviations from the Code through a whistleblowing system. Compliance with the Code is monitored regularly by Group management.

Lantmännen's Code of Conduct is also a guiding principle for the behavior and decisions of Board members who represent Lantmännen in partly-owned enterprises. It also forms the basis for evaluation of potential acquisitions and holdings. Implementation of the Code is part of the integration process for new acquisitions.

To ensure responsibility in the supply chain, implementation and monitoring of Lantmännen's Supplier Code of Conduct is an integral part of the purchasing process. Lantmännen's Supplier Code of Conduct contains general guidelines to ensure a good work environment and social conditions, environmental responsibility, good business ethics, and safe, responsibly produced products. The Supplier Code emphasizes that there is zero tolerance for violation of anti-corruption or competition laws. The Code applies to all suppliers. All suppliers with an annual purchase volume over MSEK 1 or a high annual risk over SEK 300,000 are subject to background monitoring and are followed up with self-assessment and/or audit. In 2017, 90 (83) percent of Lantmännen's purchase volume came from suppliers assessed and approved in this way. Monitoring through independent third-party audits prioritizes supplier and purchasing categories with a high risk and significant improvement potential. Imported raw materials such as soy and palm oil are important categories in terms of responsibility and Lantmännen supports responsible production by only purchasing RSPO-certified palm oil and responsibly produced soy as defined by the Soy Dialogue.

Lantmännen also has a risk-based *due diligence* process for managing sustainability risks, with a particular focus on counterparty corruption.

Compliance and monitoring

The entire Group is responsible for ensuring compliance with the Code of Conduct and policies and working towards sustainability ambitions and targets, in accordance with strategies.

Monitoring and analysis of business development is conducted at different levels and frequencies. All transactions are monitored on a four-monthly basis for Sectors and business areas using a number of minimum responsibility requirements. Lantmännen's CSR (Corporate Social Responsibility) Committee, with representatives from Group management, has overall responsibility for ensuring the organization is able to implement and follow up the Code of Conduct. The CSR Committee monitors key performance measures and reports to Group management.

Group Management's four-monthly follow-up with the business area managers includes a Sustainability Business Review.

An annual quality review of Lantmännen's production is conducted, which includes product quality and processes,

Lantmännen's Business ethics compliance program



The business ethics compliance program is based on six main principles. The first (1) means that activities within the framework of the program should be proportional to the risks involved in each business. The other five principles (2-6) provide guidance on how the first principle should be applied.



sustainability performance, purchase and sales agreements, and product-specific requirements. Part of the review is an analysis of how food production has implemented governing documents with criteria for responsibly produced food.

Lantmännen's business ethics compliance program includes compliance with competition and anti-corruption legislation. Regular risk assessments, communication, control and monitoring and training are carried out under the program.

Lantmännen's Group Compliance function reports regularly to the Board and Group management on compliance, identified risks and the status of compliance work.

Compliance with the Code of Conduct is reviewed annually by Group management and the Board follows up deviations from the Code.

Operations subject to permit and notification requirements under the Swedish Environmental Code

In Sweden, Lantmännen conducts operations subject to permit requirements at 9 plants, and operations subject to notification requirements at 15 plants, with notifiable handling of hazardous waste at a further 80 facilities, all of them in accordance with the Environmental Code. These activities include mills, workshops and production facilities for feeds, ethanol and food. The main direct environmental impacts are noise, emissions to air and water, and temporary storage of hazardous waste. Production units in other countries adapt their operations, apply for any required permits and report to the authorities in accordance with local laws.

Reporting under law, GRI and Global Compact

In accordance with Chapter 6, section 11, of the Swedish Annual Accounts Act, Lantmännen has chosen to present the statutory Sustainability Report separately from the Annual Report. This Sustainability Report covers Lantmännen Ek för and its subsidiaries. The Sustainability Report was submitted to the auditor at the same time as the Annual Report. The Sustainability Report comprises pages ▶ 25-35, 161-164 and page 170 of the Annual Report with Sustainability Report and in Key Sustainability Facts, available at lantmannen.com/en/

[financial-information/annual-report-with-sustainability-report/](#). As Lantmännen reports according to a Group structure of Sectors, reporting for companies is by Sector.

Lantmännen reports its sustainability performance annually and applies Global Reporting Initiatives Guidelines Standards. Lantmännen's Annual Report including Sustainability Report and the information on Lantmännen's website also fulfill the requirements on Communication on Progress (COP) to United Nations Global Compact, which is a disclosure on progress made in implementing the Global Compact principles on responsible business.

Research and development (R&D)

Lantmännen has a long tradition of research and development and invests in both its own and external research projects to promote new knowledge. Every year, MSEK 200-250 is invested in research and innovation projects – from product and process development to strategic Group-wide research projects. The investments are mainly in the grain value chain from field to fork.

Human resources

The average number of employees during the year was 9,850 (9,880), of whom 3,559 (3,413) were employed in Sweden. The number of full-time employees at December 31, 2017 was 9,597 (9,764). Lantmännen's aim is to be an attractive employer providing a good work environment where skills are nurtured and developed throughout the Group. Lantmännen's equal opportunity and diversity policy states that the Group shall safeguard and value the skills, qualities and experience of all employees, regardless of gender, age, ethnicity, beliefs, sexual orientation, disability or other individual differences. It also states that the Group does not tolerate any bullying, harassment or discrimination.

Lantmännen has routines and guidelines on the practical handling of bullying and harassment matters. The Group's contingency plan has information on how a person subjected to such treatment should act and obtain help, the manager's responsibility, etc.



Health, work environment and safety program

Lantmännen sees proactive work environment and safety initiatives as key to a sustainable work environment.

A safe work environment is a high priority and Lantmännen works continuously to identify and address risks in this area. Monitoring of work environment programs is conducted throughout the organization, with annual reporting to Group management. Constant improvements in work environment and safety training at the facilities, and injury prevention inspections (see ▶ Operational risks, pages 72-73) have resulted in a significant improvement in safety and employees' safe behavior. This has resulted in a lower risk of personal injuries and production disruptions, and the number of workplace accidents per year has fallen by 3 percent since 2016.

Remuneration policy

Lantmännen's remuneration policy stipulates that remuneration and benefits at Lantmännen must contribute towards engaging, motivating and retaining the employees Lantmännen needs for success in our business operations. Remuneration at Lantmännen must always be assessed from a total remuneration perspective, including everything with a perceived value for employees in their employment. Development of the remuneration policy continued in 2017. In addition to monetary compensation and benefits, the policy takes into account factors such as in work-life balance, international assignments, development and estimates – and long-term incentives for senior executives. Decisions on remuneration and benefits at Lantmännen should always be based on Lantmännen's values of openness, a holistic view and drive, and should be neutral in terms of gender, religion, ethnicity, disability and sexual orientation. For further information about Lantmännen's remuneration, see ▶ note 6.

Events after the end of the reporting period

In January, Lantmännen acquired a majority shareholding in the company ThermoSeed Global. The acquisition ensures continuing investment in environmentally-friendly seed treatment, both in Sweden and internationally.

Bengt Alestig took over as CEO of Lantmännen Maskin in early 2018.

Magnus Kagevik has been appointed as new Head of the Energy Sector, starting in March 2018.

Business environment

The year was marked by political risks and geopolitical tensions, particularly in the US, with great political uncertainty in fundamental issues such as taxes, healthcare and immigration. The Swedish economy remained strong, with domestic demand driving growth, and Swedish exports benefited from the global economic recovery. Employment in Sweden continued to increase, and unemployment was at its lowest level since fall 2008.

The Riksbank notes that inflation has risen. However, global inflationary pressure is low and the outside world's monetary policy remains very expansive.

The International Grain Council forecasts an increase in global trade in wheat, corn, rice and soybeans over the next five years, mainly driven by increased demand in Asia and Africa.

Strong consumer trends within the Nordic food industry include health, responsibility and sustainability, and origin. Demand for organic products remains strong, and in certain food categories demand appears to be outstripping supply. Consumers are increasingly demanding alternative proteins, i.e., non-meat proteins.

The price of grain fell sharply during fall, mainly due to an upward revision of harvest forecasts for Russia, where the wheat harvest reached record levels. Competition remains intense.

Lantmännen's Group strategy – Strategy 2020

The grain strategy *from field to fork* is a central pillar in Lantmännen's strategy to be the leader throughout the grain value chain in the Baltic Sea region. Implementation of Strategy 2020 and changes in Lantmännen's external environment mean that the strategy work is under constant development. "Strategy and owner dialogue on the Lantmännen of tomorrow" is a key member project involving the owners. Much of the



strategy is business development focusing on the agricultural company, mainly aimed at developing the opportunities offered by new technology, digitalization and new services to facilitate and improve the efficiency of work on the individual farm.

Lantmännen's integrated digital solution för agricultural companies, LM², is leading the digitalization of Swedish farming, bringing increased productivity and profitability for agricultural companies.

New organization 2018

On January 1, 2018, an organizational change was made in order to create a more consistent and customer-oriented businesses. Lantmännen Maskin, as a retained unit, moved to the Agriculture Sector and Swecon became a separate business area. Agro Oil was transferred to Lantmännen Aspen in the Energy Sector. The Machinery Sector then ceased as an organizational unit.

Outlook

The long-term trend of a growing global middle class is the primary driver of increased demand for food in the longer term. It is mainly Asia and Africa's large populations and emerging economies that are driving demand for agricultural commodities and food products through imports.

Urbanization is a strong trend throughout the world and is also continuing in Sweden. This has major effects, particularly on what products and services are in demand.

The *Agriculture Sector* continues its strategic efforts to become a leader in agribusiness in the Baltic Sea region. The acquisition of K-maalalous (renamed Lantmännen Agro Oy) in Finland enables the Sector to grow and develop its position in the area, and the continuing integration and development of Lantmännen Agro Oy is of key importance in 2018. From 2018, Lantmännen Maskin is part of the Agriculture Sector, enabling increased cooperation and synergies between the operations.

In the *Energy Sector*, Lantmännen Agroetanol continues the process of complementing the raw material base with alternative raw materials in addition to grain. German demand for Lantmännen Agroetanol's ethanol with a high climate performance is expected to persist. Prospects for continuing growth are considered good for Lantmännen Reppe and Lantmännen Aspen.

The *Food Sector* continues to develop its range of new products. The future focus is on improving cooperation throughout the value chain from product development, sourcing and production to sales and cooperation with the Sector's customers. To offer a high-quality range and clear added values, the Food Sector continues to invest in *innovation, brands* and *product development*. Lantmännen is creating a good platform for continuing growth in Russia and increasing the focus on exports to the Chinese market. Growth potential in Russia and the rest of eastern Europe remains good.

The independent *business area Swecon* has been formed to promote growth around the Baltic Sea. The businesses in the present operations will be run as before, but with an increased focus on growth.

Lantmännen Real Estate will develop and continue working with the property company Lanthem Fastigheter. *Lantmännen Agrovärme* is focusing on acquisitions and business development.

Group Net sales and earnings

- Lantmännen's net sales amounted to MSEK 39,686 (37,244)
- Operating income increased to MSEK 1,677 (1,606)
- Adjusted for items affecting comparability, operating income increased to MSEK 1,708 (1,697)

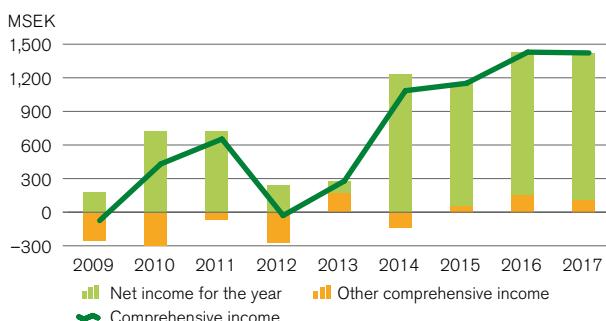
Net sales

Lantmännen's net sales for 2017 amounted to MSEK 39,686 (37,244), an increase of 7 percent. Adjusted for acquired and divested operations, the increase was 5 percent. Net sales adjusted for acquisitions and divestments increased in all Sectors. Currency effects had only a marginal effect on net sales for the year.

Operating income

Lantmännen's operating income was MSEK 1,677 (1,606) and adjusted for items affecting comparability MSEK 1,708 (1,697). The year's net items affecting comparability amounted to MSEK -31 (-91). In the Food Sector, the final insurance payment for the burnt-down bakery in Londerzeel, Belgium, had a positive impact of MSEK 96 (357) on earnings after it was decided to reinvest the entire capacity lost in the fire. A restructuring provision of MSEK -34 has been recognized for Lantmännen Cerealia's restructuring program for improved cost efficiency and competitiveness, and MSEK -31 for the restructuring of Lantmännen Unibake's fresh bread operations. In the previous year, the Food Sector was affected by restructuring costs of MSEK -87 and property acquisition costs of MSEK -61 in Russia. The Food Sector's total net items affecting comparability amounted to MSEK 31 (209). In the second four-month period, a provision of MSEK -140 (-300) was recognized in the Energy Sector in connection with the European Commission's ongoing investigation of Lantmännen Agroetanol and two other ethanol producers for alleged violation of EU competition law. Items affecting comparability for the year also included a capital gain of MSEK 78 in the property operation.

Comprehensive income for the year



Compared with the previous year, the Group's income adjusted for items affecting comparability was higher in the Machinery and Agriculture Sectors, but lower in the Food Sector, partly due to planned start-up costs for the new bakeries in Nowa Sól, Poland, and Londerzeel, Belgium, high butter prices, and tough competition for Cerealia in several product categories and costs for ongoing improvement projects.

Currency effects had a positive impact of MSEK 9 on operating income.

Net financial income and income after financial items

Net financial income amounted to MSEK -156 (-149). The decline is due to negative currency effects from a continuing weak Swedish krona. Income after financial items was MSEK 1,521 (1,457) and adjusted for items affecting comparability MSEK 1,552 (1,548).

Tax and income after tax

Tax expense for the year was MSEK 216 (183). Lantmännen's tax expense was, among other things, affected by the fact that dividends, including refunds and supplementary payments, from economic associations are tax deductible. Income after tax amounted to MSEK 1,305 (1,274), of which MSEK 1,301 (1,273) was attributable to members of the economic association and MSEK 4 (1) to non-controlling interests (minority ownership) in the Group's subsidiaries.

The Group's items affecting comparability¹⁾

MSEK	2017	2016
Recognized operating income	1,677	1,606
<i>Items affecting comparability in operating income:</i>		
Insurance compensation, Food Sector	96	357
Restructuring costs, Food Sector	-65	-148
Provision, Energy Sector	-140	-300
Capital gains, Lantmännen Real Estate	78	-
<i>Total items affecting comparability in operating income</i>	-31	-91
Operating income, adjusted for items affecting comparability	1,708	1,697
Recognized income after financial items	1,521	1,457
Items affecting comparability in operating income according to above	-31	-91
Income after financial items adjusted for items affecting comparability	1,552	1,548
Net income for the year, adjusted for items affecting comparability	1,353	1,457
Return on equity, adjusted for items affecting comparability, %	9.4	11.0
Return on operating capital, adjusted for items affecting comparability, %	7.9	8.4

¹⁾ See also note 10.

Consolidated Income Statement

MSEK	Note	2017	2016
Net sales	4, 5	39,686	37,244
Other operating income	5	440	800
Changes in inventories of finished goods and work in progress		-535	-300
Raw materials and consumables		-12,186	-11,104
Merchandise		-12,471	-11,874
Employee benefits expense	6	-5,747	-5,578
Depreciation, amortization and impairment	7	-1,242	-1,165
Other operating expenses	8	-6,422	-6,515
Share of income of equity accounted companies	16	154	98
Operating income	10, 11	1,677	1,606
Finance income	9	151	165
Finance costs	9	-307	-314
Income after financial items		1,521	1,457
Tax	12	-216	-183
Net income for the year		1,305	1,274
Net income for the year attributable to:			
Members of the economic association		1,301	1,273
Non-controlling interests	4	4	1

Consolidated Statement of Comprehensive Income

MSEK	Note	2017	2016
Net income for the year		1,305	1,274
Other comprehensive income	22		
<i>Items that will not be reclassified to the income statement</i>	25		
Actuarial gains and losses on defined benefit pension plans, net (before tax)		-1	-162
Tax on actuarial gains and losses		0	36
Total		-1	-126
<i>Items that will be reclassified to the income statement</i>			
Available-for-sale financial assets, net (before tax)		-17	81
Cash flow hedges, net (before tax)		-6	22
Exchange differences on translation of foreign operations		118	193
Gain on hedge of net investment in foreign operations, net (before tax)		-30	-68
Tax attributable to items that will be reclassified		10	2
Total		75	230
<i>Share of OCI in equity accounted companies</i>			
Items that will be reclassified to the income statement		43	51
Total		43	51
Other comprehensive income, net of tax		117	155
Total comprehensive income		1,422	1,429
Total comprehensive income attributable to:			
Members of the economic association		1,418	1,428
Non-controlling interests	4	4	1

Performance per segment (for full segment information, see note 4)

MSEK	Agriculture Sector		Machinery Sector		Energy Sector		Food Sector		Lantmännen Real Estate		Lantmännen Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net sales	13,067	10,767	11,140	11,343	2,884	2,698	14,349	14,048	511	455	39,686	37,244
Operating income	340	318	381	316	142	4	739	1,058	302	281	1,677	1,606
Return on operating capital, %	7.5	7.8	25.2	17.8	19.1	0.4	5.4	8.4	14.3	16.2	7.8	8.0
Operating income, adjusted for items affecting comparability	340	318	381	316	282	304	708	849	204 ¹⁾	188 ¹⁾	1,708	1,697
Return on operating capital, adjusted for items affecting comparability, %	7.5	7.8	25.2	17.8	37.8	31.4	5.1	6.7	9.7 ¹⁾	10.9 ¹⁾	7.9	8.4

¹⁾ Operating income and return on operating capital excluding property sales.

Lantmännen Lantbruk Sweden

MSEK	2017	2016
Net sales	11,169	10,587
Operating income	226	225
Return on operating capital, %	8.2	8.2
Operating income, adjusted for items affecting comparability	226	225
Return on operating capital, adjusted for items affecting comparability, %	8.2	8.2

Lantmännen Maskin Sweden

MSEK	2017	2016
Net sales	3,629	3,362
Operating income	-3	-10
Return on operating capital, %	-0.3	-1.0
Operating income, adjusted for items affecting comparability	-3	-10
Return on operating capital, adjusted for items affecting comparability, %	-0.3	-1.0

Agriculture Sector

The Agriculture Sector's net sales are higher than the previous year, and operating income is MSEK 340, compared with MSEK 318 the previous year. Sales for the second half of the year were positively affected by the acquisition of the Finnish company K-maatalous (renamed Lantmännen Agro Oy).

The year's grain harvest of about 6 million tonnes was higher than the five-year average. Harvest work has been very intensive with a prolonged harvest period and heavy rain towards the end of the period, which resulted in lower quality for some of the harvest. The quality problems negatively affected earnings for the third four-month period. The late harvest also resulted in less fall sowing than in the previous

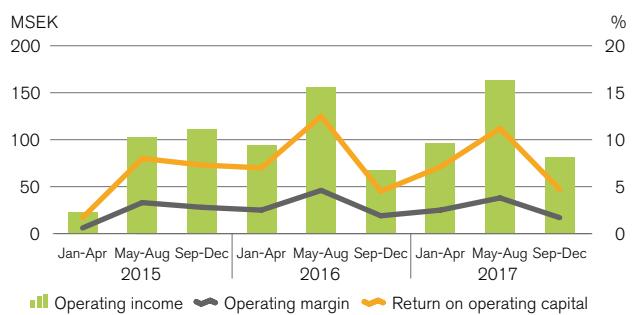
year, which will affect harvest volumes in 2018. There has been high demand for spring seed during fall.

Two large grain-related infrastructure projects are in progress, driven by the impending closure of the facilities in Uppsala and Ystad. In addition, a number of initiatives are in progress aimed at meeting the ever-increasing grain harvests and contributing to continued positive development for Swedish grain cultivation.

The plant breeding operations' long-term need for land has been covered with the acquisition of 185 hectares of experimental land in Svalöv.

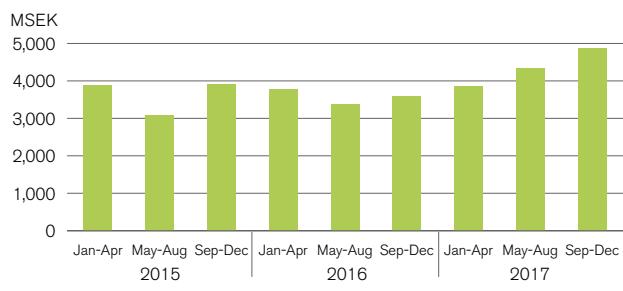
Good volume growth in the feed business has continued, with increased sales volumes for Nötfor and Piggfor.

Agriculture Sector, adjusted for items affecting comparability



■ Operating income ▲ Operating margin ▶ Return on operating capital

Agriculture Sector, net sales





Operating income for the Sector's international interest holdings is higher than the previous year. Scandagra Group is showing positive development and efficiency improvements in HaGe Kiel have produced good results. However, Scandagra Polska has reported lower earnings than in the previous year.

Development of the LM² digital tool has continued during the year, with a focus on preparations for the integration of Lantmännen's existing financial portal, and a brand new service for feed agreements has been launched. The number of users has increased constantly since the tool was launched in May.

During the year, extensive work has begun at Lantmännen Lantbruk's production facilities aimed at creating an improved work environment and increased satisfaction. The main focus is on customer reception areas, changing rooms, fences and gates, signage, lighting, asphalt and buildings.

Machinery Sector

The Machinery Sector's net sales are in line with the previous year, despite the divestment of the Norwegian and Danish import operations as planned. Sales growth has been good for both Lantmännen Maskin and Swecon. Operating income is MSEK 381, compared with MSEK 316 the previous year.

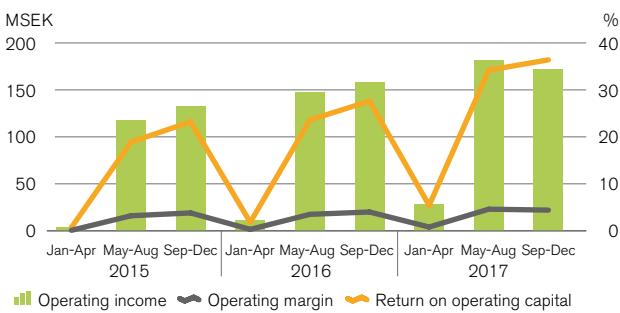
Intensive work is in progress within Lantmännen Maskin as a result of a stronger focus on the Swedish market and the updated supplier agreement with AGCO. With effect from 2018, Lantmännen Maskin is integrated into the Agriculture Sector in order to further strengthen the customer offering in agribusiness.

There is very tough competition among machinery suppliers and distributors in the Swedish tractor market. Lantmännen Maskin maintains a strong position in the market and sales of equipment are showing growth.

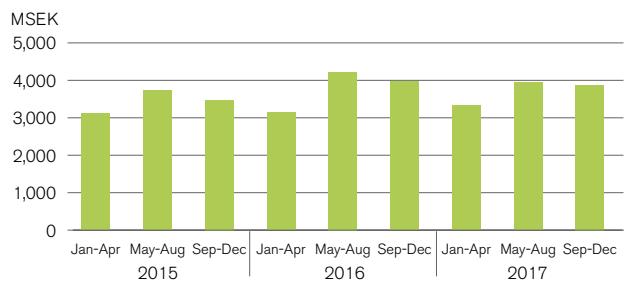
In January 2018, Bengt Alestig took over as the new CEO of Lantmännen Maskin.

Swecon has performed very positively during the year, delivering records in both sales and earnings. The good results are mainly driven by strong demand for construction machinery in Sweden. The workshops have high capacity utilization and spare part sales have increased. Swecon's market share in Germany is stable, which is also the case for Estonia and Latvia. The market share in Lithuania has increased.

Machinery Sector, adjusted for items affecting comparability



Machinery Sector, net sales





Energy Sector

The Energy Sector's net sales for 2017 are higher than the previous year, and operating income adjusted for items affecting comparability is MSEK 282, a decline from MSEK 304 the previous year.

Lantmännen Agroetanol has increased its earnings from the previous year, mainly due to continued success in exports of climate-friendly ethanol to Germany, increased sales of ethanol produced from recycled industrial waste and a higher price of ethanol during the year than previously. However, lower ethanol prices were noted in the third four-month period, which had a negative effect on earnings.

A further provision of MSEK 140 was recognized in the second four-month period in connection with the European Commission's ongoing investigation of Lantmännen Agroetanol and two other ethanol producers for alleged violation of EU competition law, bringing the total provision to MSEK 440. Lantmännen is fully cooperating with the commission in the investigation.

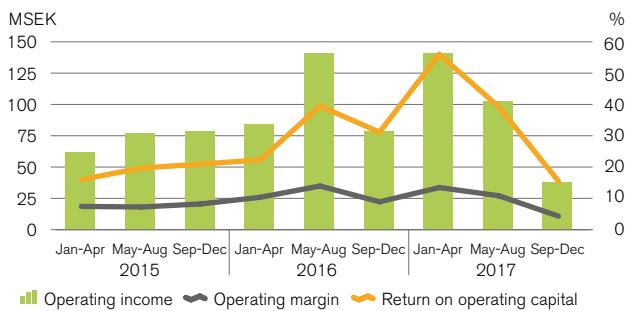
Lantmännen Aspen is experiencing tougher competition in the Nordic markets, while most markets in the rest of Europe continue to develop well. The French alkylate petrol producer Marline was acquired in December, with scope to expand Lantmännen Aspen's existing offering in France and grow in new customer segments. Marline has a turnover of about MSEK 200 and about 20 employees.

A long-term program to increase production capacity and improve the production balance is in progress at Lantmännen Repe.

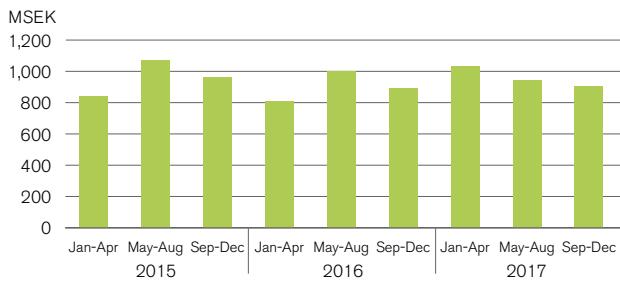
The jointly owned pellet company Scandbio has shown positive development during the year with increased sales volumes and strong earnings.

Magnus Kagevik takes over as new Head of the Energy Sector in March 2018. Jan Mauritzson took over as new CEO of Lantmännen Agroetanol in October 2017.

Energy Sector, adjusted for items affecting comparability



Energy Sector, net sales





Food Sector

The Food Sector's net sales are in line with the previous year. Operating income adjusted for items affecting comparability amounts to MSEK 708, compared with MSEK 849 the previous year.

Lantmännen Cerealia's earnings have been negatively affected by tough competition in large part of the market and by costs of ongoing projects, such as capacity expansion at the Strängnäs mill and a production relocation from Odense to Malmö.

Despite the tough competition, Lantmännen Cerealia has maintained its market shares in most large product categories during the year. Within the B2B business, sales volumes are positive. Extensive work is in progress aimed at improving cost and production efficiency and building an organizational platform for profitable growth in all market categories.

Cerealia's acquisition of Russian crispbread producer Orient Products was completed in September, thereby strengthening the position in the large and growing Russian market. Orient Products is a market leader in crispbread in Russia and has about 250 employees.

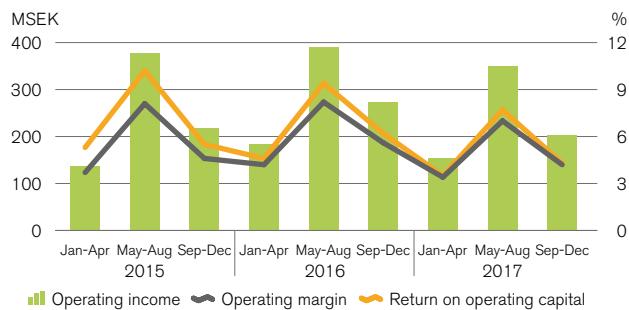
In September, Carl-Peter Thorwid was appointed as the new Head of Lantmännen Cerealia.

Lantmännen Unibake continues to show stable development. Fresh bread operations in Finland and the Baltic region are developing well, and Russia is showing good growth after the investment in a new bakery in 2016. However, earnings were adversely affected by record high butter prices and start-up costs for the new facilities in Belgium and Poland. Continuous efforts are directed towards increasing efficiency and reducing costs at the production facilities.

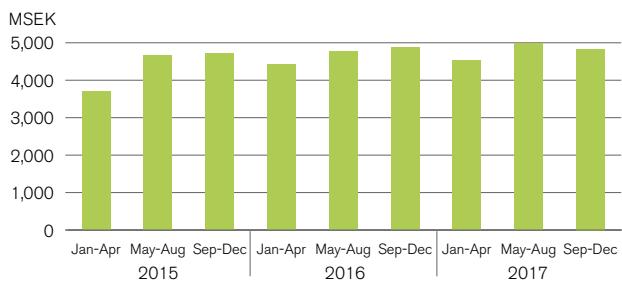
The jointly owned company Viking Malt is performing very positively, with stronger results during the year.

The Food Sector's total net items affecting comparability amounted to MSEK 31 (209). The final insurance payment for the burnt-down bakery in Londerzeel, Belgium, had a positive impact of MSEK 96 (357) on earnings after it was decided to reinvest the entire capacity lost in the fire. Earnings were affected by restructuring costs of MSEK -34 for Cerealia and MSEK -31 for Unibake's fresh bread operations. In the previous year, the Food Sector was affected by restructuring costs of MSEK -87 and property acquisition costs of MSEK -61 in Russia.

Food Sector, adjusted for items affecting comparability



Food Sector, net sales





Lantmännen Real Estate

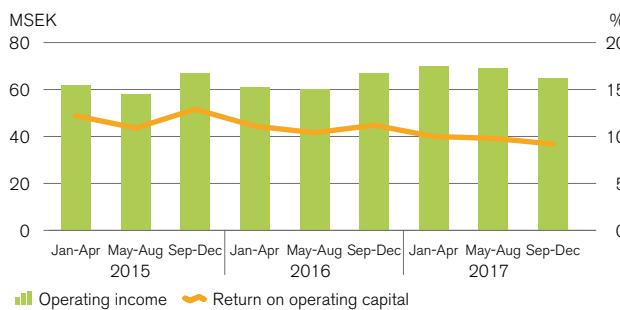
Lantmännen Real Estate's net sales are higher than the previous year, and operating income excluding property sales is MSEK 204, compared with MSEK 188 the previous year. Income from property sales was MSEK 98 (93).

In August, Lantmännen and the property company Hemsö formed a joint venture named Lanthem which will focus on development and management of community properties. The arrangement provides scope to continue developing the community property portfolio with a long-term partner.

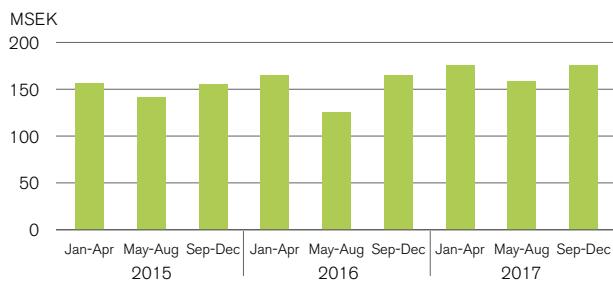
"Lantmännen hus" in Kalmar was opened in December – a new facility gathering together all Lantmännen's operations in the region. Several hundred members, customers, suppliers and partners visited the inauguration of the 2,300 m² premises. Swecon's new premises in Söderälje were also completed in the third four-month period.

In December, Lantmännen Agrovärme acquired the district heating company Byavärme in Vinslöv. The business is based on local biofuels in cooperation with local players.

Lantmännen Real Estate adjusted for property sales



Lantmännen Real Estate net sales



Consolidated Statement of Financial Position

MSEK	Note	2017 Dec 31	2016 Dec 31
ASSETS			
Non-current assets			
Property, plant and equipment	13	9,387	8,240
Investment properties	14	643	858
Goodwill	15	5,238	4,611
Other intangible assets	15	3,327	2,980
Equity accounted holdings	16	2,182	1,896
Non-current financial assets	17	825	770
Deferred tax assets	12	170	136
Other non-current assets	18	27	23
Total non-current assets		21,799	19,514
Current assets			
Inventories	19	5,948	5,270
Trade and other receivables	20	5,823	5,727
Current interest-bearing assets	21	18	176
Current tax assets	12	25	30
Cash and cash equivalents	21	927	1,773
Total current assets		12,741	12,976
TOTAL ASSETS		34,540	32,490

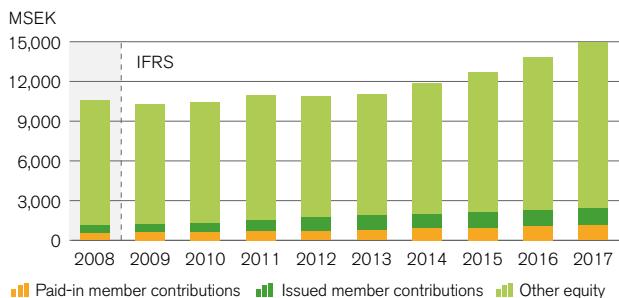
MSEK	Note	2017 Dec 31	2016 Dec 31
EQUITY AND LIABILITIES			
Equity			
Member contributions		2,464	2,299
Other contributed capital		3,010	2,895
Reserves		230	112
Retained earnings incl. net income		9,155	8,489
Total equity attributable to members of the economic association		14,859	13,795
Non-controlling interests		89	88
Total equity	22	14,948	13,883
Non-current liabilities			
Non-current interest-bearing liabilities	23, 24	4,523	4,991
Provisions for pensions	25	554	519
Deferred tax liabilities	12	638	437
Other non-current provisions	26	240	247
Other non-current liabilities	27	28	25
Total non-current liabilities		5,983	6,219
Current liabilities			
Current interest-bearing liabilities	23, 24	3,841	3,373
Trade and other payables	28	8,966	8,199
Current tax liabilities	12	98	89
Current provisions	26	704	727
Total current liabilities		13,609	12,388
TOTAL EQUITY AND LIABILITIES		34,540	32,490

Pledged assets and contingent liabilities, see note 34.

Development of the Group's Assets



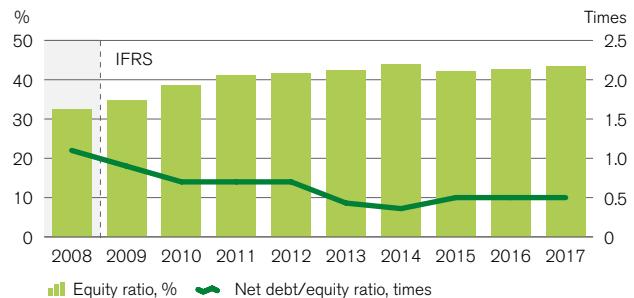
Contributed capital and equity



Development of the Group's equity and liabilities



Equity ratio and net debt/equity ratio



- The equity ratio was 43.3 (42.7) percent.
- Return on equity was 9.0 (9.6) percent.
- Return on operating capital was 7.8 (8.0) percent.
- The Group's average operating capital increased to MSEK 21,544 (20,161) as an effect of acquisitions and investments.
- The capital turnover rate was 1.8 (1.8) percent.

Assets and investments

Total assets at the end of the year were MSEK 34,540 MSEK (32,490), an increase of MSEK 2,050.

Property, plant and equipment amounted to MSEK 9,387, compared with MSEK 8,240 the previous year. Investments in property, plant and equipment amounted to MSEK 2,471 (1,986) and included replacement investments, investments in bakeries, notably in Poland, Russia and Belgium, the mill in Strängnäs and the acquisition of production property in Finland.

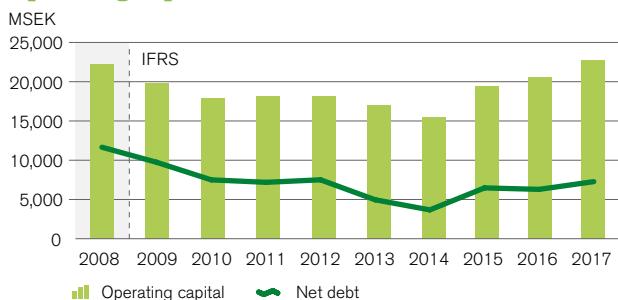
Investment property amounted to MSEK 643 (858). The decline is due to the sale of 50 percent of the shares in the real estate group Lantmännen Samhällsfastigheter AB during the year.

Investments in intangible assets for the year amounted to MSEK 122 (105).

Intangible assets totaled MSEK 8,565 (7,591). The increase of MSEK 974 is mainly due to Lantmännen Lantbruk's acquisition of K-maalalos (renamed Lantmännen Agro Oy) from the Finnish Kesko Group, Lantmännen Aspen's acquisition of Marline, France's leading alkylate petrol producer, and Lantmännen Cerealia's acquisition of the Russian crispbread producer Orient Products.

Current assets excluding cash and cash equivalents increased by MSEK 611, from MSEK 11,203 to MSEK 11,814, mainly due to inventories.

Operating capital and net debt



Liabilities and equity

Group equity was MSEK 14,948 (13,883) at the end of the year, with MSEK 89 (88) attributable to owners other than the members of the economic association, i.e. non-controlling interests in Group companies. Net income after tax increased equity by MSEK 1,305 (1,274), while dividends and changes in contributed capital reduced equity by MSEK 361 (324). Items recognized in other comprehensive income (e.g. remeasurement effects) increased equity by MSEK 117 (155).

The Group's net debt at the end of the year was MSEK 7,274 (6,289), an increase of MSEK 985. The Group's liquidity reserve at the end of the year was MSEK 3,004 (3,969) and is calculated based on Lantmännen's current loan agreements and covenants. At the end of 2017, Lantmännen was operating within the framework of the covenants associated with its existing loan agreements.

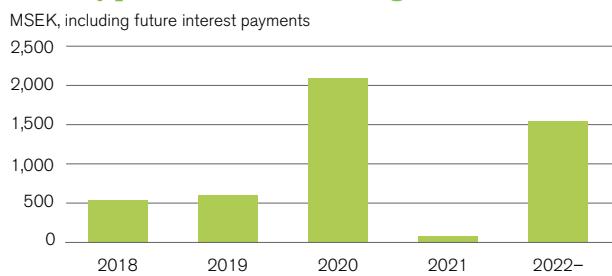
The equity ratio was 43.3 (42.7) percent at the end of the year.

Net debt

MSEK	2017	2016
Liabilities to credit institutions	3,599	3,439
Issued securities, MTN loans	1,247	1,246
Savings and deposit accounts, members et al.	2,993	3,148
Pension liabilities	554	519
Subordinated debentures	250	250
Other interest-bearing liabilities	275	281
Total interest-bearing liabilities	8,918	8,883
Other interest-bearing assets	717	821
Cash and cash equivalents	927	1,773
Total interest-bearing assets	1,644	2,594
Group's net debt	7,274	6,289

Shares held on an operational basis are reported under financial assets in the statement of financial position, but are not included in net debt; instead, they are reported as part of the Group's operating capital. Their value was MSEK 126 for 2017 and MSEK 125 for 2016.

Maturity profile of interest-bearing financial liabilities



Consolidated Statement of Cash Flows

MSEK	Note	2017	2016
OPERATING ACTIVITIES			
Operating income		1,677	1,606
Adjustment for non-cash items ¹⁾		1,107	1,302
		2,784	2,908
Financial items paid, net	35:1	-210	-205
Taxes paid		-121	-132
Cash flow from operating activities before changes in working capital		2,453	2,571
<i>Cash flow from changes in working capital</i>			
Change in inventories		-687	416
Change in operating receivables		545	-195
Change in operating liabilities		87	344
		-55	565
Cash flow from operating activities		2,398	3,136
INVESTING ACTIVITIES			
Acquisitions of operations (incl. capital contribution)	35:2	-1,076	-404
Divestment of operations	35:3	224	47
Investment in property, plant & equipment	35:4	-2,471	-2,228
Investment in intangible assets		-122	-105
Sale of property, plant & equipment and intangible assets		319	449
Change in financial investments		25	-69
Cash flow from investing activities		-3,101	-2,310
Cash flow before financing activities		-703	826
FINANCING ACTIVITIES			
Change in interest-bearing liabilities and pension provisions	35:5	200	-57
Paid-in contributed capital		171	153
Refunded capital contribution		-75	-50
Dividend paid		-445	-383
Cash flow from financing activities		-149	-337
Cash flow for the year		-852	489
Cash and cash equivalents at beginning of year		1,773	1,252
Exchange differences in cash and cash equivalents		6	32
Cash and cash equivalents at end of year	35:6	927	1,773

¹⁾ MSEK

	2017	2016
Adjustment for non-cash items		
Depreciation, amortization and impairment of non-current assets	1,242	1,165
Share of income of equity accounted companies	-117	-63
Capital gains/losses on sale of non-current assets and operations	-108	-23
Other non-cash items	90	223
Total	1,107	1,302

- Positive cash flow from operating activities of MSEK 2,398 (3,136)
- Cash flow from investing activities MSEK -3,101 (-2,310)
- Cash flow before financing activities MSEK -703 (826)

Cash flow from operating activities

The cash operating surplus, i.e. cash flow from operating activities before changes in working capital, gave a positive result of MSEK 2,453 (2,571). Cash flow from changes in working capital was MSEK -55 (565). The decline from the previous year is mainly due to increased inventories in the Agriculture Sector.

Cash flow from operating activities was MSEK 2,398 (3,136).

Cash flow from investing activities

Cash flow from acquisitions of operations was MSEK -1,076 (-404). Lantmännen has acquired K-maalat (renamed Lantmännen Agro Oy) from the Finnish Kesko Group, Marline, Franc's leading alkylate petrol producer, the Russian crispbread producer Orient Products, the Swedish baguette bakery Anderson Bakery and the district heating company Byavärme.

Divestments of operations generated a positive cash flow of MSEK 224 (47). Investments in property, plant and equipment and intangible assets totaled MSEK -2,593 (-2,333). Large investments were made in a number of bakeries, notably in Poland, Russia and Belgium, in the Strängnäs mill and production property acquisitions in Finland. Sales of property, plant and equipment and intangible assets generated a positive cash flow of MSEK 319 (449), mainly attributable to the sale of rental machinery in the Machinery Sector.

Cash flow from investing activities was MSEK -3,101, compared with MSEK -2,310 the previous year.

Cash flow before financing activities

Cash flow before financing activities was MSEK -703 (826).

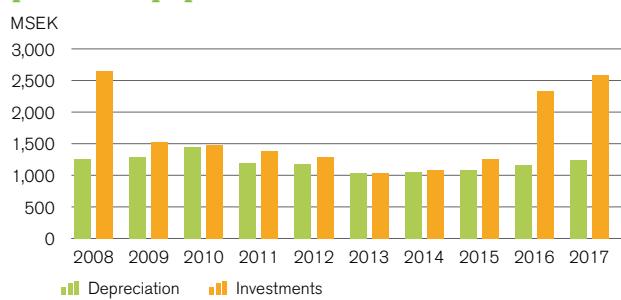
Cash flow from financing activities

Financing activities had an impact of MSEK -149 (-337) on cash flow. The dividend payment of MSEK -445 (-383) was distributed as follows: contribution dividend of MSEK -207 (-193) and refund and supplementary payment of MSEK -231 (-188) to members of the association.

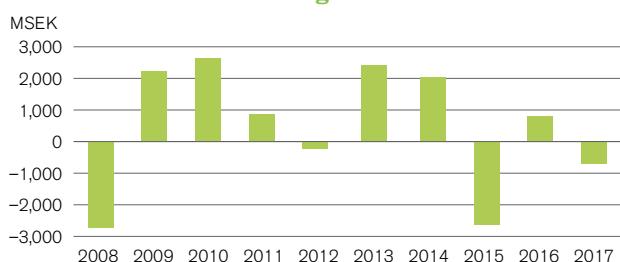
Cash flow for the year

Cash flow for the year was MSEK -852 (489) and the Group's cash and cash equivalents ended the year at MSEK 927 (1,773).

Depreciation/investment in property, plant and equipment



Cash flow before financing activities



Consolidated Statement of Changes in Equity

MSEK	Note	Contributed capital	Other contributed capital	Reserves	Retained earnings	Lantmännen's owners	Non-controlling interests	Total equity
Opening balance, January 1, 2016		2,146	2,775	-169	7,974	12,726	21	12,747
Net income for the year					1,273	1,273	1	1,274
Other comprehensive income, net of tax	-	-		281	-126	155	-	155
Total comprehensive income	-	-		281	1,147	1,428	1	1,429
Distributions to owners	50	120	-		-595	-425	-2	-427
Contributed capital paid in by members	153	-	-		-	153	-	153
Contributed capital paid out to members	-50	-	-		-	-50	-	-50
Associates' acquisition of NCI in subsidiaries, acquisition of DataVäxt with NCI, etc.	-	-	-		-37	-37	68	31
Closing balance, December 31, 2016	22	2,299	2,895	112	8,489	13,795	88	13,883
Opening balance, January 1, 2017		2,299	2,895	112	8,489	13,795	88	13,883
Net income for the year	-	-	-		1,301	1,301	4	1,305
Other comprehensive income, net of tax	-	-		118	-1	117	-	117
Total comprehensive income	-	-		118	1,300	1,418	4	1,422
Distributions to owners	69	115	-		-634	-450	-7	-457
Contributed capital paid in by members	171	-	-		-	171	-	171
Contributed capital paid out to members	-75	-	-		-	-75	-	-75
Other change	-	-	-		-	-	4	4
Closing balance, December 31, 2017	22	2,464	3,010	230	9,155	14,859	89	14,948

More information about equity can be found in the Parent Company's statement of changes in equity on  page 95 and in note 22.

Equity attributable to members of the economic association, MSEK	2017	2016
Contributed capital, paid in	1,208	1,101
Contributed capital, issued	1,256	1,198
Other equity	12,395	11,496
Total equity attributable to members of the economic association	14,859	13,795

Operations

The activities of the Parent Company Lantmännen ek för consist of Lantmännen's core operations in the Agriculture Sector, Agro Oil and the corporate functions.

Net sales and operating income

Net sales amounted to MSEK 11,571 (11,068). Operating income for the year was MSEK -10 (81). The figure for the previous year includes a capital gain of MSEK 75 on property sales.

Income after financial items

Net financial income amounted to MSEK 557 (780). Net financial income includes dividends of MSEK 597 (714), mainly from subsidiaries. Net financial income was also affected by currency effects of MSEK -54 (-39), mainly due to a weaker Swedish krona. Income after financial items was MSEK 547 (861).

Investments

Investments in non-current assets during the year totaled MSEK 130 (146).

Equity ratio

The equity ratio at the end of the year was 45.0 (43.9) percent.

Human resources

The average number of employees was 1,023 (997).

Member information

The number of members on December 31, 2017 was 25,021 (25,159). Refunded contributed capital is expected to be MSEK 64 (75) in 2018.

APPROPRIATION OF PROFIT

Refund and supplementary payment

The Board has decided to pay a 2.5 (2.5) percent refund on members' purchases of inputs from Lantmännen Lantbruk Sweden and a supplementary payment of 2.5 (2.5) percent for delivered grain, oilseed and grass seed. The Board has also decided to pay a refund of 0.5 (0.5) percent on members' purchases from the Machinery Sector's Swedish operations. The total refund and supplementary payment is estimated at MSEK 244 (231). The actual outcome of the 2016 refund and supplementary payment was MSEK 231, compared with MSEK 232 allocated in the 2016 financial statements.

The refund and supplementary payment are reported in the Parent Company's income statement. In the consolidated financial statements, the refund and supplementary payment are recognized directly in equity as a dividend.

Contribution dividend

The Board proposes that the Annual General Meeting adopt a contribution dividend of 9 (9) percent of the contributions' nominal value, totaling MSEK 222 (207), to direct members and local associations.

Contribution issue

The Board proposes that the AGM adopt a contribution issue of MSEK 100 (70). The issue capital will be distributed as follows: 75 percent based on members' paid-in and issued contributed capital and 25 percent on members' contribution-based turnover with the association in 2017.

In total, the proposed contribution dividend and contribution issue amount to 13 (12) percent of the association's contributed capital.

Subordinated debentures

The Board proposes that the AGM adopt a 6.0 (7.25) percent dividend on subordinated debentures, a total of MSEK 15 (18), based on the conditions in the subordinated debenture offer.

Proposal for appropriation of profit

The Board of Directors proposes that the Parent Company's unappropriated earnings of TSEK 8,046,571 be allocated as follows:

Contribution dividend	221,766 TSEK
Contribution issue	100,000 TSEK
Dividend on subordinated debentures	15,000 TSEK
Transferred to statutory reserve	100,000 TSEK
Carried forward	7,609,805 TSEK
Total	8,046,571 TSEK

Because of trading in contribution issues, the Board has decided that the date on which holdings give entitlement to a dividend (contribution dividend and contribution issue) is the date of the Annual General Meeting.

The dividend is calculated on the basis of the membership roll as updated on December 31, 2017. The contribution dividend amount may be changed as a result of changes in the membership roll up to May 7, 2018.

The 2017 Annual Report will be presented for adoption at the Annual General Meeting on May 7, 2018 at Hilton Stockholm Slussen Hotel, Guldgränd 8, Stockholm.

Parent Company Income Statement

MSEK	Note	2017	2016
Net sales, external		9,168	8,899
Net sales, intra-Group		2,403	2,169
Net sales, total	36	11,571	11,068
Change in products in progress, finished goods and work in progress for third parties		292	281
Other operating income	36	266	298
		12,129	11,647
Operating expenses			
Raw materials and consumables		-7,806	-7,308
Merchandise		-1,685	-1,747
Other external costs	37	-1,699	-1,574
Employee benefits expense	6	-790	-766
Depreciation, amortization and impairment		-159	-171
Total operating expenses		-12,139	-11,566
Operating income	38, 41	-10	81
Income from financial items			
Income from investments in Group companies	39	510	679
Income from investments in joint ventures/associates	39	1	32
Income from other securities and receivables classified as non-current assets	40	10	29
Interest income from Group companies		365	346
Other interest and similar income		78	79
Interest expenses to Group companies		-72	-62
Other interest and similar expenses		-281	-284
Exchange differences, financial items	41	-54	-39
Total financial items		557	780
Income after financial items		547	861
Refund and supplementary payment ¹⁾		-243	-231
Group contributions received		810	415
Other appropriations	50	0	-155
Income before tax		1,114	890
Tax on net income for the year	42	-99	17
NET INCOME FOR THE YEAR		1,015	907

¹⁾ The actual outcome for the 2016 refund and supplementary payment was MSEK 1 lower than the amount allocated in 2016. The difference has been recognized as revenue in 2017.

As there is no difference between net income and comprehensive income in the Parent Company, a statement of comprehensive income has not been prepared.

Parent Company Statement of Financial Position

MSEK	Note	2017 Dec 31	2016 Dec 31	MSEK	Note	2017 Dec 31	2016 Dec 31
ASSETS							
Non-current assets				EQUITY AND LIABILITIES			
Intangible assets	43	499	481	Equity	49		
Intangible assets		499	481	Restricted equity			
Property, plant and equipment	44	257	255	Member contributions		2,464	2,299
Land and buildings		19	49	Subordinated debentures		250	250
Investment properties	45	375	420	Restricted reserves		3,010	2,895
Plant and machinery		78	86			5,724	5,444
Other non-current assets		729	810	Non-restricted equity			
Non-current financial assets				Retained earnings		7,032	6,534
Investments in Group companies	46	7,795	8,892	Net income for the year		1,015	907
Investments in joint ventures/associates	16	1,222	1,242			8,047	7,441
Receivables from Group companies		4,381	2,651	Total equity		13,771	12,885
Receivables from joint ventures/associates		161	3	Untaxed reserves	50	466	466
Other non-current financial assets		172	168	Provisions			
Deferred tax asset	42	97	196	Provisions for pensions	51	3	3
Other non-current assets		10	-	Other provisions	52	122	143
		13,838	13,152	Total provisions		125	146
Total non-current assets		15,066	14,443	Non-current liabilities			
Current assets							
Inventories	47	2,554	2,052	Non-current interest-bearing liabilities ¹⁾		4,020	4,498
Trade receivables		1,460	1,590	Other non-current liabilities ¹⁾		3	6
Receivables from Group companies		11,840	10,468	Total non-current liabilities		4,023	4,504
Receivables from joint ventures/associates		21	34	Current liabilities			
Other current receivables ¹⁾		93	162	Current interest-bearing liabilities ¹⁾	53	2,313	2,140
Prepayments and accrued income ¹⁾	48	178	277	Trade payables		2,459	2,298
		16,146	14,583	Liabilities to Group companies		7,291	6,831
Cash and bank balances		186	1,146	Liabilities to joint ventures/associates		28	18
Total current assets		16,332	15,729	Other current liabilities ¹⁾		309	315
TOTAL ASSETS		31,398	30,172	Accruals and deferred income ¹⁾	54	613	569
				Total current liabilities		13,013	12,171
				TOTAL EQUITY AND LIABILITIES		31,398	30,172

Pledged assets and contingent liabilities, see note 56.

¹⁾ Interest-bearing and non-interest-bearing receivables and liabilities were reclassified in 2017. Corresponding reclassifications have been made for 2016.

Parent Company Statement of Cash Flows

MSEK	Note	2017	2016
OPERATING ACTIVITIES			
Operating income		-10	81
Refund and supplementary payment		-231	-188
Adjustment for non-cash items ¹⁾		158	95
		-83	-12
Financial items paid, net ²⁾		633	776
Taxes paid		0	0
Cash flow from operating activities before changes in working capital		550	764
<i>Cash flow from changes in working capital</i>			
Change in inventories		-501	218
Change in operating receivables		273	67
Change in operating liabilities		199	288
		-29	573
Cash flow from operating activities		521	1,337
INVESTING ACTIVITIES			
Acquisition of shares and interests, owner contributions etc.		-281	-1,438
Divested operations, share capital repayments		1,318	48
Investment in property, plant & equipment		-63	-90
Investment in intangible assets		-67	-56
Sale of property, plant & equipment and intangible assets		33	101
Change in financial assets		-2,838	-680
Cash flow from investing activities		-1,898	-2,115
Cash flow before financing activities		-1,377	-778
FINANCING ACTIVITIES			
Group contributions paid, net		415	862
Change in interest-bearing liabilities	55	131	925
Paid-in contributed capital		171	153
Refunded capital contribution		-75	-50
Dividend paid		-225	-209
Cash flow from financing activities		417	1,681
Cash flow for the year		-960	903
Cash and cash equivalents at beginning of year		1,146	243
Cash and cash equivalents at end of year ³⁾		186	1,146

MSEK		2017	2016
1) Adjustment for non-cash items			
Depreciation, amortization and impairment of non-current assets		159	171
Capital gains/losses on sale of non-current assets and operations		-1	-76
Total		158	95
2) Financial items			
Dividends received		597	714
Interest received		442	423
Interest paid		-339	-338
Other financial payments		4	27
Realized exchange gains/losses		-71	-50
Total		633	776
3) Cash and cash equivalents			
Cash and bank balances		186	1,146
Total		186	1,146

Parent Company Statement of Changes in Equity

MSEK	Contributed capital	Subordinated debentures	Restricted reserves	Non-restricted equity	Total equity
Equity, January 1, 2016	2,146	250	2,775	6,913	12,084
Net income for the year	-	-	-	907	907
Dividend paid ¹⁾	-	-	-	-209	-209
Contributed capital paid in by members	153	-	-	-	153
Contributed capital paid out to members	-50	-	-	-	-50
Appropriation of profit	50	-	120	-170	0
Equity, December 31, 2016	2,299	250	2,895	7,441	12,885
Net income for the year	-	-	-	1,015	1,015
Dividend paid ¹⁾	-	-	-	-225	-225
Contributed capital paid in by members	171	-	-	-	171
Contributed capital paid out to members	-75	-	-	-	-75
Appropriation of profit	69	-	115	-184	0
Equity, December 31, 2017	2,464	250	3,010	8,047	13,771

¹⁾ Contribution dividend MSEK -207 (-193), dividend on subordinated debentures MSEK -18 (-16), reported as interest expense in the Group.

MSEK 26 (18) of the contributed capital paid out comprises refunds resulting from changed investment obligation criteria for members, while MSEK 49 (32) comprises refunds to members who have left the association.

In 2018, an estimated MSEK 64 (75) in contributed capital will be refunded to members, distributed as follows: members who have left the association MSEK 29 (49) and changed investment criteria MSEK 35 (26).

The unmet obligation of members to invest in Lantmännen pursuant to the articles of association amounted to MSEK 559 (652) at December 31, 2017.

Contributed capital, MSEK	2017	2016
Paid-in contributed capital	1,208	1,101
Issued contributed capital	1,256	1,198
Total	2,464	2,299

Lantmännen ek för's subordinated debentures of MSEK 250 were issued on January 15, 2015. They have a term of 5 years and mature on December 30, 2019.

Notes to the annual financial statements

Amounts in MSEK unless otherwise stated.

Lantmännen ek för conducts its operations as a cooperative economic association and is headquartered in Stockholm, Sweden.

The address of the main office is S:t Göransgatan 160 A. The corporate identity number is 769605-2856.

The operations of the Lantmännen Group are described in the Board of Directors' report and in Note 4, Segment reporting.

The 2017 financial statements for the Group and Parent Company will be presented for adoption by the Annual General Meeting on May 7, 2018.

Notes – Group

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

Lantmännen'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 (IFRIC and SIC). 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.

Lantmännen applies the cost method for measuring assets and liabilities, except for derivative instruments and the categories 'available-for-sale financial assets' and 'financial assets and liabilities measured at fair value through profit or loss'. These financial assets and liabilities are also measured using the cost method in the Parent Company. Non-current assets and non-current liabilities essentially consist only of amounts expected to be recovered or paid after more than twelve months reckoned from the closing date. Current assets and current liabilities essentially consist only of amounts that are expected to be recovered or paid within twelve months reckoned from the closing date.

Standards, amendments and interpretations effective from 2017

In the 2017 Annual Report, the Group and Parent Company have applied, for the first time, the amended standards and interpretations effective for annual periods beginning on or after January 1, 2017. Apart from the amendment mentioned below, these have not had any material impact on the Group's or the Parent Company's financial reports.

IAS 7 Statement of Cash Flows (amendment)

IAS 7 has been amended and requires increased disclosures on changes in liabilities attributable to financing activities. The Group provides these disclosures in notes 23, 25 and 35. Corresponding disclosures for the Parent Company can be found in note 55.

Standards, amendments and interpretations effective on or after January 1, 2018

A number of new and amended IFRSs have not yet entered into force and have not been adopted early in preparing the Group's and the Parent Company's financial reports. IFRS that may affect the Group's or the Parent Company's

financial reports are described below. Other new or amended standards and interpretations published by the IASB are not expected to have any material impact on the Group's or the Parent Company's financial reporting.

IFRS 9 Financial Instruments

IFRS 9 covers the reporting of financial assets and liabilities and replaces IAS 39 Financial Instruments: Recognition and Measurement. As with IAS 39, financial assets are classified in different categories, some of which are measured at amortized cost and others at fair value. IFRS 9 introduces categories not found in IAS 39. Classification under IFRS 9 is based on the instrument's contractual cash flows and on the Company's business model. IFRS 9 also introduces a new model for impairment of financial assets. The purpose of the new model is to recognize credit losses earlier than under IAS 39. For liabilities, IFRS 9 is largely consistent with IAS 39. However, for liabilities carried at fair value, the portion of the fair value change attributable to own credit risk is presented in other comprehensive income, unless this causes inconsistencies in the reporting. Amended criteria for hedge accounting may result in more economic hedging strategies qualifying for hedge accounting under IFRS 9 than under IAS 39.

IFRS 9 Financial Instruments enters into force on January 1, 2018 and will be applied by the Group from that date. Comparative information will not be restated.

In 2017, the Group analyzed the effects of the transition to IFRS 9. Overall, no significant impact on the Group's financial position is expected.

Classification and measurement

The introduction of IFRS 9 essentially involves the following changes from classification under IAS 39:

- ▶ All holdings in interest-bearing securities in the Group's liquidity portfolios are classified as at fair value through profit or loss. Under IAS 39, some of these holdings are classified as available-for-sale financial assets, with changes in fair value recognized in other comprehensive income.
- ▶ Certain holdings classified as available-for-sale financial assets under IAS 39 are classified as at fair value through profit or loss under IFRS 9.
- ▶ Certain holdings classified as at fair value through profit or loss under IAS 39 are classified as at fair value through other comprehensive income under IFRS 9.

In summary, this means that assets measured at fair value through profit or loss will increase compared with IAS 39, which in turn may lead to certain earnings volatility in the future.

Note 1 continued

Impairment

Application of the impairment rules in IFRS 9 is not considered to have any material impact on recognized provisions for credit losses.

Hedge accounting

For the Group, the IFRS 9 hedge accounting rules do not bring any significant change with regard to identified hedging relationships compared with IAS 39 and do not have any material effect on reported values in the balance sheet and income statement.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces all previously issued revenue-related standards and interpretations with a single model for revenue recognition. According to IFRS 15, revenue must be recognized when a promised product or service is transferred to a customer, either over time or at a point in time. Revenue is the amount that the entity expects to receive in exchange for transferred goods or services.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Group and the Parent Company will apply the standard, including the 2016 amendments, from that date using the full retrospective method, with restatement of comparatives.

During 2017, the Group continued its evaluation of the impact of IFRS 15.

The transition to IFRS 15 has not had any material financial restatement effects as of the transition date, which means that no adjustment of opening equity on January 1, 2017 has been reported. In addition, no adjustments have been required for the comparative year 2017. The comparative figures for 2017 are therefore unchanged in the income statement, while there are some minor reclassifications in the balance sheet.

The introduction of IFRS 15 brings enhanced disclosure requirements and use of some new balance sheet items. The Group's new balance sheet items are described in more detail on  page 103. On the transition date and in the comparative year, the Group did not have any capitalized contract costs incurred while obtaining or fulfilling a contract. Nor is there any contract asset relating to a case where the Group has partly performed but is not entitled to claim payment until further performance occurs.

Contract liabilities for prepayments received were previously reported as deferred income in the balance sheet but are now referred to as a contract liability. In cases where a sale takes place with a right of return, this will give rise to a return liability and a return asset. However, these items did not occur to any significant extent on the transition date and in the comparative year.

IFRS 16 Leases

IFRS 16 replaces IAS 17 from January 1, 2019. Under the new standard, the lessee is required to report the obligation to make lease payments as a lease liability in the balance sheet. Right-of-use for the underlying asset during the lease term is reported as an asset. Depreciation of the asset is reported in the income statement as interest on the lease liability. Lease payments are apportioned between the finance charge and reduction of the lease liability. The standard is not mandatory for short-term leases (lease term less than 12 months) and leases where the underlying asset is of low value.

The new standard does not involve any major differences for lessors.

During the year, Lantmännen began its evaluation of the standard's impact. Both reported assets and liabilities are expected to increase. The income statement and financing activities in the cash flow statement will also be affected, but it has not yet been possible to make a reliable estimate of the relevant amounts.

The RFR 2 exception concerning leases will be applied for the Parent Company. This means that the Parent Company's principles for accounting for leases will be unchanged.

Changes to the Parent Company's accounting policies

The Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities has been updated. The amendments do not have any impact on the Parent Company's reporting.

ASSUMPTIONS AND ACCOUNTING ESTIMATES

To ensure preparation of the financial statements in accordance with IFRS, assumptions and estimates must be made that affect reported assets, liabilities, income and expenses, and other information disclosed. The actual outcome may differ from these estimates. Areas where assumptions and accounting estimates have the greatest impact on carrying amounts are described in more detail in  note 3.

JUDGMENTS IN THE APPLICATION OF ACCOUNTING POLICIES

Contributed capital in an economic association is refunded when the member leaves the association. Based on the rules contained in IAS 32 that are applicable to the contributed capital of cooperative enterprises, Lantmännen has, on the basis of the conditions that apply to capital contributions in accordance with its Articles of Association, made the judgment that the association's contributed capital shall be treated as equity in the consolidated financial statements.

Lantmännen has furthermore made the judgment that the refunds and supplementary payments payable to members, and which depend on the association's performance, shall be treated as dividends in the consolidated financial statements.

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. A Group entity is consolidated from the date on which the Group obtains control, or for associates, significant influence, over the enterprise, while divested Group entities are included in the consolidated financial statements up to and including the date on which the Group still has control, or for associates, significant influence, over the enterprise.

Subsidiaries

Subsidiaries are companies in which Lantmännen, directly or indirectly, holds or controls more than 50 percent of the votes or otherwise exercises control. There are no holdings not classified as subsidiaries where these conditions are met. In all companies currently classified as subsidiaries, Lantmännen owns more than 50 percent of the votes and capital.

The consolidated financial statements are prepared according to the acquisition 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 recognized as goodwill on consolidation. 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 recognized directly in the income statement.

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

Associates and joint ventures

Associates are companies over which Lantmännen 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. Companies over which Lantmännen and other parties have contractual joint control are classified as joint ventures. All companies in which Lantmännen holds between 20 and 50 percent of the voting rights are classified as joint ventures or associates. No companies with a larger or smaller ownership share are classified in this way.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost. Acquired assets and liabilities are measured in the same way as for subsidiaries, and the carrying amount includes goodwill and other Group adjustments. The Group's share of the company'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

Note 1 continued

income statement and is included in operating income. The share of income is calculated on the basis of Lantmännen's share of equity in the company. The equity method means that the consolidated carrying amount of investments in these companies corresponds to the Group's share of the equity of companies 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.

Non-controlling interests (minorities)

The minority interest's share of a subsidiary's net assets is recognized as a separate item in consolidated equity. In the consolidated income statement, the minority's share is included in accounting profit and information is disclosed about the amount in connection with the accounting profit. Shared-based transactions with minority shareholders are recorded as transactions within equity. Any difference between the minority's share of equity and consideration paid or received is recognized directly as a change in equity attributable to the Parent Company's owners.

With each acquisition, Lantmännen assesses whether the minority's share of equity should be measured at fair value or as a proportion of identifiable net assets.

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 recognized 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 recognized 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 recognized as part of the gain or loss on disposal.

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

Parent Company

The Parent Company recognizes all investments in Group entities, associates and joint ventures at cost, adjusted where applicable by accumulated impairment losses.

FOREIGN CURRENCY TRANSACTIONS AND BALANCE SHEET ITEMS

The various entities within the Group present their reports in the currency of the primary economic environment in which they operate (the functional currency). The consolidated financial statements are prepared in Swedish kronor (SEK), which is the Parent Company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date.

Foreign currency receivables and liabilities are remeasured at closing-date rates at the end of each reporting period. Exchange differences arising on such remeasurement, and upon payment of the transaction, are recognized in the income statement. However, exchange differences arising on remeasurement of items that are hedging transactions, and that qualify for hedge accounting, are recognized 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 recognized in other comprehensive income in the same way as translation differences relating to investments in foreign subsidiaries.

SEGMENT REPORTING

Reported operating segments are consistent with the internal reporting submitted to the chief operating decision maker, who is the person that allocates resources and evaluates the results of the operating segments. At Lantmännen, this role is assumed by the President, 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 four Sectors and Lantmännen Real Estate. The segments are organized around different types of products and services. The four Sectors are Agriculture, Machinery, Energy and Food. Activities not reported as a separate segment, mainly corporate functions, are reported as Other operations. A further description of the operating segments can be found in  note 4.

The segments are responsible for their operating income and the assets and liabilities used in their own operations, namely the operating capital. Financial items and taxes do not fall within the Sectors' responsibility; these are reported centrally for the Group. The same accounting policies are used for the segments as for the Group, apart from pensions (IAS 19 only at Group level) and financial instruments (IAS 39 only at Group level).

Transactions between Sectors, segments and other operations are carried out on commercial terms.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are recognized 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 300 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 recognized as an expense in the period in which it is incurred.

Investment properties

Investment properties are recognized at cost less accumulated depreciation and any accumulated impairment. The fair value of investment properties is provided as an additional disclosure, see notes 14 and 45. In the Group, properties where more than 90 percent is rented to parties other than Group entities are classified as investment properties.

Parent Company

In the Parent Company, properties are classified as investment properties when more than 90 percent is rented to other entities. The Parent Company's investment properties rented to Group entities are reported as operating properties in the consolidated financial statements.

Depreciation policies for property, plant and equipment

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

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

Note 1 continued

The following depreciation schedules are applied:

Buildings	15-100 years
Grain elevators	10-33 years
Property fixtures	10-25 years
Plant and machinery	5-20 years
Equipment, tools	5-15 years
Vehicles	5-10 years
Office equipment	3-10 years

INTANGIBLE ASSETS

An intangible asset is recognized 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 relationships are identified and measured normally in connection with business combinations. Expenditures on internally generated trademarks, customer relationships and internally generated goodwill are recognized 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 assessment 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 amortization and impairment losses. Trademarks with an indefinite useful life are not amortized but are tested annually for impairment in the same way as goodwill. Trademarks that Lantmännen 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.

Trademarks with a finite useful life are amortized on a straight-line basis over their expected useful life, which varies between 5 and 15 years.

Parent Company

The Parent Company recognizes the value of trademarks at cost less any accumulated amortization and impairment losses.

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 amortization and impairment losses.

Existing customer relationships are currently considered to have a useful life of between 7 and 15 years.

Research and development

Expenditure on research is recognized as an expense in the period in which it is incurred. Expenditure on development is recognized as an intangible asset only if it is technically and financially feasible to complete the asset, it is expected to provide future economic benefits and the cost of the asset can be measured reliably. For development of seed grain, this means that costs cannot be capitalized until an official variety test has shown potential success

for the variety. For development of fuels, expenditure is capitalized only when the product can demonstrate technical acceptance and commercial potential and political decisions have been made. Currently, this means that all expenditure on the development of commercial and similar products is expensed as incurred. Expenditure on development of business-related IC/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 amortized on a straight-line basis over the estimated useful life of 5 to 10 years.

Other intangible assets

Intangible assets also include patents, licenses and other rights. The assets are carried at cost less accumulated amortization and impairment losses. Amortization is straight-line over the expected useful life of the asset, which is estimated at 5-10 years.

Subsequent expenditure on other intangible assets increases the cost only if it is likely that the Group will have future economic benefit from the subsequent expenditure. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

IMPAIRMENT

Intangible assets with an indefinite useful life are not amortized but are tested for impairment annually or more frequently if there is an indication of impairment. The carrying amounts of assets that are amortized are regularly tested. At the end of each reporting period, an assessment is made as to whether there is any indication that the assets are impaired and need to be written down. The recoverable amount is estimated for these assets and for assets with indefinite useful lives. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An impairment loss is recognized if the recoverable amount is less than the carrying amount. A previously recognized 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 recognized 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 value in use, future cash flows are discounted using a pre-tax interest rate that takes into account a market assessment of risk-free interest rates and risk associated with the specific asset. At Lantmännen the risk premium is estimated in relation to the proximity of the operation to the farmer. Operations close to the farmer have a lower risk premium level.

INVENTORIES

Inventories are measured at the lower of cost and net realizable value at the reporting date. The cost is estimated by applying the FIFO (first in/first out) method or weighted average prices. The cost of self-produced goods includes, in addition to direct costs, 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.

Lantmännen's grain reporting is at weighted average prices. At each reporting date, the cost of grain is calculated on the basis of purchases already made, contracted purchases and grain-related hedging transactions. Based on these factors, an average purchase cost is calculated per crop and relevant volume. This purchase cost is then applied to the grain volumes sold during the reporting period and to existing stocks at the reporting date.

If the calculated cost indicates the existence of loss transactions at any point, these are recognized directly in the income statement.

Note 1 continued

RECOGNITION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments recognized in the statement of financial position include cash and cash equivalents, trade receivables, securities, loan receivables, derivatives, loan liabilities, trade payables and issued securities. Derivative instruments include forward contracts and swaps used primarily to cover risks relating to exchange rate and commodity price fluctuations and exposure to interest-rate risks. Derivative instruments are recognized in the statement of financial position when the agreements are made. Trade receivables are recognized in the statement of financial position when the invoice is issued. Trade payables are recognized when an invoice is received. Other financial assets and financial liabilities are recognized in the statement of financial position on the settlement date. A financial asset or part of the asset is derecognized on the settlement date or when it expires. A financial liability or part of a financial liability is derecognized on the settlement date or when it is extinguished in another manner.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

Classification takes place at the time the transaction is conducted. For the categories "Financial assets at fair value through profit or loss" and "Available-for-sale financial assets", the rules allow a certain choice. In these cases, the category is determined by the purpose of the holding.

Lantmännen classifies its financial instruments in the following categories:

Financial assets measured at fair value through profit or loss

A financial asset is assigned to this category if it is held for trading or if it was designated as at fair value through profit or loss on initial recognition. Derivative instruments with a positive market value are assigned to this category if they have not been identified as hedging instruments. Unlisted shares and interest-bearing securities are included in this category. Changes in fair value in this category are recognized in profit or loss.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category are carried at amortized cost and are subject to impairment testing. An impairment loss is recognized for a financial receivable if events occur that provide evidence that the future cash flows from the asset will be adversely affected. Impairment testing of trade receivables is based on an individual assessment of each past due receivable and the counterparty in question. Recurrent late payment, non-payment or other financial troubles from the counterparty are seen as evidence of impairment. If a receivable is considered uncollectible, a provision is recognized, which is the difference between the carrying amount of the asset and the amount expected to be received. The provision remains in place until payment is received, a reassessment is made or a loss is established.

Available-for-sale financial assets

A financial asset that has not been classified in any of the above categories and is not a derivative instrument is included in this category. This category mainly contains listed shares and interest-bearing securities. The financial assets are recognized at fair value, and the change in value is recognized in OCI in equity until the asset is sold. If there is objective evidence that the asset is impaired, the loss that was recognized in OCI is reclassified to the income statement.

Financial liabilities measured at fair value through profit or loss

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

Other liabilities

This category includes all liabilities except for derivative instruments. Other liabilities are carried at amortized cost. Interest-bearing loans are initially recognized at cost corresponding to the fair value of the performance received. Transaction costs are amortized over the term of the loan using the effective interest method.

Non-current financial assets

Equities and interest-bearing securities acquired for permanent use in operations are reported under non-current financial assets.

Short-term investments

Short-term investments include short-term bank deposits with an original maturity of between 3 and 12 months or instruments that are immediately marketable.

Cash and cash equivalents

Cash and cash equivalents comprise cash, immediately available bank deposits as well as money market instruments with an original maturity of less than three months.

HEDGE ACCOUNTING

Hedge accounting may be applied if certain criteria are met with regard to documentation of the hedge relationship and the hedge effectiveness. Most of the derivative contracts used at Lantmännen have been entered into to hedge risks such as currency risk. The majority of the derivative instruments held by Lantmännen are hedging instruments that qualify for hedge accounting. Financial derivative instruments that are hedging instruments hedge either an asset or a liability, a net investment in foreign operations or are a hedge of an actual or forecast transaction.

IAS 39 defines three different hedging relationships: cash flow hedges, hedging of net investments and fair value hedges. Lantmännen currently only applies cash flow hedging and hedging of net investments in a foreign operation.

Cash flow hedging – general

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 recognized in other comprehensive income and accumulated in equity. When the hedged position is recognized in profit or loss, the result of the revaluation of the derivative instrument is also transferred to profit or loss.

Hedging of net investments

Hedging of net investments refers to hedges held to reduce the effect of changes in the value of a net investment in a foreign operation owing to a change in foreign exchange rates. Foreign currency gains or losses arising from remeasurement of the fair value of the instruments used for these hedges are recognized in other comprehensive income and accumulated in equity. The result is reclassified from equity to profit or loss upon disposal of the foreign operation. Net investments are currently hedged by borrowing and currency swaps in the corresponding foreign currency. Exchange differences on receivables which represent an extended investment in subsidiaries are recognized in OCI in the same way as translation differences relating to investments in foreign subsidiaries.

Parent Company

In the Parent Company, financial instruments are accounted for using the cost method in accordance with RFR 2 and where interpretation guidance is taken from the K3 rules. Consequently, derivatives are measured at the lower of cost and net realizable value at the reporting date. When hedge accounting is applied, value changes for the hedged item and the hedging instrument are not recognized in the statement of financial position.

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

If a financial instrument is traded in an active market, the quoted prices are used to determine the fair value. This applies, for instance, to commodity futures and energy derivatives.

For unlisted financial instruments, or if the market for a certain financial asset is inactive, the value is determined through the application of generally

Note 1 continued

accepted valuation techniques. Lantmännen makes assumptions based on the market conditions prevailing at the reporting date. The fair value of forward exchange contracts and currency swaps is estimated based on current forward rates at the reporting date. Interest rate swaps are valued using estimates of future discounted cash flows. Market rates and current credit margins form the basis for determining the fair value of long-term borrowings. For financial assets and liabilities with short maturities, the fair value is estimated at cost adjusted for any impairment. If the fair value of an equity instrument cannot be determined, it is recognized at cost adjusted for any impairment.

PROVISIONS

Provisions are recognized when Lantmännen 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 is recognized 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 warranty obligations are made and estimated on the basis of previous years' warranty costs and an assessment of the future warranty risk. Provisions are made when the product or service has been sold. 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

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

Pension costs and pension obligations for defined benefit plans are calculated according to the projected unit credit method. This method allocates the costs for pensions as the employees carry out services for the company that increase their entitlement to future benefits. The company's obligation is calculated annually by independent actuaries. The obligation comprises the present value of the expected future payments. The discount rate that is used corresponds to the interest rate for high-quality corporate bonds or treasury bonds with a maturity that corresponds to the average term for the obligations and the currency. An interest rate equivalent to the interest rates of high-quality mortgage bonds is used for Swedish plans. 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 assumption changes. Actuarial gains and losses are recognized 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 reported as part of the pension obligation.

Parent Company

The Parent Company applies the Pension Obligations Vesting Act (Tryggandelagen) and the Swedish Financial Supervisory Authority's rules relating to defined benefit pensions, which is a requirement for tax deductibility. The accounting follows RFR 2 Accounting for Legal Entities. The most significant differences from the rules in IAS 19 relate to the determination of the discount rate and the fact that the obligation is calculated on the basis of present salary level and that actuarial gains and losses are recognized in the income statement as soon as they arise.

Termination benefits

A provision for costs in connection with termination of personnel is recognized 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 recognized as a provision when a detailed plan for the measure is presented.

Variable salary

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

TAXES

The Group's tax expense consists of current tax and deferred tax. Taxes are recognized in the income statement, except when the underlying transaction is recognized directly in OCI, in which case the related tax effect is also recognized in OCI. However, in the case of contribution dividends, refunds and supplementary payments, which are reported as dividends in the Group's equity, the tax effect of these tax-deductible items is recognized in the income statement as part of the year's tax expense. 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 recognized 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 recognized, as, in each case, Lantmännen 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 recognized 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.

Parent Company

Because of the relationship between tax expense and accounting profit, the Parent Company recognizes deferred tax liabilities in untaxed reserves. (However, in the consolidated financial statements, untaxed reserves are divided into deferred tax liabilities and equity.)

REVENUE

Revenue is recognized net of value added taxes, excise duties and, where relevant, the value of discounts provided.

Revenue from the sale of goods and services is recognized on delivery to the customer and in accordance with the terms of the sale, i.e., when the significant risks and rewards of ownership have been transferred to the customer. Rental income is recognized in the period to which the rental relates.

Interest income is recognized on a time-proportion basis using the effective interest method.

Royalties and similar revenues are recognized on an accruals basis in accordance with the substance of the relevant agreement.

Note 1 continued

Dividends are recognized when the right to receive a dividend has been established.

Other revenue includes compensation for sales outside the Group's ordinary activities, such as external rental income, gains or losses on sales of non-current assets and gains or losses on disposals of Group entities.

REFUND AND SUPPLEMENTARY PAYMENT

Members of Lantmännen ek för may receive a refund for purchases from the association and the Swedish machinery business, and a supplementary payment on sales to the association. The amount of the refund and supplementary payment is decided by the Board at the end of the year. The refund and supplementary payment represents part of the economic association's dividend to its members and is recognized as a dividend in the consolidated financial statements.

Parent Company

In the Parent Company the refund and supplementary payment is recognized as an expense in the income statement and is reported under income after financial items. It is not recognized on an accruals basis during the year but in its entirety when the Board makes its decision on the refund and supplementary payment amount.

LEASING

The Group acts both as lessor and lessee. The Group acts as a lessor only with regard to goods it normally sells, i.e., in connection with customer financing.

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

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

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

When the Group is lessor, assets leased under operating leases are recognized as non-current assets in the statement of financial position and are depreciated over their estimated useful life. The lease payments are included in operating income and allocated on a straight-line basis over the term of the lease. In the case of finance leases, the transaction is recognized as a sale that gives rise to a receivable, which is recognized as a finance lease receivable. Payments received in connection with finance leases are recognized as interest income and amortization of the finance lease receivable.

Parent Company

All leases in the Parent Company are accounted for according to the rules for operating leases. The Parent Company only acts as a lessee.

GOVERNMENT GRANTS

Government grants are recognized 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 recognized in profit or loss on a systematic basis over the periods in which the Group recognizes 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 recognized as other income.

BORROWING COSTS

Borrowing costs attributable to investments in assets that take more than 12 months to complete, and for which the investment amount is at least MSEK 300, are capitalized as part of the investment amount. Other borrowing costs are expensed in the period in which they are incurred.

BIOLOGICAL ASSETS

Biological assets are measured and carried at fair value in accordance with IAS 41. Within Lantmännen there are businesses that own and manage biological assets. These assets normally have a short life, less than one year. For that reason, Lantmännen has chosen to view the recognized cost as an estimate of fair value. These operations account for a small fraction of Lantmännen's overall operations.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Lantmännen only reclassifies assets as held for sale if their value is substantial. The current threshold is MSEK 50.

GROUP CONTRIBUTIONS AND SHAREHOLDER CONTRIBUTIONS

Parent Company

Lantmännen accounts for group contributions according to the RFR2's alternative rule, whereby both group contributions received and group contributions made are reported as an appropriation.

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 companies in the Lantmännen 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 Parent Company's strategies, Board members have significant influence over the Parent Company and are therefore considered to be related parties. The purpose of an economic association is to promote the economic interests of its members through the economic activities in which they participate. Accordingly, purchases and sales of goods and services have been conducted during the financial year between the Parent Company and individual Board members who are members of the association. These individual Board members also participate in the financing of the association. Transactions between Board members in their capacity as owners and the economic association have taken place in accordance with the association's objectives. As Board members are subject to the same conditions as other members, the amounts involved in these transactions are not disclosed.

Exchange rates for the Group's major currencies:

	2017		2016	
	Average rate	Closing rate	Average rate	Closing rate
DKK	1.29	1.32	1.27	1.29
EUR	9.63	9.85	9.47	9.57
GBP	10.99	11.10	11.57	11.18
NOK	1.03	1.00	1.02	1.05
RUB	0.15	0.14	0.13	0.15
USD	8.54	8.23	8.56	9.10

New accounting policies from January 1, 2018

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue recognition

Lantmännen generates its main revenue from the sale of finished products, but also from services rendered, licensing and property leasing. Lantmännen's operations and sales are divided into different segments. The product portfolio is therefore diversified, but the principles for revenue recognition for product or service sales are the same in all segments. Revenue from property leasing is recognized in accordance with the rules for lease revenue.

Performance obligations and timing of revenue recognition

The Group manufactures/processes or imports and sells finished products and accessories. Sales are through dealers/retailers and directly to farmers, industrial customers and consumers. In customer contracts for the sale of products, there are usually 1-2 performance obligations depending on the segment: goods, in some cases an extended warranty and a service. Revenue is recognized at the point in time when control of the asset is passed to the customer, which is dependent on the shipping conditions.

Rights of return and repurchase obligations

When the Group sells goods to customers with rights of return, implicit or explicit, a liability is recognized for the expected repayment and an asset for the right to recover goods from customers on settlement of the repayment liability when the goods are returned. These items are classified in the balance sheet as a return liability and a return asset (under Inventories). Historical experience is used to estimate the proportion of returns at the time of sale ("expected value method") and revenue is recognized only for products not expected to be returned.

Some customer contracts are based on an entity's obligation to repurchase the product, i.e. a repurchase agreement. If the Group has an obligation to repurchase the asset at the customer's request, the Group considers at contract inception whether the customer has a significant economic incentive to exercise that right. If the buyer has a significant economic incentive to exercise its right, this results in the customer effectively paying the Group consideration for the right to use an asset for a certain period of time. The Group then accounts for the agreement as a lease in accordance with IAS 17. If the buyer does not have a significant economic incentive to exercise its right, the Group accounts for the agreement as if it were the sale of a product with a right of return.

Warranty commitments

In certain cases, the Group has customer contracts that include an extended warranty commitment. Revenue from such warranties is reported on a straight-line basis over the warranty period, unless some other method provides a better measure of the fulfillment of the performance obligation. An extended warranty is considered to exist when the customer is able to buy this service, it is separately priced and the warranty extends beyond the standard warranty required by law. The Group's obligation to take back defective products under the standard warranty required by law is accounted for in accordance with IAS 37.

Determination of transaction price

Volume discounts

In sales with volume discounts, the probable outcome of the sales volume and the associated discount is estimated at the time of the sale. The estimated discount is then included in the transaction price, thus reducing revenue. The assessment of the volume outcome is revised on each reporting date.

Joint marketing activities

Certain sales may include an agreement with the customer on joint marketing activities. Sales to retailers (stores) may include listing fees, which are fees paid to the customer in order to receive special product placement in the store. These fees are considered part of the underlying sales transaction and reduce the transaction price, and thus the revenue. Other joint market activities with a customer are assessed on a case-by-case basis to determine whether the activity is part of the sales transaction or whether a distinct service or product

is purchased in the form of the market activity. If the market activities are considered part of the sales transaction, their costs reduce the transaction price and thus the revenue for the transaction.

Trade-in products

In product sales (agricultural or construction machinery) where the sale transaction includes the trade-in of an older machine, the transaction is formulated in such a way that the trade-in is classified as a machine purchase. The trade-in takes place as a new sale and at the customer's request, and the trade-in price is the machine's market value.

Services

The Group performs services in crop production and farming, including repairs, servicing and maintenance of products. Revenue from services in crop production and farming is reported when the service is performed. Revenue from maintenance and servicing of products is reported on a straight-line basis over the contract period, unless some other method provides a better measure of the fulfillment of the performance obligation.

Revenue from administrative and property services, both of which are often provided under longer contracts, is reported when the service is performed and the customer can benefit from the service.

Software licenses

The Group licenses intellectual property such as software in machinery. Free-standing software in machinery is classified as a "right-to-use" license and is recognized as revenue at a given point in time, usually the license date of issue. Licenses considered to be an integral part of a machine are recognized as revenue together with the machine, which is when control of the machine passes to the customer.

Royalty revenue

The Group sells seed, forages and other crops with license agreements. License agreements contain royalties that are based on the customer's use or sale of the goods containing the intellectual property. Sales-based or usage-based royalties are recognized when the subsequent sale or use occurs.

New balance sheet items

In cases where the Group receives advance payments from its customers, these are reported as contract liabilities under Trade and other payables in the statement of financial position. A trade receivable is recognized when the goods have been delivered or the service has been performed, and when the right to consideration is unconditional as only the passage of time is required before payment of the consideration is due. Only in exceptional cases does it happen that the Group has partly fulfilled its performance obligation but is not entitled to consideration until further performance occurs. In these cases, a contract asset is recognized and reported under Trade and other receivables. If the claim on the customer is unconditional, but invoicing has not yet taken place, a receivable not yet invoiced is reported under Trade and other receivables. When reporting rights of return, a return liability is reported under Trade and other payables and a return asset under Inventories.

RECOGNITION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments recognized in the statement of financial position include cash and cash equivalents, trade receivables, securities, loan receivables, derivatives, loan liabilities, trade payables and issued securities. Derivative instruments include forward contracts and swaps used primarily to cover risks relating to exchange rate and commodity price fluctuations and exposure to interest-rate risks. Derivative instruments are recognized in the statement of financial position when the agreements are made. Trade receivables are recognized in the statement of financial position when the invoice is issued. Trade payables are recognized when an invoice is received. Other financial assets and financial liabilities are recognized in the statement of financial position on the settlement date. A financial asset or part of the asset is derecognized on

Note 1 continued

the settlement date or when it expires. A financial liability or part of a financial liability is derecognized on the settlement date or when it is extinguished in another manner.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

The classification of financial instruments forms the basis for their recognition and measurement.

Financial assets

Classification of financial assets is based on the business model that Lantmännen applies to manage the financial assets and the contractual cash flow characteristics of the financial assets.

The following three measurement categories are applicable to financial assets:

- ▶ Amortized cost
- ▶ Fair value through other comprehensive income
- ▶ Fair value through profit or loss

A financial asset is measured at amortized cost if:

- ▶ The financial asset is managed within a business model whose objective is to realize the financial asset's cash flows by collecting contractual cash flows; and
- ▶ The contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if:

- ▶ The financial asset is managed within a business model whose objective is to realize the financial asset's cash flows by collecting contractual cash flows and by selling the asset; and
- ▶ The contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

For equity instruments not held for trading, Lantmännen may choose to present value changes in other comprehensive income on initial measurement.

All other financial assets are measured at fair value through profit or loss.

Business model assessment

Lantmännen assesses which business model a financial asset is managed in at the portfolio level or by type of financial asset, as this reflects how the financial assets are managed, evaluated and reported to management.

Information on which the business model assessment is based:

- ▶ policies and instructions for the current portfolio or type of assets and how they are applied in practice;
- ▶ evaluation and monitoring of the portfolio's return;
- ▶ risks affecting the return, and their management;
- ▶ Compensation of staff managing financial assets, e.g. whether the compensation is based on changes in the fair value of assets; and
- ▶ frequency and volume of sales of assets, and the reason for the sales.

Financial assets held for trading or which are managed and evaluated based on their fair values are measured at fair value through profit or loss.

Assessment of contractual cash flows

For this assessment, interest is defined as compensation for the time value of money, compensation for credit risk for the principal amount outstanding over a specific period of time and other risks associated with the lending of capital.

To assess whether the contractual cash flows consist solely of payments of principal and interest on the principal amount outstanding, Lantmännen uses the contractual terms of the financial asset as its basis. The assessment is aimed at determining whether there are conditions that may change the time and/or size of the contractual cash flows in such a way that they no longer consist solely of payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost

Financial assets measured at amortized cost consist mainly of long-term and short-term loans, trade receivables and bank funds. The objective of these financial assets is to collect contractual cash flows.

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income consist of holdings in shares that do not qualify as subsidiaries or associates, held for strategic reasons and to promote Lantmännen's business activities.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss consist of holdings of bonds, shares held as financial investments and derivative instruments with a positive fair value and not identified as hedging instruments in a hedging relationship.

Financial liabilities

Financial liabilities are measured either at amortized cost or at fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss

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

Other liabilities

This category includes all liabilities except for derivative instruments. Other liabilities are carried at amortized cost. Interest-bearing loans are initially recognized at cost corresponding to the fair value of the performance received. Transaction costs are amortized over the term of the loan using the effective interest method.

Non-current financial assets

Equities and interest-bearing securities acquired for permanent use in operations are reported under non-current financial assets.

Short-term investments

Short-term investments include short-term bank deposits with an original maturity of between 3 and 12 months or instruments that are immediately marketable.

Cash and cash equivalents

Cash and cash equivalents comprise cash, immediately available bank deposits as well as money market instruments with an original maturity of less than three months.

IMPAIRMENT OF FINANCIAL ASSETS

Impairment losses are calculated and recognized for financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income. Impairment is not recognized for holdings of equity instruments.

Reserves for credit losses are calculated and reported initially on the basis of twelve months' expected credit losses. If the credit risk has increased significantly since the financial asset's initial recognition, credit loss provisions are calculated and reported based on expected credit losses for the asset's entire remaining life. For trade receivables, which do not contain a significant financing component, a simplified approach is applied and credit loss provisions are calculated and reported based on expected credit losses for the entire remaining life, regardless of whether or not the credit risk has increased significantly.

Lantmännen mainly bases the calculation of expected credit losses on an individual assessment of the relevant receivable, together with information on historical losses for similar assets and counterparties. The historical information is continuously evaluated and adjusted based on the current situation and Lantmännen's expectation of future events.

Note 1 continued

HEDGE ACCOUNTING

Lantmännen applies hedge accounting, provided the criteria for hedge accounting are in place. The criteria for hedge accounting are as follows:

- ▶ The hedging relationship consists only of eligible hedging instruments and hedged items;
- ▶ At the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge;
- ▶ The hedging relationship meets all of the hedge effectiveness requirements (that there is an economic relationship, that the effect of credit risk does not dominate and that the hedge ratio is the same as that actually used in the hedge).

Most of Lantmännen's derivative contracts have been entered into to hedge risks such as currency risk and commodity risk. The majority of the derivative instruments held by Lantmännen are hedging instruments that qualify for hedge accounting. Financial derivative 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.

IFRS 9 defines three different hedging relationships: cash flow hedges, hedging of net investments and fair value hedges. Lantmännen only applies cash flow hedging and hedging of net investments.

Cash flow hedging – general

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, fair value changes for the derivative instrument (hedging instrument) are recognized in other comprehensive income and accumulated in equity. When the hedged position is recognized in profit or loss, the result of the revaluation of the derivative instrument is also transferred to profit or loss.

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. Exchange gains or losses arising from remeasurement of the fair value of the instruments used for these hedges are recognized in other comprehensive income and accumulated in equity. The result is reclassified from equity to profit or loss upon disposal of the foreign operation. Net investments are currently hedged by borrowing and currency swaps in the relevant investment currency.

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

Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment that is attributable to a particular risk and could affect profit or loss. For a fair value hedge, the gain or loss on the derivative instrument's fair value is recognized in profit or loss. The hedged item is remeasured at fair value, taking into account the hedged risk, and is recognized in profit or loss along with the gains or losses on the derivative instrument's fair value.

PARENT COMPANY

In the Parent Company, financial instruments are accounted for using the cost method in accordance with RFR 2 and where interpretation guidance is taken from the K3 rules. If hedge accounting is applied, this is done on the basis of the criteria set out in IFRS 9. When hedge accounting is applied, value changes for the hedged item and the hedging instrument are not recognized in the statement of financial position. Derivatives for which hedge accounting is not applied are measured at the lower of cost and net realizable value at the reporting date.

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

If a financial instrument is traded in an active market, the quoted prices are used to determine the fair value. This applies, for instance, to commodity futures and energy derivatives. For unlisted financial instruments, or if the market for a certain financial asset is inactive, the value is determined through the application of generally accepted valuation techniques. Lantmännen makes assumptions based on the market conditions prevailing at the reporting date. The fair value of forward exchange contracts and currency swaps is estimated based on current forward rates at the reporting date. Interest rate swaps are valued using estimates of future cash flows discounted to current market rates. Market rates and current credit margins are the basis for determining the fair value (for information purposes) of long-term borrowings. For financial assets and liabilities with short maturities, the fair value is estimated at cost adjusted for any impairment.

Note 2 Significant events after the end of the period

In January, Lantmännen acquired a majority shareholding in the company ThermoSeed Global. The acquisition ensures continuing investment in environmentally-friendly seed treatment, both in Sweden and internationally.

Bengt Alestig took over as CEO of Lantmännen Maskin in early 2018. Magnus Kagevik has been appointed as new Head of the Energy Sector, starting in March 2018.

Note 3 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 recognized 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 the Lantmännen Group's financial position and financial statements is provided below. The carrying amounts at the reporting date can be found in the statement of financial position and associated notes.

Impairment of goodwill and other assets

Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually or whenever there are indications of possible impairment – in situations such as a changed business environment, a divestment decision or closure of operations. The Group's goodwill and other intangible assets amounted to MSEK 8,565 (7,591) at the end of the year, corresponding to 57 (55) percent of the Group's equity. 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. The estimates are based on the latest financial plan. An impairment loss is recognized if the estimated value in use is lower than the carrying amount.

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

See also  note 7.

Deferred tax assets and tax liabilities

Assessments are made to determine deferred tax assets and tax liabilities. Deferred tax assets, which arise mainly from loss carryforwards, are recognized as an asset when it is considered likely that the deferred tax assets 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 details about amounts can be found in  note 12.

Pensions

The value of pension obligations for defined benefit pension plans is determined by using actuarial calculations based on assumptions about discount rates, future salary increases, inflation and demographics. The discount rate, which is the most critical assumption, is based on the market return on high-quality corporate bonds, namely mortgage bonds with long maturities. The rate is extrapolated to correspond to the pension plan's obligations. A lower discount rate increases the present value of the pension obligation and pension cost, while a higher discount rate has the reverse effect. A 0.25 percent change in the discount rate would change the pension obligation by MSEK 88-94.

For more information about amounts and further sensitivity analyses, see  note 25.

European Commission's ongoing investigation

A provision of MSEK 440 has been recognized in connection with the European Commission's ongoing investigation of Lantmännen Agroetanol and two other ethanol producers for alleged infringement of EU competition law. The size of the provision is based on Lantmännen's best judgment as at December 31, 2017.

For information about provisions, see  note 26.

Note 4 Segment reporting

INFORMATION ABOUT OPERATING SEGMENTS

Financial year 2017 MSEK	Agriculture Sector	Machinery Sector	Energy Sector	Food Sector	Lantmännen Real Estate	Other operations	Group-wide	Total Group
Net sales								
External sales	11,151	11,128	2,807	14,299	244	57	-	39,686
Internal sales	1,916	12	77	50	267	390	-2,712	0
Total net sales	13,067	11,140	2,884	14,349	511	447	-2,712	39,686
Operating income per segment	340	381	142	739	302	-154	-73	1,677
<i>Of which share of income of joint ventures/associates</i>	82	2	20	49	1	-	-	154
Finance income								151
Finance costs								-307
Tax expense for the year								-216
Net income for the year								1,305
Other disclosures								
Assets	5,247	3,470	1,732	16,710	2,312	1,493	-446	30,518
Share of equity in joint ventures/associates	1,491	17	184	297	109	84	-	2,182
Unallocated assets								1,840
Total assets	6,738	3,487	1,916	17,007	2,421	1,577	-446	34,540
Liabilities	1,662	2,190	844	2,549	236	2,903	-446	9,938
Unallocated liabilities								9,654
Equity								14,948
Total liabilities and equity	1,662	2,190	844	2,549	236	2,903	-446	34,540
Investments	112	532	86	1,351	440	72	-	2,593
Depreciation, amortization and impairment	-123	-214	-62	-765	-54	-24	-	-1,242

Financial year 2016 MSEK	Agriculture Sector	Machinery Sector	Energy Sector	Food Sector	Lantmännen Real Estate	Other operations	Group-wide	Total Group
Net sales								
External sales	9,059	11,334	2,616	13,985	239	11	-	37,244
Internal sales	1,708	9	82	63	216	409	-2,487	0
Total net sales	10,767	11,343	2,698	14,048	455	420	-2,487	37,244
Operating income per segment	318	316	4	1,058	281	-182	-189	1,606
<i>Of which share of income of joint ventures/associates</i>	46	-	17	35	-	-	-	98
Finance income								165
Finance costs								-314
Tax expense for the year								-183
Net income for the year								1,274
Other disclosures								
Assets	4,062	3,747	1,230	15,613	2,111	1,509	-437	27,835
Share of equity in joint ventures/associates	1,412	-	177	254	8	45	-	1,896
Unallocated assets								2,759
Total assets	5,474	3,747	1,407	15,867	2,119	1,554	-437	32,490
Liabilities	1,128	2,144	701	2,647	226	2,619	-268	9,197
Unallocated liabilities								9,410
Equity								13,883
Total liabilities and equity	1,128	2,144	701	2,647	226	2,619	-268	32,490
Investments	82	324	48	1,439	383	57	-	2,333
Depreciation, amortization and impairment	-120	-206	-63	-700	-48	-28	-	-1,165

Note 4 continued

INFORMATION ABOUT GEOGRAPHIC AREAS

MSEK	2017		2016	
	External sales	Non-current assets	External sales	Non-current assets
Sweden	18,242	7,944	17,089	7,334
Germany	4,720	1,425	4,497	1,310
Finland	3,735	3,074	1,998	2,750
Denmark	2,855	2,264	3,392	2,299
Norway	2,108	303	2,975	322
United Kingdom	1,389	873	1,585	895
Netherlands	1,191	19	884	18
Baltic Region	854	742	886	680
Belgium	549	1,564	450	1,423
Spain	500	1	530	1
Russia	456	925	329	513
Poland	452	563	390	311
France	358	406	430	0
Switzerland	281	0	158	0
Rest of Europe	808	334	595	332
United States	944	340	864	397
Rest of world	244	0	192	0
Total	39,686	20,777	37,244	18,585

No Lantmännen customer accounts for 10 percent or more of the Group's total sales.

The information presented regarding distribution of revenue by geographical area is grouped according to customer location.

Information regarding assets is based on geographical areas grouped according to asset location, i.e., where the entity carries on its production of goods and services, and includes property, plant and equipment, intangible assets and investments in associates.

Lantmännen's activities are operationally divided into four Sectors and Lantmännen Real Estate.

Internal reporting to Group Management and the Board corresponds with the Group's operational structure, which means the Group's operating segments are its Sectors and Lantmännen Real Estate. The division is based on the Group's operations from a product and customer perspective.

Sales between the Group's entities are conducted at market terms and conditions.

The assets and liabilities used in the segments' operating activities are attributed directly to the Sector that is responsible for the relevant area. These assets and liabilities include property, plant and equipment, intangible assets, current assets, operating liabilities and provisions attributable to the sale of goods and services, i.e., the Sectors' operating capital. Assets and liabilities are attributed directly to the Sectors or allocated to them in a reasonable and reliable manner.

Responsibility for the management of what the Group defines as financial assets and liabilities, and for the Group's tax lies with the corporate functions at central level. Financial assets and liabilities, provisions for pensions, taxes, gains and losses on the remeasurement of financial instruments (IAS 39) and pension obligations (IAS 19) have not been allocated to each Sector.

All capital expenditure on property, plant and equipment and intangible assets, apart from expendable equipment and company acquisitions, is included in the segments' investments.

The Group consists of four Sectors, each specializing in different industries, and Lantmännen Real Estate. The segment 'other operations' includes a number of small companies which are controlled at central level. The Sectors are outlined below:

The Agriculture Sector, which constitutes the Group's core business, develops and markets products and services to promote strong, competitive farming. The Sector offers a wide range of livestock and crop production products under strong brands. The Agriculture Sector is a major player in the grain market, conducting trade in grain, oilseeds, pulses and forages with farmers, grain traders

and industry around the Baltic Sea and globally. The Sector operates in Sweden and internationally. The Sector is responsible for Lantmännen's ownership interests in the associates HaGe Kiel, Scandagra Group and Scandagra Polska.

The Machinery Sector comprises the business areas Lantmännen Maskin, specializing in agricultural machinery, Swecon, which operates in construction machinery, and Agro Oil, which develops and sells lubricants. The Machinery Sector continues to focus on machinery sales and further development of concepts related to servicing and services, such as service contracts, financing, spare parts and accessories, and driver training.

The Energy Sector is one of Sweden's largest producer of bioenergy products. The Sector's companies manufacture and market sustainable ethanol, protein feed, carbonic acid, glucose syrup, starch products, alkylate petrol, vodka and gluten. Lantmännen Agroetanol, Lantmännen Aspen and Lantmännen Reppe are part of the Energy Sector. The Sector is also responsible for Lantmännen's ownership interests in the partly-owned company Scandbio, Sweden's largest wood fuel company.

The Food Sector develops, processes and markets flour, breakfast foods, pasta, frozen and fresh bread, crispbread and ready meals. Operations are based around the Baltic Sea and the Sector has a presence in about 20 countries. The Sector's business areas are Lantmännen Cerealia and Lantmännen Unibake. The Sector is also responsible for Lantmännen's ownership interests in the partly-owned company Viking Malt.

- Lantmännen Cerealia develops, produces and markets grain-based products such as flour, hulled grains, breakfast products, crispbread, pasta, ready meals, children's food, plant-based drinks, beans and lentils. Operations are conducted in Sweden, Norway, Denmark, Finland, Ukraine and Russia.

- Lantmännen Unibake is one of Europe's largest bakery companies, with 35 bakeries in 15 countries. Lantmännen Unibake offers frozen and fresh bakery products to the food retail and restaurant market in more than 60 countries and has a long history of successful concepts and high-quality products.

Lantmännen Real Estate manages Lantmännen's properties and is one of Sweden's major property companies. Lantmännen Real Estate manages about 150 properties in 80 locations, with a total surface area of about 1,200,000 m², one-tenth of which is owned by Lantmännen's Grodden pension fund. Lantmännen Real Estate's assignment is to provide Lantmännen with appropriate premises and optimize external revenue. The operations consist of commercial premises, such as offices, shops, workshops and warehouses. The Sector also includes Lantmännen Agrovärme, which provides ready heat and district heating.

Note 5 Breakdown of revenue

MSEK	2017	2016
Net sales		
Sales of goods	38,066	35,815
Service contracts	954	823
Leasing activities, machinery	291	269
Leasing activities, premises	162	155
Royalties	148	143
Other	65	39
Total	39,686	37,244
Other operating income		
Capital gains	123	103
Government grants	14	13
Insurance compensation	146	535
Other	157	149
Total	440	800

Capital gains in 2017 and 2016 are mainly from property sales.
Insurance compensation received in 2017 and 2016 relates primarily to compensation for the bakery in Londerzeel, Belgium, which burnt down in 2015.

Note 6 Employees and employee benefits expense

Average number of employees	2017	of which female	2016	of which female
Group				
Sweden	3,559	27 %	3,413	26 %
Denmark	1,163	30 %	1,249	29 %
Finland	974	54 %	1,073	54 %
United Kingdom	687	26 %	656	25 %
Germany	558	15 %	548	15 %
Lithuania	434	57 %	427	62 %
Poland	432	34 %	426	34 %
Estonia	381	43 %	406	60 %
Belgium	364	32 %	407	32 %
Norway	316	34 %	399	29 %
Russia	220	44 %	159	43 %
Ukraine	204	55 %	186	54 %
Latvia	195	50 %	242	52 %
United States	167	31 %	171	28 %
Romania	83	59 %	8	58 %
Hungary	75	43 %	74	41 %
Netherlands	21	27 %	20	25 %
Spain	11	72 %	10	73 %
France	6	17 %	6	17 %
Total, Group	9,850	34 %	9,880	30 %
Parent Company				
Sweden	1,023	37 %	997	35 %
Total, Parent Company	1,023	37 %	997	35 %

Note 6 continued

Employee benefits expense MSEK	Group		Parent Company	
	2017	2016	2017	2016
Salaries and benefits, Boards and Managing Directors	85	92	13	12
- of which variable component	11	11	3	3
Salaries and benefits, other employees	4,146	4,008	549	531
Social security costs				
- cost for the year	916	884	196	209
- payroll tax effect on compen- sation from pension fund	-	-	-16	-15
Pension costs				
- cost for the year ¹⁾	368	349	91	72
- compensation from pension fund	-	-	-65	-63
Other staff costs	232	245	22	20
Total	5,747	5,578	790	766

¹⁾ MSEK 8 (8) of the Group's pension costs relate to Boards and Managing Directors. The outstanding pension obligation to them was MSEK 2 (2). MSEK 4 (4) of the Parent Company's pension costs relate to Boards and Managing Directors. The outstanding pension obligation to them is MSEK 0 (0).

Gender representation in executive management Female representation, %	Group		Parent Company	
	2017	2016	2017	2016
Boards of Directors	12	18	17	17
Other senior executives	30	27	30	30

SALARIES AND REMUNERATION OF SENIOR EXECUTIVES

Senior executives

Senior executives as referred to in this note are Lantmännen's Group Management, consisting of the President & CEO, the Executive Vice President, three Heads of Sectors, two Managing Directors of business areas and three Directors of Corporate Functions. Members of Group Management may be employed by the Parent Company or by subsidiaries. The composition of senior executives changed during 2017. Group Management consisted of 10 individuals at the beginning of the year. One individual left Group Management and one individual joined during the year, which meant that Group Management still consisted of 10 individuals at the end of the year.

Lantmännen's Remuneration Committee

Lantmännen's Board of Directors has a special Remuneration Committee. The Remuneration Committee's tasks include preparing the Board's decisions regarding the salaries and remuneration of the President & CEO, and, in consultation with the President & CEO, preparing proposals on terms for the remuneration of Group Management prior to the President & CEO's decision.

Lantmännen's remuneration policy

The objective of Lantmännen's remuneration policy is to offer compensation that reflects the commitment to attract and retain qualified expertise for Lantmännen. The fundamental guidelines are to:

- ensure that employees at Lantmännen receive competitive, market-based compensation and promote behavior in line with Lantmännen's shared values: openness, a holistic view and drive.
- offer an individual salary structure that is based on performance, duties, qualifications, experience and position, and is therefore neutral with regard to gender, ethnicity, disability, sexual orientation, etc.

Remuneration structure

The Annual General Meeting decides on the remuneration of the Board of Directors for the period until the next AGM. The remuneration is distributed between a fixed annual fee and an hourly fee. The AGM's decisions on the fixed fee cover the Chairman, the Vice Chairman and other Board members.

Note 6 continued

The AGM adopts guidelines for remuneration of Group Management on the basis of the Board's proposals. The 2016 meeting adopted the guidelines that were applied in 2017. The 2017 meeting adopted the guidelines that will be applied in 2018.

Lantmännen's remuneration structure for Group Management consists of the following components:

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

Fixed salary

Members of Lantmännen's Group Management undergo an annual salary review on January 1. The review considers individual performance, market salary growth, changed areas of responsibility, company performance and local agreements and regulations.

Variable salary

Lantmännen has a Group-wide variable salary program, which for 2017 covered all members of Group Management. Decisions about target groups and guidelines for variable salary are made annually by the AGM in the case of the Group Management and by the Board of Lantmännen in other cases. For 2017, the program consists of quantitative and qualitative targets. The quantitative (financial) targets represent 75 percent of the maximum variable salary and are linked to the economic value added that the operating units generate for Lantmännen. The qualitative (individual) targets represent 25 percent.

The maximum variable salary that could be paid to Lantmännen's Group management in 2017 was 30 percent of the agreed fixed salary, before salary exchange, with full achievement of targets. The results are shown in the table below.

The total maximum variable salary that could be paid to employees entitled to variable salary in 2017 was approximately MSEK 41, excluding social security costs. The 2017 variable salary was estimated at MSEK 26, excluding social security costs.

Pensions

Lantmännen offers Group Management occupational pensions in accordance with national practice, local agreements and other regulations.

The majority of Group Management members have entitlement to a pension on reaching the age of 65. There are currently three main principles governing pension accrual for members of Lantmännen's Group Management, all of whom apart from one are employed in Sweden:

- Occupational pension accrual in accordance with the ITP agreement in Sweden,

with a pensionable salary ceiling of 30 income base amounts and payment of sickness benefits as laid down in the ITP agreement. The majority also have a premium provision corresponding to 30 percent of salary over 30 income base amounts.

- Occupational pension accrual in accordance with the ITP agreement in Sweden up to 7.5 income base amounts. Payment of sickness benefits is as laid down in the ITP agreement. There is also a premium provision corresponding to 30 percent of salary over 7.5 income base amounts. The Executive Vice President's pension accrual follows this structure.

- A defined contribution pension, with a premium of 10-30 percent of the pensionable salary. The President & CEO receives a defined contribution pension, with a premium of 30 percent of the pensionable salary.

All senior executives apart from one have a retirement age of 65, including the President & CEO and Executive Vice President, and earn their pensions in accordance with one of the main principles described above. One of them has pension rights on reaching the age of 63. The pension is accrued in the form of a defined benefit pension arrangement corresponding to 60 percent of a previously defined pensionable salary. If the employee chooses to remain in service until the age of 65, the pension rights accrue from the age of 63 to 65, according to the ITP plan.

Other benefits

In addition to fixed salaries, variable salaries and pensions, Lantmännen offers other benefits in the form of company cars, occupational injury insurance and occupational group life insurance in accordance with local agreements and regulations. Members of Group management are also entitled to an annual health check, private health insurance and supplementary health insurance that can give benefits for salary between 30-50 income base amounts. For countries outside Sweden, equivalent benefits are offered in accordance with national practice and legislation.

Termination benefits/notice

The President & CEO and Executive Vice President have a notice period of six months for termination of employment at their own request and six months for termination at Lantmännen's request. If employment is terminated at Lantmännen's request, the President & CEO will receive a salary during the notice period corresponding to the fixed salary and other benefits (including occupational pension and insurance). In addition, termination benefits corresponding to twelve months' fixed salary will be paid, with full deduction of any salary from a new employer. Other members of Group Management have a notice period of six months for termination of employment at their own request and at Lantmännen's request. If the termination is at Lantmännen's request, termination benefits corresponding to six or twelve months' fixed salary are paid, with any income from other employment during this period deducted.

Salaries and remuneration of senior executives 2017 TSEK	Directors' fees	Fixed salary ³⁾	Variable salary ⁴⁾	Pension ³⁾	Other benefits ⁵⁾	Total 2017
Elected Board members of Lantmännen ek för, according to specification below ¹⁾	4,942					4,942
President & CEO Per Olof Nyman		6,246	2,196	3,396	139	11,977
Executive Vice President Per Arvidsson		3,398	957	905	112	5,372
Group Management, other ²⁾		22,529	5,883	7,003	951	36,366
	4,942	32,173	9,036	11,304	1,202	58,657

Salaries and remuneration of senior executives 2016 TSEK	Directors' fees	Fixed salary ³⁾	Variable salary ⁴⁾	Pension ³⁾	Other benefits ⁵⁾	Total 2016
Elected Board members of Lantmännen ek för, according to specification below ¹⁾	4,399					4,399
President & CEO Per Olof Nyman		5,898	2,088	3,288	133	11,407
Executive Vice President Per Arvidsson		3,159	932	877	125	5,093
Group Management, other ²⁾		21,859	6,128	6,650	942	35,579
	4,399	30,916	9,148	10,815	1,200	56,478

¹⁾ Includes remuneration from both Lantmännen ek för and other Group companies and covers fixed annual fee and an hourly fee.

²⁾ Other Group Management consists of 8 individuals, which was also the average for the year. Disclosures regarding Group Management only apply to individuals who are members of Lantmännen's Group Management.

³⁾ Certain members of Group Management are entitled to switch between fixed salary and pension within the framework of current tax legislation.

⁴⁾ Estimated variable salary for each year, payable the following year. The estimated variable salary for 2016 was consistent with the outcome.

⁵⁾ Mainly company cars, but also other benefits such as health insurance and subsistence.

Note 6 continued

Fees to Board members of Lantmännen ek för¹⁾

TSEK	2017	2016
Bengt-Olov Gunnarson ²⁾	404	914
Per Lindahl ³⁾	979	574
Hans Wallemyr ⁴⁾	596	409
Gunilla Aschan	431	409
Ulf Gundemark	424	409
Ove Gustafsson ⁵⁾	322	-
Pauline Lindwall ⁶⁾	441	258
Thomas Magnusson	424	441
Johan Mattsson	443	409
Helle Kruse Nielsen ⁷⁾	-	167
Henrik Wahlberg ⁸⁾	305	-
Björn Wallin ⁹⁾	173	409
Total	4,942	4,399

¹⁾ Includes remuneration from both Lantmännen ek för and other Group companies and covers fixed annual fee and an hourly fee.

²⁾ Chairman of the Board until May 4, 2017

³⁾ Chairman of the Board from May 4, 2017
Vice Chairman of the Board until May 4, 2017

⁴⁾ Vice Chairman of the Board from May 4, 2017

⁵⁾ From May 4, 2017

⁶⁾ From May 12, 2016

⁷⁾ To May 12, 2016

⁸⁾ From May 4, 2017

⁹⁾ To May 4, 2017

Note 7 Depreciation, amortization and impairment of assets

MSEK	2017	2016
Depreciation and amortization		
Land and buildings	168	143
Plant and machinery	759	734
Equipment, tools, fixtures and fittings	84	78
Investment properties	14	14
Intangible assets	212	192
Total	1,237	1,161
Impairment and reversal of impairment		
Land and buildings	-	2
Plant and machinery	4	-
Other intangible assets	1	2
Total	5	4
Total depreciation, amortization and impairment		
MSEK	2017	2016
Land and buildings	168	145
Plant and machinery	763	734
Equipment, tools, fixtures and fittings	84	78
Investment properties	14	14
Goodwill	0	0
Other intangible assets	213	194
Total	1,242	1,165
Impairment by Sector		
MSEK	2017	2016
Agriculture Sector		
- from annual impairment testing	1	4
Machinery Sector		
- from annual impairment testing	3	-
Other operations		
- from annual impairment testing	1	-
Total	5	4

For further details see also  notes 13, 14 and 15.

Impairment

Lantmännen measures the recoverable amount of assets in predefined cash-generating units when there are indications that there may have been a material decline in value and this is not expected to be temporary.

Lantmännen always conducts annual impairment testing (usually in the third four-month period) of cash-generating units that contain goodwill and other intangible assets with an indefinite useful life, irrespective of whether there is any indication that the assets may be impaired.

The recoverable amount of cash-generating units is determined by calculating their value in use. Value in use is the present value of the estimated future cash flows expected to be derived from continuing use of the asset. The estimates for the year are based on adopted budgets for 2018 and adopted strategic plans for 2019 and 2020. The calculation of value in use is also based on what management believes are reasonable market assumptions, and includes cash flow projections for the existing operations, with annual growth after 2021 assumed to be weak, i.e. about 1 percent for most operations.

The discount rates used for the present value calculation of the expected future cash flows correspond to the long-term return requirements, before tax, that have been defined for operations in the cash-generating units. In determining the discount rate, the risk associated with the asset in question is taken into account; proximity of operations to the farmer have a lower risk premium.

The cash-generating units defined within Lantmännen are at a lower organizational level than the segments in Lantmännen's segment reporting, i.e. the Group's Sectors and real estate operations.

The annual measurement of the value of goodwill and intangible assets with indefinite useful lives did not result in any impairment.

The business area Lantmännen Unibake accounts for 72 percent of the Group's total value of goodwill and other assets with indefinite useful lives, and the business area Lantmännen Cerealia accounts for 20 percent.

A pre-tax discount rate of 8 (8) percent was applied during impairment testing of the cash-generating units Lantmännen Unibake and Lantmännen Cerealia. No impairment was identified. An increase of 1 percentage point in the discount rate would have reduced the estimated total value in use for these units by MSEK 2,318, which in turn would have resulted in an impairment loss, all other assumptions remaining unchanged. This is largely an effect of the 2015 acquisition of Vaasan at market value, which is close to the value in use.

Other units with goodwill and intangible assets with indefinite useful lives were well within the estimated value in use limit during impairment testing for the year. The pre-tax discount rates used in these impairment tests were within the range 8 to 13 percent.

An impairment loss of MSEK 4 on property, plant and equipment was recognized during the year following local impairment testing.

Note 8 Fees and reimbursement of expenses to auditors

MSEK	2017	2016
<i>Ernst & Young</i>		
Annual audit	14	16
Tax consultancy services	2	3
Other services	4	1
Total	20	20
<i>Other auditors</i>		
Annual audit	2	2
Other services	0	0
<i>Elected auditors</i>		
Annual audit	1	1

The annual audit comprises the auditing of the annual financial statements for the Parent Company and Group, the accounting records and the administration of the Board of Directors and President & CEO. It also includes other duties incumbent on the company's auditors, as well as advice and other assistance arising from observations made while performing the audit or carrying out such other duties.

Note 9 Finance income and costs

MSEK	2017			2016		
	Income	Costs	Total	Income	Costs	Total
Financial assets at fair value through profit or loss						
Dividend	9	-	9	9	-	9
Capital gains/losses	33	-	33	6	-	6
			42			15
Loans and receivables						
Interest income, receivables from members	43	-	43	45	-	45
Other interest income	17	-	17	40	-	40
			60			85
Available-for-sale financial assets						
Dividend	4	-	4	4	-	4
Capital gains/losses	8	-	8	39	-	39
Impairment, reversal of impairment	0	-	0	-	-	-
			12			43
Derivatives used in hedge accounting						
Interest on currency forward contracts and swaps	30	-45	-15	22	-22	0
Ineffective portion of financial hedges	7	-	7	-	-23	-23
			-8			-23
Other financial liabilities						
Interest expense, pension plans	-	-11	-11	-	-8	-8
Interest expense, liabilities to members	-	-20	-20	-	-32	-32
Interest expense, liabilities to the public	-	-6	-6	-	-5	-5
Interest expense, borrowing	-	-180	-180	-	-153	-153
Other borrowing expenses	-	-17	-17	-	-11	-11
Other interest expenses	-	-7	-7	-	-50	-50
Currency effects	-	-21	-21	-	-10	-10
			-262			-269
Total	151	-307	-156	165	-314	-149

Note 10 Items affecting comparability

The Group's income can be inflated or reduced by certain items that affect comparability. An overview of these items is presented below. An item affecting comparability is a one-time item that is not directly related to the planned future operations and is outside the range of MSEK +/- 30.

MSEK	2017	2016
Capital gains on sale of operations	78	-
Insurance compensation	96	357
Items affecting comparability in other operating income	174	357
Restructuring costs	-65	-87
Other	-140	-361
Total items affecting comparability in operating income	-31	-91
Total items affecting comparability in income after financial items	-31	-91
Tax effect of items affecting comparability	-17	-92
Total items affecting comparability in net income for the year	-48	-183

Items affecting comparability by Segment/Sector in 2017

MSEK	Restructuring costs	Other	Total
Energy Sector	-	-140	-140
Food Sector	-65	96	31
Other operations	-	78	78
Total	-65	34	-31

In the Energy Sector, a further provision of MSEK 140 (300) has been recognized in connection with the European Commission's ongoing investigation of Lantmännen Agroetanol and two other ethanol producers for alleged violation of EU competition law.

In the Food Sector, the final insurance payment for the burnt-down bakery in Londerzeel, Belgium, had a positive impact of MSEK 96 on earnings for the year.

In the Food Sector, the restructuring costs were related to Lantmännen Cerealia's program for improved cost efficiency and competitiveness, and the restructuring program for Lantmännen Unibake's fresh bread operations.

Lantmännen Real Estate reported a capital gain on the divestment of a property operation.

Items affecting comparability by Segment/Sector in 2016

MSEK	Restructuring costs	Other	Total
Energy Sector	-	-300	-300
Food Sector	-87	296	209
Total	-87	-4	-91

A provision of MSEK 300 was recognized in the Energy Sector in connection with the European Commission's ongoing investigation of Lantmännen Agroetanol and two other ethanol producers for alleged infringement of EU competition law.

In the Food Sector, insurance compensation for the burnt-down bakery in Londerzeel, Belgium, had a positive impact of MSEK 357 on earnings. The Food Sector was also affected by costs associated with property acquisitions in Russia.

In the Food Sector, the restructuring costs were related to measures as a result of changes in Vaasan's fresh bread operations in Finland, Lantmännen Cerealia's decision to close the factory in Odense and transfer cake and bread mix production to Sweden and the decision to relocate pancake production from Ockelbo to Laholm.

Note 11 Exchange differences affecting income

MSEK	2017	2016
Exchange differences affecting operating income	-27	12
Exchange differences in financial items	-21	-13
Total	-48	-1
<i>Exchange differences in operating income are included in:</i>		
Net sales	1	4
Cost of materials	-25	5
Other operating income/expenses	-3	3
Total	-27	12

Note 12 Taxes

Tax on net income for the year MSEK	2017	2016
Current tax expense (-)/tax income (+)		
Tax expense/income for the period	-132	-146
Adjustment of tax attributable to prior years	3	-3
Total current tax	-129	-149
Deferred tax expense (-)/tax income (+)		
Deferred tax from changes in temporary differences	42	-54
Deferred taxes arising from changes in tax rates	45	8
Deferred tax income in capitalized loss carryforwards	52	22
Utilization of previously capitalized loss carryforwards	-224	-10
Other changes	-2	0
Total deferred tax	-87	-34
Total recognized tax expense	-216	-183

Reconciliation of effective tax	2017 Percent	MSEK	2016 Percent	MSEK
Income before tax		1,521		1,457
Anticipated tax according to enacted Swedish tax rate	22.0	-335	22.0	-321
Items with tax effects on the results and their impact on the effective tax rate:				
Non-deductible expenses	4	-56	6	-92
Tax-exempt capital gains	-1	22	-2	25
Tax-exempt dividends	0	1	0	1
Other non-taxable income	-1	10	-1	10
Tax on unrecognized income	1	-12	-	-
Loss carryforward arising during the year, not capitalized as a deferred tax asset	0	-7	1	-16
Utilization of previously uncapitalized loss carryforwards	-1	22	-9	138
Difference in book and tax depreciation	0	-6	-3	45
Effect of special tax rules for economic associations	-6	91	-6	86
Tax attributable to prior years	0	3	0	-3
Effect of changes to tax rates, tax rules and different tax rates in the Group	-2	26	5	-66
Foreign tax that could not be offset	0	0	1	-6
Reversal of income of associates	-3	34	-2	22
Other	1	-9	1	-6
Recognized effective tax	14	-216	13	-183

Note 12 continued

According to the tax rules applicable to economic associations, the dividend proposed from the Board, which will be paid to physical persons in the following year, is tax-deductible in the current year and was taken into account in calculating the current tax. Refunds and supplementary payments are also tax-deductible costs; they are not recognized in the consolidated income statement but as dividends.

The effective tax for the year was affected by the restatement of deferred tax due to changed tax rates in Belgium (34 percent to 25 percent) and the US (35 percent to 21 percent).

Tax items recognized through other comprehensive income

MSEK	2017	2016
Deferred tax		
Actuarial gains/losses on defined benefit pension plans	0	36
Cash flow hedges	1	-8
Available-for-sale financial assets	4	-5
Total	5	23
Current tax		
Current tax in hedges of net investments	5	15
Total tax effects in other comprehensive income	10	38

Deferred tax asset/tax liability

MSEK	2017			2016		
	Deferred tax asset	Deferred tax liability	Net	Deferred tax asset	Deferred tax liability	Net
Group						
Land and buildings	44	147	-103	48	160	-112
Machinery and equipment	75	526	-451	40	513	-473
Intangible assets	119	554	-435	17	442	-425
Trade receivables	1	-	1	2	-	2
Pension provisions	133	-	133	123	-	123
Other provisions	49	-	49	80	-	80
Loss carryforwards	247	-	247	424	-	424
Other	180	89	91	183	103	80
Total	848	1 316	-468	917	1 218	-301
Offsetting of assets/liabilities	-678	-678	0	-781	-781	0
Total, net deferred tax asset	170	638	-468	136	437	-301

Deferred tax assets and liabilities attributable to the same tax authority have been offset against each other.

Change in deferred tax in temporary differences and loss carryforwards 2017

MSEK	Amount at beginning of year	Recognized in income statement	Recognized in OCI	Changes in acquisitions/divestments	Reclassifications	Translation differences	Amount at end of 2017
Group							
Land and buildings	-112	10	-	-2	1	0	-103
Machinery and equipment	-473	25	-	4	-3	-4	-451
Intangible assets	-425	80	-	-74	-7	-9	-435
Trade receivables	2	0	-	0	-1	0	1
Pension provisions	123	10	0	-	0	0	133
Other provisions	80	-29	-	-2	-1	1	49
Loss carryforwards	424	-182	-	-	1	4	247
Other	80	-1	5	-3	6	4	91
Total	-301	-87	5	-77	-4	-4	-468

Change in deferred tax in temporary differences and loss carryforwards 2016

MSEK	Amount at beginning of year	Recognized in income statement	Recognized in OCI	Changes in acquisitions/divestments	Reclassifications	Translation differences	Amount at end of 2017
Group							
Land and buildings	-86	-39	-	-5	23	-5	-112
Machinery and equipment	-272	-166	-	-4	-22	-9	-473
Intangible assets	-467	82	-	-39	11	-12	-425
Trade receivables	-16	18	-	-	-	0	2
Pension provisions	91	4	36	-	-8	0	123
Other provisions	32	40	-	-	8	0	80
Loss carryforwards	402	9	-	-	-	13	424
Other	75	18	-13	0	-8	8	80
Total	-241	-34	23	-48	4	-5	-301

Note 12 continued

Loss carryforwards

At the end of the year the Group had loss carryforwards of MSEK 1 647 (2,548), of which MSEK 1,142 (2,007) was taken into account in the computation of deferred tax.

The remainder related mainly to loss carryforwards in the German operations. These have not been assigned any value as it is currently uncertain whether they will be utilized. The loss carryforwards not included in the computation of deferred tax amount to MSEK 505 (541) and continue indefinitely.

Note 13 Property, plant and equipment

MSEK	Land and land improvements		Buildings		Plant and machinery		Equipment, tools, fixtures and fittings		Construction in progress		Total property, plant and equipment	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Accumulated cost of acquisition	926	845	5,559	5,012	14,500	14,246	1,646	1,596	1,480	870	24,111	22,569
Accumulated depreciation	-98	-95	-2,295	-2,170	-10,120	-9,803	-1,290	-1,256	-	-	-13,803	-13,324
Accumulated impairment	-49	-50	-186	-194	-665	-740	-21	-21	-	-	-921	-1,005
Carrying amount	779	700	3,078	2,648	3,715	3,703	335	319	1,480	870	9,387	8,240
Balance at beginning of year	700	691	2,648	2,152	3,703	3,638	319	221	870	411	8,240	7,113
Investments ¹⁾	81	-	238	509	668	468	48	43	1,436	966	2,471	1,986
Company acquisitions	12	-	7	-	57	65	12	73	-	4	88	142
Company divestments	-2	-	-21	-	-	-	-3	-	-	-	-26	-
Sales and disposals	-9	-15	-39	-29	-345	-110	-3	-1	-	-	-55	-396
Regular depreciation for the year	-4	-4	-164	-139	-759	-734	-84	-78	-	-	-1,011	-955
Impairment for the year	-	-	-	-2	-4	-	-	-	-	6	-4	4
Reclassifications	4	6	395	54	356	289	44	57	-845	-472	-46	-66
Translation differences	-3	22	14	103	39	87	2	4	19	10	71	226
Carrying amount	779	700	3,078	2,648	3,715	3,703	335	319	1,480	870	9,387	8,240
Leases, MSEK												
Carrying amount of assets held under finance leases	-	-	160	178	401	360	4	5	-	-	565	543

¹⁾ Investments for the year do not include any capitalized interest. Properties acquired in companies are treated as asset acquisitions and accounted for as acquisitions of property, plant and equipment or investment properties.

Government grants did not reduce investments during the year or the previous year. Contractual obligations relating to investments in property, plant and equipment amounted to MSEK 172 (247) at the end of the year.

For further information about depreciation and impairment, see [note 7](#).

For further information about leases, see [note 29 Leases](#) and [note 30 Customer financing](#).

Note 14 Investment properties

MSEK	Land		Buildings		Total investment property	
	2017	2016	2017	2016	2017	2016
Accumulated cost of acquisition	128	172	680	901	808	1,073
Accumulated depreciation	-7	-10	-158	-205	-165	-215
Carrying amount	121	162	522	696	643	858
Balance at beginning of year	162	110	696	476	858	586
New acquisitions	0	11	0	39	0	50
Investments in properties	0	44	0	198	0	242
Sales and disposals	-43	-2	-170	-21	-213	-23
Regular depreciation for the year	-1	0	-13	-14	-14	-14
Reclassifications	3	-1	9	18	12	17
Carrying amount	121	162	522	696	643	858

Properties where less than 10 percent of the space is used for the Lantmännen Group's own activities are classified as investment property in the Group.

For further information about leases, see [note 30 Customer financing](#).

Investment properties with a carrying amount of MSEK 444 (435) are pledged as security for the Group's borrowing. The estimated fair value is MSEK 711 (663).

Note 14 continued

Changes in fair value

MSEK	2017	2016
Fair value at beginning of year	1,449	976
Acquisitions	0	50
Investments in properties	0	242
Sales and disposals	-320	-23
Changes in values	106	187
Reclassifications	12	17
Fair value at end of year	1,247	1,449

All investment properties have been valued according to hierarchy level 3, i.e. based on unobservable inputs and according to the methods described below. Fair value has been determined on the basis of internal assessments. Property sales carried out during the year have been reconciled.

The value has been estimated using the following measurement methods:

- In the majority of cases the market price method has been used, where sales of equivalent properties in the market are used to support the valuation.
- Net present value, using cash flow calculations, where the properties' future net operating income and estimated residual value have been calculated at the present value.
- In certain cases, net present value using the net capitalization method has been calculated, where a normalized figure for net operating income is seen in relation to a market-adjusted direct return requirement.

Investment properties' impact on income for the period

MSEK	2017	2016
Rental income	99	108
Direct costs, including costs for repair and maintenance		
- Properties that generate rents	-40	-34
Net operating income	59	74

Note 15 Intangible assets

MSEK	Other intangible assets											
	Goodwill		Trademarks		Customer and supplier relationships		Patents, licenses and similar rights		Capitalized expenditure on development, internally generated		Total other intangible assets	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Accumulated cost of acquisition	5,277	4,650	2,064	1,874	1,756	1,532	276	251	925	805	5,021	4,462
Accumulated amortization	-	-	-251	-245	-583	-456	-218	-217	-562	-486	-1,614	-1,404
Accumulated impairment	-39	-39	-	-	-	-	-	-	-80	-78	-80	-78
Carrying amount	5,238	4,611	1,813	1,629	1,173	1,076	58	34	283	241	3,327	2,980
Balance at beginning of year	4,611	4,424	1,629	1,579	1,076	993	34	1	241	209	2,980	2,782
Investments	-	-	-	-	-	-	26	3	96	102	122	105
Company acquisitions	557	92	164	10	205	170	5	25	1	0	375	205
Regular amortization for the year	-	-	-7	-2	-127	-115	-8	-3	-70	-72	-212	-192
Impairment for the year	-	-	-	-	-	-	-	-	-1	-2	-1	-2
Reclassifications	-	-	-	-	-	0	-	8	13	-1	13	7
Translation differences	70	95	27	42	19	28	1	0	3	5	50	75
Carrying amount	5,238	4,611	1,813	1,629	1,173	1,076	58	34	283	241	3,327	2,980
Allocation of goodwill, brands and customer/supplier relationships per Sector												
Agriculture Sector	150	77	18	10	99	46						
Machinery Sector	15	16	-	-	48	63						
Energy Sector	351	97	124, ¹⁾	50, ¹⁾	74	-						
Food Sector	4,709	4,421	1,671, ²⁾	1,569, ²⁾	952	967						
<i>of which Lantmännen Unibake business area</i>	<i>3,914</i>	<i>3,791</i>	<i>1,008,²⁾</i>	<i>996,²⁾</i>	<i>617</i>	<i>697</i>						
Lantmännen Real Estate	13	-	-	-	-	-						
Total	5,238	4,611	1,813	1,629	1,173	1,076						

¹⁾ Brand with indefinite useful life, Aspen.

²⁾ Of which brands with indefinite useful lives MSEK 1,561 (1,535), distributed as follows:

Lantmännen Unibake MSEK 976 (964) and Lantmännen Cerealia MSEK 585 (571).

There were no contractual obligations relating to investments in intangible assets at the end of the year.

Further information about amortization, impairment and annual impairment testing of goodwill and trademarks with indefinite useful lives can be found in note 7.

Note 16 Equity accounted investments

Lantmännen's holdings in associates and joint arrangements classified as joint ventures are accounted for using the equity method.

Lantmännen reports income from associates and joint ventures with a one-month lag, which means that net income for the year includes Lantmännen's share of their income for the period December of the previous year to November of the current year. The lag is a practical measure, as the companies are not able to apply all aspects of Lantmännen's reporting process.

	Group		Parent Company	
MSEK	2017	2016	2017	2016
Accumulated cost of acquisition	2,184	1,898	1,272	1,259
Accumulated impairment	-2	-2	-50	-17
Carrying amount	2,182	1,896	1,222	1,242
Balance at beginning of year	1,896	1,690	1,242	1,183
Acquisitions/shareholder contributions	77	11	21	11
Divestments	-6	-5	-	-
Share of income of associates	154	98	-	-
Dividend for the year	-39	-32	-	-
Reclassifications	57	48	-8	48
Impairment	-	-	-33	-
Other	-	29	-	-
Translation difference/OCI	43	57	-	-
Carrying amount	2,182	1,896	1,222	1,242
Investments in joint ventures	661	520	436	446
Investments in associates	1,521	1,376	786	796
Total	2,182	1,896	1,222	1,242

Any impairment and reversals of impairment are recognized in the income statement under Share of income of equity accounted companies.

In 2017, Lantmännen sold shares in Lantmännen Samhällsfastigheter AB (renamed Lanthem Samhällsfastigheter AB), whereby Lantmännen's ownership was reduced from 100 to 50 percent and the company was reclassified from a subsidiary to a joint venture. In 2017, Lantmännen also sold shares in Akershus Traktor AS, whereby Lantmännen's ownership was reduced from 100 to 50 percent and the company was reclassified from a subsidiary to an associate.

Acquisitions/shareholder contributions in 2017 were mainly related to Lanthem Samhällsfastigheter AB and Scandagra Polska Sp z o.o.

	Share of income of joint ventures and associates		Dividends from joint ventures and associates	
MSEK	2017	2016	2017	2016
Joint ventures				
Scandagra Group AB	34	21	-	-
Scandagra Polska Sp z o.o.	-38	-6	-	-
Scandbio AB	14	11	-10	-25
Other	12	-	-	0
Associates				
HaGe Kiel AG	76	31	-9	-
Viking Malt Oy	49	32	-15	-7
Other	7	9	-5	-
Carrying amount	154	98	-39	-32

Summary of financial information for joint ventures and associates

Information is for 100 percent in each company

Joint ventures	Scandagra Group AB		Scandagra Polska Sp z o.o.		Scandbio AB	
	2017	2016	2017	2016	2017	2016
Balance sheet items						
Non-current assets	238	235	117	109	220	203
Current assets	1,570	1,137	485	439	374	444
<i>of which cash and cash equivalents</i>	21	12	22	13	21	28
Total assets	1,808	1,372	602	548	594	647
Non-current liabilities	428	83	3	1	12	11
<i>of which financial liabilities</i>	422	81	-	-	-	-
Current liabilities	893	879	469	437	298	360
<i>of which financial liabilities</i>	678	711	-	-	-	-
Total liabilities	1,321	962	472	438	310	371
Net assets, 100%	487	410	130	110	284	276
<i>Ownership share in company, %</i>	50 %	50 %	50 %	50 %	50 %	50 %
Lantmännen's share of net assets	244	205	65	55	142	138
Goodwill on consolidation	-	-	-	24	17	17
Carrying amount in Lantmännen	244	205	65	79	159	155

Note 16 continued

MSEK	Scandagrica Group AB		Scandagrica Polska Sp z o.o.		Scandbio AB	
	2017	2016	2017	2016	2017	2016
Income statement items						
Net sales	2,845	2,414	1,226	1,321	956	930
Net income for the year	68	42	-24	-12	28	22
<i>of which depreciation and amortization</i>	-26	-21	-3	-3	-28	-32
<i>of which interest income</i>	29	29	1	2	0	0
<i>of which interest expenses</i>	-18	-18	-10	-8	-3	-2
<i>of which tax expenses/income</i>	-7	-8	0	0	-6	-12
Total comprehensive income	68	42	-24	-12	28	22
Ownership share in company, %	50 %	50 %	50 %	50 %	50 %	50 %
Lantmännen's share of net income	34	21	-12	-6	14	11
Impairment of goodwill on consolidation	-	-	-26	-	-	-
Carrying amount in Lantmännen	34	21	-38	-6	14	11

Operating income in other joint ventures was MSEK 24 (-1) and Lantmännen's recognized share of income was MSEK 12 (0).

Associates	HaGe Kiel AG		Viking Malt Oy	
	2017	2016	2017	2016
Balance sheet items				
Non-current assets	2,141	2,316	1,083	1,130
Current assets	5,010	4,884	998	1,014
Total assets	7,151	7,200	2,081	2,144
Non-current liabilities	836	990	958	1,136
Current liabilities	3,490	3,618	364	370
Total liabilities	4,326	4,608	1,322	1,506
Net assets, 100 %	2,825	2,592	759	638
Ownership share in company, %	41 %	41 %	37.5 %	37.5 %
Lantmännen's share of net assets	1,158	1,063	285	239
Goodwill on consolidation	11	16	-	-
Carrying amount in Lantmännen	1,169	1,079	285	239

MSEK	HaGe Kiel AG		Viking Malt Oy	
	2017	2016	2017	2016
Income statement items				
Net sales	20,875	21,109	2,181	1,806
Net income for the year	186	76	130	85
Other comprehensive income	13	12	-	-
Total comprehensive income	199	88	130	85
Ownership share in company, %	41 %	41 %	37.5 %	37.5 %
Lantmännen's share of net income	76	31	49	32
Lantmännen's share of OCI	5	5	-	-
Carrying amount in Lantmännen	81	36	49	32

Operating income in other associates was MSEK 15 (22), and Lantmännen's recognized share of income was MSEK 7 (9).

Information on contingent liabilities for joint ventures and associates can be found in note 34.

Lantmännen does not have any commitments to the companies over and above these contingent liabilities. There are no restrictions on the companies' ability to transfer assets to their owners.

Note 16 continued

Parent and Group holdings of shares in associates and joint ventures, December 31, 2017

Company name	Corporate ID no.	Domicile	Number of participations	Share of capital, %	Carrying amount, Group, MSEK	Carrying amount, Parent, MSEK
<i>Joint ventures owned by Parent Company:</i>						
Scandagra Group AB	556009-3121	Stockholm	85,000	50	244	120
Scandagra Polska Sp z o.o.	PL 0000138255	Poland	2,686	50	65	65
Scandbio AB	556215-0606	Jönköping	30,000	50	159	179
AB Tillväxt för Svensk Animalieproduktion	556155-9831	Stockholm	135,000	50	25	24
Rural Patent Svenska AB	556530-9654	Stockholm	50	50	0	0
Lantmännen Dansk Landbrugs Grovvareselskab						
International AB (LDI)	559025-3182	Stockholm	25,000	50	59	48
<i>Joint ventures owned by other Group companies:</i>						
Lanthen Samhällsfastigheter AB	559000-6036	Stockholm	25,000	50	100	
Barken Bostadsutveckling Fastighets AB	559067-6192	Stockholm	25,000	50	8	
Nacka Skarpnäs Fastigheter AB	556831-3661	Stockholm	250	50	1	
<i>Associates owned by Parent Company:</i>						
Raiffeisen Hauptgenossenschaft Nord AG (HaGe Kiel AG)	DE134852742	Germany	9,810,821	41	1,169	596
Viking Malt Oy	FI 0802004-9	Finland	1,381,387	37.5	285	178
Swevet Holding AB	556892-6108	Stockholm	1,041,667	25	12	12
Åhus Stuveriintressenter AB	556039-8256	Åhus	5,987	50	0	0
European Agri Trade A/S	26207177	Denmark	250	50	0	0
European Crop Protection A/S	21538388	Denmark	232	46	0	0
European Fertilizer A/S	20296372	Denmark	155	31	0	0
Piteå Spannmåls AB	556090-8187	Piteå	1,500	30	0	0
<i>Associates owned by other Group companies:</i>						
Aspen-Produkte Handels GmbH	HR205654	Germany		50	25	
Akershus Traktor AS	947340204	Norway	5,150	50	17	
Struer Bröd A/S	18 798 794	Denmark	1	33	13	
Total					2,182	1,222

Note 17 Non-current financial assets

MSEK	2017	2016
Receivables from joint ventures/associates	233	3
Other shares and interests	126	125
Bonds	0	37
Available-for-sale financial assets	331	439
Derivative instruments	4	2
Other non-current financial assets	131	164
Total	825	770

MSEK	2017	2016
Balance at beginning of year	439	384
Investments	15	61
Divestments	-138	-87
Fair value remeasurement for the year	15	81
Carrying amount	331	439

MSEK	2017	2016
HKScan Oyj	101	100
Mackmyra Svensk Whisky AB	16	10
Scandi Standard AB	210	175
Stendörren Fastigheter AB	-	142
Other	4	12
Carrying amount	331	439

Available-for-sale financial assets refer to shareholdings in listed companies.

The largest individual item in Other shares and interests is Lantmännen's interests in LRF. The carrying amount of Other shares and interests is considered consistent with the fair value.

Remeasurement to fair value of available-for-sale financial assets is recognized in OCI in the consolidated statement of comprehensive income. Impairment and reversal of impairment is recognized in the income statement under finance income and costs.

Note 18 Other non-current assets

MSEK	2017	2016
Non-current derivative instruments, operating	14	7
Other non-current operating assets	13	16
Total	27	23

Note 19 Inventories

MSEK	2017	2016
Raw materials and consumables	598	525
Products in progress	707	639
Finished goods	2,163	1,817
Merchandise	2,438	2,284
Advances to suppliers	42	5
Total	5,948	5,270

MSEK 98 (70) of inventories for the year were measured at net realizable value. The total cost of goods sold during the year was MSEK 30,917 (28,838).

Note 20 Trade and other receivables

MSEK	2017	2016
Trade receivables	3,985	3,755
Trade receivables, joint ventures/associates	27	37
Trade receivables, finance service, members	546	594
Derivative instruments	68	23
Other operating receivables from joint ventures/ associates	9	13
Other current receivables	720	751
Prepayments and accrued income	468	554
Total	5,823	5,727

Age analysis of trade receivables

MSEK	2017	2016
Receivables, not yet due	3,548	3,322
<i>Receivables, past due</i>		
<30 days	387	396
31-60 days	52	36
61-90 days	17	16
>91 days	54	66
Total	4,058	3,836
Provision for doubtful debts	-73	-81
Total	3,985	3,755

Note 20 continued

Provision for doubtful debts	2017	2016
MSEK		
Provision at beginning of year	-81	-89
New provision for anticipated losses	-29	-21
Utilization of provision for identified losses	13	19
Reversal of provisions no longer required	20	10
From acquired, divested companies	5	1
Exchange differences	-1	-1
Provision at end of year	-73	-81

The cost of doubtful debts for the year was MSEK -8 (-11) and was recognized in other operating expenses.

For information about credit quality of trade receivables, see note 24.

Prepayments and accrued income	2017	2016
MSEK		
Prepaid rent	46	45
Prepaid insurance	24	32
Bonuses and discounts	16	25
Other prepayments	222	221
Other accrued income	160	231
Total	468	554

Note 21 Current interest-bearing assets and cash and cash equivalents

Current interest-bearing assets	2017	2016
MSEK		
Receivables from joint ventures/associates	2	2
Interest-bearing receivables	7	103
Derivative instruments	0	64
Other current financial assets	9	7
Total	18	176

Cash and cash equivalents	2017	2016
MSEK		
Cash and bank balances	927	1,773
Total	927	1,773

Receivables with a maturity of up to one year and investments with maturities between three months and one year are recognized as current interest-bearing assets.

Note 22 Equity

MSEK	Contributed capital	Other contributed capital	Hedge reserve	Available-for-sale assets	Translation reserve	Retained earnings	Equity attributable to members of the economic association	Equity attributable to NCI	Total equity
Equity, January 1, 2016	2,146	2,775	0	25	-194	7,974	12,726	21	12,747
Net income for the period after tax	-	-	-	-	-	1,273	1,273	1	1,274
Actuarial gains and losses on pension plans	-	-	-	-	-	-162	-162	-	-162
Available-for-sale financial assets									
- remeasurement for the year	-	-	-	87	-	-	87	-	87
- transferred to income statement	-	-	-	-6	-	-	-6	-	-6
Cash flow hedges									
- remeasurement for the year	-	-	43	-	-	-	43	-	43
- transferred to income statement	-	-	-21	-	-	-	-21	-	-21
Exchange differences on translation of foreign operations	-	-	-	-	244	-	244	-	244
Net gain on hedge of net investment in foreign operations									
- net income for the year	-	-	-	-	-68	-	-68	-	-68
- transferred to income statement	-	-	-	-	0	-	0	-	0
Tax relating to components of other comprehensive income	-	-	-5	-8	15	36	38	-	38
Other comprehensive income for the period, net of tax	0	0	17	73	191	-126	155	0	155
Total comprehensive income	0	0	17	73	191	1,147	1,428	1	1,429
Dividend paid ¹⁾	-	-	-	-	-	-193	-193	-2	-195
Refund and supplementary payment	-	-	-	-	-	-232	-232	-	-232
Contributed capital paid in by members	153	-	-	-	-	-	153	-	153
Contributed capital paid out to members	-50	-	-	-	-	-	-50	-	-50
Appropriation of profit	50	120	-	-	-	-170	0	-	0
Other non-owner changes ²⁾	-	-	-	-	-	-37	-37	68	31
Total equity, December 31, 2016	2,299	2,895	17	98	-3	8,489	13,795	88	13,883
Equity, January 1, 2017	2,299	2,895	17	98	-3	8,489	13,795	88	13,883
Net income for the period after tax	-	-	-	-	-	1,301	1,301	4	1,305
Actuarial gains and losses on pension plans	-	-	-	-	-	-1	-1	-	-1
Available-for-sale financial assets									
- remeasurement for the year	-	-	-	21	-	-	21	-	21
- transferred to income statement	-	-	-	-38	-	-	-38	-	-38
Cash flow hedges									
- remeasurement for the year	-	-	-14	-	-	-	-14	-	-14
- transferred to income statement	-	-	8	-	-	-	8	-	8
Exchange differences on translation of foreign operations	-	-	-	-	161	-	161	-	161
Net gain on hedge of net investment in foreign operations									
- net income for the year	-	-	-	-	-22	-	-22	-	-22
- transferred to income statement	-	-	-	-	-8	-	-8	-	-8
Tax relating to components of other comprehensive income	-	-	1	4	5	0	10	-	10
Other comprehensive income for the period, net of tax	0	0	-5	-13	136	-1	117	0	117
Total comprehensive income	0	0	-5	-13	136	1,300	1,418	4	1,422
Dividend paid ¹⁾	-	-	-	-	-	-207	-207	-7	-214
Refund and supplementary payment	-	-	-	-	-	-243	-243	-	-243
Contributed capital paid in by members	171	-	-	-	-	-	171	-	171
Contributed capital paid out to members	-75	-	-	-	-	-	-75	-	-75
Appropriation of profit	69	115	-	-	-	-184	0	-	0
Other non-owner changes ³⁾	-	-	-	-	-	-	0	4	4
Total equity, December 31, 2017	2,464	3,010	12	85	133	9,155	14,859	89	14,948

¹⁾ Refers to contribution dividend concerning parent association members.

²⁾ For 2016, includes associate's acquisition of NCI in subsidiary, MSEK -37, acquisition of NCI in Lantmännen Agro A/S and acquisition of DataVäxt AB with NCI.

³⁾ 2017, including reclassification of Cgrain AB from associate to subsidiary after the ownership increased. The company has non-controlling interests.

Note 22 continued

Restricted reserves are reported under other contributed capital in the Parent Company.

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

The reserve for available-for-sale assets includes the accumulated net change in fair value of financial assets classified as "available-for-sale financial assets" until the asset is sold or is written down in the income statement.

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

Management of the Group's capital

Lantmännen has two overall financial objectives:

- return on equity of at least 8 percent over a business cycle and with the present business portfolio
- equity ratio of at least 40 percent

To achieve these objectives, Lantmännen uses financial instruments for its operations and specific profitability targets for each business. These profitability targets are expressed as a percentage of operating capital and vary according to the type of business and profitability levels for comparable enterprises outside Lantmännen. Lantmännen's aim is that each business will achieve a return on operating capital at least on a par with that of comparable enterprises outside the Group.

Future investments are allocated primarily to areas that meet the profitability target and have potential for profitable growth.

Note 23 Interest-bearing liabilities

Non-current interest-bearing liabilities

MSEK	Note	2017	2016
Non-current liabilities to credit institutions	24	2,795	3,283
Issued securities ¹⁾	24	1,247	1,246
Subordinated debentures		250	250
Financial liabilities, leases	29	118	134
Other non-current interest-bearing liabilities		90	54
Derivative instruments		23	24
Total		4,523	4,991

¹⁾ Recognized at amortized cost.

Current interest-bearing liabilities

MSEK	Note	2017	2016
Current liabilities to credit institutions	24	804	156
Liabilities to members, savings		1,488	1,243
Liabilities to members, capital account		0	737
Deposits with Lantmännen Finans AB from the public		1,505	1,168
Financial liabilities, leases	29	11	9
Other current interest-bearing liabilities		30	14
Derivative instruments		3	46
Total		3,841	3,373

Interest-bearing liabilities, total

Interest-bearing liabilities, total	8,364	8,364
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Deposits with Lantmännen Finans AB from the public are from companies, members, employees and other individuals. The deposit accounts offer unrestricted withdrawals, interest from the first SEK 1 and cover of EUR 100,000 under the national deposit guarantee scheme.

MSEK	2017	2016
Balance at beginning of year	8,364	8,127
Cash flow	203	-49
Acquisitions/divestments	-147	166
Changes in values	-45	6
Translation differences	-11	114
Carrying amount	8,364	8,364

Note 24 Financial instruments and financial risk management

RISK MANAGEMENT

Lantmännen 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 earnings and cash flow as a result of changes in commodity market prices, exchange rates, interest rates and refinancing, and also includes credit and counterparty risks. Lantmännen conducts internal banking activities through the corporate function Group Treasury within Lantmännen ek för.

The main task of Group Treasury is to provide cost-effective financing, identify and efficiently minimize financial risks to which the Group is exposed in its daily operations, support management and Group companies and optimize the Group's net financial items and tied-up capital.

The financial policy governs how financial risks shall be handled and specifies the mandate, limits and which financial instruments may be used. The Group's financial policy is established annually by Lantmännen's Board of Directors. The Group's Risk Committee receives regular reports on changes to the Group's financial risks. Group Treasury also handles Lantmännen's netting system and is responsible for handling the Group's liquidity via cash pools in banks. Only banks and credit institutions that have a high credit rating and essentially participate in the Group's long-term financing are accepted as counterparties to Lantmännen in financial transactions.

CAPITAL STRUCTURE AND FINANCIAL COVENANTS

Lantmännen is actively working on its capital structure to ensure long-term financial stability, meet the organization's need for capital at the lowest cost and ensure opportunities for future acquisitions. Lantmännen uses multiple financial performance measures to measure its capital structure and has, for example, a long-term objective that its equity ratio shall exceed 40 percent. To fund its activities, Lantmännen has loans from several banks and credit institutions. The credit conditions for the loans depend on Lantmännen's financial performance and are described in the covenants contained in the agreements. For further information on Lantmännen's covenants, see "Refinancing risk" below.

Lantmännen also has loans where collateral is pledged as security, mainly in real estate mortgages. For further information see note 34.

CURRENCY RISK

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

Note 24 continued

Transaction exposure

Transaction exposure is the risk of changes in exchange rates having an adverse effect on the Group's operating income. To address this risk, the Group's financial policy requires the Sectors' foreign currency sales and purchases to be hedged with Group Treasury. This can be done either by order or based on a rolling 12-month exposure forecast. The aim is to minimize the effects of currency fluctuations in the first instance by using foreign currency inflows for payments in the same currency. In addition, financial instruments are used to hedge forecast cash flows, in accordance with the guidelines contained in Lantmännen's financial policy.

Distribution of trade receivables by currency, December 31, 2017

MSEK	Group	Parent Company
SEK	2,398	1,454
EUR	1,208	6
DKK	312	0
NOK	197	0
GBP	65	0
USD	238	0
Other currencies	140	0
Total	4,558	1,460

Distribution of trade receivables by currency, December 31, 2016

MSEK	Group	Parent Company
SEK	2,531	1,576
EUR	812	14
DKK	340	0
NOK	341	0
GBP	190	0
USD	73	0
Other currencies	99	0
Total	4,386	1,590

Distribution of trade payables by currency, December 31, 2017

MSEK	Group	Parent Company
SEK	3,657	2,442
EUR	1,200	13
DKK	208	1
NOK	101	0
GBP	34	2
USD	72	0
Other currencies	70	1
Total	5,342	2,459

Distribution of trade payables by currency, December 31, 2016

MSEK	Group	Parent Company
SEK	3,407	2,286
EUR	733	10
DKK	275	1
NOK	122	0
GBP	77	0
USD	44	1
Other currencies	69	0
Total	4,727	2,298

Translation exposure

Translation exposure is the risk to which Lantmännen is exposed when translating foreign subsidiaries' balance sheets and income statements into SEK. Currency hedging of investments in foreign subsidiaries is managed through the equity hedge. These are recognized at the closing rate on the reporting date. The Parent Company's exchange differences attributable to these hedges and translation differences from the net assets of subsidiaries

are recognized in other comprehensive income and accumulated in consolidated equity. Only net investments with significant exposure to a currency are hedged. These are currently net investments in EUR and DKK.

If the Swedish krona weakened against other currencies by 10 percent, equity would increase by MSEK 806 (642), not taking into account the equity hedge. If the equity hedge is taken into account, equity would increase by MSEK 830 (691), 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

Lantmännen is primarily exposed to the EUR, DKK, RUB, USD and NOK. The different currencies represent both inflows and outflows against the Swedish krona and a large proportion of them are hedged. Consequently, the transaction-related earnings impact of an exchange rate change is considered to be minimal.

On translation of operating income, a +/-10 percent change in the Swedish krona against the subsidiaries' currencies would have an approximate effect of MSEK +/- 125 (+/- 104) on operating income, all other things being equal. The calculation does not take into account any changes in prices and customer behavior caused by the exchange rate movements.

Sensitivity analysis for major currencies		Operating income effect, MSEK	
Risk	Change	2017	2016
EUR/SEK	-10 %	-86	-58
RUB/SEK	-10 %	-10	-3
NOK/SEK	-10 %	-8	-16
USD/SEK	-10 %	-7	-9
PLN/SEK	-10 %	-6	-6
Other	-10 %	-8	-12
Total		-125	-104

The currency derivatives used are forward exchange contracts.

The currency distribution of the Group's outstanding forward contracts was as follows:

Currency distribution and payment structure, operating forward contracts			
MSEK	2018	2019	2020
EUR	-1,685	-29	-
NOK	-173	0	-
DKK	172	0	-
GBP	-58	0	-
USD	40	0	-
PLN	-13	0	-
HUF	3	0	-
Total	-1,714	-29	0

The nominal net amount per currency is shown in the table above. Negative amounts represent sales of a particular currency and positive amounts represent purchases.

The average remaining maturity of the forward contracts at December 31, 2017 was 3 (2) months.

PRICE RISK

Lantmännen uses the financial markets to manage price risk in commodity trading, such as trade in grain and feed raw materials, ethanol sales and energy purchases. The purpose of using price hedges to manage price risk is to increase predictability and even out price fluctuations, thereby ensuring the right prices are passed on to customers.

Note 24 continued

Commodity price risk

Lantmännen's main commodity price risk is associated with wheat, rape, barley, oats and soy. The pricing of commodities varies over time as a result of international supply and demand. Commodity risks are primarily attributable to Lantmännen Lantbruk's operations, Lantmännen Agroetanol's ethanol production, Lantmännen Cerealia's operations and Lantmännen Unibake's bakery operations. In addition to hedging prices by means of supply contracts, prices are also hedged by means of financial futures through commodity exchanges and banks. Pricing of most of Lantmännen's traded commodities is based on USD or EUR. Under Lantmännen's financial policy, the currency is considered to be part of the transaction's pricing and must be hedged on or before the transaction date.

Energy price risk

Through its energy-intensive operations Lantmännen is subject to risks associated with price fluctuations, particularly for electricity and gas. If the energy price risk is not hedged, these price fluctuations will have a direct impact on the Group's operating income. The Group's electricity consumption is therefore hedged on a gradual basis according to a strategy established by the corporate function Group Risk Management. The objective of the hedging strategies for electricity and gas is to reduce the volatility of the Group's energy costs. As electricity and gas are traded in EUR, this also gives rise to a currency risk. This is hedged on a continuous basis.

Electricity price hedging for Sweden, Denmark, Finland and Norway

Maturity year	2018	2019	2020	2021
Hedged share of forecast annual need	65 %	45 %	31 %	16 %

Electricity price hedging for UK

Maturity year	2018	2019	2020	2021
Hedged share of forecast annual need	60 %	0 %	0 %	0 %

The Group companies' total electricity consumption in 2017 was 576 (554) GWh. The share for the operations in Sweden, Denmark, Finland and Norway was 449 (390) GWh and the UK 30 (31) GWh. A +/-10 percent movement in the price of electricity would affect the valuation of the energy hedges by MSEK +/-17.

The Group companies' natural gas consumption in 2017 was 299 (293) GWh. The share for the operations in Sweden, Finland and Denmark was 139 (99) GWh and the UK 27 (27) GWh. A +/-10 percent change in the price of gas would affect the valuation of the gas hedges by MSEK +/-1.6.

Price hedges via ethanol and gasoline contracts

Price hedges for Agroetanol in the Energy Sector were entered into regularly throughout 2017 in order to mitigate earnings fluctuations attributable to daily market price changes. The hedge ratio at December 31, 2017 was 3 percent. A +/-10 percent movement in the price of ethanol would affect the valuation of the ethanol hedges by MSEK 3.3.

Eurobob gasoline price hedges for Aspen in the Energy Sector were entered into regularly throughout 2017 in order to mitigate earnings fluctuations attributable to daily market price changes. Eurobob is priced in USD. The hedge ratio at December 31, 2017 was 0 percent.

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 earnings and cash flows.

The Group's interest-bearing liabilities at December 31, 2017, including outstanding interest rate swaps, had a weighted average fixed-rate period of 24 (29) months.

REFINANCING RISK, LIQUIDITY RISK AND LIQUIDITY RESERVE

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. Lantmännen limits its refinancing risk by having a well-diversified group of counterparties and maturities for its loans. The weighted average maturity of loans with credit institutions including bond loans at the end of the year was 6.8 (7.7) years.

By constantly maintaining cash assets or unused credit facilities, the Group ensures it has sound payment capacity, thereby reducing the liquidity risk. The Group's liquidity (available line of credit) is calculated on the basis of Lantmännen's loan agreement and associated covenants signed with the syndication banks on July 9, 2015. Liquidity reserve at December 31, 2017 was MSEK 3,004 (3,969).

Maturity structure of interest-bearing financial liabilities¹⁾

MSEK	Group		Parent Company	
	2017	2016	2017	2016
2017			156	76
2018	540	593	502	583
2019	600	599	599	589
2020	2,087	2,063	2,087	2,054
2021	81	1,587	81	1,555
2022-	1,538		1,517	
Total	4,846	4,998	4,786	4,857

¹⁾ Including future interest payments

MTN program

A medium term note (MTN) program was established in December 2015. The bond program has a loan limit of SEK 3 billion for issues on the Swedish equity market. On December 31, 2017, a nominal amount of MSEK 1,250 was outstanding, with a maturity of 5 years. In connection with the issue, three banks, Swedbank, Nordea and Danske Bank, conducted shadow ratings of Lantmännen. These correspond to BBB-.

Maturity structure of loan liabilities to credit institutions by currency

MSEK	Total	2018	2019-2020		2021-2022	2023-
			2019-	2020		
EUR	762	7	755	0	0	0
DKK	1,242	51	123	133	935	
SEK	2,842	746	1,544	32	520	
Total	4,846	804	2,422	165	1,455	
Of which interest	421	118	95	59	149	
Total excl. interest	4,425	686	2,327	106	1,306	

The table above refers to undiscounted contractual amounts, which deviate from the liabilities reported in the balance sheet.

External currency swaps related to financing of Group companies

MSEK	Group	
	2017	2016
EUR	3,208	2,783
DKK	784	815
NOK	277	300
GBP	992	1 000
USD	30	179
SEK	-6,205	-5,879
PLN	375	227
RON	124	123
RUB	530	458
Total	115	6

All external currency swaps related to the financing of Group companies are in the Parent Company, Lantmännen ek för.

Note 24 continued

Other interest-bearing liabilities, savings and capital account

Other current liabilities include members' savings of MSEK 1,488 (1,243). Deposits into the capital account totaled MSEK 1,505 (1,905), of which MSEK 1,505 (1,169) was through Lantmännen Finans AB. These liabilities are formally short-term and the deposits may be withdrawn with one day's notice. However, experience shows little movement in these liabilities. See  note 23.

Other non-current interest-bearing liabilities, consisting mainly of long-term lease liabilities, amount to MSEK 208 (188).

In credit agreements with banks, Lantmännen is bound by financial covenants requiring its equity ratio to be always higher than 30 percent, year-end net debt/EBITDA to be below 3.75 (4.0) and EBITDA/net financial items to be at least 3.5 times. If Lantmännen fails to meet the covenants, the bank is entitled to terminate the credits prematurely. At December 31, 2017, according to the bank syndicate's definition, the equity ratio was 43.9 (43.1) percent, net debt/EBITDA was 2.7 (2.5) and EBITDA/net financial items was 17.7 (17.9) times.

Maturity structure of derivative instruments, nominal amounts

December 31, 2017

MSEK	2018	2019	2020	2021-	Fair value
Currency derivatives	-5,843	-29	-	-	-29
Interest rate derivatives	244	0	2,505	852	10
Energy derivatives	70	62	44	13	2
Commodity derivatives	-706	-	-	-	36
Ethanol derivatives	34	-	-	-	0
Total	-6,201	33	2,549	865	19

Maturity structure of derivative instruments, nominal amounts

December 31, 2016

MSEK	2017	2018	2019	2020-	Fair value
Currency derivatives	-5,198	18	-	-	26
Interest rate derivatives	1,029	100	-	3,236	-31
Energy derivatives	67	45	26	13	17
Commodity derivatives	-622	-	-	-	-5
Ethanol derivatives	-	-	-	-	-
Total	-4,724	163	26	3,249	7

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 loss for Lantmännen. Counterparty risk is limited by only accepting counterparties with high credit-worthiness according to the established financial policy and by defining the maximum exposure per counterparty according to the counterparty's creditworthiness.

Financial counterparties are selected on the basis of rating criteria, taking into account the spread of counterparty risk and other mutual business interaction. Lantmännen has signed ISDA agreements and CSA agreements with the majority of its counterparties.

Customer credit risk

The credit risk associated with trade receivables is managed through special credit rating reviews. Lantmännen has credit control procedures in place and obtains information about the financial position of customers from various credit-rating agencies. Lantmännen has a good spread of the customers as a result of the Group having different business areas and operating in several countries and in different markets. Lantmännen also conducts active monitoring of trade receivables across company boundaries in the Group in order to minimize customer defaults and ensure payment precision.

Lantmännen Finans AB has transferred its leasing and hire purchase contracts to Swedbank on an ongoing basis. Swedbank has limited recourse. At December 31, 2017, recourse was MSEK 79 (69). The item is reported under other liabilities in the consolidated statement of financial position.

See  note 20 for information about past due trade receivables and provisions.

Financial assets and liabilities measured at fair value in the statement of financial position at December 31, 2017

Assets, MSEK	Level 1	Level 2	Level 3	Total
Derivatives with positive fair value	83	3	-	86
Other financial assets measured at fair value	421	0	126	547
Total assets	504	3	126	633
Liabilities, MSEK				
Derivatives with negative fair value	42	25		67
Total liabilities	42	25	0	67

Financial assets and liabilities measured at fair value in the statement of financial position at December 31, 2016

Assets, MSEK	Level 1	Level 2	Level 3	Total
Derivatives with positive fair value	30	66	-	96
Other financial assets measured at fair value	566	0	125	691
Total assets	596	66	125	787
Liabilities, MSEK				
Derivatives with negative fair value	19	70	-	89
Total liabilities	19	70	-	89

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

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

Level 2: Inputs other than the quoted prices included in level 1 that are observable for the asset or liability, i.e. quoted prices or data derived therefrom.

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

Assets in Level 3 refer to other shares and interests and have been measured at cost of acquisition, which is considered a good reflection of the fair value at the closing date.

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.

Note 24 continued

Financial assets and liabilities by measurement category, December 31, 2017

MSEK	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Derivatives used in hedge accounting	Other derivatives	Other financial liabilities	Total carrying amount	Fair value
ASSETS								
Other shares and interests	126	-	331	-	-	-	457	457
Other financial assets	90	274	-	4	-	-	368	368
Other non-current assets	-	-	-	14	-	-	14	14
Trade and other receivables	-	4,567	-	68	-	-	4,635	4,636
Current interest-bearing assets	-	18	-	-	-	-	18	18
Cash and cash equivalents	-	927	-	-	-	-	927	927
Total assets	216	5,786	331	86	-	-	6,419	6,420
LIABILITIES								
Non-current interest-bearing liabilities	-	-	-	23	-	4,500	4,523	4,524
Other non-current liabilities	-	-	-	3	-	25	28	28
Current interest-bearing liabilities	-	-	-	3	-	3,838	3,841	3,841
Trade and other payables	-	-	-	38	-	5,388	5,426	5,426
Total liabilities	-	-	-	67	-	13,751	13,818	13,819

Financial assets and liabilities by measurement category, December 31, 2016

MSEK	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Derivatives used in hedge accounting	Other derivatives	Other financial liabilities	Total carrying amount	Fair value
ASSETS								
Other shares and interests	124	-	440	-	-	-	564	564
Other financial assets	37	78	91	-	-	-	206	206
Other non-current assets	-	-	-	7	-	-	7	7
Trade and other receivables	-	4,400	-	23	-	-	4,423	4,423
Current interest-bearing assets	-	110	-	64	2	-	176	176
Cash and cash equivalents	-	1,773	-	-	-	-	1,773	1,773
Total assets	161	6,361	531	94	2	-	7,149	7,149
LIABILITIES								
Non-current interest-bearing liabilities	-	-	-	24	-	4,967	4,991	5,000
Other non-current liabilities	-	-	-	-	-	25	25	25
Current interest-bearing liabilities	-	-	-	46	-	3,327	3,373	3,373
Trade and other payables	-	-	-	19	-	4,775	4,794	4,794
Total liabilities	-	-	-	89	-	13,094	13,183	13,192

Offsetting of financial assets and liabilities, December 31, 2017

ASSETS MSEK	Recognized in statement of financial position	Gross amount for financial assets offset against financial liabilities	Amounts not offset in statement of financial position	Net amount
Derivatives ¹⁾	86		35	51
Total	86	-	35	51
LIABILITIES				
MSEK	Recognized in statement of financial position	Gross amount for financial liabilities offset against financial assets	Amounts not offset in statement of financial position	Net amount
Derivatives ¹⁾	67		35	32
Total	67	-	35	32

Note 24 continued

Offsetting of financial assets and liabilities, December 31, 2016

ASSETS MSEK	Recognized in statement of financial position	Gross amount for financial assets offset against financial liabilities	Amounts not offset in statement of financial position	Net amount
Derivatives ¹⁾	96	-	9	87
Total	96	-	9	87
LIABILITIES MSEK	Recognized in statement of financial position	Gross amount for financial liabilities offset against financial assets	Amounts not offset in statement of financial position	Net amount
Derivatives ¹⁾	89	-	9	80
Total	89	-	9	80

¹⁾ Trading in derivatives is subject to the ISDA agreement, which also regulates the netting of liabilities and receivables in the course of operations and in situations such as breaches of contract or early termination.

Note 25 Pensions

Lantmännen has both defined contribution and defined benefit pension plans. The defined benefit plans, which are reported in Lantmännen's statement of financial position, are funded and unfunded. The largest defined benefit plans are ITP 2 pensions, which are book reserve pensions.

These pensions are insured through PRI Pensionsgaranti and are secured by a pension fund. PRI Pensionsgaranti is a mutual insurance company that guarantees employees' future pensions. The Grodden pension fund was established in December 2011, when Lantmännen transferred assets into the fund. As 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. Six of Lantmännen's Swedish companies are connected to the fund. There is no obligation for the companies in the fund to make additional contributions to the fund. Lantmännen pays a lower risk premium to PRI Pensionsgaranti for the parts of the pension liability that are funded in Grodden.

There are also funded pension plans in Norway, where one of the companies has pension obligations safeguarded by funds. One of the Norwegian companies discontinued its defined benefit plan in 2017 and switched to a defined contribution plan.

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

Defined benefit plans MSEK	2017	2016
Funded plans:		
Defined benefit obligations under Swedish PRI Pensionsgaranti plans	2,349	2,275
Other defined benefit obligations	86	135
Fair value of plan assets	-1,932	-1,942
Total net value of funded plans	503	468
Funded plans recognized as a provision	503	468
Unfunded plans:		
Other unfunded obligations	51	51
Total unfunded plans	51	51
Provisions for pensions, net	554	519

Pension cost in the income statement

MSEK	2017	2016
Defined benefit plans		
Cost of pensions accrued during the year	44	44
Interest expense, interest income, net	11	8
Curtailments and settlements	-4	-10
Cost of defined benefit plans	51	42
Cost of defined contribution plans	328	315
Total pension cost in the income statement	379	357
<i>The cost is recognized on the following lines in the income statement</i>		
Employee benefits expense	368	349
Finance costs	11	8
Total cost relating to pensions	379	357

Pension-related remeasurements in OCI

MSEK	2017	2016
Defined benefit plans		
Return on plan assets in excess of what is recognized as interest income in the income statement	73	29
Experience-based adjustment of obligation	-70	15
Effects of changes in financial assumptions	-4	-206
Total actuarial gains (+) and losses (-)	-1	-162
Tax on above items	0	36
Total recognized in OCI	-1	-126

Note 25 *continued*

Pension plans by country	2017			2016		
	Obligations	Plan assets	Pension liability	Obligations	Plan assets	Pension liability
MSEK						
Sweden	2,354	-1,856	498	2,280	-1,829	451
Norway	86	-76	10	135	-113	22
Germany	36	-	36	37	-	37
Netherlands, Poland, Finland, France	10	-	10	9	-	9
Total	2,486	-1,932	554	2,461	-1,942	519

The following summary explains how obligations, assets and the net amount changed during the year:

MSEK	2017			2016		
	Defined benefit obligations	Plan assets	Net	Defined benefit obligations	Plan assets	Net
Opening balance	2,461	1,942	519	2,267	1,921	346
Service cost during the year	44	-	44	44	-	44
Interest recognized in income statement	59	48	11	66	58	8
Payment of pension benefits	-108	-7	-101	-111	-8	-103
Compensation paid to employer 1)	-	-93	93	-	-89	89
Payment of contributions by employer 1)	-	8	-8	-	21	-21
Curtailments and settlements	-40	-36	-4	-10	-	-10
Return on plan assets in excess of recognized interest	-	73	-73	-	29	-29
Remeasurement of pension obligations recognized in OCI	74	-	74	191	-	191
Translation differences	-4	-3	-1	14	10	4
Closing balance, pension liability	2,486	1,932	554	2,461	1,942	519
<i>Of which funded plans</i>		503				468
<i>Of which unfunded plans</i>		51				51

¹⁾ Compensation from the Swedish pension fund consists of MSEK 93 (89) to 3 (3) companies in 2017. No Swedish companies made payments into the pension fund in 2017. In 2016, one Swedish company paid MSEK 10 into the fund. MSEK 8 (11) was paid into Norwegian plans.

Specification of plan assets

	2017 MSEK	2016 MSEK	2017 %	2016 %
Property	971	1,071	50 %	54 %
Fixed-interest investments	336	267	17 %	14 %
Structural products	0	30	0 %	2 %
Equity investments	423	391	22 %	20 %
Hedge funds	187	112	10 %	6 %
Cash and cash equivalents	15	71	1 %	4 %
Total	1,932	1,942	100 %	100 %

Equity investments include subordinated debentures of MSEK 71 (71) in Lantmännen ek för. Other holdings under equity investments are primarily listed shares.

Actuarial assumptions ²⁾	2017	2016
Discount rate	2.5 %	2.5 %
Future salary increases	3.0 %	3.0 %
Inflation	1.5 %	1.5 %
Life expectancy assumptions, Sweden	DUS14	DUS14
Duration	16 years	16 years

²⁾ Weighted average, corresponding to the Swedish assumptions, as Swedish plans dominate.

A 0.25 percent decrease in the discount rate would increase the Swedish pension obligation (which is 95 percent of the total) by approximately MSEK 94, while a 0.25 percent increase in the interest rate would reduce it by approximately MSEK 88. A change of one year in mortality assumptions would increase the obligation by approximately MSEK 88 in the case of a longer life expectancy, and would reduce it by the same amount in the case

of a shorter life expectancy. A 0.25 percent change in inflation would reduce the obligation by approximately MSEK 73 in the case of a fall in inflation and would increase it by approximately MSEK 77 in the case of a rise. A 0.25 percent change in salary growth assumptions would increase the obligation by approximately MSEK 38 in the case of a higher assumption and would reduce it by approximately MSEK 36 in the case of a lower assumption. The Swedish pension fund's return was about 6 percent in 2016, and a 1 percentage point change in the return would increase or decrease the value of the plan assets by about MSEK 20.

The Swedish funded plans include active members, 15 (15) percent, paid-up policyholders, 35 (36) percent, and retired persons, 50 (49) percent.

Expected payments of pensions under defined benefit pension plans in 2018 are MSEK 100 (97).

For certain employees in Sweden insurance premiums are paid to Alecta with regard to commitments under the traditional ITP (individual supplementary pension) plan. The plan is a multi-employer defined benefit plan. At present, Alecta is unable to disclose the information that is required to recognize this plan as a defined benefit plan. Consequently, pensions insured through Alecta, are recognized as a defined contribution plan. Of the above cost of MSEK 328 (315) for defined contribution plans, MSEK 23 (21) relates to Alecta premiums for traditional ITP plans. Alecta's surplus may be distributed to the policyholders and/or the insured. At the end of the year, Alecta's surplus in the form of its collective funding ratio was 154 (149) percent. The collective funding ratio reflects the market value of Alecta's assets as a percentage of its insurance obligations, calculated in accordance with Alecta's actuarial assumptions, which do not follow IAS 19.

Information on pensions for senior executives can be found in note 6.

Note 26 Other provisions

MSEK	Guarantee commitments	Actuarial provisions	Restructuring measures	Other	Total 2017	Total 2016
Opening balance	92	98	226	558	974	581
Provisions during the period	39	-	57	157	253	587
Amounts utilized during the period	-26	-12	-168	-13	-219	-82
Reversals during the period	-7	-	-19	-41	-67	-117
Effects of divested, acquired operations	-9	-	-	8	-1	1
Translation differences	1	0	2	1	4	4
Carrying amount at end of period	90	86	98	670	944	974
Of which current provisions	83	14	75	532	704	727
Of which non-current provisions	7	72	23	138	240	247

MSEK 197 of the non-current provisions is expected to be used in 2020 and thereafter.

Increases in previously existing provisions are included in the period's provisions.

The majority of the year's restructuring provisions relate to measures in the Food Sector, most of which are expected to be used in 2018.

MSEK 140 of the year's provisions under Other relate to the Energy Sector's provision for the European Commission's ongoing investigation of Lantmännen Agroetanol and two other ethanol producers for alleged violation of EU competition law, which brings the total provision to MSEK 440.

MSEK 96 (100) of the provisions under Other relates to the estimated costs of closing down grain elevators. No new provisions for grain elevators were made in 2017.

In corporate groups the size of Lantmännen, there are normally a number of ongoing disputes. Lantmännen has assessed the most likely outcome of the disputes currently at issue, and where an outflow of financial resources is probable, a corresponding amount has been recognized as a provision.

Note 27 Other non-current liabilities

MSEK	2017	2016
Non-current derivative instruments, operating	3	-
Non-current liabilities to joint ventures/associates	11	8
Other non-current operating liabilities	14	17
Total	28	25

Note 28 Trade and other payables

MSEK	2017	2016
Trade payables	5,342	4,727
Trade payables, joint ventures/associates	10	18
Other operating liabilities, associates	19	4
Other current liabilities	1,205	1,129
Derivative instruments	38	19
Accruals and deferred income	2,352	2,302
Total	8,966	8,199
Accruals and deferred income		
MSEK	2017	2016
Accrued personnel-related costs	602	600
Bonuses and discounts	207	207
Other accruals	788	705
Deferred income	755	790
Total	2,352	2,302

Note 29 Leases

The Group is both a lessor and a lessee. The Group's obligations as a lessee are reported in this note. The Group as a lessor is reported in note 30 Customer financing. The Group has both operating and finance lease obligations.

Operating leases

Recognized costs of operating leases

MSEK	2017	2016
Minimum lease payments	612	533
Contingent rents	11	8
Total	623	541

Future obligations under non-cancelable operating leases are reported below.

Minimum lease payments due

MSEK	2017	2016
Within one year	319	178
Between one and five years	673	626
After five years	291	403
Total	1,283	1,207

Companies in the Lantmännen Group are tenants in properties owned by Lantmännen's pension fund. The annual rent for these properties was MSEK 68 (67) in 2017 and is expected to be MSEK 69 in 2018. 27 percent of the leases run until 2020/2022 and 73 percent until 2025. The estimated rent for these contracts is included in the minimum lease payments reported above.

Finance leases

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

Note 29 continued

MSEK	2017	2016
Minimum lease payments		
- reported as interest	13	13
- reported as payment (reduction of liability)	9	10
Contingent rents	0	0
Total payments under finance leases	22	23

The carrying amount of the leased assets at the reporting date is reported in
► note 13 Property, plant and equipment.

Future minimum lease payments (payment and interest) by period:

Maturity	2017			2016		
	Payment	Interest	Total charge	Payment	Interest	Total charge
Within one year	11	11	22	9	13	22
Between one and five years	15	42	57	31	47	78
After five years	103	126	229	103	132	235
Total	129	179	308	143	192	335

Note 30 Customer financing

Customer financing is mainly concerned with financing Lantmännen's sales of agricultural and construction machinery to end customers. Customer financing through leasing occurs mainly in the Group's international machinery operations.

The real estate operations' leasing of premises to external customers is also reported as customer financing.

Customer financing through finance leases occurs to a very limited extent, and outstanding receivables are well below MSEK 1 for both years.

Operating leases

For equipment and premises leased to customers and tenants under operating leases, future payments under non-cancelable leases fall due as follows:

Minimum lease payments due

MSEK	2017	2016
Within one year	151	150
Between one and five years	259	318
After five years	155	270
Total	565	738

The total minimum lease payments are distributed as follows:
premises MSEK 536 (715) and machinery MSEK 29 (23).

Note 31 Related party transactions

The association's Board members have significant influence over the Parent Company and are therefore considered to be related parties. The purpose of an economic association is to promote its members' economic interests through trade with them. To this end, purchases and sales of goods and services are conducted with individual Board members who are also members of the association. Similarly, these individual Board members also participate in the financing of the association. As all these transactions have occurred in accordance with the association's purpose and under the conditions applicable to other members, the amounts involved are not disclosed.

Salaries and similar benefits received by senior executives are reported in ► note 6. Dividends from subsidiaries and joint ventures/associates are shown in notes ► 16 and 39. Receivables from and liabilities to joint ventures/associates are shown in ► notes 17, 20, 21, 23, 27 and 28.

Related party transactions	2017	2016
Intra-group purchases, share of total purchases, %	12	15
Intra-group sales, share of total sales, %	9	11
Purchases of goods and services from joint ventures and associates, MSEK	477	564
Sales of goods and services to joint ventures and associates, MSEK	372	326
Transfer of capital from pension fund to Lantmännen, credited, MSEK	93	89
Rent paid to pension fund, MSEK	68	67
Sale of services to pension fund, MSEK	11	11

Note 32 Government grants

MSEK	2017	2016
Grants recognized as revenue	14	13
Grants that reduced expenses	3	5
Total	17	18

During 2017 and 2016, no contributions were received that reduced the value of non-current assets or were recognized as deferred income at the reporting date.

Note 33 Acquisitions and divestments

Acquisitions 2017

The following acquisitions of subsidiaries were made in 2017.

Company	Operations	Acquisition date	Purchase price, MSEK	Acquisition-related costs, MSEK	Goodwill, MSEK	Other intangible assets, MSEK	Property, plant & equipment, MSEK	Annual sales, MSEK	Number of employees	Acquired interest	Holding after acquisition
SAS Marline Europé (Marline)	Energy	Dec 2017	352	7	256	149	5	200	20	100 %	100 %
Orient Products LLC	Bakery	Sep 2017	276	11	140	152	32	85	250	100 %	100 %
K-maalalous (renamed Lantmännen Agro Oy)	Agriculture	Jun 2017	297	10	57	81	0	3,200	45	100 %	100 %
PS Bageri AB (Anderson Bakery)	Bakery	Mar 2017	63	1	43	5	9	75	30	100 %	100 %
Byavärme AB	Heating	Dec 2017	18	0	13	0	37	7	0	100 %	100 %
Other smaller acquisitions			7	0	0	0	0	0	0		

Lantmännen has acquired Marline, France's leading alkylate petrol producer. Marline is the leading French company in specialty fuels and finished blends for small engines. The acquisition gives Lantmännen Aspen scope to expand its existing offering in France and grow in new customer segments.

Lantmännen has acquired the Russian crispbread producer Orient Products, based in St Petersburg. Orient is a market leader in crispbread in Russia, with the Schedrie and Kruazett brands. The acquisition strengthens Cerealia's position in the large and growing Russian market.

Lantmännen has acquired the Finnish company K-maalalous (renamed Lantmännen Agro Oy) from Kesko Group in a debt-free sale structured as a share transaction. K-maalalous is one of the largest operators in the Finnish agricultural market and operates in plant production, animal feed, grain, and

implements and spare parts for agricultural machines. The company, which has 45 independent retailers with a total of 78 stores.

Lantmännen has acquired Anderson Bakery, a baguette bakery outside Stockholm.

Lantmännen has acquired the district heating company Byavärme in Vinslöv. The business is based on cooperation with local players.

The acquisition balance sheets for acquisitions in the third four-month period of 2017 are still preliminary. The companies are consolidated as subsidiaries using the acquisition method.

For information on the fair value of net assets in acquired operations, not including Other smaller acquisitions, see  below and note 35.

Acquisition balance sheet

MSEK

Acquisition price	2017 ¹⁾	2016 ²⁾
Cash/Loan repayment	1,006	278
Acquired assets and liabilities at fair value		
Property, plant and equipment	83	183
Intangible assets	387	207
Inventories	202	46
Trade receivables	587	18
Other current and non-current assets	61	0
Trade payables	-566	-1
Other liabilities	-180	-93
Net assets acquired, total	574	360
Cash and cash equivalents	15	16
Loans	-92	-126
Acquired net debt	-77	-110
Non-controlling interest		-70
Goodwill	509	98
Total	1,006	278
Acquisition-related costs, reported as		
Other operating expenses	29	2

The above values include fair value adjustments to the carrying amounts of the companies' identifiable assets and liabilities made when preparing the acquisition balance sheets. These adjustments are shown below:

Property, plant and equipment	0	0
Intangible assets	617	305
Deferred tax liabilities	-80	-39

¹⁾ Includes acquisitions of Marline, Orient Products, K-maalalous, PS Bageri and Byavärme.

²⁾ Includes acquisitions of Frozen Bakery Products, DataVäxt and Maskin Sydost.

Effect on the consolidated income statement	2017 ¹⁾	2016 ¹⁾
Net sales	1,847	28
Operating income from companies	8	1
Operating income from acquisition adjustments, excluding acquisition costs	-9	-10
Operating income, total		
Sales and income if acquisition had been at the beginning of the year		
Net sales	3,560	300
Operating income from companies	104	23
Operating income from acquisition adjustments, excluding acquisition costs	-30	-20
Operating income, total	74	3
Effect on the Group's cash and cash equivalents		
Consideration paid for the year's acquisitions/loan repayments	1,006	278
Takeover of loans	92	126
Cash and cash equivalents in acquired companies	-15	-16
Total	1,083	388

Note 33 continued

Acquisitions 2016

The following acquisitions of subsidiaries were made in 2016.

Company	Operations	Acquisition date	Purchase price, MSEK	Acquisition-related costs, MSEK	Goodwill, MSEK	Other intangible assets, MSEK	Property, plant & equipment, MSEK	Annual sales, MSEK	Number of employees	Acquired interest	Holding after acquisition
Frozen Bakery Products SA	Bakery	Sep 2016	182	1	36	100	177	80	80	100 %	100 %
Dataväxt AB	Digital services	Oct 2016	71	1	62	75	4	65	25	50 %	50 %
Maskin Sydost AB	Machine sales	Jan 2016	25	0	0	32	2	160	40	100 %	100 %
Other smaller acquisitions			6	-	-	-	-	-	-	-	-

Lantmännen Unibake acquired the Romanian company Frozen Bakery Products, a hamburger bun bakery in Bucharest, Romania. The acquisition is part of Lantmännen Unibake's strategy to establish itself in new markets.

Lantmännen acquired a 50.1 percent holding in the digital technical services company DataVäxt, with the aim of jointly driving digital development in agriculture. DataVäxt is a leading player in the digital crop production services. Together, DataVäxt and Lantmännen will develop new services that give Swedish farmers

new opportunities for production and monitoring. The non-controlling interest of 49.9 per cent has been measured at MSEK 60, with the valuation based on the full goodwill method.

Kalmar Lantmän's machinery business was acquired in January through the company Maskin Sydost AB to strengthen Lantmännen's position in the Kalmar region.

Divestments 2017

The following divestments of subsidiaries took place in 2017.

Company	Operations	Sale date	Consolidated net sales 2017, MSEK	Consolidated net sales 2016, MSEK	Average no. of employees 2017	Average no. of employees 2016	Divested interest	Holding after divestment
LMB Danmark A/S	Machine sales	Jan 2017	0	521	0	15	100 %	0 %
Akershus Traktor AS	Machine sales	May 2017	179	658	36	104	50 %	50 %
Lantmännen Samhällsfastigheter AB	Property development	Aug 2017	11	12	0	0	50 %	50 %

Lantmännen's operation with importing responsibility for Claas in Denmark, LMB Danmark A/S, was divested. The sale generated a capital gain of MSEK 6 and a positive cash flow of MSEK 50.

Lantmännen divested 50 percent of the shares in Akershus Traktor AS, a Norwegian Valtra dealer. The company then became an associate. The purchase consideration was MSEK 9 and the sale did not generate any gain or loss.

Lantmännen divested 50 percent of the shares in the real estate group Lantmännen Samhällsfastigheter AB to the property company Hemsö. The purchase consideration was MSEK 51 and the capital gain, including revaluation effect, was MSEK 78. After the divestment, the real estate group became a joint venture and was renamed Lanthern Samhällsfastigheter AB.

Divestments 2016

Only minor divestments of subsidiaries took place during 2016.

Note 34 Pledged assets and contingent liabilities

Pledged assets

MSEK	For own financial liabilities	Other commitments	Total pledged assets	
			2017	2016
Real estate mortgages	1,711	-	1,711	1,451
Bank accounts	-	119	119	22
Other	-	3	3	37
Total	1,711	122	1,833	1,510

Real estate mortgages have been provided for the liabilities of the Parent Company in the amount of MSEK 1,711 (1,451), of which MSEK 559 (543) relates to properties owned by subsidiaries.

Contingent liabilities

MSEK	2017	2016
Guarantees for		
- joint ventures	357	222
Other contingent liabilities	142	94
Total	499	316

Note 35 Notes to the statement of cash flows

MSEK	2017	2016
1) Interest paid and dividends received		
Dividends received	14	13
Interest received	85	104
Interest paid	-314	-334
Realized exchange gains/losses	-21	-13
Other financial payments	26	25
Total	-210	-205
2) Acquisition of operations		
<i>Assets and liabilities acquired</i>		
Property, plant and equipment	85	183
Intangible assets	915	312
Inventories	201	59
Operating receivables	649	54
Cash and cash equivalents	15	16
	1,865	624
Financial liabilities	389	157
Deferred tax liabilities	80	43
Operating liabilities	680	76
	1,149	276
Net assets acquired	716	348
Repayment of loans in acquired companies	297	126
Purchased interests in associates*	78	15
NCI in acquired companies	-	-70
Purchase of non-controlling interests	-	1
Purchase consideration paid	1,091	420
Cash and cash equivalents in acquired operations	-15	-16
Effect on cash and cash equivalents	1,076	404

Further information on acquired operations can be found in note 33.

* Including shareholder contributions

MSEK	2017	2016
3) Divestment of operations		
<i>Assets and liabilities divested</i>		
Property, plant and equipment	241	-
Financial assets	111	-
Inventories	233	-
Operating receivables	98	47
	683	47
Loans	359	-
Operating liabilities	139	-
Capital gains/losses	-88	-
	410	-
Consideration received	273	47
Repayment of loans in divested companies	-49	-
Effect on cash and cash equivalents	224	47

Further information on divested operations can be found in note 33.

4) Investments

The Group's investments in property, plant and equipment held under finance leases amounted to MSEK 423 (265) during the year.

5) Change in interest-bearing liabilities and pension provisions

Cash flow from interest-bearing liabilities, net	203	-49
Cash flow from pension provisions	-3	-8
Total	200	-57

6) Cash and cash equivalents

Cash and bank balances	927	1,773
Total	927	1,773

The Group's total liquidity reserve, defined as cash, bank deposits and credit available under the provisions of applicable loan agreements, was MSEK 3,004 (3,969) at the end of the year.

Notes to the Parent Company financial statements

Note 36 Breakdown of revenue

MSEK	2017	2016
Net sales		
Sales of goods	11,113	10,604
Service contracts	323	311
License revenue, seed and forages	73	87
Leasing activities	62	66
Total	11,571	11,068
Other operating income		
Services	131	126
Capital gains	1	76
Government grants	-	2
Other license revenue	112	76
Other	22	18
Total	266	298

Customers outside Sweden accounted for approximately 22 (20) percent of the Parent Company's total net sales.

Note 37 Fees and reimbursement of expenses to auditors

MSEK	2017	2016
<i>Ernst & Young</i>		
Annual audit	4	5
Tax consultancy services	2	2
Other services	1	1
Total	7	8
<i>Elected auditors</i>		
Annual audit	1	1

Note 38 Operating income

Related party transactions

Related party transactions in the Parent Company's operating income are shown below. In this context, transactions with members in accordance with the Association's objectives are not considered related party transactions. Salaries and similar benefits received by senior executives are reported in note 6. Dividends from subsidiaries and associates are shown in note 39.

	2017	2016
Intra-group purchases, share of total purchases, %	5	4
Intra-group sales, share of total sales, %	22	21
Purchases of goods and services from joint ventures/associates, MSEK	477	564
Sales of goods and services to joint ventures/associates, MSEK	237	216
Receipts from Grodden pension fund, MSEK	65	63

Leases

Operating expenses include operating lease costs of MSEK 36 (34). Future obligations under non-cancelable operating leases are reported below.

Minimum lease payments due

MSEK	2017	2016
Within one year	34	32
Between one and five years	98	105
After five years	3	14
Total	135	151

Note 39 Income from investments in Group companies and joint ventures/associates

Income from investments in Group companies

MSEK	2017	2016
Dividends	557	679
Capital gain on disposal of shares	193	-
Impairment	-240	0
Total	510	679

Dividends were received as follows: MSEK 290 from Doofmas & Co AB, MSEK 257 from Lantmännen Animalieinvest AB, MSEK 7 from Gyllebo Gödning AB and MSEK 3 from Dataväxt AB. The capital gain on disposal of shares is attributable to the sale of Lantmännen Maskin DK A/S. Impairment of shares during the year is related to the holding in Lantmännen Animalieinvest AB. The previous year's income comprises dividends of MSEK 676 from Lantmännen Unibake Holding A/S and MSEK 3 from Gyllebo Gödning AB.

Income from investments in joint ventures/associates

MSEK	2017	2016
Dividend	34	32
Impairment	-33	-
Total	1	32

Dividends were received as follows: MSEK 15 from Viking Malt Oy, MSEK 10 from Scandbio AB and MSEK 9 from HaGe Kiel AG. Impairment of shares during the year is related to the holding in Scandagra Polska Sp z o.o. The previous year's income includes dividends of MSEK 7 from Viking Malt Oy and MSEK 25 from Scandbio AB.

Note 40 Income from other securities and receivables classified as non-current assets

MSEK	2017	2016
Dividend	6	3
Capital gains/losses on disposal of shares	4	26
Total	10	29

The capital gain for 2016 relates to an additional consideration from the sale of Granngården in 2008.

Note 41 Exchange differences affecting income

MSEK	2017	2016
Exchange differences affecting operating income	9	-25
<i>Exchange differences in financial items</i>		
Exchange differences in financial items, external	-117	-582
Exchange differences in financial items, internal	63	543
Total	-54	-39

Note 42 Taxes

Tax on net income for the year

MSEK	2017	2016
Current tax expense (-)/tax income (+)		
Tax expense/income for the period	-	-
Total current tax	0	0
Deferred tax expense (-)/tax income (+)		
Deferred tax arising from changes in temporary differences	4	2
Deferred tax income in capitalized loss carryforwards during the year	-	15
Deferred tax expense from use of previously capitalized loss carryforwards	-103	-
Total deferred tax	-99	17
Total recognized tax expense	-99	17

	Reconciliation of effective tax	2017 Percent	2017 MSEK	2016 Percent	2016 MSEK
Income before tax			1,114		890
Anticipated tax according to enacted Swedish tax rate	22.0 %	-245	22.0 %	-196	
Non-deductible expenses	0.4 %	-4	0.3 %	-3	
Impairment of shares	5.4 %	-60	0.0 %	0	
Tax-exempt capital gains/losses	-3.8 %	42	-0.7 %	6	
Tax-exempt dividend	-11.8 %	131	-17.6 %	157	
Other non-taxable income	0.0 %	0	-0.1 %	1	
Contribution dividend deductible for tax purposes	-2.9 %	32	-3.6 %	32	
Tax attributable to prior years	0.4 %	-5	0.0 %	-	
Effect of special tax rules for economic associations	-0.5 %	6	-0.7 %	6	
Effect of temporary differences on which deferred tax is not recognized	-0.4 %	4	-1.6 %	14	
Recognized effective tax	8.9 %	-99	-1.9 %	17	

Deferred tax asset/tax liability

MSEK	2017			2016		
	Deferred tax asset	Deferred tax liability	Net	Deferred tax asset	Deferred tax liability	Net
Land and buildings	-	3	-3	-	4	-4
Other provisions	17	-	17	14	-	14
Loss carryforwards	83	-	83	186	-	186
Total	100	3	97	200	4	196
Offsetting of assets/liabilities	-3	-3	0	-4	-4	0
Total, net deferred tax asset	97	0	97	196	0	196

Deferred tax assets and deferred tax liabilities are offset against each other and the net asset is recognized in the statement of financial position.

Change in deferred tax on temporary differences and loss carryforwards

MSEK	2017			2016		
	Amount at beginning of year	Recognized in income statement	Amount at end of year	Amount at beginning of year	Recognized in income statement	Amount at end of year
Land and buildings	-4	1	-3	-4	-	-4
Other provisions	14	3	17	13	1	14
Loss carryforwards	186	-103	83	170	16	186
Total	196	-99	97	179	17	196

Loss carryforwards

Loss carryforwards amounted to MSEK 374 (844) at the end of the year, all of which were included in the computation of deferred tax assets.

Note 43 Intangible assets

MSEK	Patents, licenses and trademarks		Capitalized development expenses		Total intangible assets	
	2017	2016	2017	2016	2017	2016
Accumulated cost of acquisition	546	546	357	291	903	837
Accumulated amortization	-214	-187	-144	-125	-358	-312
Accumulated impairment	-	-	-46	-44	-46	-44
Carrying amount	332	359	167	122	499	481
Balance at beginning of year	359	386	122	92	481	478
Investments	-	-	67	56	67	56
Regular amortization for the year	-27	-27	-20	-23	-47	-50
Impairment for the year	-	-	-1	-3	-1	-3
Reclassifications	-	-	-1	-	-1	-
Carrying amount	332	359	167	122	499	481

The Schulstad and Korvbrödsgården brands are owned by Lantmännen ek för. Both brands are of strategic importance and have an amortization period of 20 years in the Parent Company. They are classified as assets with an indefinite useful life in the Group, and as such are not amortized in the consolidated financial statements.

Note 44 Property, plant and equipment

MSEK	Land ¹⁾		Buildings		Total land and buildings	
	2017	2016	2017	2016	2017	2016
Accumulated cost of acquisition	128	127	717	701	845	828
Accumulated depreciation	-54	-53	-510	-497	-564	-550
Accumulated impairment	-	-	-24	-23	-24	-23
Carrying amount	74	74	183	181	257	255
Balance at beginning of year	74	78	181	180	255	258
Sales and disposals	-	-4	-	-3	-	-7
Regular depreciation for the year	-1	-1	-10	-10	-11	-11
Reclassifications	1	1	12	14	13	15
Carrying amount	74	74	183	181	257	255

1) Including land improvements.

MSEK	Other non-current assets							
	Plant and machinery		Equipment, tools, fixtures & fittings		Construction in progress		Total other non-current assets	
	2017	2016	2017	2016	2017	2016	2017	2016
Accumulated cost of acquisition	3,060	3,020	518	505	31	47	549	552
Accumulated depreciation	-2,550	-2,464	-452	-446	-	-	-452	-446
Accumulated impairment	-135	-136	-19	-20	-	-	-19	-20
Carrying amount	375	420	47	39	31	47	78	86
Balance at beginning of year	420	454	39	38	47	63	86	101
Investments	-	-	-	-	63	90	63	90
Sales and disposals	-	-13	-	-2	-	-	0	-2
Regular depreciation for the year	-91	-93	-8	-7	-	-	-8	-7
Impairment for the year	-	-6	-	-	-	-	-	-
Reclassifications	46	78	16	10	-79	-106	-63	-96
Carrying amount	375	420	47	39	31	47	78	86

Note 45 Investment property

MSEK	Land ¹⁾		Buildings		Total investment properties	
	2017	2016	2017	2016	2017	2016
Accumulated cost of acquisition	9	14	126	195	135	209
Accumulated depreciation	-4	-8	-111	-150	-115	-158
Accumulated impairment	-	-	-1	-2	-1	-2
Carrying amount	5	6	14	43	19	49
Balance at beginning of year	6	7	43	43	49	50
Sales and disposals	-	-1	-	-2	-	-3
Regular depreciation for the year	-	-	-1	-1	-1	-1
Intra-group transfers	-1	-	-32	-	-33	-
Reclassifications	-	-	4	3	4	3
Carrying amount	5	6	14	43	19	49

¹⁾ Including land improvements.

Properties where less than 10 percent of the space is used for the Parent Company's own activities are classified as investment properties.

Changes in fair value

MSEK	2017	2016
Fair value at beginning of year	201	201
Investments in properties	-	8
Divestments	-	-13
Intra-group acquisitions, divestments	-131	-
Changes in value	1	7
Reclassifications	2	-2
Fair value at end of year	73	201

All investment properties have been valued according to hierarchy level 3, based on unobservable inputs, and according to the methods described below.

Fair value has been determined on the basis of internal assessments. Property sales carried out during the year have also been reconciled.

The value has been estimated using the following measurement methods:

- In the majority of cases the market price method has been used, where sales of equivalent properties in the market are used to support the valuation.
- Net present value, using cash flow calculations, where the properties' future net operating income and estimated residual value have been calculated at the present value.
- In certain cases, net present value using the net capitalization method has been calculated, where a normalized figure for net operating income is seen in relation to a market-adjusted direct return requirement.

Investment properties' impact on income for the period

MSEK	2017	2016
Rental income	8	22
Direct costs, including costs for repair and maintenance	-4	-6
Net operating income	4	16

Investment properties with a carrying amount of MSEK 10 are pledged as security for the Parent Company's borrowing. The estimated fair value is MSEK 27.

Note 46 Investments in Group companies

MSEK	2017	2016
Accumulated cost of acquisition	8,739	9,596
Accumulated write-ups	200	200
Accumulated impairment	-1,144	-904
Carrying amount	7,795	8,892
Balance at beginning of period	8,892	7,561
Acquisitions/shareholder contributions	2,851	1,426
Impairment for the year	-240	0
Divestments	-3,717	-48
Reclassifications	9	-47
Carrying amount	7,795	8,892

During the year, K-maalalous (renamed Lantmännen Agro Oy) was acquired for MSEK 200 and Lantmännen Maskin Sydost AB for 25 MSEK.

Shareholder contributions comprised MSEK 2,600 to Lantmännen Unibake Holding AB and MSEK 19 to Lantmännen AS-Faktor AB.

Impairment of shares during the year is related to the holding in Lantmännen Animalieinvest AB.

Divestments for the year were related to the sale of Lantmännen Unibake Sweden AB, Lantmännen Unibake Holding A/S, Lantmännen Unibake Norway AS and Lantmännen Schulstad A/S to Lantmännen Unibake Holding AB.

Cgrain AB has been reclassified from an associate to a subsidiary.

Note 46 *continued*

Parent Company and Group holdings of interests in Group companies, December 31, 2017

This overview comprises directly-held subsidiaries, as well as indirectly-held companies with revenues exceeding MSEK 200.

Company name <i>Shares and interests in Swedish subsidiaries</i>	Corporate ID no.	Domicile	Number of participations	Share, %	Carrying amount, MSEK
Lantmännen Agroetanol AB	556028-0611	Norrköping	50,000	100.0	234
Lantmännen Agrovärme AB	556229-5666	Enköping	10,000	100.0	1
Lantmännen Animalieinvest AB	556951-0687	Stockholm	160,529	100.0	166
Lantmännen AS-Faktör AB	556530-9720	Stockholm	100	100.0	19
Lantmännen Aspen AB	556329-9819	Gothenburg	3,850	100.0	180
Lantmännen BioAgri AB	556056-1283	Enköping	20,000	100.0	4
Lantmännen Bränsleteknik AB	556301-2771	Örebro	50,000	100.0	31
Lantmännen Cerealia AB	556017-2222	Malmö	200,000	100.0	662
Lantmännen Cerealia A/S	69120717	Vejle	1	100.0	
Lantmännen Energi AB	556118-3954	Stockholm	400	100.0	39
Lantmännen Fastigheter AB	556017-8443	Stockholm	3,000	100.0	34
Lantmännen Finans AB	556664-8118	Stockholm	2,000,000	100.0	250
Lantmännen Innovation AB	556043-7088	Järna	1,000	100.0	0
Lantmännen Invest AB	556003-3192	Stockholm	440,000	100.0	61
Lantmännen Kraft AB	556156-4039	Malmö	5,000	100.0	1
Lantmännen Maskin AB	556005-7639	Malmö	10,000	100.0	10
Lantmännen Maskin Sydost AB	556067-3443	Malmö	1,000	100.0	25
Lantmännen Reppe AB	556000-1538	Växjö	25,000	100.0	28
Lantmännen Service AB	556831-3695	Stockholm	500	100.0	0
Lantmännen SW Seed AB	556001-5272	Svalöv	298,667	100.0	160
Swecon Baumaschinen GmbH	HR B1403	Monheim	1	100.0	
Lantmännen Swedish Oats AB	556813-6773	Stockholm	50,000	100.0	0
Lantmännen Unibake Holding AB	556992-5752	Stockholm	1,000	100.0	3 411
Lantmännen Schulstad A/S	10245613	Copenhagen	100,300	100.0	
Oy Lantmännen Unibake Ab Finland	1463476-8	Helsinki	100	100.0	
Lantmännen Unibake Denmark A/S	29219354	Horsens	100,000	100.0	
Lantmännen Unibake GmbH & Co KG	HRA 121351	Bremen	100.0		
Lantmännen Unibake LLC	1045002352130	Egoryevsk	100.0		
Lantmännen Unibake Londerzeel NV	BE 0427.655.479	Londerzeel	4,250	100.0	
Lantmännen Unibake Mouscron	BE 0461.118.402	Moeskroen	18,000	100.0	
Lantmännen Unibake Norway AS	989135082	Langhus	3,405,694	100.0	
Lantmännen Unibake Poland Sp z o.o.	KRS8038	Poznan	23,250	100.0	
Lantmännen Unibake Sweden AB	556186-7796	Örebro	100,000	100.0	
Lantmännen Unibake UK Ltd	03358553	Milton Keynes	48,010,000	100.0	
Lantmännen Unibake USA Inc	36-4034179	Chicago	50,000	100.0	
AS Leibur	10224864	Tallinn	740	100.0	
UAB Vilniaus douna	125374462	Vilnius	1,000	100.0	
Vaasan Oy	1098322-3	Helsinki	3,995,398	100.0	
Cgrain AB	556932-8023	Uppsala	45,830	72.4	9
Doofmas & Co AB	556547-7394	Stockholm	3,400,000	100.0	238
DataVäxt AB	556733-2969	Grästorp	1,000	50.1	72
Gyllebo Gödning AB	556179-2911	Lidköping	2,000	66.7	0
Munalos AB	556066-1687	Kävlinge	1,000	100.0	0
Nötcenter Viken AB	556559-4503	Falköping	9,000	100.0	7
Swecon Anläggningmaskiner AB	556575-1137	Eskilstuna	500,000	100.0	402
Vegolia AB	556020-6574	Falkenberg	1,000	100.0	0
Åhus Foder HB	969723-3394	Åhus	70.0	100.0	0
<i>Shares and interests in foreign subsidiaries</i>					
Lantmännen Agro A/S	10095921	Nybørg	500	100.0	10
Lantmännen Agro Oy	2825061-8	Helsinki	250	100.0	200
Lantmännen Cerealia AS	910629085	Nesttun	17,968,129	100.0	222
Lantmännen Cerealia Oy	2725608-1	Helsinki	240,100	100.0	1,258
Lantmännen Fastigheter Naverland A/S	35530592	Glostrup	1,000,000	100.0	11
Lantmännen Maskin AS	914109981	Jessheim	3,000	100.0	27
Lantmännen Maskin DK A/S	12545479	Horsens	5,000	100.0	1
Dirual AG	CH-0203002	Baar	199,997	100.0	22
Total, Parent Company					7,795

Note 47 Inventories

MSEK	2017	2016
Raw materials and consumables	112	57
Products in progress	644	589
Finished goods	1,400	1,094
Merchandise	398	312
Total	2,554	2,052

MSEK 28 (14) of the total value of inventories relates to goods measured at net realizable value.

Note 51 continued

As these pension obligations are secured through a fund, which is completely outside Lantmännen Group, the obligation is offset against Lantmännen ek för's share of the market value of the fund's assets. The fair value measurement of the fund's assets is conducted by external valuers.

The pension liability recognized in the statement of financial position is as follows:

MSEK	2017	2016
Value of pension obligations under funded pension plans	899	905
Fair value of Lantmännen ek för's share of the pension fund's assets	-899	-905
Net obligation	0	0
Other unfunded pension plans	3	3
Total	3	3

Specification of changes in recognized pension liability during the year:

MSEK	2017	2016
Liability at beginning of year	3	5
Pension costs for the year	65	65
Pension payments	-65	-67
Liability at end of year	3	3

The calculation of pension obligations under funded pension plans was carried out by PRI Pensionsgaranti according to their own adopted actuarial assumptions.

Specification of pension-related costs for the period:

MSEK	2017	2016
<i>Book reserve pensions</i>		
Current service cost	22	12
Interest expenses	43	53
	65	65
Compensation received	-65	-63
Total book reserve pension costs	0	2
<i>Pension through insurance</i>		
Insurance premiums	69	60
Net pension costs for the year, excluding taxes	69	62

MSEK	2017	2016
Pensions costs recognized as employee benefits expense in operating income		
	26	9
Pensions costs recognized as interest expense in net financial items	43	53
Total	69	62

Fair value of Lantmännen ek för's share of the pension fund's assets:

MSEK	2017	2016
Property	605	673
Fixed-interest investments	191	137
Structural products	-	19
Equity investments	262	244
Hedge funds	104	59
Cash and cash equivalents	3	22
Total	1,165	1,154

The difference between the value of Lantmännen ek för's share of assets in the fund and recognized pension obligations above, is attributable to over-consolidation in the fund. Under the current rules, pension liability is not recognized as an asset. Consequently, only assets equivalent to the value of the liability reduce debt. Over-consolidation at the end of the year was MSEK 266 (249).

Equity investments include subordinated debentures of MSEK 45 (45) in Lantmännen ek för.

Next year's projected payments under defined benefit pension plans amount to MSEK 60 (62).

Note 51 Pensions

All of the Parent Company's defined benefit pension obligations are governed by the Pension Obligations Vesting Act (Tryggandelagen).

Lantmännen ek för's defined benefit pension obligations have been safeguarded by assets in Lantmännen's Gemensamma Pensionsstiftelse Grodden since 2011.

Note 52 Other provisions

MSEK	Restructuring measures	Other	Total	
			2017	2016
Carrying amount at beginning of period	29	114	143	136
Provisions during the period	7	0	7	36
Utilized during the period	-22	-4	-26	-25
Reversals during the period	-2	0	-2	-4
Carrying amount at end of period	12	110	122	143

MSEK 96 (100) of the provisions under Other relates to the estimated costs of closing down grain elevators. No new provisions for grain elevators were made in 2017.

About 8 percent of the total provisions are expected to be utilized in 2018. The remainder will not be utilized in the next two years.

Note 53 Current interest-bearing liabilities

Current interest-bearing liabilities include savings and capital account liabilities to members amounting to MSEK 1,488 (1,980).

Note 54 Accruals and deferred income

MSEK	2017	2016
Accrued personnel-related costs	140	134
Other accruals	465	423
Deferred income	8	12
Total	613	569

Note 55 Financial instruments

	2017	2016
Shares and interests	173	168
Loans and receivables		
Non-current interest-bearing receivables from Group companies	4,381	2,651
Non-current interest-bearing receivables from joint ventures/associates	161	3
Other non-current interest-bearing receivables	10	1
Trade receivables	1,896	2,038
Current interest-bearing receivables from Group companies	10,610	9,634
Other current interest-bearing receivables	7	45
Cash and bank balances	186	1,146
Total	17,251	15,518
Financial liabilities measured at amortized cost		
Non-current interest-bearing liabilities	2,773	3,252
Interest-bearing securities	1,247	1,246
Current interest-bearing liabilities to Group companies	6,993	6,558
Other current interest-bearing liabilities	2,313	2,140
Total interest-bearing liabilities	13,326	13,196
Trade payables	2,531	2,353
Total	15,857	15,549
Interest-bearing liabilities		
Balance at beginning of year	13,196	12,272
Cash flow	131	925
Exchange differences	-1	-1
Carrying amount	13,326	13,196

The Parent Company does not measure or report derivative instruments.

► Note 24 also contains other information about the Parent Company's financial instruments.

Note 56 Pledged assets and contingent liabilities

Pledged assets MSEK	For own financial liabilities	Other committ- ments	Total pledged assets	
			2017	2016
Real estate mortgages	496	-	496	483
Bank accounts	-	119	119	21
Other	-	-	-	33
Total	496	119	615	537

Contingent liabilities

MSEK	2017	2016
Guarantees for		
- Group companies	615	614
- joint ventures	8	234
Other contingent liabilities	45	45
Total	668	893

Statement pursuant to Chapter 10, Section 4, of the Swedish Economic Associations Act (1987:667)

Following the Board's adoption of a refund and supplementary payment totaling MSEK 244 and the Board's proposed appropriation of profit of MSEK 337, as presented in note 49 on page 139, the Board hereby issues the following statement pursuant to Chapter 10, Section 4, of the Economic Associations Act (1987:667).

The Board finds that there is full coverage for the association's restricted equity, in accordance with Chapter 9, Section 3 (1), of the Economic Associations Act, after the proposed dividend.

It is the Board's assessment that the proposed dividend is justifiable in view of the requirements that the nature, scope and risks of the operations place on the size of the association's and the Group's equity. The Board has considered, among other things, the association's and the Group's historical and planned development, and the economic situation. The Board's proposal is in line with the dividend policy adopted without amendments at the Board meeting on November 23, 2017.

The Board has examined the association's and the Group's financial situation and, after closer consideration, concludes that a distribution of profits is justifiable in view of the precautionary principle in Chapter 9, Section 3 (2) and (3), of the Economic Associations Act.

The assessment is that, after the adopted and proposed dividend, the association's and the Group's equity ratio is also expected to be good in relation to the industry in which the Group is active. It is also the assessment

that, after the dividend, the association and the Group will have satisfactory liquidity, and consolidation requirements that may be considered satisfied. The dividend will not affect the association's and the Group's ability to discharge their payment obligations in the short or long term. Nor will the adopted the proposed dividend affect the association's and the Group's ability to make any necessary investments.

Following an overall assessment of the association's and the Group's financial circumstances, the Board considers that there is nothing to preclude the distribution of a dividend.

The Board of Directors 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 companies belonging to the Group.

Stockholm, February 21, 2018

Per Lindahl
Chairman

Hans Wallemyr
Vice Chairman

Gunilla Aschan
Board Member

Ulf Gundemark
Board Member

Ove Gustafsson
Board Member

Pauline Lindwall
Board Member

Thomas Magnusson
Board Member

Johan Mattsson
Board Member

Henrik Wahlberg
Board Member

Tommy Brunsärn
Board Member
Employee representative

Pär-Johan Lööf
Board Member
Employee representative

Tomas Welander
Board Member
Employee representative

Per Olof Nyman
President & CEO

Our audit report was submitted on February 21, 2018

Ernst & Young AB

Anders Kriström
Authorized Public Accountant

Maude Fyrenius
Member representative Auditor

Gustav Jansson
Member representative Auditor

Anders Åbyhammar
Member representative Auditor

The annual financial statements for the Group and Parent Company will be presented for adoption at the Annual General Meeting on May 7, 2018.

Auditor's Report

This is a translation from the Swedish original.

To the annual general meeting of Lantmännen ek för. Corporate identity number 769605-2856.

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Lantmännen ek för. The annual accounts and consolidated accounts of the association are included in this document on pages 68-141.

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

We therefore recommend that the annual general meeting adopt the income statement and balance sheet for the parent association and the Group.

Our statements 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 association audit committee in accordance with Article 11 of the Auditors Regulation (537/2014).

Basis for opinion

We conducted the audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent association and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This means that, to the best of our knowledge, no prohibited services listed in article 5.1 of Regulation (EU) No. 537/2014 on the Statutory Audit of Public-Interest Entities have been provided to the audited association, or where appropriate, to its parent undertaking and to its controlled undertakings within the European Union.

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

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 the annual accounts and consolidated accounts as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

The description below of how the audit was conducted in these areas should be read in this context.

Valuation of goodwill and other intangible assets with indefinite useful lives

The value of goodwill and other intangible assets with indefinite useful lives was MSEK 6,923 as of December 31, 2017. The association conducts

impairment testing at least annually and also in cases where an indication of impairment has not been identified. The recoverable amount of each cash-generating unit is determined as the value in use, which is calculated based on the discounted present value of future cash flows. Key assumptions used in these calculations include future growth, gross profit and the discount rate applied. Impairment testing is a particularly important area, as the process is inherently based on estimates, particularly estimates concerning how the Group's operations will be affected by the market's future development and other economic events, and as the underlying calculations are complex. It was the association's assessment that, as of December 31, 2017, the discounted present value of projected cash flows exceeded the carrying amount of cash-generating units, and therefore no impairment existed.

In our audit, we evaluated and reviewed the key assumptions, the application of measurement theory, the valuation model used, the discount rate and other source data used by the association by, for example, comparing these with external data sources, such as expected inflation or future market growth, and assessing the sensitivity of the association's valuation model. We have used our valuation specialists in this process. We have focused particularly on the sensitivity of the calculations and have made an assessment of whether there is a risk that a reasonably likely course of events could give rise to a situation where the recoverable amount would be lower than the carrying amount. We have also assessed the association's historical forecasting ability. Finally, we have assessed the appropriateness of the information provided in note 7 and note 15 (Intangible assets) in the Group's notes, in particular regarding the information about which of the stated assumptions are most sensitive when calculating value in use.

Valuation of inventories

Inventories represent a significant part of total assets. The value of inventories, after necessary reserves for obsolescence etc., was MSEK 5,948 as of December 31, 2017. The association's inventories are reported at the lower of cost and net realizable value. Net realizable value reflects estimated write-offs of obsolete products, older items, stock surplus and costs to sell. The association's areas of business that hold inventories encompass four different Sectors with different operations and conditions. Overall, this means that the valuation of inventories represents a particularly significant area of the audit.

We carried out examinations of the costs of different parts of the inventories, from components to finished goods. The examination included an age analysis and inventory turnover analysis for each product area, and finally an analysis of obsolete goods. We conducted an analytical examination of changes in the value of inventories, including changes in reserves for internal profits. We also examined whether the association has made appropriate disclosures in note 19 (Inventories) regarding the valuation of inventories.

Fines for infringement of competition law

The association and its subsidiary Lantmännen Agroetanol have been under investigation by the European Commission for alleged infringement of competition law in the European ethanol market. The European Commission's sanctions against companies that violate current competition laws normally take the form of fines.

The association's collective assessment of the size of a possible fine has resulted in the recognition of a provision of MSEK 440 as of December 31, 2017. See also note 26 (Provisions). This is a particularly important area of the audit with regard to the relative size of the amount, combined with the uncertainty about the estimates and assumptions underlying the provision amount.

Our audit procedures have involved examining the viewpoints and analyses made by the association's internal and external lawyers based on the European Commission's ongoing investigation, in order to assess whether the association's conclusions regarding the provision for the fine amount are consistent with the rules of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and assessing the suitability of the disclosures provided in note 26 (Provisions).

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains information other than the annual accounts and consolidated accounts, which is presented on pages 1-67 and 145-176. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this 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 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 the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and for ensuring 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 the Managing Director also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the association's ability to continue as a going concern. They disclose, as applicable, matters related to the going concern and use of 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 association, cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibility

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 ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement 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 made on the basis of these annual accounts and consolidated accounts. The elected

auditors conducted the audit in accordance with generally accepted standards for elected auditors in Sweden.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the Company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause a company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform them of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks of material misstatement, and these are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

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 Lantmännen ekonomisk förening for the financial year 2017 and the proposed appropriations of the association's profit or loss.

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

Basis for opinion

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities in this are further described in the Auditor's Responsibilities section. We are independent of the parent association 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 the Managing Director

The Board is responsible for the proposed appropriations of the parent association's profit or loss. Proposing a dividend includes an assessment of whether the dividend is justifiable considering the requirements that the nature, scope and risks of the parent association's and the Group's operations place on the size of the parent association's and the Group's equity, consolidation requirements, liquidity and position in general.

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

Auditor's responsibility

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 could give rise to liability to the association; or
- in any other way acted in contravention of the Economic Associations Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the association's profit or loss, and thereby our opinion about this, is to assess with a reasonable degree of assurance whether the proposal is in accordance with the Economic Associations 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 association, or that the proposed appropriations of the association's profit or loss are not in accordance with the Economic Associations Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the association's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment, with the starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the association's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the association's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Economic Associations Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed Lantmännen ekonomisk förening's auditor at the Annual General Meeting on May 4, 2017 and has been the association's auditor since 2006. Lantmännen ekonomisk förening became a public interest entity in 2015.

Stockholm, February 21, 2018

Ernst & Young AB

Anders Kriström
Authorized Public Accountant

Maude Fyrenius,
Member representative Auditor

Gustav Jansson
Member representative Auditor

Anders Åbyhammar
Member representative Auditor

Description of financial performance measures

Key figures	Description	Reason for use
Adjusted income	Adjusted income is income net of items affecting comparability.	An adjustment to exclude items affecting comparability.
Average equity/operating capital	Average capital is computed on the closing balance of each month in the accounting period, i.e. twelve periods for the full year. All average capital ratios are calculated in this way.	Ensures accurate calculation of return on equity and operating capital.
Capital turnover rate	Net sales divided by average operating capital.	Shows the efficiency of the use of operating capital.
Cash flow from operating activities	Net income for the period adjusted for items that are not cash inflows or outflows but accounting costs, such as depreciation and capital gains/losses. Adjustments are also made for financial items and income taxes paid, and changes in inventories, operating receivables and operating liabilities.	Shows cash flow from operations that can be used for investments and acquisitions.
EBITDA according to bank definition.	Income before finance income and costs, tax, depreciation and impairment and profit share from associated companies, on a rolling 12 month basis, adjusted for acquired and divested companies.	To calculate the key ratio Net debt according to bank definition/EBITDA according to banking definition.
Equity ratio	Equity divided by total assets.	Shows the proportion of the assets that are financed by the owners.
Interest coverage ratio	Interest coverage ratio is calculated as income after financial items plus finance costs divided by finance costs.	Shows the ability to cover interest expenses.
Investments in non-current assets	Total of the period's investments in property, plant & equipment and intangible assets.	The size of the investments made to maintain existing capacity and to achieve expansion and growth.
Items affecting comparability	The Group's income can be inflated or reduced by certain items that affect comparability. These are one-time items not directly related to the planned future operations and outside the range of MSEK +/-30.	Accounting for items that have been adjusted due to specific events that otherwise affect comparability between different periods. Provides a better understanding of the operating activities.
Liquidity reserve	Cash and cash equivalents and loans granted under the provisions in the existing loan agreements.	Shows the available borrowing capacity based on the current loan agreements.
Net debt	Net debt comprises interest-bearing liabilities, including pension liabilities and accrued interest, less financial assets.	Shows the net of interest-bearing assets and interest-bearing liabilities.
Net debt according to bank definition	Net debt comprises interest-bearing liabilities minus subordinated debentures less cash and cash equivalents.	To calculate the key ratio Net debt according to bank definition/EBITDA according to banking definition.
Net debt according to bank definition/EBITDA according to bank definition.	Net debt according to bank definition divided by EBITDA according to bank definition.	Indicates how fast a company can repay its debt (expressed in years).
Net debt/equity ratio	Net debt divided by equity.	Shows financial risk and is therefore used to view the level of debt funding.
Net financial income	Net financial income is finance income less finance costs.	Shows the net result of the company's financial operations.
Operating capital	Operating capital is calculated as non-interest-bearing assets minus non-interest-bearing liabilities. Tax assets and tax liabilities are not included in operating capital's assets and liabilities.	Shows how much capital is used in the operations.
Operating income	Operating income consists of net sales and other operating income less operating expenses.	Shows the result of operating activities.
Operating margin	The operating margin is calculated as operating income as a percentage of net sales for the period.	Shows the profitability of the operations.
Return on equity	Return on equity is calculated as annualized net income for the period divided by average equity.	Shows owners the return on their invested capital.
Return on operating capital	Return on operating capital is calculated as annualized operating income for the period divided by average operating capital.	Measures the return on the capital used in the business.

Corporate Governance Report

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Corporate Governance Report 2017

The Corporate Governance Report has not been audited by the Association's auditors.

Lantmännen ek för is a Swedish co-operative economic association headquartered in Stockholm, Sweden. The Group's governance is based on the Association's Articles of Association, the Swedish Economic Associations Act and other applicable laws and rules. Lantmännen's Board of Directors and executive management endeavor to ensure the enterprise is able to respond in the best possible way to the demands placed on it by owners, employees and other stakeholders.

During the year, the Board and Nomination Committee worked on diversity and equality issues through, among other things, the Radler Project, based on Lantmännen's equality and diversity policy.

Owners

The Group's Parent Company is Lantmännen ek för, a cooperative enterprise owned by 25,000 farmers in Sweden. Pursuant to the Association's Articles of Association, the owners (members of the Association) shall be engaged in farming or food production, or have as their principal activity the sale of services to farming, e.g. agricultural contractors, in the Association's area of operation. The district meeting and different owner meetings provide an opportunity for owners to express their views to the Board of Directors and management in various ways, including motions and written communication. See also the description under Ownership dialogue for increased engagement on  page 16.

Contributed capital and voting rights

Each member of the Association has one vote, regardless of turnover or size of investment. The member's obligation to invest

is based on the turnover value of purchases from and deliveries to the Association. The Board of Directors decides the product areas that will constitute the basis for calculating the obligation to invest. The individual member's obligation to invest is 15 percent of the average value of the turnover with the Association over the last five years. However, the minimum obligation to invest is SEK 10,000. Of the total contributed capital of MSEK 2,464, MSEK 1,208 has been paid in and MSEK 1,256 issued from distributable capital in the Association. Total equity in the Association is MSEK 13,771.

Annual General Meeting

The Annual General Meeting is Lantmännen's supreme decision-making body. The Meeting consists of representatives of members, delegates, who are elected at the district meetings. The districts are the basis of the members' role as owners of the Association. Delegate seats are distributed on the basis of a divisor in proportion to the number of members in a district. The chairmen of the district boards must be delegates. The number of delegates must not be less than 101, and each delegate has one vote at the meeting. The Annual General Meeting has a quorum when more than half of the full number of

Members' year 2017



JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
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Feb 7 Year-end Report

Feb 19-20 Council of Trustees

Feb 20 Annual Report

Week 11-12 District general meetings

May Training elected representatives

May 4 Annual General Meeting

May 5 Council of Trustees, statutory

Jun 2 Interim Report, Period 1

Owner dialogue with district boards

Summer meetings

District meetings

Oct 2 Radler and preliminary

nomination committee work

Oct 5-6 Council of Trustees in Helsinki

Oct 5 Interim Report, Period 2

Nov 27-28 District Board Conference

Fall meetings, districts



delegates are in attendance. Each member is entitled to have business considered by the Meeting. The delegate from the Kalmar-Öland district participated in the Meeting for the first time.

The Annual General Meeting shall be held within six months of the end of the financial year. The Association's Board of Directors, Nomination Committee and auditors are elected at the Annual General Meeting. Other obligatory business to be considered by the Meeting includes adoption of the income statement and statement of financial position, allocation of the Association's profit or coverage of its loss, discharging the Board of Directors and CEO from liability and determination of Board of Directors', auditors' and other trustees' fees.

2017 Annual General Meeting

The Annual General Meeting was held on May 4 in Stockholm. Board members of Lantmännen ek för are elected for two-year terms. The terms for Gunilla Aschan, Bengt-Olov Gunnarson, Per Lindahl, Johan Mattsson and Hans Wallemyr expired. The Meeting resolved that the Board of Directors of Lantmännen ek för would consist of nine elected members. Gunilla Aschan, Per Lindahl, Johan Mattsson and Hans Wallemyr were re-elected to the Board. Henrik Wahlberg (2 years) and Ove Gustafsson (1 year) were elected as new Board members after Bengt-Olov Gunnarson and Björn Wallin left the Board. The auditors are elected for one year at a time. Gustav Jansson, Anders Åbyhammar and Maude Fyrenius were re-appointed as elected auditors. The accounting firm EY was elected as the Association's authorized auditor after an audit tendering process. The Meeting also passed a resolution on the remuneration of the Board and other elected representatives, including fixed annual remuneration as well as per diem and travel compensation. The Meeting also appointed nine members to the Nomination Committee for the period up to and including the 2018 AGM.

The Meeting approved a contribution dividend totaling MSEK 207 to be distributed between paid-in and issued contributed capital. The Meeting also adopted the Board's proposal for a contribution issue of MSEK 70. In addition to the

contribution dividend and contribution issue, the Board decided to pay MSEK 231 in refunds and supplementary payments.

The Meeting also adopted the Board's proposal for a dividend on subordinated debentures of MSEK 18.

The total number of appointed delegates was 101, 98 of whom were present at the Annual General Meeting. All Board members and all elected auditors were present at the Meeting.

Council of Trustees

The Association has a Council of Trustees. The chairmen of the district boards serve on the Council of Trustees. The five largest districts in terms of members are entitled to appoint two persons. In addition, the Board of Directors may appoint additional members. The role of the Council of Trustees is to advise the Board on development issues of a more long-term nature as well as communicate information between the Board and the districts. The Council of Trustees is also charged with the preparation of matters of principle and the nomination of members to the Association's Nomination Committee at the Annual General Meeting.

Council of Trustees in 2017

In addition to the obligatory members as stated above, the Board of Directors appointed two representatives of the local associations to the Council of Trustees, and the Nomination Committee chairman. Also in attendance at Council of Trustees meetings are the Board and the Association's elected auditors. The Council of Trustees had three minuted meetings during the year.

Nomination Committee

The Nomination Committee is tasked with preparing and presenting proposals for the election and remuneration of Board members and auditors, and making recommendations on the remuneration of other elected representatives. According to the articles of association, the Nomination Committee shall consist of 7-9 members, to be elected by the Annual General Meeting. The Nomination Committee elects a chairman from among its members.



Based on the Association's current situation and future direction, the Nomination Committee assesses whether the Board is appropriately composed with regard to collective expertise. This assessment is based in part on an evaluation of the Board's work methods and decision processes performed by an independent party at the request of the Chairman of the Board and in consultation with the Nomination Committee. Any new recruitment to the Board is conducted according to a specification prepared by the Nomination Committee.

Nomination Committee 2017

In 2017, the Nomination Committee consisted of nine members: Kjell Eriksson (chairman), Marie-Louise Åhsell, Göran Brynell, Inge Erlandsson, Viktoria Josefsson, Leif Karlsson, Anders Rickardsson, Cajsa Aaby-Ericsson and Kjell Axelsson. Cajsa Aaby-Ericsson resigned at the Annual General Meeting on May 4. The meeting decided that the Nomination Committee for the coming year would consist of nine persons. Kristina Glantz Nilsson was elected as a new member. At the statutory meeting after the AGM, Kjell Eriksson was re-elected Chairman and Viktoria Josefsson was re-elected Vice Chairman.

Owner Relations 2017

The Owner Relations Department had eight employees during the year – six member services staff, the editor of Grodden and the member manager. The cost of the department and its total activities, including the year's ownership dialogue, was approximately MSEK 32.6 (31.5) in 2017. The cost for the 20 districts, including the ownership dialogue, was MSEK 12.4, comprising fixed fees of MSEK 3.8 (31 percent) adopted by the AGM and variable fees of MSEK 4.4 (36 percent). The other MSEK 4.2 (33 percent) related to costs of the districts' various activities and travel.

The cost of the Annual General Meeting, which also comes under the department's area of responsibility, was approximately MSEK 2.3. Other activities handled by the department include training of elected representatives, the Council of Trustees, District Board Conference, Nomination Committee and the owners' newsletter "Grodden".

Board of Directors

The overall task of the Board of Directors is to manage the Association's affairs on behalf of its members, in such a way that their economic interests are served in the best possible way. The Board is responsible for the Association's organization and management of its affairs and for ensuring satisfactory control of the Association's accounting, asset management and financial affairs. The Board decides the Group's overall goals, strategic plans and significant policies and monitors their compliance and updating. The Board also decides on acquisitions, divestments and major investments and approves the annual accounts and interim reports. The Board is also tasked with overseeing the President & CEO and regularly assessing the performance of the Group Management. The Board shall ensure that there is an effective system for follow-up and control of the Association's operations and financial position, that external information is characterized by transparency and objectivity, that there is adequate monitoring of compliance with laws and regulations and that the necessary ethical guidelines are in place.

The work of the Board is directed by a work plan that governs the division of work and responsibility between the Board of Directors, the Chairman and the President & CEO. The formal work plan is updated and adopted at least once a year, normally at the statutory meeting of the Board. According to the articles of association, the Board of Directors of Lantmännen shall consist of a minimum of 7 and a maximum of 11 members elected by the AGM. The Board elects a chairman and vice chairman from among its members. The Board has an Audit Committee, a Remuneration Committee and an Owner Committee. The purpose of the committees is to develop and streamline the Board's work as well as prepare business within the respective areas. The committees do not have any decision-making powers. Members of the committees are appointed by the Board at the statutory Board meeting. Instructions for the committees are included in the Board's formal work plan.

The work of the Board of Directors in 2017

Since the Annual General Meeting on May 4, 2017, the Board has consisted of nine members elected by the AGM



and three employee representatives. The Head of the Legal Affairs corporate function serves as the Board's secretary. The CEO attends Board meetings as rapporteur. None of the elected Board members has an employment-like relationship with Lantmännen. Per Lindahl was elected Chairman of the Board and Hans Wallemeyr Vice Chairman. The composition of the Board is shown in the presentation on pages 156-157.

The Board held 15 meetings during the year, two by telephone and one per capsulam. The table on the next page shows the attendance of the Board members at the meetings. All of the Association's auditors attended two of the meetings. Decisions during the year included the acquisition of K-maalalous and Orient Products.

Audit Committee

The Audit Committee is tasked with preparing materials in matters relating to risk assessment, internal control, financial reporting and auditing. It also serves as a forum for dialogue between

different parties, such as external and internal auditors. The Committee also works to ensure appropriate risk management, compliance with established financial reporting and internal control principles and the maintenance of proper relations with external auditors. The Committee also ensures that the independence of external auditors is maintained, evaluates the audit and informs the Nomination Committee of the results. The Group's internal audit unit reports directly to the Audit Committee.

Before the AGM, the Committee consisted of Hans Wallemeyr (chairman), Gunilla Aschan and Johan Mattsson. The Committee's composition was unchanged after the 2017 AGM. The Head of Lantmännen's Internal Audit is secretary of the Audit Committee. Members are appointed for one year at a time. In addition to distributing the minutes of Audit Committee meetings to the Board of Directors, the committee chairman gives an oral report on all important issues at the subsequent Board meeting. The committee held three minuted meetings. The table on the next page shows members' attendance.

Group Board meetings, attendance 2017

	Jan 13	Feb 6	Feb 16	Apr 26	May 4	Jun 1	Jun 19	Jun 20	Aug 29	Oct 4	Oct 19	Oct 27	Nov 23	Dec 14	Dec 15
	📞			Extra meeting	SM ¹⁾	📞					Extra meeting		Per capsulam ²⁾		
Per Lindahl	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Bengt-Olov Gunnarson ³⁾	●	●	●	●	-	-	-	-	-	-	-	-	-	-	-
Gunilla Aschan	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Tommy Brunsärn	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Ove Gustafsson ⁴⁾	-	-	-	-	●	●	●	●	●	●	●	●	●	●	●
Ulf Gundemark	●	●	●	●	●	○	●	●	●	●	●	●	●	●	●
Pauline Lindwall	●	●	●	●	○	●	●	●	●	●	●	●	●	●	○
Pär-Johan Lööf	●	●	●	○	●	●	●	●	●	●	●	●	●	●	●
Johan Mattsson	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Thomas Magnusson	●	●	●	○	●	●	●	●	●	●	●	●	●	●	●
Henrik Wahlberg ⁴⁾	-	-	-	-	●	●	●	●	●	●	●	●	●	●	●
Hans Wallemeyr	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Björn Wallin ³⁾	●	●	●	●	-	-	-	-	-	-	-	-	-	-	-
Tomas Welander	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

● Attended ○ Did not attend

¹⁾ Statutory Board meeting

²⁾ A per capsulam decision is a decision which is made outside a regular Board meeting and is documented by all members signing a circulated protocol. This type of decision is only used when a matter cannot wait until the next Board meeting.

³⁾ Declined re-election in connection with the 2017 AGM. ⁴⁾ Was newly elected at the 2017 AGM.



Audit Committee, attendance and meetings 2017

	Feb 3	May 30	Oct 3
Hans Wallemyr (Chairman)	●	●	●
Gunilla Aschan	●	●	●
Johan Mattsson	●	●	●

Remuneration Committee

The Remuneration Committee is tasked with preparing matters and drafting principles related to pay and other terms of employment for Group Management. These principles must be approved by the AGM. The committee prepares and submits decision-support material to the Board of Directors concerning conditions of employment for the President & CEO, and to the President & CEO for the other members of Group Management.

Before the AGM, the committee consisted of Bengt-Olov Gunnarson (chairman), Pauline Lindwall and Ulf Gundemark, with President & CEO Per Olof Nyman as rapporteur. After the 2017 Annual General Meeting, Bengt-Olov Gunnarson was replaced by Per Lindahl, both as a member and chairman. The Group's Senior Vice President Human Resources serves as secretary. Members are appointed for one year at a time. In addition to distributing the minutes of Remuneration Committee meetings to the Board, the committee chairman makes an oral report on all important issues at the subsequent Board meeting.

The committee held five minuted meetings during the year. The table below shows the attendance of the members at the meetings.

Remuneration Committee, attendance and meetings 2017

	Feb 1	Sep 19	Oct 3	Nov 14	Dec 4
Bengt-Olov Gunnarson (Chairman)	●	-	-	-	-
Per Lindahl (Chairman)	-	●	●	●	●
Ulf Gundemark	●	●	●	●	●
Pauline Lindwall	●	●	●	-	●

Owner Committee

The Owner Committee is tasked with dealing with issues concerning ownership and the owner organization in the Group. The committee's work is aimed at ensuring that owner and member issues are dealt with in accordance with the Economic Associations Act and the Articles of Association. The committee also works to ensure that the Articles of Association, organization and relationship with owners and elected representatives are developed in such a way as to take into account ongoing changes in society and the business environment.

Before the AGM, the committee consisted of Björn Wallin (chairman), Per Lindahl and Thomas Magnusson. Senior Vice President Legal Affairs & Compliance Tove Cederborg also attends the committee's meetings. After the 2017 AGM, the committee consisted of Ove Gustafsson (chairman), Thomas Magnusson and Henrik Wahlberg. The Group's member manager serves as the secretary of the committee. Members are appointed for one year at a time. In addition to distributing the minutes of Owner Committee meetings to the Board, the committee chairman gives an oral report on all important issues at the subsequent Board meeting. The committee held four minuted meetings during the year. The table below shows the attendance of the members at the meetings. .

Owner Committee, attendance and meetings 2017

	May 30	Aug 28	Oct 25	Dec 8
Ove Gustafsson (Chairman)	●	●	●	●
Henrik Wahlberg	●	●	●	●
Thomas Magnusson	●	●	●	●

President & CEO and Group Management

The President & CEO is appointed by the Board and is responsible for the Association's day-to-day management. The division of work between the Board and the President & CEO is regulated in the Board's work plan. Group Management currently consists of 10 members. The composition of Group Management is shown in the presentation



on ➔ pages 158-159. Group Management normally meets about 10 times a year and as required.

Internal Audit

The internal audit is an independent unit in the Group, which is engaged in objective assurance and advisory activities. The internal unit team makes systematic and structured assessments to help to increase the efficiency of the Group's risk management, governance and control, as well as its management processes.

The internal audit unit reports material observations and improvement proposals to the Group Board (via the Audit Committee) and to the operating units. It also audits the entire Group and acts as an independent review function for Lantmännen Finans AB in accordance with the requirements of the Swedish Financial Supervisory Authority. In addition to performing reviews and audits in accordance with the internal audit plan, the unit supports the Group's Board and Management by providing analyses and advice.

In 2017, the internal audit unit identified overall risks in the Group, performed audits of the Sectors and corporate functions and prepared an internal audit plan for 2018. The internal audit unit also participates in various steering groups and committees in order to obtain essential information and serve as a consultation body in the areas of risk management and internal control.

External audit

The auditors are tasked with auditing the annual report, consolidated financial statements, accounting records and administration of the Board and President & CEO. There are four regular auditors. One is authorized and the other three are elected. All auditors are elected by the AGM for one year at a time. The authorized auditor is the accounting firm Ernst & Young AB. The elected auditors are Maude Fyrenius, Gustav Jansson and Anders Åbyhammar.

In addition to their work on the statutory audit, the elected auditors focus on conducting the audit of operations from a member's viewpoint.

Board of Directors' report on internal control over financial reporting

The Board has overall responsibility for internal control over financial reporting. The Board has adopted a written work plan that clarifies the responsibilities of the Board and governs the division of work between the Board and its committees. An Audit Committee regularly reports to the Board.

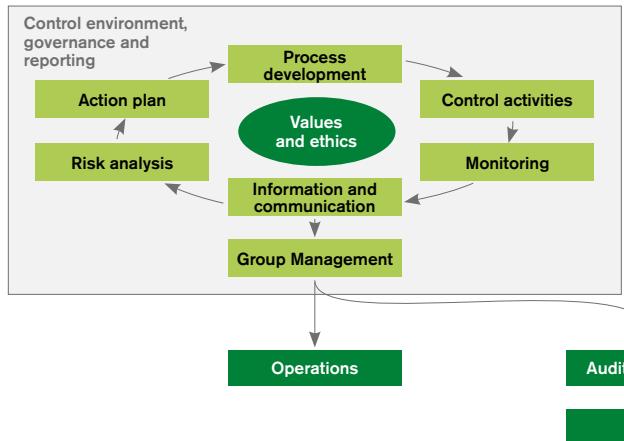
Lantmännen's process for internal control over financial reporting is designed to provide assurance of the reliability of the financial reporting. The process has been prepared in accordance with generally accepted accounting standards and applicable laws and regulations.

Internal control over financial reporting involves the Group Board, the Audit Committee, the President & CEO,

management and other employees. The overall aim of internal control is to protect owners' investments and the Association's assets.

In 2017, internal control work involved in a major project to improve the standard processes in economy and finance at Lantmännen. The aim of the project is to create uniform and more efficient processes with improved internal control.

Preventive internal control



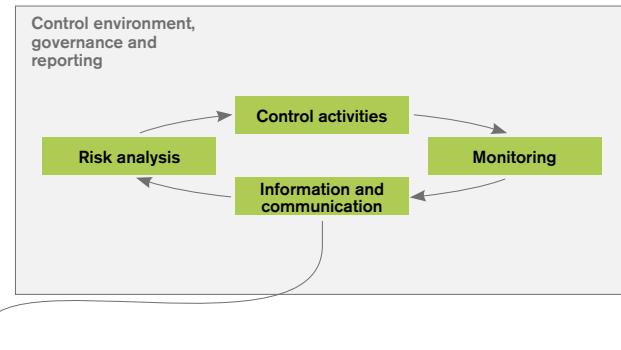
Below is a description of the main features of internal control.

The control environment constitutes the basis of internal control and is made up of the values and ethics that the Lantmännen Group communicates and applies. This includes the organizational structure, leadership, decision-making channels, responsibility, authority and the expertise possessed by employees.

Risk assessment includes identifying and assessing the risk of material errors in accounting and reporting at the Group and Sector levels, and also at the local level. To support the units, a financial manual has been produced and contains supporting policies and guidelines, including the Code of Conduct, Financial Policy, Anti-Corruption Policy and Policy for Internal Control over Financial Reporting.

Control activities are part of normal control and financial reporting activities at all levels and play an important role in ensuring reliability of financial information.

Internal Audit



Internal audit conducts regular audits in accordance with the annual audit plan adopted by the Board. The internal audit unit reports material observations and improvement proposals to the Group Board, the Audit Committee and the operating units.

Information and communication is conducted through Lantmännen's financial manual, which contains reporting and accounting handbooks and other guidelines for financial reporting. In addition, there are policies in place for important areas, which define responsibility, authority and procedural guidelines. The policies are available on Lantmännen's intranet. The IC coordinators at the different levels are also responsible for reporting changes and non-conformances in internal control.

Monitoring is conducted regularly in order to ensure the efficiency of internal control over financial reporting. The monitoring process includes analysis of regular financial reports against historical figures, budgets and forecasts as well as monitoring of reported activities. Monitoring takes place at company, business area, Sector and Group levels.

Organization and structure

The Board decides the Group's overall goals, strategic plans and significant policies and monitors their compliance and updating. The President & CEO is appointed by the Board and is responsible for the Association's day-to-day management. Corporate functions are described on the next page.



Our corporate functions

Lantmännen's corporate functions pursue their own key issues and support Group management and the Sectors in Group matters.

Finance & Treasury

Has responsibility for the Group's economic and financial management and reporting. Also includes controlling, Group strategy, finance, risk management and Group tax units. Owner Relations is also included in the corporate function and is responsible for Lantmännen's member and owner communication and governance. The department works on coordination and support for elected representatives in district boards, nomination committees and communication between elected representatives and members.

R&D Research and Development

Runs Lantmännen's strategic work on research, innovation and early business development. The department also runs Lantmännen's Research Foundation, which funds research in the areas of food, agriculture, energy and green materials.

HR & Internal Communication

Has strategic responsibility for Lantmännen accessing the right skills and leadership to enable the Group to achieve its business objectives. This includes strategic and operational responsibility for driving, developing and implementing policies, processes and tools for recruitment, equality & diversity, skills and leadership development, work environment and health. The department also has main responsibility for the Group's employment law, employer issues and compensation & pay. Another area of responsibility is internal communication and internal communication channels.

Sustainable Development

Responsible for developing strategies, managing the work and supporting Lantmännen's businesses with sustainable development expertise, in order to protect and strengthen Lantmännen's brand and contribute to business value in both the short and the long term. The department also has overall responsibility for implementation of Lantmännen's Code of Conduct.

Legal & Compliance

Assists Lantmännen's businesses with legal advice from its own or external legal experts and handles all legal issues concerning acquisitions and disposals, intellectual property rights, disputes and major business negotiations. The department also includes

the Compliance function, which is there to support and facilitate the implementation of monitoring and compliance with regard to anti-corruption and competition laws.

External Communication & Branding

Responsible for building and developing the Lantmännen brand, thereby enhancing the Group's competitiveness and supporting its business objectives. Responsible for the brand, marketing communication and external communication, media training, PR, community and media contacts and social media. Also responsible for the development of digital channels, and external, market, customer and consumer understanding.

IT

Develops stable, reliable and cost-effective IT solutions to enhance the Group's competitiveness and support its business objectives in line with adopted strategies.

Supply Chain

Initiates, manages and supports change processes within the entire Lantmännen supply chain. The department's work includes the purchase of products and services for the Group, supply chain development between Lantmännen companies, and project and change management within production, planning, logistics and purchasing in order to maintain cost leadership in their sectors.

M&A and Business Development

M&A stands for Mergers & Acquisitions. M&A supports all the Group's units in identifying and carrying out activities within the area, and helps with business development projects. Business development may include joint ventures, additional acquisitions, strategic partnerships and licensing arrangements.

Public and Regulatory Affairs

Monitors, analyzes and engages in active dialogue in political processes in Sweden and the EU that could affect the conditions for Lantmännen's business and strategies. The main focus is agriculture, energy, food and sustainability. The work is conducted in cooperation with other functions and Lantmännen companies, but also to a large extent with external parties such as industry organizations and other companies.



Tommy Brunsärn, Tomas Welander, Ove Gustafsson, Gunilla Aschan, Johan Mattsson, Henrik Wahlberg

Board of Directors

The Board consists of nine members and three employee representatives. Board members of Lantmännen ek för are elected for two-year terms. The Annual General Meeting will be held on May 7, 2018.

Holdings of subordinated debentures and contribution issues are reported in SEK, as at December 31, 2017.

Per Lindahl *Chairman*

Kristianstad
Born: 1964
Director since 2011
Member of Lantmännen
Other functions at Lantmännen: Remuneration Committee, Lantmännen Research Foundation
Education: Agriculture
Main occupation: Farmer
Production: Crops (potatoes and grain), broiler breeding, egg production, machinery workshop
Directorships: Fellow of The Royal Swedish Academy of Agriculture and Forestry (KSLA)
Contribution issues: SEK 1,324,090*

Hans Wallemyr *Vice Chairman*

Falköping
Born: 1956
Director since 2007
Member of Lantmännen
Other functions at Lantmännen: Audit Committee, Lantmännen Research Foundation
Education: Agriculture
Main occupation: Farmer
Production: Wind power, potatoes, forestry, breeding/training showjumpers and dressage horses
Directorships: Källebergs Vind AB (Chairman), Åsle Vind AB and Scandbio AB
Contribution issues: SEK 390,091*

Gunilla Aschan

Linköping
Born: 1960
Director since 2015
Member of Lantmännen
Other functions at Lantmännen: Audit Committee
Education: Agriculture
Main occupation: Jord & Skog (Responsible for Sweden), Nordea Bank AB, farmer
Production: Forestry, crops, beef
Other directorships: Hushållningssällskapet
Östergötland and Member of The Royal Swedish Academy of Agriculture and Forestry (KSLA)
Contribution issues: SEK 28,445*
Subordinated debentures: SEK 150,000

Ulf Gundemark

Stockholm, Dalarö
Born: 1951
Director since 2012
Not a member of Lantmännen
Other functions at Lantmännen: Remuneration Committee
Education: M.Sc. (Engineering) Chalmers University of Technology
Main occupation: Directorships
Directorships: Ripasso Energy AB, Nordic Waterproofing (Chairman), Constructor Group AS, Nordisk Solar AS, AQ Group AB, OptiGroup AB, Scandi Standard AB (publ) and GUMACO AB.

Ove Gustafsson

Born: 1957
Director since 2017
Member of Lantmännen
Other functions at Lantmännen: Owner Committee
Education: Agricultural and Rural Management
Main occupation: Farmer
Production: Beef, grain
Other directorships: Chairman Bondegårde Vindpark AB
Contribution issues: SEK 681,360

Pauline Lindwall

Zürich
Born: 1961
Director since 2016
Not a member of Lantmännen
Other functions at Lantmännen: Remuneration Committee
Education: M.Sc. (Business and Economics)
Main occupation: Directorships
Other directorships: Duni AB and McKesson Europe AG (Germany), Swedish Match AB.
Subordinated debentures: SEK 100,000



Per Lindahl, Ulf Gundemark, Pauline Lindwall, Hans Wallemyr, Thomas Magnusson, Pär-Johan Lööf

Thomas Magnusson

Tävelsås
Born: 1950
Director since 2005
Member of Lantmännen
Other functions at Lantmännen: Owner Committee
Education: Agriculture
Main occupation: Farmer
Production: Milk, beef
Directorships: President COGECA
Contribution issues: SEK 44,335

Johan Mattsson

Skåne Tranås
Born: 1960
Director since 2015
Member of Lantmännen
Other functions at Lantmännen: Audit Committee
Education: M.Sc. (Business and Economics)
Directorships: Chairman of Bäretofta AB, Swedpig AB and Handelsbanken's Skog och Lantbruksstyrelse, Director of Handelsbanken's Regional Board for South-east Sverige and Viking Malt.
Contribution issues: SEK 436,281

Henrik Wahlberg

Soukolojärvi, Övertorneå Municipality
Born: 1967
Director since 2017
Member of Lantmännen
Other functions at Lantmännen: Owner Committee
Education: Aeronautical engineer, agriculture
Main occupation: Farmer
Production: Milk, beef
Other directorships: Sparbanken Nord, Övertorneå Energi AB, Övertorneå Energi Försäljnings AB
Contribution issues: SEK 177,291*

Employee Representatives

Tommy Brunsärn
Söderläje
Born: 1959
Director since 2007
Unionen representative
Main occupation: Lead Buyer MRO/Capex

Pär-Johan Lööf

Uppsala
Born: 1966
Director since 2013
Staff representative The Union for Professionals
Education: Agriculture
Main occupation: Innovation Project Manager
Lantmännen R&D
Other directorships: Naturbutiken på Öland AB, AviFau-
na i Sverige AB, Stenhusa Gård Aktiebolag and Ideella
föreningen Odling i Balans med firma Odling i Balans. Vice
Chairman The Foundation for Agricultural and Environmen-
tal Engineering Research (SJMF)
Subordinated debentures: SEK 100,000

Tomas Welander

Gothenburg
Born: 1961
Director since 2012
IF Metall representative
Main occupation: Service technician, Swecon
Other directorships: Employee representative, Swecon
Anläggningsmaskiner AB

Board Secretary

Tove Cederborg
Head of Legal Affairs
Born: 1964
Hired: 2011
Education: LLB, Lund University 1992
Subordinated debentures: SEK 100,000

Auditors

Elected representatives
Maude Fyrenius
Lärbro
Born: 1973
Auditor for Lantmännen since 2014
Education: Agrotechnician
Main occupation: Farmer
Production: Crops, lamb and beef, nature conservation
Contribution issues: SEK 27,764*

Gustav Jansson

Enköping
Born: 1967
Auditor for Lantmännen since 2012
Education: Agriculture
Main occupation: Farmer, accounting consultant
Production: Crops, forestry
Contribution issues: SEK 674,030

Anders Åbyhammar

Fellingsbro
Born: 1956
Auditor for Lantmännen since 2005
Education: Agricultural and Rural Management
Main occupation: Farmer, accounting consultant, LRF
Konsult
Production: Crops, forestry, lambs, electricity/hydropower
Contribution issues: SEK 1,089,387

Authorized Public Accountant

Anders Kriström
Ernst & Young AB, Stockholm
Born: 1974
Auditor since 1999
Auditor for Lantmännen since 2015
Other directorships: Adecco, Canal Digital, HL Display,
Husqvarna, Stanley Security.

* Together with related parties, or through wholly
or partly-owned companies.



Per Arvidsson, Magnus Kagevik, Elisabeth Ringdahl, Håkan Pettersson, Per Olof Nyman

Group Management

Holdings of subordinated debentures and contribution issues are reported in SEK, as at December 31, 2017.

Per Olof Nyman

President & CEO
Head of Food Sector
Born: 1956
Hired: 2008
Education: M.Sc. (Industrial and Management Engineering), Linköping
Directorships: Hauptgenossenschaft Nord AG, HK Scan and Svensk Kooperation Ekonomisk Förening
Subordinated debentures: SEK 250,000

Elisabeth Ringdahl

Senior Vice President & Head of Agriculture Sector
Born: 1965
Hired: 2015
Education: M.Sc. (Business and Economics), Uppsala University

Per Arvidsson

Executive Vice President & Head of Group Operations
Born: 1962
Hired: 2011
Education: M.Sc. (Mechanical Engineering, Industrial Organization & Logistics) Chalmers University of Technology
Directorships: Foodhills AB.

Magnus Kagevik

Senior Vice President & Head of Energy Sector
(from March 2018)
Born: 1967
Hired: 2018
Education: M.Sc. (Mechanical Engineering) Linköping Institute of Technology

Håkan Pettersson

Senior Vice President & Head of Machinery Sector
Born: 1956
Hired: 2002
Education: M.Sc. (Industrial and Management Engineering), Linköping
Subordinated debentures: SEK 50,000
(from January 2018, Senior Vice President & Head of Swecon)



Elisabeth Wallin Mononen, Carl-Peter Thorwid, Werner Devinck, Tove Cederborg, Ulf Zenk

Elisabeth Wallin Mononen
Senior Vice President & Head of Group Human Resources and Internal Communications
Born: 1959
Hired: 2005
Education: LLB, Lund University, and MBA, University of Illinois at Chicago
Directorships: Hagabergs Mekaniska Aktiebolag (Deputy)

Werner Devinck
Senior Vice President & Head of Lantmännen Unibake
Born: 1958
Hired: 2013
Education: Economist, University of Leuven, Belgium

Ulf Zenk
Senior Vice President & CFO
Born: 1963
Hired: 2012
Education: M.Sc. (Business and Economics), Linköping University
Directorships: Viking Malt Oy
Subordinated debentures: SEK 150,000

Carl-Peter Thorwid
Senior Vice President & Head of Lantmännen Cerealia
Born: 1964
Hired: 2016
Education: M.Sc. (Industrial and Management Engineering), Linköping
Directorships: HKScan (Deputy)

Tove Cederborg
Senior Vice President & Head of Group Legal Affairs and Compliance
Born: 1964
Hired: 2011
Education: LLB, Lund University
Subordinated debentures: SEK 100,000

Financial overview and facts

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Risk facts

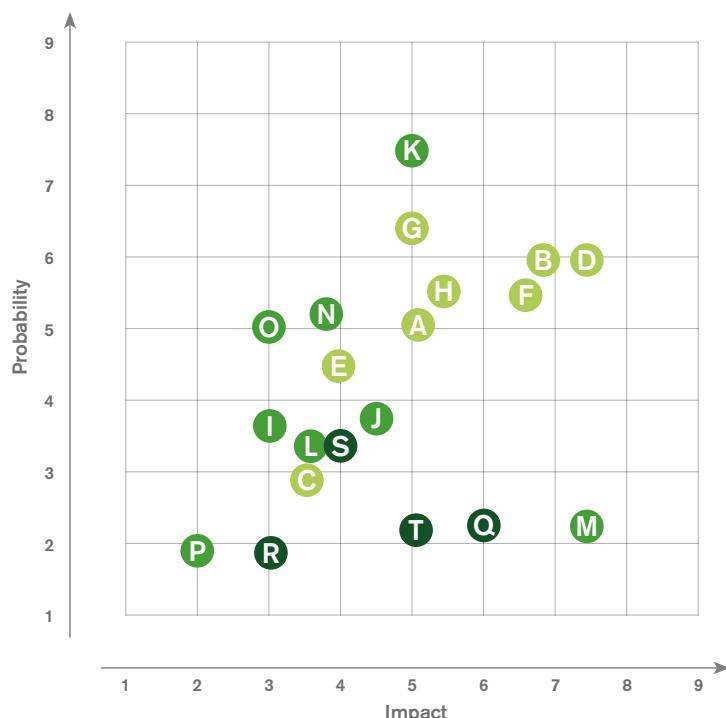
Risks are inherent in all business activity. Risks can arise from mismanagement or events and decisions outside Lantmännen's control. Identifying and managing risks is an integral part of strategic planning and operational management and control. Continuous business intelligence and internal and external dialogue with stakeholders are crucial to risk identification.

Strategic risks are largely dealt with as part of the annual strategy work, with the Board as the ultimate decision-making body. *Operational risk management* is based on a proactive risk management process, an annual ERM process, a number of key risk policies and our Code of Conduct. *Financial and risk policies* are evaluated and ratified by the Board.

Lantmännen's Board is responsible to the owners for the Group's risk management. Group management regularly reports on risk issues to the Board and its Audit Committee. Risk identification and continuity planning are an important part of every manager's responsibility. Lantmännen's Risk Committee is responsible for ensuring compliance with the Board's adopted risk mandates. Deviations and other risks and damages are reported monthly to the Board's Audit Committee.

Lantmännen's risk analysis

Classification into the risk categories low, moderate and high is made on the basis of a scale of 1-9 as follows:
Low risk 1-3, moderate risk 4-6 and high risk 7-9.



Strategic risks

- Ⓐ Regulation and supervision
- Ⓑ The economy and price competition
- Ⓒ Customer and consumer trends
- Ⓓ Business ethics risks
- Ⓔ Trademark risks
- Ⓕ Shortage of leadership and skills
- Ⓖ Climate risks
- Ⓗ Energy and climate policy risks

Operational risks

- Ⓘ Energy prices
- Ⓙ Commodity prices
- Ⓚ Price relationship in ethanol production
- Ⓛ Work environment and safety
- Ⓜ Product safety risks
- Ⓝ Grain quality risks
- Ⓞ Sustainability risks in the supply chain
- Ⓟ Insurable risks

Financial risks

- Ⓠ Refinancing/liquidity risk
- Ⓡ Interest rate risk
- Ⓢ Currency risk
- Ⓣ Credit and counterparty risk

Strategic risks

Strategic risks are associated with business development and long-term planning, and Lantmännen's brand. The most significant strategic risks are concerned with adapting the business to economic changes, conducting effective business development and fulfilling Lantmännen's brand promise.

Description of risk	Risk management
Regulation and supervision. New laws and regulations may restrict operations or bring new, stricter requirements. Lantmännen's operations are partly subject to permit, regulation and supervision and are affected by regulatory changes, mainly in Sweden and the EU. Risk level* Moderate probability, moderate impact	Each Sector and business area constantly monitors changes and adapts its operations. 2017 outcome: No new regulation or supervision was introduced that was individually likely to affect the revenue or earnings of the Group or larger business areas. A Group-wide project is providing a systematic, step-by-step preparation for the introduction of the General Data Protection Regulation (GDPR) in May 2018.
The economy and price competition. The risk of business operations being affected by general changes in economic conditions, changes in demand in specific areas and Lantmännen's relative market competitiveness. There is strong price competition in most of Lantmännen's markets. Risk level* Moderate probability, high impact	We aim for flexibility and adapt the cost situation to economic fluctuations. This is reflected in the portfolio strategy through a mix of business operations and a presence in different geographical markets. Action plans have been prepared for major changes in demand. We minimize and counteract price competition for our products by working on price and mix, innovation and ongoing brand strengthening. 2017 outcome: Lantmännen encountered good conditions in the Swedish construction market, benefiting Swecon's operations. In terms of portfolio strategy, the geographic footprint has been broadened by the acquisition of Lantmännen Agro Oy in Finland (agriculture) and Orient in Russia (crispbread). In the Nordic operations, there have been several innovative new launches of field to fork concepts, prime examples being Little Farmer baby food and pasta made from durum wheat from Gotland.
Customer and consumer trends. Changed preferences and behavior of customers and consumers presents both opportunities and risks. The market landscape is also constantly affected by external trends and competitors' different activities. Risk level* Low probability, moderate impact	Based on driving forces and business intelligence, Lantmännen identifies future preferences in order to satisfy customer needs by developing innovative products and services. 2017 outcome: Lantmännen has a very high level of trust and a strong position. At the same time, there is increasing competition for our position in responsibility, sustainability and origin. In 2017, the market's demands for responsible, sustainable products and services continued to increase. Many major players work actively on these values. We continue to develop good products and services, but there are increasing requirements on development rate, content and investment levels to maintain and develop our position. In 2017, as part of this work, Lantmännen identified the need for further in-depth external and intelligence analyses to continue leading development.
Business ethics risks. Lantmännen operates in countries and industries with varying exposure to corruption and problems relating to competition law. Risk level* Moderate probability, high impact	Business ethics is included as an area of Lantmännen's Code of Conduct. There are also special policies and a business ethics compliance program. The program includes an annual risk analysis, targeted activities to manage identified risk areas, and systematic monitoring and reporting. 2017 outcome: Continued in-depth training in bribery/corruption and competition law was provided. Risk assessments and integrity checks are ongoing activities.
Trademark risks. The risk of an adverse impact on Lantmännen's brand if operations are conducted in a manner that from an economic, environmental and social perspective is not sustainable in the long term, and the company does not comply with current legislation, and/or stakeholders perceive Lantmännen as not meeting its commitments and brand promise. Risk level* Moderate probability, moderate impact	Lantmännen works systematically to take responsibility and reduce adverse impacts on people and the environment throughout the chain from field to fork. Lantmännen imposes requirements for raw materials and suppliers, our processing procedures and the products and services we supply to the market. We actively pursue stakeholder dialogue and strive for honest and transparent reporting and communication of how we work and the results we achieve. 2017 outcome: Increased public awareness about Lantmännen and our brand promise. We have had top positions in the Sustainable Brand Index over the last few years. All surveys show that the brand continues to strengthen its positions, thereby increasing the intangible value and public confidence in Lantmännen is strong and growing. In 2017, we continued to invest in innovation and develop the offering in the entire value chain from field to fork, e.g. many products were launched in response to customer expectations and the market's increased demands.
Shortage of leadership and skills. Risk of a shortage of leadership and skills needed to implement our strategies, develop our business and achieve our business objectives – in the short and long term. Risk level* Moderate probability, high impact	Lantmännen pursues systematic, strategic work with a focus on succession planning and skills supply and on further strengthening Lantmännen's employer brand among current and potential employees. 2017 outcome: To increase the focus on development potential, we have implemented a new assessment platform for recruitment processes and talent identification. Most development programs have been conducted for leaders and employees with leadership potential. A new employee value proposition has been identified for all Lantmännen's operations and countries.
Climate risks. Climate change may have a long-term impact on soil fertility, access to good-quality water and resistance to pests. Risk level* High probability, moderate impact	Climate change requires development of cultivation methods, plant breeding and geographical adaptation. It also requires preparedness in grain handling, e.g. increased drying capacity, measures for production disruption due to extreme weather and water flows, and delivery reliability for sensitive raw materials. 2017 outcome: Lantmännen's climate strategy was strengthened by another emission target for own production and transport. Risk mapping tools for raw and other materials and flood-prone production facilities were developed.
Energy and climate policy risks. The European Commission has proposed a measure for a revised renewable directive lowering the limit on crop-based biofuels in the period 2021-2030 and other negative measures. Risk level* Moderate probability, moderate impact	Lantmännen and other interested parties in Sweden and the EU will lobby the EU institutions concerned to give the Renewable Energy Directive a more positive attitude to crop-based biofuels. With its high climate and sustainability performance, Agroetanol is less likely to be adversely affected by the directive than other producers of crop-based ethanol and other types of crop-based biofuels. 2017 outcome: The proposal was completed in 2018, and depending on the outcome, demand and ethanol prices from Agroetanol could be adversely affected.

* 2017/2018 risk assessment was conducted by the area manager using internal expertise.

Operational risks

Operational risks are part of the Lantmännen's day-to-day operations, and include risks of handling errors, compliance with laws and regulations, and in financial reporting and internal control. Several operational risks can be controlled, and are often regulated by policies, guidelines and instructions to provide consistent and effective safety. A large number of the operational risks are also managed through insurance.

Description of risk	Risk management
Energy prices. Lantmännen's substantial consumption, about 600 GWh per year, in the sometimes highly volatile electricity and natural gas markets poses a significant risk. Risk level* Moderate probability, moderate impact	Lantmännen hedges electricity prices on a falling scale through financial futures of up to 36 months, depending on the business's situation. Lantmännen seeks to reduce electricity and gas price risks for the Group's companies through active management in both the spot and futures markets. 2017 outcome: Price hedges for electricity and gas were used according to the finance policy's neutral to high volume range to protect against rising prices.
Commodity prices. Commodities such as grain, soy and rape represent a large part of Lantmännen's total costs. Price volatility may increase with strong demand, limited global scope for land expansion and rising uncertainty about climate effects on crop yields. Risk level* Moderate probability, moderate impact	Lantmännen works actively to hedge commodity prices through supplier agreements and in the financial commodity markets. Commodities trading is regulated in policy documents. 2017 outcome: Risk policy documents were revised in line with the annual schedule, with a new risk policy adopted for the new acquisition Lantmännen Agro Oy. All raw materials were hedged according to defined rules and policies during the year. Improvements have already been made to the Larma commodity risk system, and development was continued during the year in line with the needs of the business in order to give the best reflection of the Group's raw material exposure.
Price relationship in ethanol production. The ethanol plant in Norrköping is greatly affected by grain prices and ethanol price trends and by political decisions such as the EU's tariff rules on fuel ethanol. Risk level* High probability, moderate impact	Lantmännen continuously hedges grain, and scope for hedging ethanol improved during the year through slightly increased liquidity in the futures market for ethanol. In addition, extensive development of the ethanol business aimed at broadening both the raw material base and the product range is reducing the impact of the ethanol-grain price relationship. 2017 outcome: The EU has extended Sweden's government support approval for tax exemption on biofuels until the end of 2018. In 2016, the European Commission issued a proposal for a revised Renewal Energy Directive (RED 2), which proposed to limit the share of crop-based biofuels that can be reported to the EU to achieve national and EU targets for the share of renewables in the energy sector by 2030.
Work environment and safety. Some of our facilities have hazardous work environments and activities that could pose a danger or risk to health. Risk level* Moderate probability, moderate impact	Increased systemization, reporting and monitoring are a priority. Health & safety training is obligatory for all our managers. 2017 outcome: Lantmännen continued implementation of the IA System for reporting accidents, risks and incidents. It also facilitates preventive and strategic work environment and safety efforts. We also made about 40 workplace follow-ups, "Blue inspections", focusing on the work environment.
Product safety risks. If Lantmännen's products have defects, there are risks to customers and consumers. Risk level* Low probability, high impact	Products are regularly assessed from a safety perspective and given clear product information. 2017 outcome: Product safety and quality work is managed and developed by each Group company. The Group-wide follow-up process implemented in 2016 continued driving and monitoring product safety and quality assurance work throughout the Group.
Grain quality risks. For grain, our largest raw material, there are a number of issues to deal with, such as sludge fertilization, stem shortening and DON. Risk level* Moderate probability, moderate impact	Ongoing development of the requirements for grain as a raw material. 2017 outcome: For sludge and stem shortening, an annual follow-up is communicated to Cerealia, which is the sponsor of the "Nature+" and "Climate and Nature" concepts. Audit reports are available from Intertek, which audits these premium crops. For other quality aspects, Lantmännen constantly monitors available quantity and quality.
Sustainability risks in the supply chain. Lantmännen has suppliers in high-risk countries and industries with regard to environment, health & safety, social conditions and corruption. Lantmännen also handles a number of raw materials and products with a risk of major impacts on the ecosystem. These include plant nutrients, crop protection, soy, palm oil, animal raw materials and cocoa. For grain, our largest raw material, there are a number of issues to deal with, such as sludge fertilization, stem shortening, cadmium, and DON. Risk level* Moderate probability, low impact	There are systematic processes for assessing and monitoring suppliers based on our Supplier Code of Conduct with increased focus on compliance throughout the supply chain. For soy and palm oil, there are special strategies to safeguard our responsibility. 2017 outcome: Lantmännen worked to strengthen monitoring and dialogue with suppliers. Training of the purchasing organizations was conducted. Risk mapping tools for raw and other materials and suppliers were developed. The industry-wide Soy Dialogue was developed.
Insurable risks. Assets such as property and production equipment can suffer serious damage, e.g. in the event of fire or power failure. Longer production downtime/disruptions affect earnings and market position. Product recalls may give rise to major costs, partly direct costs, but also indirectly as a decline in reputation among consumers. Risk level* Low probability, low impact	Lantmännen has an insurance program for property and liability risk and works systematically to limit the risk of incidents. Continued focus on structural improvement and broader scope for Group-wide insurance. Premium costs are reduced by channelling most of the insurance programs via the Group's own insurance company. 2017 outcome: Reduced insurance costs due to good claims results. No serious losses occurred, due to proactive loss prevention in cooperation with the insurance companies and efficient use of Lantmännen's insurance company Dirual AG.

* 2017/2018 risk assessment was conducted by the area manager using internal expertise.

Financial risks

Lantmännen is exposed to financial risks that could cause fluctuations in earnings, cash flow and items in the statement of financial position. This risk management is described in Lantmännen's financial policy, which is our overall governing document for financial risks. Financial status reporting and compliance with the financial policy are regularly reported to Group Management and the Board.

Description of risk	Risk management
Refinancing/liquidity risk. When renewing loans and credit, there is a risk of higher costs and less access to new financing. Liquidity risk is the risk of inability to discharge payment obligations due to insufficient liquidity. Risk level* Low probability, moderate impact	Refinancing risk is limited by having a spread of counterparties and maturity profiles of interest-bearing liabilities. Lantmännen's financial policy regulates liquidity risk by stipulating that guaranteed unused credit facilities and cash resources must exceed MSEK 1,500. 2017 outcome: The actual liquidity reserve exceeded MSEK 1,500 by far. In 2018, Lantmännen plans to issue new loans with maturities that differ from the present financing and in another currency.
Interest rate risk. Changes in the market rate may have adverse effects on earnings and cash flows. The time it takes for interest rates changes to affect net interest depends on the fixed rate period for loans. Risk level* Low probability, low impact	Lantmännen's strategy is to take out loans with short fixed-interest periods but long maturities. Lantmännen has entered into a number of interest rate swaps and has extended the fixed-interest period for existing loans. 2017 outcome: Lantmännen extended the fixed-interest period on the loan portfolio from 20 months (Dec 2016) to 25 months.
Currency risk. Changes in exchange rates affect Lantmännen's earnings, equity and competitive situation in different ways. Payment flows and agreements in different currencies create a currency risk. Risk level* Low probability, moderate impact	Lantmännen's currency risk is managed centrally and the aim is to minimize currency effects by using currency inflows for payments in the same currency. In addition, financial instruments are used to hedge expected payment flows, using the guidelines contained in Lantmännen's financial policy. 2017 outcome: Currency risks were hedged according to given policies and risk exposure remained within the set limits throughout the year.
Credit and counterparty risk. Lantmännen's financial transactions give rise to credit risks associated with financial and commercial counterparties. Risk level* Low probability, moderate impact	Lantmännen only works with banks that have a high credit rating and in particular those that participate in the Group's long-term financing. In order to minimize the credit risk associated with outstanding trade receivables, Lantmännen has a policy of conducting special credit checks. If there is a special need, customers are insured. 2017 outcome: Counterparty risk is continuously monitored, with monthly reporting to the Risk Committee.

* 2017/2018 risk assessment was conducted by the area manager using internal expertise.

The Group's Ten-year overview

Condensed income statements MSEK	IFRS									Swedish GAAP	
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2009	2008
Net sales	39,686	37,244	35,660	32,666	33,802	36,526	37,896	35,988	34,978	34,950	42,592
EBITDA	2,919	2,771	2,573	2,556	2,193	1,698	2,570	2,624	1,884	1,855	3,046
Depreciation, amortization and impairment	-1,242	-1,165	-1,222	-1,103	-2,104	-1,185	-1,366	-1,565	-1,407	-1,550	-1,910
Operating income	1,677	1,606	1,351	1,453	89	513	1,204	1,059	477	305	1,136
Finance income and costs	-156	-149	-105	-111	-4	-182	-337	-237	-373	-370	-434
Income after financial items	1,521	1,457	1,246	1,342	85	331	867	822	104	-65	702
Refund and supplementary payment ¹⁾	-	-	-	-	-	-	-	-	-	-1	-122
Tax, minority ²⁾	-216	-183	-156	-117	15	-91	-147	-97	78	-7	-22
Net income for the year	1,305	1,274	1,090	1,225	100	240	720	725	182	-73	558

¹⁾ Under IFRS, refund/supplementary payment is recognized in the same way as dividends.

²⁾ Includes adjustment for minority share before transition to IFRS.

Condensed statements of financial position MSEK	IFRS									Swedish GAAP	
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2009	2008
Property, plant and equipment	10,030	9,098	7,699	7,178	7,337	8,928	9,258	9,758	10,798	10,667	10,974
Goodwill	5,238	4,611	4,424	2,915	2,594	2,554	2,640	2,779	3,030	3,078	3,386
Other intangible assets	3,327	2,980	2,782	752	814	875	767	713	748	391	459
Other non-current assets	3,204	2,825	2,780	2,762	2,542	2,151	2,069	2,094	3,581	3,313	3,140
Total non-current assets	21,799	19,514	17,685	13,607	13,287	14,508	14,734	15,344	18,157	17,449	17,959
Inventories	5,948	5,270	5,545	5,379	5,249	5,946	5,506	5,224	5,646	5,646	7,059
Other current assets	5,866	5,933	5,599	5,087	5,170	5,561	5,642	5,572	5,436	5,411	7,266
Cash and cash equivalents	927	1,773	1,252	3,058	2,295	352	739	869	391	385	269
Total current assets	12,741	12,976	12,396	13,524	12,714	11,859	11,887	11,665	11,473	11,442	14,594
Total assets	34,540	32,490	30,081	27,131	26,001	26,367	26,621	27,009	29,630	28,891	32,553
Equity, members of the Parent	14,859	13,795	12,660	11,859	11,016	10,899	10,906	10,390	10,140	10,148	10,528
Equity, NCI	89	88	21	17	28	33	36	32	85	69	56
Total equity	14,948	13,883	12,681	11,876	11,044	10,932	10,942	10,422	10,225	-	-
Provisions ¹⁾	-	-	-	-	-	-	-	-	-	2,206	2,371
Non-current liabilities	5,983	6,219	6,135	3,598	4,939	5,919	5,360	7,320	9,523	6,951	8,220
Current liabilities	13,609	12,388	11,265	11,657	10,018	9,516	10,319	9,267	9,882	9,517	11,378
Total equity and liabilities	34,540	32,490	30,081	27,131	26,001	26,367	26,621	27,009	29,630	28,891	32,553
Net debt	7,274	6,289	6,476	3,674	4,963	7,506	7,186	7,501	9,739	9,289	11,654
Refund and supplementary payment ²⁾³⁾	244	231	188	135	129	120	110	95	1	-	-
Contribution dividend, contribution issue ⁴⁾	322	277	243	328	171	168	230	245	163	163	167

¹⁾ Under IFRS, provisions are not reported as a separate category, but are included in current and non-current liabilities.

²⁾ Under IFRS, refund/supplementary payment is recognized as a dividend in the Group.

³⁾ Reported amounts may include adjustments compared with previous years' proposals.

⁴⁾ According to Board's proposal for 2016.

Lantmännen began reporting under IFRS (International Financial Reporting Standards) in 2010. Comparative figures for 2008 have not been restated, in accordance with IFRS rules. 2009 is presented partly according to IFRS and partly according to the accounting policies for that year. A more detailed description of the effects of the transition to IFRS on the 2009 income statement and balance sheet can be found in Lantmännen's 2010 Annual Report.

Continued

The Group's Ten-year overview

Key figures	IFRS									Swedish GAAP	
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2009	2008
Operating margin, %	4.2	4.3	3.8	4.4	0.3	1.4	3.2	2.9	1.4	0.9	2.6
Capital turnover rate, times	1.8	1.8	1.8	2.1	2.0	2.0	2.1	1.9	1.6	1.7	2.1
Return on equity, %	9.0	9.6	8.9	10.6	0.9	2.2	6.7	7.0	1.8	-0.7	6.8
Return on operating capital, %	7.8	8.0	7.5	9.1	0.5	2.8	6.5	5.7	2.2	1.4	5.6
Equity ratio, %	43.3	42.7	42.2	43.8	42.5	41.5	41.1	38.6	34.5	35.4	32.5
Net debt/EBITDA (bank definition)	2.70	2.53	2.85	2.02	2.62	4.31					
Net debt/equity ratio, times	0.5	0.5	0.5	0.3	0.4	0.7	0.7	0.7	0.9	0.9	1.1
Average number of employees	9,850	9,880	8,911	8,311	9,133	10,249	10,296	10,350	10,552	10,552	12,671

Excl. items affecting comparability	IFRS									Swedish GAAP	
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2009	2008
Operating income, MSEK	1,708	1,697	1,351	851	805	747	1,063	1,223	588	588	1,032
Operating margin, %	4.3	4.6	3.8	2.6	2.4	2.0	2.8	3.4	1.7	1.7	2.4
Income after financial items, MSEK	1,552	1,548	1,246	740	683	565	841	946	215	215	622
Net income for the year, MSEK	1,353	1,457	1,066	595	494	457	634	804	232		
Return on equity, %	9.4	11.0	8.7	5.1	4.4	4.2	5.9	7.8	2.2		
Return on operating capital, %	7.9	8.4	7.5	5.3	4.7	4.1	5.7	6.5	2.8		

Condensed statements of cash flows MSEK	IFRS									Swedish GAAP	
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2009	2008
Cash flow from operating activities before changes in working capital	2,453	2,571	2,159	1,362	1,570	1,358	1,655	2,131	1,138	1,138	1,153
Cash flow from operating activities	2,398	3,136	2,167	1,767	2,294	983	1,015	2,157	3,555	3,555	423
Cash flow from investment in/sale of property, plant and equipment and intangible assets, net	-2,274	-1,884	-811	-697	-862	-1,163	-160	-684	-1,328	-1,328	-2,284
Cash flow from operations	124	1,252	1,356	1,070	1,432	-180	855	1,473	2,227	2,227	-1,861
Cash flow from acquisitions and divestments of operations, net ¹⁾	-852	-357	-4,154	1,065	1,196	0	0	-105	9	9	-1,060
Cash flow before financing activities	-703	826	-2,674	2,077	2,450	-222	876	2,692	2,272	2,272	-2,776
Cash flow for the year	-852	489	-1,775	778	1,943	-379	-128	512	131	131	-233
Cash and cash equivalents at end of year	927	1,773	1,252	3,058	2,295	352	739	869	391	391	269

¹⁾ 2017 includes acquisition of Anderson Bakery, K-maatalous, Orient Products and Marline and divestment of LMB Danmark and 50 percent of Akershus Traktor.
2016 includes acquisitions of Kalmar Lantmännens machinery business, DataVäxt and Frozen Bakery Products.

2015 includes acquisition of Vaasan and sale of Lantmännen Doggy

2014 includes acquisition of Strängnäs Valkvärn, sale of shares in Scandi Standard and divestment of Lantmännen Lantbruk's German and Polish plant breeding and seed operations (SW Seed Poland, SW Seed Germany, SW Winter Oil Seed).

2013 includes acquisition of 46 percent of Scandi Standard and divestment of Kronfjägel Group and Rīgas Dzirnavnieki.

2010 includes acquisition of 37 percent of Bakehouse and divestment of SueChick, Ecobränsle and Conagri.

2009 includes acquisition of 38 percent of Bakehouse and divestment of Lantmännen Färskbröd in Sweden.

2008 includes acquisition of Euro-Bake, Eurobuns and Baco and divestment of Weibull Trädgård and Granngården.

How to read the Income Statement

The income statement summarizes the year's finances, showing all income and expenses from operations contributing to net income for the year.

Sales

This is where you will find the Company's total sales

Costs

The costs of producing and selling goods and services are shown here.

Operating income

This shows whether sales are profitable.

Financial items

Income or expenses associated with loans, investments, shares, securities, etc.

Income

This is also called net income and shows profit after tax.

The statement of comprehensive income is based on net income for the year. OCI shows the fair value remeasurement of balance sheet items and exchange gains and losses. These count as income/expense and are part of the Group's comprehensive income for the year. OCI is added to equity and is included in the amount that can be distributed to owners.

Total comprehensive income

This shows the results of the year's operations and remeasurements. The amount increases or reduces the Group's equity.

Consolidated Income Statement

MSEK	2017	2016
Net sales	39,686	37,244
Other operating income	440	800
Changes in inventories of finished goods and work in progress	-535	-300
Raw materials and consumables	-12,186	-11,104
Merchandise	-12,471	-11,874
Employee benefits expense	-5,747	-5,578
Depreciation, amortization and impairment	-1,242	-1,165
Other operating expenses	-6,422	-6,515
Share of income of equity accounted companies	154	98
Operating income	1,677	1,606
Finance income	151	165
Finance costs	-307	-314
Income after financial items	1,521	1,457
Tax	-216	-183
Net income for the year	1,305	1,274
Net income for the year attributable to:		
Members of the economic association	1,301	1,273
Non-controlling interests	4	1

Consolidated Statement of Comprehensive Income

MSEK	2017	2016
Net income for the year	1,305	1,274
Other comprehensive income		
<i>Items that will not be reclassified to the income statement</i>		
Actuarial gains and losses on defined benefit pension plans, net (before tax)	-1	-162
Tax on actuarial gains and losses	0	36
Total	-1	-126
<i>Items that will be reclassified to the income statement</i>		
Available-for-sale financial assets, net (before tax)	-17	81
Cash flow hedges, net (before tax)	-6	22
Exchange differences on translation of foreign operations	118	193
Net gain on hedge of net investment in foreign operations, net (before tax)	-30	-68
Tax attributable to items that will be reclassified	10	2
Total	75	230
<i>Share of OCI in equity accounted companies</i>		
Items that will be reclassified to the income statement	43	51
Total	43	51
Other comprehensive income, net of tax	117	155
Total comprehensive income	1,422	1,429
Total comprehensive income attributable to:		
Members of the economic association	1,418	1,428
Non-controlling interests	4	1

How to read the Statement of Financial Position

The statement of financial income provides a picture of existing assets and how they have been financed. The value of total assets is always equal to the value of the liabilities. Liabilities consist of liabilities to owners, equity and other liabilities.

Non-current assets

Non-current assets are assets that are used or owned for more than one year and contribute to the company's value growth. This is where we find the value of tangible assets (factories, other property, machinery, equipment, etc.) and intangible assets (non-physical assets, e.g. goodwill, purchased trademarks and patents). Goodwill is the portion of the purchase price of a subsidiary that cannot be attributed to other assets and mainly reflects anticipated synergies and staff skills. Non-current assets is also where we find the value of our share in the equity of joint ventures and associates (20-50 percent ownership) under Equity accounted holdings.

Current assets

Current assets are assets held for sale or used in the business. These are assets that are consumed in a short time and can readily be converted to cash. This is where we find the value of goods still in stock, and our receivables from customers for products and services sold but not yet paid for. Cash and cash equivalents, mainly bank deposits, are reported under current assets.

Equity

Equity shows the existing net assets (assets - liabilities) belonging to the owners and on which they expect a return. Lantmännen's overall financial goal is to provide a long-term return of 8 percent on this equity over a business cycle and with the present business portfolio. The result used to calculate the return is "Net income for the year" in the consolidated income statement. Member contributions, both paid-in and issued, are an important component of equity. Other capital is amounts earned over the years in the parent association and Lantmännen companies; this is not distributed to members but is used as financing for assets that will generate future earnings.

Liabilities

Liabilities are divided into non-current and current liabilities, which is a way of denoting the length of time before they are due for settlement.

Consolidated Statement of Financial Position

MSEK	2017 Dec 31	2016 Dec 31
ASSETS		
Non-current assets		
Property, plant and equipment	9,387	8,240
Investment properties	643	858
Goodwill	5,238	4,611
Other intangible assets	3,327	2,980
Equity accounted holdings	2,182	1,896
Non-current financial assets	825	770
Deferred tax assets	170	136
Other non-current assets	27	23
Total non-current assets	21,799	19,514
Current assets		
Inventories	5,948	5,270
Trade and other receivables	5,823	5,727
Current interest-bearing assets	18	176
Current tax assets	25	30
Cash and cash equivalents	927	1,773
Total current assets	12,741	12,976
TOTAL ASSETS	34,540	32,490

MSEK	2017 Dec 31	2016 Dec 31
EQUITY AND LIABILITIES		
Equity		
Member contributions	2,464	2,299
Other contributed capital	3,010	2,895
Reserves	230	112
Retained earnings incl. net income	9,155	8,489
Total equity attributable to members of the economic association	14,859	13,795
Non-controlling interests	89	88
Total equity	14,948	13,883
Non-current liabilities		
Non-current interest-bearing liabilities	4,523	4,991
Provisions for pensions	554	519
Deferred tax liabilities	638	437
Other non-current provisions	240	247
Other non-current liabilities	28	25
Total non-current liabilities	5,983	6,219
Current liabilities		
Current interest-bearing liabilities	3,841	3,373
Trade and other payables	8,966	8,199
Current tax liabilities	98	89
Current provisions	704	727
Total current liabilities	13,609	12,388
TOTAL EQUITY AND LIABILITIES	34,540	32,490

How to read the Statement of Cash Flows

Consolidated Statement of Cash Flows

Operating activities

Operating activities are net income for the year plus non-cash items, i.e. items that are not cash inflows or outflows but accounting costs. For example, depreciation and capital losses reduce earnings but do not involve a payment. Taxes paid during the year are deducted.

Adjustments are also made for changes in inventories, current receivables (mainly trade receivables) and current liabilities (mainly trade payables).

Investing activities

Investing activities show cash outflows for various investments and inflows from sales of operations, non-current assets or financial investments. Unlike the income statement, this shows the full year's payments for an investment – e.g., a company acquisition is not a cost in the income statement, and an asset's cost is divided using depreciation, based on the asset's estimated useful life.

Financing activities

Financing activities show how activities and investments are funded if cash flow from operating activities is insufficient. They also show payments (e.g., dividends to owners or loan repayments) to the parties funding the activities.

MSEK	2017	2016
OPERATING ACTIVITIES		
Operating income	1,677	1,606
Adjustment for non-cash items ¹⁾	1,107	1,302
	2,784	2,908
Financial items paid, net	-210	-205
Taxes paid	-121	-132
Cash flow from operating activities before changes in working capital	2,453	2,571
<i>Cash flow from changes in working capital</i>		
Change in inventories	-687	416
Change in operating receivables	545	-195
Change in operating liabilities	87	344
	-55	565
Cash flow from operating activities	2,398	3,136
INVESTING ACTIVITIES		
Acquisitions of operations (incl. capital contribution)	-1,076	-404
Divestment of operations	224	47
Investment in property, plant & equipment	-2,471	-2,228
Investment in intangible assets	-122	-105
Sale of property, plant & equipment and intangible assets	319	449
Change in financial investments	25	-69
Cash flow from investing activities	-3,101	-2,310
Cash flow before financing activities	-703	826
FINANCING ACTIVITIES		
Change in interest-bearing liabilities and pension provisions	200	-57
Paid-in contributed capital	171	153
Refunded capital contribution	-75	-50
Dividend paid	-445	-383
Cash flow from financing activities	-149	-337
Cash flow for the year	-852	489
Cash and cash equivalents at beginning of year	1,773	1,252
Exchange differences in cash and cash equivalents	6	32
Cash and cash equivalents at end of year	927	1,773

MSEK	2017	2016
¹⁾ Adjustment for non-cash items		
Depreciation, amortization and impairment of non-current assets	1,242	1,165
Share of income of equity accounted companies	-117	-63
Capital gains/losses on sale of non-current assets and operations	-108	-23
Other non-cash items	90	223
Total	1,107	1,302

About sustainability reporting

Legislation, Global Compact and Global Reporting Initiative

Lantmännen strives for credible and transparent communication of its responsibility and sustainable development work.

Lantmännen's 2017 Sustainability Report

The report refers to 2017, unless otherwise specified. It covers the Lantmännen Group, including the Sectors. The organizational changes during the year do not affect the 2017 report. Companies/operations acquired in 2017 and reported in the financial statements are included in the sustainability report. Associates and joint ventures are not included. The report describes our work on sustainability throughout the value chain, from field to fork. This includes everything from cultivation, raw materials purchasing and processing to sales and consumption of the products we offer. Reporting of sustainability management, activities during the year and key performance indicators, with definitions and calculation methods, can be found in Key Sustainability Facts, see lantmannen.com

The report contains information and data on issues prioritized by Lantmännen's stakeholders and reflects the most significant areas in terms of the impact of our operations and contributions to sustainable development. We have identified sustainability issues based on Lantmännen's strategies, work and knowledge in the area of impacts of operations, external and market trends, and results from stakeholder dialogue. These have then been prioritized in a process with experts from different parts of the business and ratified in the Group's CSR committee.

The Sustainability Report has not been subject to external assurance. The contact person is Claes Johansson, Director Sustainable Development, claes.johansson@lantmannen.com

Sustainability Reporting Act

Several of Lantmännen's companies are subject to sustainability reporting legislation. Reporting for all Group companies covered by such legislation can be found in the Annual Report including

Sustainability Report, [pages 25-35, 161-164](#) and [170](#) and in Key Sustainability Facts lantmannen.com/en/about-lantmannen/financial-information/annual-report-with-sustainability-report/

Global Reporting Initiative (GRI)

Lantmännen has been reporting according to the GRI guidelines including the Food Processing sector supplement, for several years. This report has been prepared in accordance with the GRI Standards: Core option. Learn more about GRI at globalreporting.org

Global Compact

In 2009, Lantmännen signed the Global Compact, the UN initiative for responsible business. The Global Compact requires annual disclosure of progress and performance in the form of a COP (Communication on Progress). Lantmännen's Annual Report including Sustainability Report, Key Sustainability Facts and information on our website are structured in such a way as to meet these requirements. The GRI Index in Key Sustainability Facts, [pages 22-25](#), contains references to how we work with the principles. Learn more about Global Compact and COP unglobalcompact.org

Agenda 2030

Lantmännen has analyzed what the UN's Agenda 2030 Sustainable Development Goals mean for our responsibility, and to what extent the relevant goals are integrated into our existing business and strategies. Learn more on [page 26](#). The GRI Index in Key Sustainability Facts, [pages 22-25](#), contains page references to descriptions of our work on the UN Agenda 2030 goals. Learn more about Agenda 2030 un.org/sustainabledevelopment/development-agenda. More information can also be found at lantmannen.com/en/sustainable-development/

Auditors' report regarding the statutory sustainability report

To the Annual General Meeting of Lantmännen ek för

Engagement and responsibility

The Board of Directors are responsible for the Sustainability Report for 2017 on [pages 25-35, 161-164](#) and [170](#) of the Annual Report including Sustainability Report and in Key Sustainability Facts and for its preparation in accordance with the Annual Accounts Act.

Scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor's report regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted

in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, February 21, 2018

Ernst & Young AB

Anders Kriström

Authorized Public Accountant

Materiality analysis



The most important issues for Lantmännen to pursue and develop are in green text. Learn more about the analysis, management and outcomes in Key Sustainability Facts.

Return and reinvestment in farming

Lantmännen's mission is to make farming thrive. The cooperative ownership model is central to economic stability and endurance. The operating surplus gives value in the form of return and investment in research and development.

Research and innovation in the grain value chain

Our knowledge and operations in every stage contribute to profitable and sustainable development for the entire grain sector. We invest in research in areas such as plant breeding, biological crop protection, biomaterials, health and eating habits.

Sustainable cultivation

Environmental impacts from cultivation concern climate impact, land use, water, plant nutrients and crop protection and impacts on biodiversity. For certain imported commodities, there are also social risks associated with working conditions and human rights. Lantmännen works for the development of more sustainable forms of cultivation and have high requirements in our sourcing of raw materials.

Climate impact from energy and transport

A large part of the climate impact for our products is in the cultivation stage, but our processing activities also cause emission with climate impact, primarily through use of energy and transport. Our climate strategy means continued investment in energy efficiency and the transition to renewable energy sources and fuels.

Products with added value for health and environment

New profitable products with a high environmental performance, or other sought-after health and environment-promoting properties are an important part of Lantmännen's business development. To date, our work on innovation and product development has resulted in several successful examples.

Product quality, safety and traceability

Lantmännen has knowledge and unique conditions to ensure control and traceability for our products throughout the chain. The green sprout emblem on food from Lantmännen is our guarantee of responsibly produced food.

Other important issues

Learn more about our work on other issues of great importance to Lantmännen in Key Sustainability Facts at lantmannen.com/en/sustainable-development/ and here on page 27 of Lantmännen's Annual Report including Sustainability Report 2017.

Glossary

Agenda 2030 ▶ The UN's 17 Sustainable Development Goals in Agenda 2030 were adopted by the UN countries in September 2015 and are a common vision with goals for achieving sustainable development for all.

Agrodrank ▶ Protein-rich animal feed produced at Agroetanol in Norrköping.

Audit ▶ Third-party inspection of suppliers through notified or unannounced visits, with follow-up of requirements in the Supplier Code of Conduct.

B2B ▶ Business-to-business, non-consumer related sales.

Biodiversity ▶ describes the variation between species, within species and habitats found on Earth.

BRC ▶ British Retail Consortium, a global food safety standard.

Code of conduct ▶ Guidelines on ethical and responsible business operations for companies and organizations.

CSA ▶ A credit support annex is an agreement that governs how a party with an outstanding debt must provide collateral in the form of cash or securities.

CSR ▶ Corporate Social Responsibility, also describes companies' efforts to integrate social and environmental considerations into their business.

DON (Deoxynivalenol) ▶ DON is a mold toxin that can occur in grain crops for feed and food purposes, particularly in wheat and oats. The mold toxin is formed by two fungi, *Fusarium graminearum* and *Fusarium culmorum* in the genus *Fusarium*.

Ecosystem services ▶ Describes functions in nature's ecosystems that contribute to – e.g. air and water purification, crop pollination, bacteria and worms that make the soil fertile.

ERM process ▶ Enterprise Risk Management, a structured and proactive risk management process.

Germinating capacity test ▶ The germination capacity of the seed is tested in real soil under more authentic conditions than traditional tests. In this way, weaker batches can be removed.

Global Compact ▶ UN corporate social responsibility initiative. An international framework of ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption.

GRI ▶ Global Reporting Initiative. Provides guidelines for sustainability reporting that can be used by organizations to report environmental, social and economic aspects of their business, products and services.

IFRS ▶ International Financial Reporting Standards. Learn more at ifrs.com

ISDA agreement ▶ A standardized contract for financial trading.

LCR ▶ Liquidity coverage ratio, can also be described as the proportion of highly liquid assets that can be used to settle current liabilities.

Pulses ▶ Cultivated large-seeded legumes, such as peas, vetches, lupins and beans.

R&D ▶ Research and Development.

RSPO ▶ Roundtable on Sustainable Palm Oil. International round table process to develop criteria for sustainable palm. More about the RSPO certification levels Book & Claim, Mass Balance and Segregated can be found at rspo.org

RTRS ▶ Round Table on Responsible Soy. International round table process to develop criteria for sustainable soy.

Stem-shortening agent ▶ An agent that reduces the risk of crop lodging. A stem-shortening agent is basically the only crop protection agent that can be sometimes found in detectable residue levels in the grain raw material.

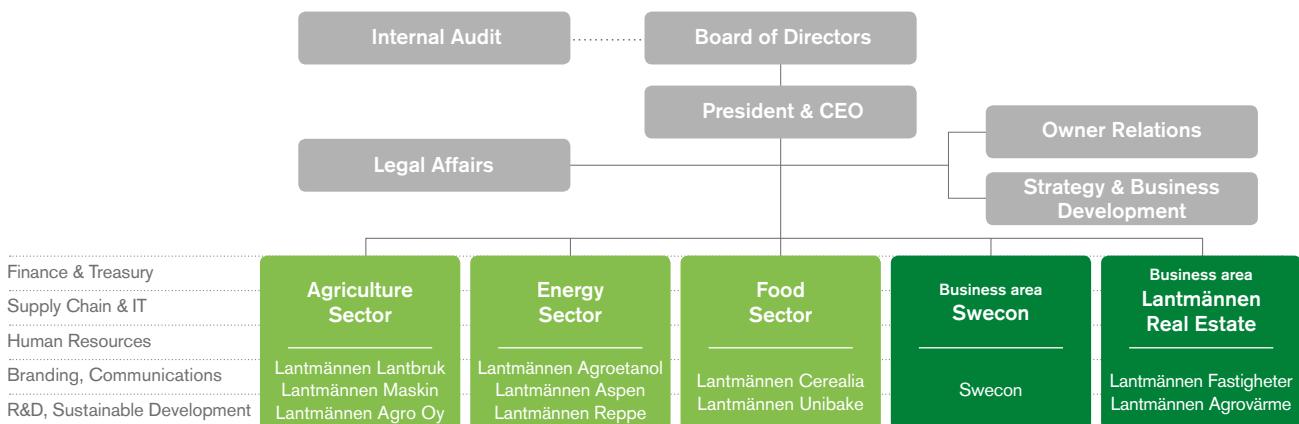
Value added ▶ EBITDA plus employee benefits expense.

Volatile ▶ Tending to vary often or widely.

Lantmännen's new structure

From 2018, Lantmännen's reporting structure will be as below. Lantmännen will then consist of the Agriculture Sector, the Energy Sector and the Food Sector, and the business areas Swecon and Lantmännen Real Estate. Lantmännen Maskin's operations are part of the Agriculture Sector and Agro Oil is part of Lantmännen Aspen.

Lantmännen's structure from January 2018



In recent years, several major projects have been conducted within the Machinery Sector. Among other things, Lantmännen Maskin has divested and discontinued its import operations in Norway and Denmark, and an expanded cooperation agreement has been signed with AGCO for imports of Massey Ferguson's products to Sweden. The cooperation between Lantmännen Maskin and Lantmännen Lantbruk Sweden has also been deepened in recent years – for example, with the LM² digital tool, creating a common platform for both current and future business.

To create an even more consistent and customer-oriented agricultural business, Lantmännen Maskin, as a retained unit, has moved to the Agriculture Sector. The company retains its legal status and its head office in Malmö. Lantmännen Maskin and Lantmännen Lantbruk Sweden are already established together in many places, with Swedish farmers as the main customers. The organizational change also presents scope for even more customer-based joint initiatives. The focus is on continuing to develop the cooperation and obtain synergies.

A separate new business area, Swecon, has been formed and Agro Oil has moved to Lantmännen Aspen. As part of Lantmännen Aspen, Agro Oil will be able to use Aspen's experience to take the lubricant business to new markets and customers, both in and beyond the Nordic region. The business area Swecon has been formed to enable growth around the Baltic Sea. The businesses in each country will continue as before, but with an increased focus on growth. With the reorganization, which is fully applicable from January 2018, the Machinery Sector has ceased to exist as organizational unit. After the reorganization, Lantmännen presents financial information for the Agriculture, Energy and Food Sectors and the Swecon and Lantmännen Real Estate business areas.

Key performance measures for 2017 are shown in the new segment format on the following two pages.

Restatement according to new organization

Segment information, adjusted for items affecting comparability

Net sales per segment

MSEK	Jan-Apr 2017	May-Aug 2017	Jan-Aug 2017	Sep-Dec 2017	Full year 2017
Agriculture Sector	4,887	5,667	10,554	6,106	16,660
Energy Sector	1,094	1,000	2,094	974	3,068
Food Sector	4,529	4,986	9,515	4,834	14,349
Swecon	2,138	2,587	4,725	2,636	7,361
Lantmännen Real Estate	176	159	335	176	511
Other operations	316	155	471	166	637
Eliminations	-942	-994	-1,936	-964	-2,900
Lantmännen total	12,198	13,560	25,758	13,928	39,686

Operating income per segment, adjusted for items affecting comparability

MSEK	Jan-Apr 2017	May-Aug 2017	Jan-Aug 2017	Sep-Dec 2017	Full year 2017
Agriculture Sector	64	202	266	71	337
Energy Sector	144	108	252	44	296
Food Sector	154	350	504	204	708
Swecon	66	138	204	168	372
Lantmännen Real Estate ¹⁾	75	83	158	66	224
Other operations	-94	-16	-110	-46	-156
Group items	-8	-61	-69	-4	-73
Lantmännen total	401	804	1,205	503	1,708
¹⁾ Including capital gain on sale of property	5	14	19	1	20

Operating margin per segment, adjusted for items affecting comparability

%	Jan-Apr 2017	May-Aug 2017	Jan-Aug 2017	Sep-Dec 2017	Full year 2017
Agriculture Sector	1.3	3.6	2.5	1.2	2.0
Energy Sector	13.2	10.8	12.0	4.5	9.6
Food Sector	3.4	7.0	5.3	4.2	4.9
Swecon	3.1	5.3	4.3	6.4	5.1
Lantmännen total	3.3	5.9	4.7	3.6	4.3

Return on operating capital, adjusted for items affecting comparability

%	Jan-Apr 2017	May-Aug 2017	Jan-Aug 2017	Sep-Dec 2017	Full year 2017
Agriculture Sector	3.8	11.3	7.7	3.5	6.1
Energy Sector	57.7	41.2	49.2	17.6	38.9
Food Sector	3.5	7.7	5.6	4.3	5.1
Swecon	52.6	74.5	65.6	118.0	82.0
Lantmännen Real Estate ¹⁾	10.0	9.8	9.9	9.2	9.7
Lantmännen total	5.9	11.2	8.6	6.7	7.9

¹⁾ Adjusted for gain on sale of property

Restatement according to new organization

Segment information

Net sales per segment

MSEK	Jan-Apr 2017	May-Aug 2017	Jan-Aug 2017	Sep-Dec 2017	Full year 2017
Agriculture Sector	4,887	5,667	10,554	6,106	16,660
Energy Sector	1,094	1,000	2,094	974	3,068
Food Sector	4,529	4,986	9,515	4,834	14,349
Swecor	2,138	2,587	4,725	2,636	7,361
Lantmännen Real Estate	176	159	335	176	511
Other operations	316	155	471	166	637
Eliminations	-942	-994	-1,936	-964	-2,900
Lantmännen total	12,198	13,560	25,758	13,928	39,686

Operating income per segment

MSEK	Jan-Apr 2017	May-Aug 2017	Jan-Aug 2017	Sep-Dec 2017	Full year 2017
Agriculture Sector	64	202	266	71	337
Energy Sector	144	-32	112	44	156
Food Sector	154	412	566	173	739
Swecor	66	138	204	168	372
Lantmännen Real Estate ¹⁾	75	161	236	66	302
Other operations	-94	-16	-110	-46	-156
Group items	-8	-61	-69	-4	-73
Lantmännen total	401	804	1,205	472	1,677
¹⁾ Including capital gain on sale of property	5	92	97	1	98

Operating margin per segment

%	Jan-Apr 2017	May-Aug 2017	Jan-Aug 2017	Sep-Dec 2017	Full year 2017
Agriculture Sector	1.3	3.6	2.5	1.2	2.0
Energy Sector	13.2	-3.2	5.3	4.5	5.1
Food Sector	3.4	8.3	5.9	3.6	5.2
Swecor	3.1	5.3	4.3	6.4	5.1
Lantmännen total	3.3	5.9	4.7	3.4	4.2

Return on operating capital

%	Jan-Apr 2017	May-Aug 2017	Jan-Aug 2017	Sep-Dec 2017	Full year 2017
Agriculture Sector	3.8	11.3	7.7	3.5	6.1
Energy Sector	57.7	-12.1	21.9	17.6	20.5
Food Sector	3.5	9.0	6.3	3.6	5.4
Swecor	52.6	74.5	65.6	118.0	82.0
Lantmännen Real Estate ¹⁾	10.0	9.8	9.9	9.2	9.7
Lantmännen total	5.9	11.2	8.6	6.3	7.8

¹⁾ Adjusted for gain on sale of property

Addresses



Lantmännen ek för

S:t Göransgatan 160 A
Box 30192, SE-104 25 Stockholm
Tel: +46 10 556 00 00
Corporate Identity No: 769605-2856
info@lantmannen.com
lantmannen.com

Agriculture Sector

SE-205 03 Malmö
Tel: +46 10 556 00 00
lantmannenlantbruk.com

Lantmännen Lantbruk

Visiting address: von Troil's väg 1
Postal address: SE-205 03 Malmö
Tel: +46 10 556 56 00
lantmannenlantbruk.com

Lantmännen Kraftt

Visiting address: von Troil's väg 1
Postal address: SE-205 03 Malmö
Tel: +46 10 556 55 70
kraftt.nu

Lantmännen Agro Oy

Vanha porvoontie 245,
01380 Vantaa
Tel: +358 207-708 800
lantmannenagro.fi

Machinery Sector

S:t Göransgatan 160 A
Box 30192, SE-104 25 Stockholm
Tel: +46 10 556 00 00
lantmannenmaskin.com

Lantmännen Maskin

Bjurögatan 26
Box 174
SE-201 21 Malmö
Tel: +46 771 38 64 00
lantmannenmaskin.com

Agro Oil

S:t Göransgatan 160 A
Box 30192
SE-104 25 Stockholm
Tel: +46 10 556 00 00
agrol.se

Swecon

Bolindervägen 104
Box 55
SE-631 02 Eskilstuna
Tel: +46 10 556 08 50
swecon.se

Energy Sector

S:t Göransgatan 160 A
Box 30192, SE-104 25 Stockholm
Tel: +46 10 556 00 00
lantmannenagroetanol.se

Lantmännen Agroetanol

Hanholmsvägen 69
Box 932
SE-601 19 Norrköping
Tel: +46 10 556 01 50
lantmannenagroetanol.se

Lantmännen Aspen

Iberovägen 2
Box 54
SE-438 05 Hindås
Tel: +46 301 23 00 00
aspen.se

Lantmännen Reppe

Stora Räppvägen 73
SE-352 50 Växjö
Tel: +46 10 556 15 40
lantmannenreppe.se

Food Sector

S:t Göransgatan 160 A
Box 30192, SE-104 25 Stockholm
Tel: +46 10 556 00 00
lantmannen.com

Lantmännen Cerealia

S:t Göransgatan 160 A
Box 30192
SE-104 25 Stockholm
Tel: +46 10 556 22 00
lantmannencerealia.com

Lantmännen Unibake

Sluseholmen 8a
2450 Copenhagen SV, Denmark
Tel: +45 762 850 00
Sweden tel: +46 10 556 50 00
lantmannen-unibake.com

Lantmännen Real Estate

S:t Göransgatan 160 A
Box 30192, SE-104 25 Stockholm
Tel: +46 10 556 00 00
lantmannenfastigheter.se



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Together we take responsibility from field to fork

Lantmännen has chosen to support We Effect.

We Effect is a development cooperation organization that acts and works with a long-term approach in order to effect change. Help to self-help is We Effect's guiding principle.

