



2017

Lantmännen Annual Review



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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

## Listen to us!

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](https://lantmannen.com/lyssna2017)

## Distribution & Ordering

Lantmännen's complete Annual Report including Sustainability Report can be downloaded from [▶ lantmannen.com/financial-information](https://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](https://lantmannen.com)







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

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## 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 LM<sup>2</sup> 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-maatalous

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-maatalous is one of the largest players in the Finnish agricultural market, with a strong product portfolio and many well-established brands. In 2016, K-maatalous 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.



## 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.

## 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.

## 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 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).

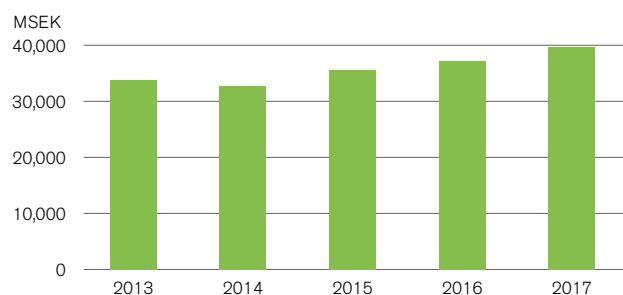
The Board proposes that the Annual General Meeting adopt a contribution dividend of 9 (9) percent of the contributions' nominal value, totaling MSEK 222 (207), and a contribution issue of MSEK 100 (70). Together, the proposed contribution dividend and contribution issue represent 13 (12) percent of the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

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

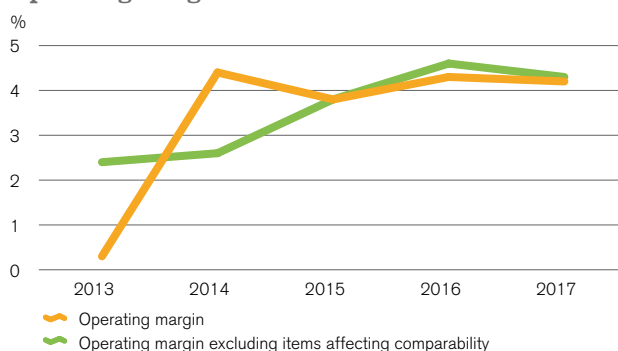
The Board also proposes that the Annual General Meeting adopts a 6.0 (7.25) percent dividend on subordinated debentures, totaling MSEK 15 (18).



### Net sales



### 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	9,850	9,880
of which women/men, %	34/66	30/70
Total CO <sub>2</sub> emissions, thousand tonnes <sup>1)</sup>	183.7	200.4
CO <sub>2</sub> emissions, tonnes per MSEK net sales <sup>1)</sup>	4.6	5.4
Employee satisfaction index	70	68 <sup>2)</sup>
Total sick leave, %	4.4	4.8

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

<sup>2)</sup> Refers to 2015, as survey is conducted every two years.

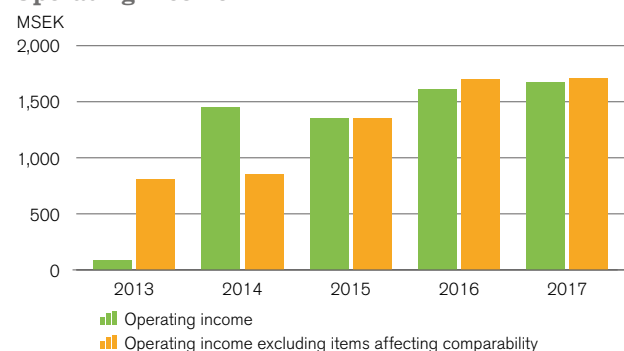
## Alternative performance measures

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 82](#) under the heading "Description of financial performance measures".

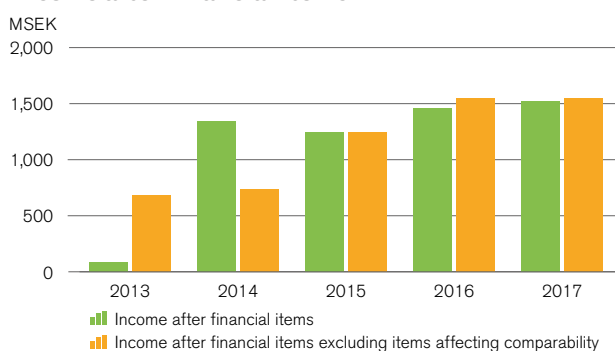
Excl. items affecting comparability	2017	2016
Operating income, MSEK	1,708	1,697
Operating margin, %	4.3	4.6
Income after financial items, MSEK	1,552	1,548
Net income for the year, MSEK	1,353	1,457
Return on equity, %	9.4	11.0
Return on operating capital, %	7.9	8.4

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
<b>Total</b>	<b>39,686</b>	<b>37,244</b>
Sweden, %	46	46
Rest of world, %	54	54

## Operating income



## Income after financial items

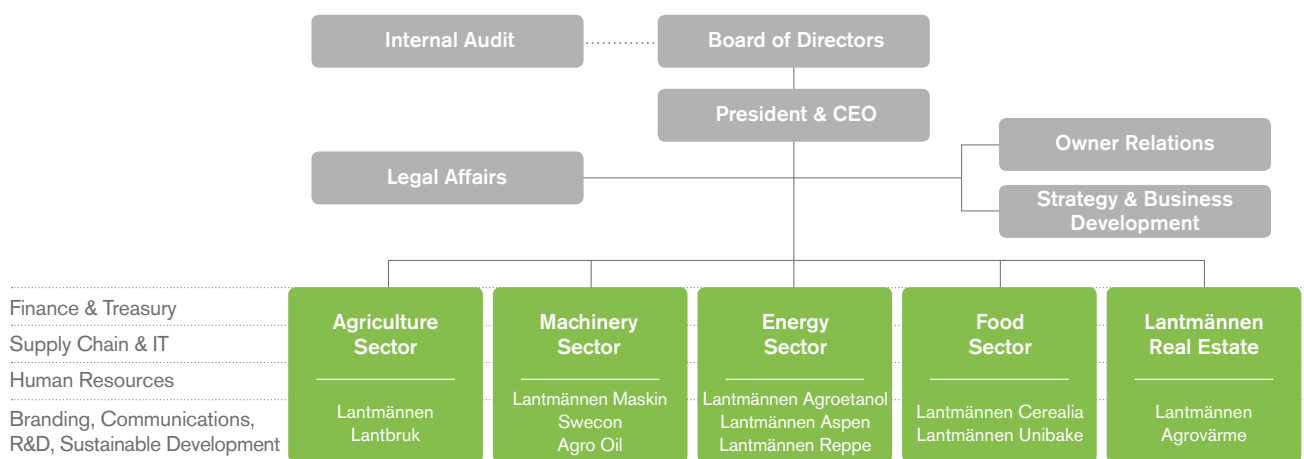


# Lantmännen's structure

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.

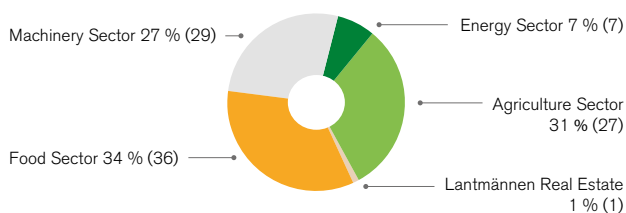
Lantmännen's business is divided into four Sectors and one Real Estate segment. The Sectors also include holdings in several international companies. The Group's corporate functions include finance & treasury, branding and communications, legal affairs, supply chain and human resources.

## Lantmännen's organization 2017\*

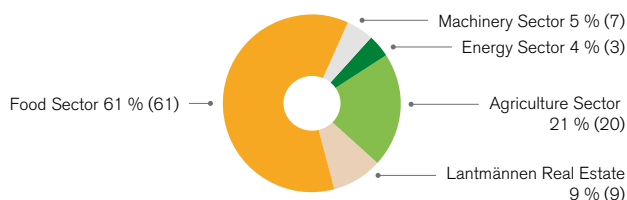


\* In the annual report, Lantmännen is reported according to the above organizational structure. With effect from January 2018, Lantmännen consists of the Agriculture Sector, the Energy Sector and the Food Sector, and the business areas Swecon and Lantmännen Real Estate. At the beginning of the year, Lantmännen Maskin's operations moved to the Agriculture Sector and Agro Oil became part of Lantmännen Aspen. See also ► pages 79-81.

### 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.**

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# 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 <sub>2</sub> emissions, thousand tonnes <sup>1)</sup>	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

<sup>1)</sup> 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-maatalous, 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



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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 <sub>2</sub> emissions, thousand tonnes <sup>1)</sup>	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
<b>Excl. items affecting comparability</b>						
Operating income, MSEK	708	849	204 <sup>2)</sup>	188 <sup>2)</sup>	1,708	1,697
Operating margin, %	4.9	6.0	-	-	4.3	4.6
Return on operating capital, %	5.1	6.7	9.7 <sup>2)</sup>	10.9 <sup>2)</sup>	7.9	8.4

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

<sup>2)</sup> 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*.



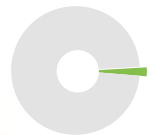
34 % of  
the Group's  
sales



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 m<sup>2</sup>, 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 *bliekobonde.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 Claes 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 LM<sup>2</sup> 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-maatalous 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 spurs 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 LM<sup>2</sup> and the majority ownership in DataVäxt, we have every opportunity to drive productivity in both crops and livestock. The launch of LM<sup>2</sup> 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-maatalous, 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 Lantbruk moved into Lantmännen Maskin's social channels.

The acquisition of the Finnish agricultural company K-maatalous – 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. LM<sup>2</sup>, 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 LM<sup>2</sup> 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

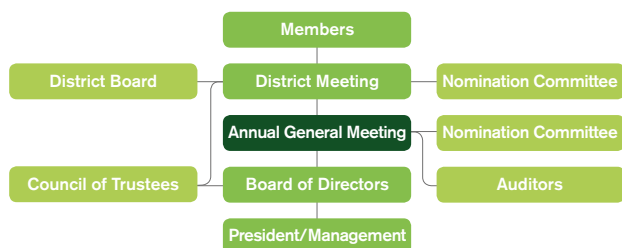
Per Olof Nyman  
*President & CEO, Lantmännen*

# 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 LM<sup>2</sup> 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.

## 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
<b>Total</b>	<b>2,464</b>	<b>2,299</b>	<b>2,146</b>	<b>1,977</b>	<b>1,903</b>

## Dividend <sup>1)</sup>

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 <sup>2)</sup>	222	207	193	178	171	88	78	68	63	57
Contribution issue <sup>2)</sup>	100	70	50	150	-	80	152	177	100	110
<b>Total</b>	<b>566</b>	<b>508</b>	<b>431</b>	<b>463</b>	<b>300</b>	<b>288</b>	<b>340</b>	<b>340</b>	<b>164</b>	<b>289</b>
Contribution dividend and contribution issue as % of contributed capital	13 %	12 %	11 %	17 %	9 %	9 %	15 %	18 %	13 %	14 %

<sup>1)</sup> Reported amounts may include adjustments compared with previous years' proposals.

<sup>2)</sup> Pursuant to the Board of Directors' proposal for 2017.

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

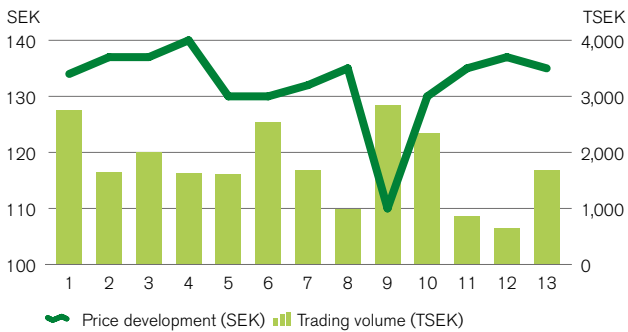
Lantmännen's members invest capital through their contributions in the association. Contributed capital amounted to MSEK 2,464 (2,299) at the end of 2017 and consisted of paid-in contributions of MSEK 1,208 (1,101) and issued contributions of MSEK 1,256 (1,198).

## 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.



### Contribution issues – trading and price trend



## 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).

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.





# 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.



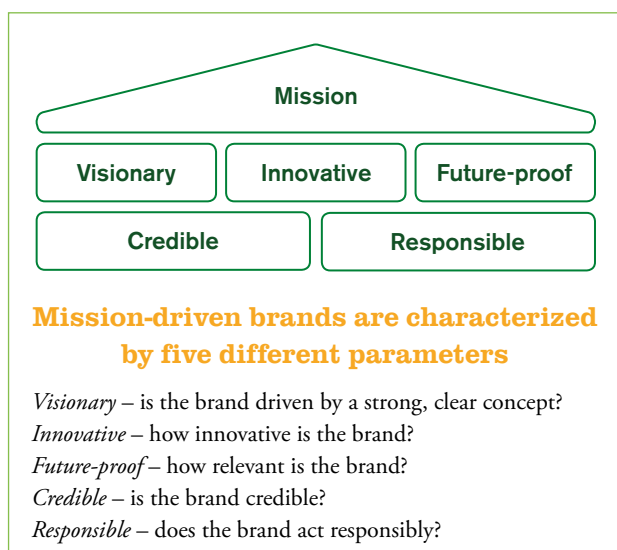
“**Lantmännen is one of Sweden's most responsible and credible brands.**”

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 live-stock 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

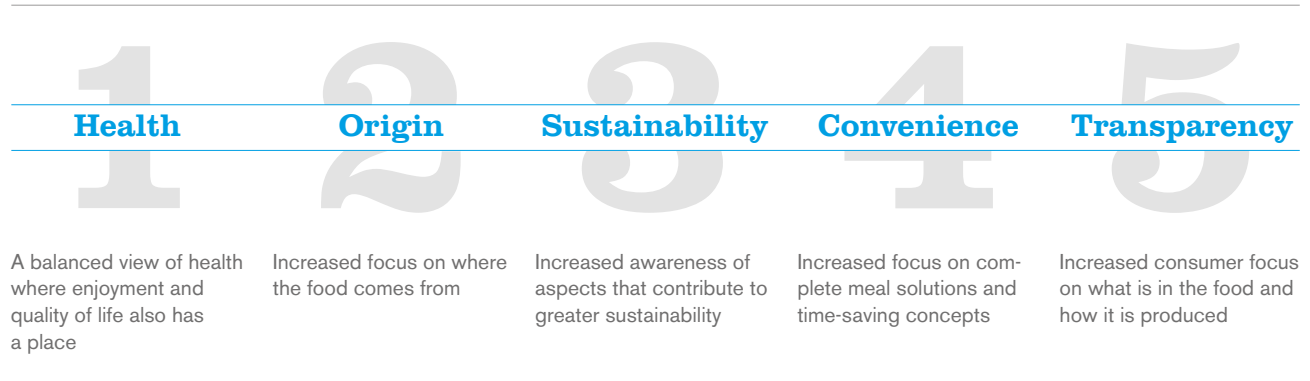
Food supply is increasingly being discussed from a security perspective with regard to Swedish society. This is also something that is highlighted in the National Food Strategy, and is one of the reasons for the goal to increase Swedish food production.

## 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 *Friendlyer 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.

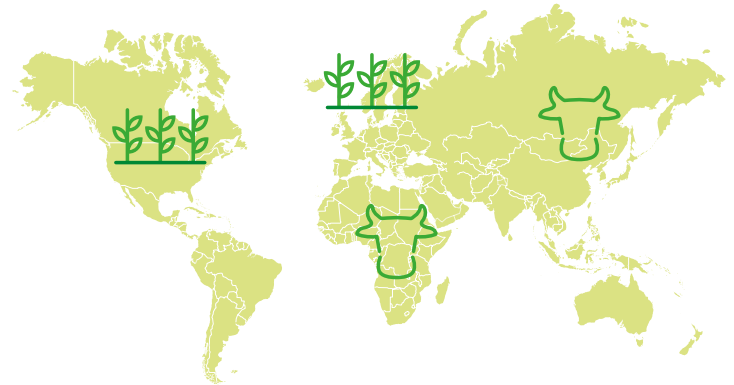
## Consumer trends in the Nordic food market



## 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.

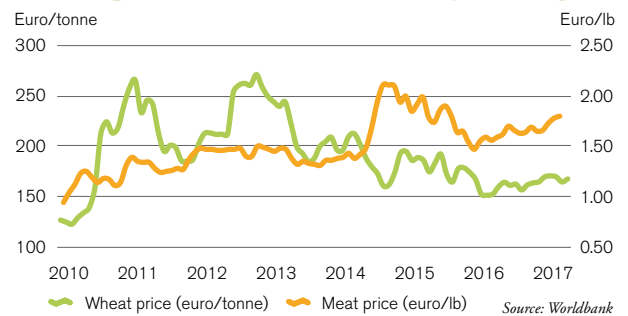
In Sweden, demand for vegetable protein is also increasing and many new products are being launched. With vegetable protein becoming increasingly important, many food companies are looking at how they can use this to add value to their segments.



## 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 %
<b>Main markets, total</b>	<b>85</b>	<b>88</b>	<b>average 2.1 %</b>

## 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.

### LM<sup>2</sup> – our digital strategy for agricultural companies

Lantmännen's integrated digital solution for agricultural companies, LM<sup>2</sup>, 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-maatalous 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:**

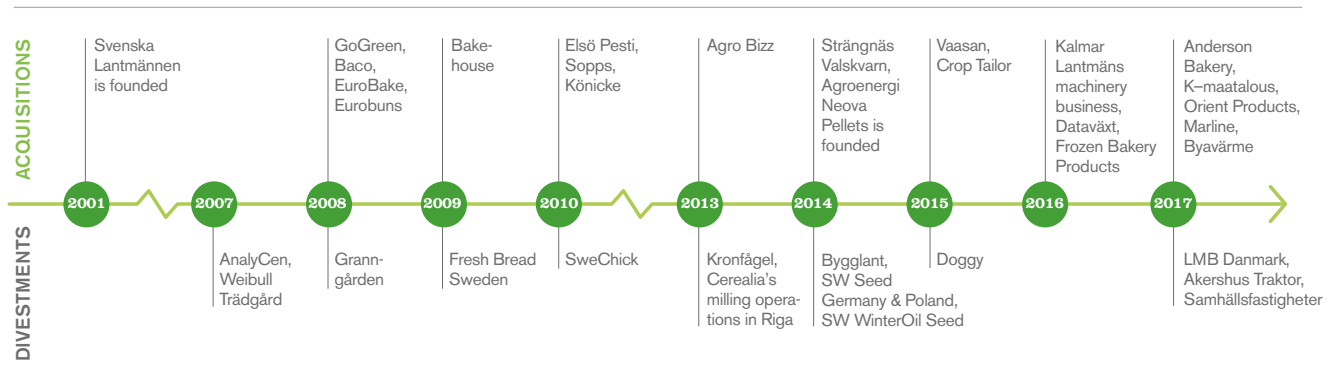
Openness, a holistic view and drive.

**Our employee promise:**

Growing together from field to fork.



**Lantmännen’s major acquisitions, divestments and ownership interests**



# Our financial targets

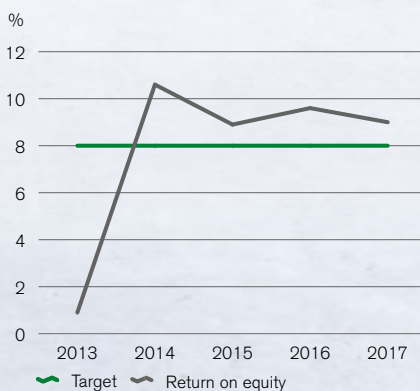


## Return on equity

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%**

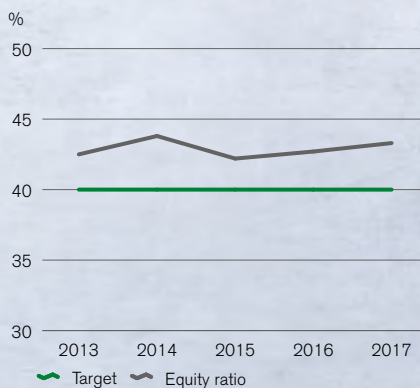
Return on equity was 9.0 (9.6) percent in 2017. The average return on equity over the last five years has been 7.8 percent.

## 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%**

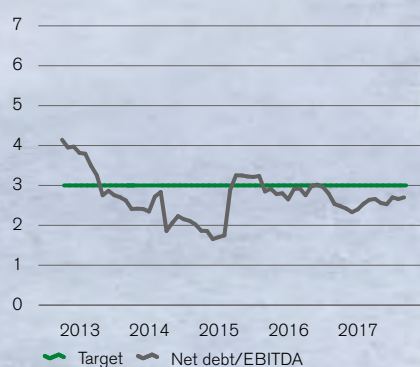
The equity ratio was 43.3 (42.7) percent at December 31, 2017. The equity ratio has improved from 32.5 percent to 43.3 percent since 2008.

## 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 82.



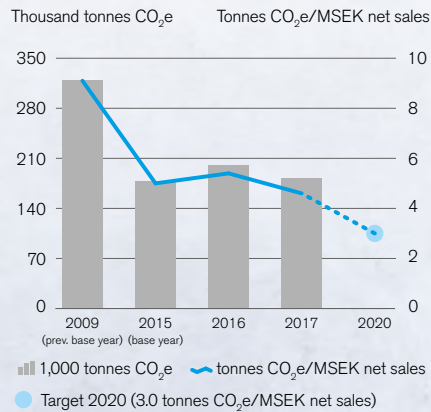
# Our sustainability targets

## 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 CO<sub>2</sub>e, 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.



“  
**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](http://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](#).

## 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/](https://lantmannen.com/en/sustainable-development/).

## 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 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.



**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 LM<sup>2</sup> 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*.

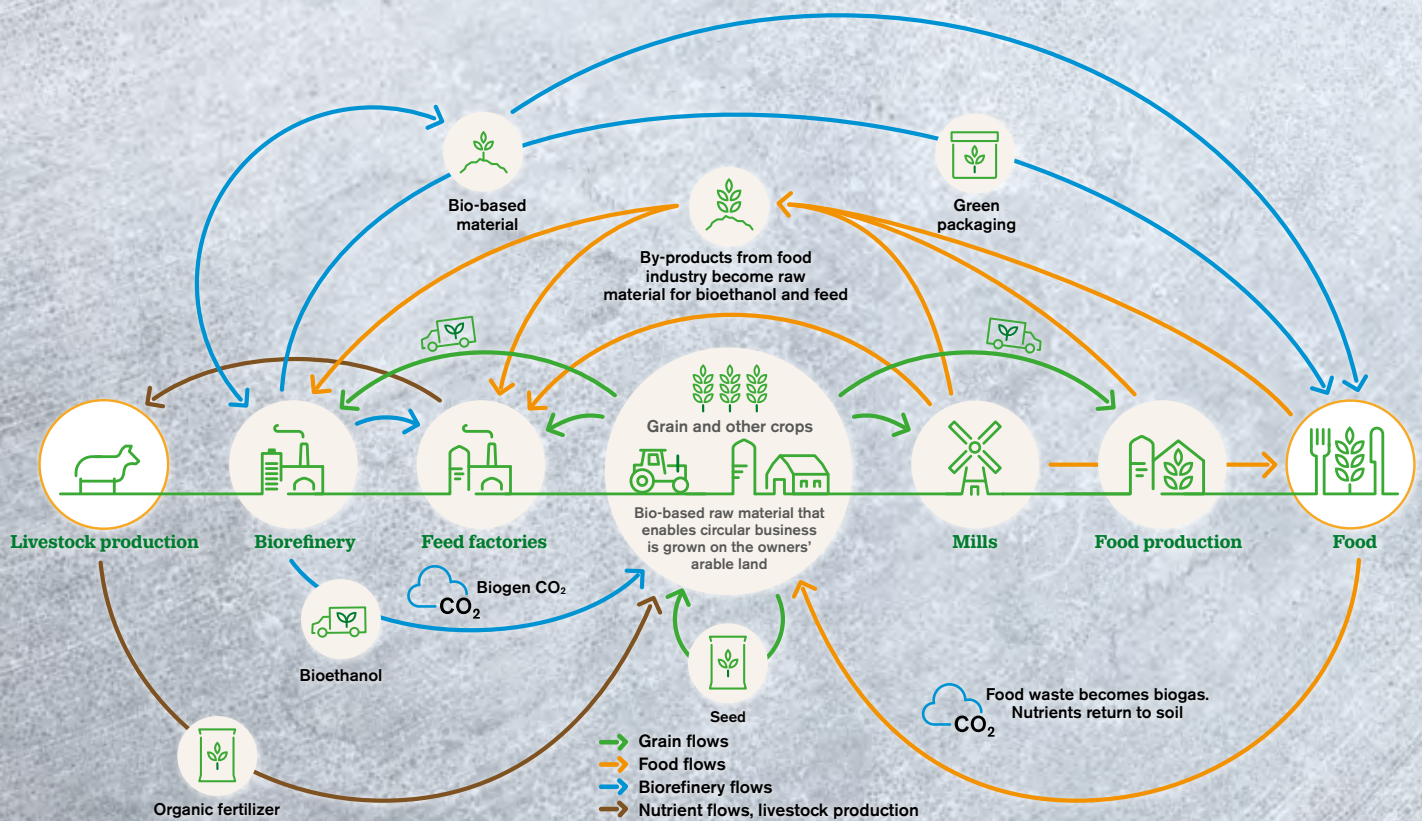
## Climate-smart feed in sight

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](#).

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**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.



### 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.*

## 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.**

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 CO<sub>2</sub> 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, Korvbrödsbagarn in Örebro transferred from oil-fired ovens for the bakery to the biodiesel RME (rape methylester), which halves emissions. However, the largest reduction in CO<sub>2</sub> 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

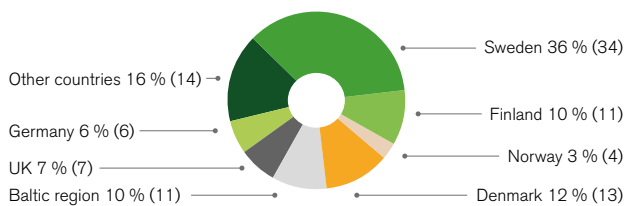
Lantmännen strives to be an attractive employer. Extensive efforts have been devoted to strengthening Lantmännen's employer brand, including a clarified employee promise for existing and potential employees.

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.

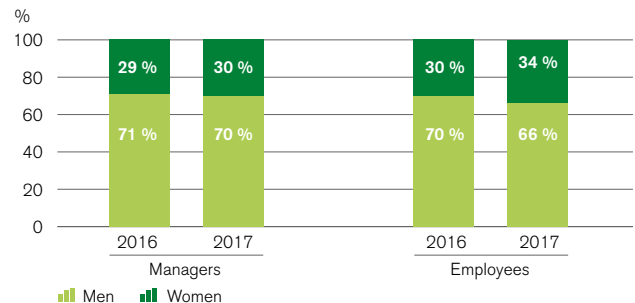
Lantmännen's latest trainee program was completed in November. The participants are now in new roles in different



## 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

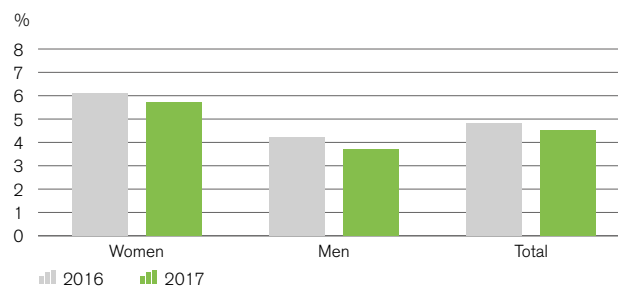
	2017	2016
No. of fatalities due to work-related injuries	0	0
Number of accidents <sup>1)</sup>	231	239
Injury rate <sup>2)</sup>	13.9	14.5
Number of reported incidents <sup>3)</sup>	2,869	3,072
Number of incidents per accident (lost-time)	12.4	12.9

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

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

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

### Sick leave



# LM<sup>2</sup> The farmer's digital tool

LM<sup>2</sup> 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 LM<sup>2</sup>, 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!

**LM<sup>2</sup> 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. LM<sup>2</sup> also enables you to engage in financial trading in grain, directly on one of the world's largest commodity exchanges.





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**LM<sup>2</sup> is a digital journey that will continue for a long time to come – join us on this journey and and let's make LM<sup>2</sup> 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 LM<sup>2</sup>. 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 LM<sup>2</sup>.

#### LM<sup>2</sup> Finance

In 2018, we are launching a secure, modern and user-friendly financial service in LM<sup>2</sup>. 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

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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.

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

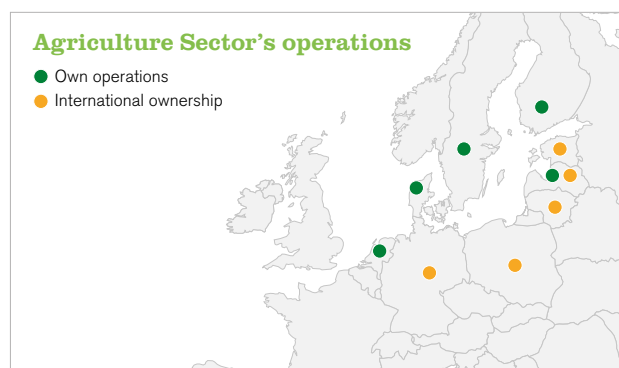
Based in Sweden and with wholly and partly-owned international companies, the Agriculture Sector is a strong player in the Baltic Sea region. The Sector includes *Lantmännen Lantbruk Sweden*, *Lantmännen Krafft*, *Lantmännen Agro Oy*, *Lantmännen Agro A/S* and *Lantmännen SW Seed BV*. The Sector is responsible 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 LM<sup>2</sup> 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.



## Agriculture Sector's brands



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, key figures	2017	2016
Net sales, MSEK <sup>1)</sup>	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 <sub>2</sub> emissions, thousand tonnes <sup>2)</sup>	20.0	19.6

<sup>1)</sup> Including intra-Group sales.

<sup>2)</sup> 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 LM<sup>2</sup> digital portal during the year. Interest has been strong and the portal was successfully used by farmers during the harvest. LM<sup>2</sup> 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, LM<sup>2</sup> 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.

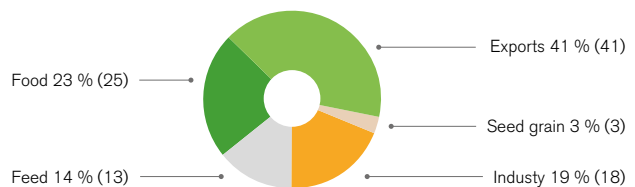
The launch of LM<sup>2</sup> enables Lantmännen to offer farmers direct trading on the MATIF commodity exchange. LM<sup>2</sup> also includes "My grain business", which gives a clear overview of physical grain business with Lantmännen.

Lantmännen Lantbruk Sweden	2017	2016
Net sales, MSEK <sup>1)</sup>	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

<sup>1)</sup> Including intra-Group sales.

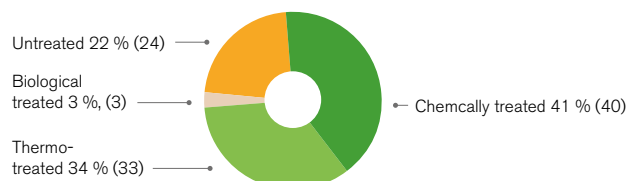
Excl. items affecting comparability	2017	2016
Operating income, MSEK	226	225
Operating margin, %	2.0	2.1
Return on operating capital, %	8.2	8.2

## 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.



**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-maatalous)

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-maatalous from the listed Kesko Group. K-maatalous, 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.



**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

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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.

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# 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 LM<sup>2</sup>.

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, key figures

	2017	2016
Net sales, MSEK <sup>1)</sup>	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 <sub>2</sub> emissions, thousand tonnes <sup>2)</sup>	-	-

<sup>1)</sup> Including intra-Group sales.

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

## Machinery Sector's brands



## 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.

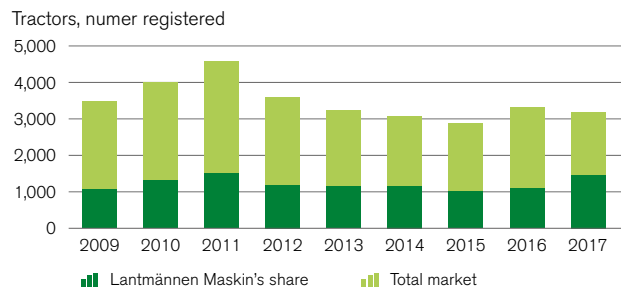
Lantmännen Maskin Sweden	2017	2016
Net sales, MSEK <sup>1)</sup>	3,629	3,362
Operating income, MSEK	-3	-10
Operating margin, %	-0.1	-0.3
Return on operating capital, %	-0.3	-1.0
Investments in non-current assets, MSEK	16	23
Average number of employees	831	799
of which women/men, %	9/91	8/92

<sup>1)</sup> Including intra-Group sales.

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



### Total market for tractors in Sweden



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**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.



**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 has continued to develop the servicing concept with equipment workshops in Eskilstuna, Jönköping and Staffans-torp, 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.

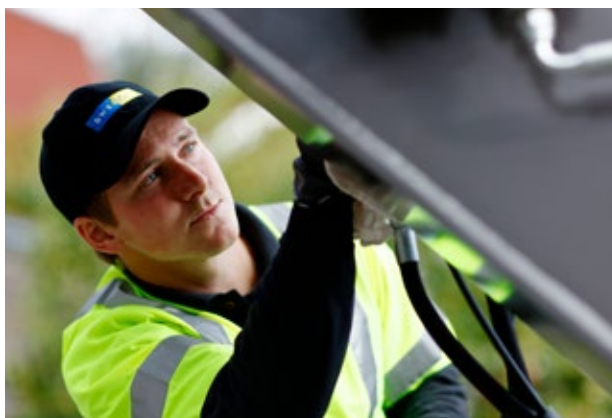
During the year, new facilities were established in Herford, Hamburg and Monheim, helping Swecon to become even more

## Swecon

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

<sup>1)</sup> Including intra-Group sales.

## Brands







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 <sup>1)</sup>	185	185
Average number of employees	11	11
of which women/men, %	19/81	12/88

<sup>1)</sup> Including intra-Group sales.



*Agrol's lubricant support team and oil experts.*

# Energy Sector

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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.

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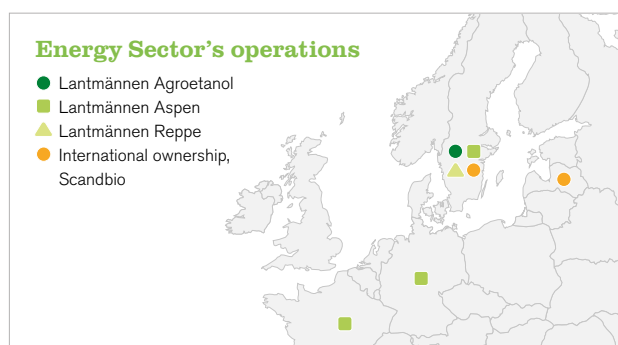


# We produce ethanol with world-leading carbon efficiency

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.



## Energy Sector's brands



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, key figures	2017	2016
Net sales, MSEK <sup>1)</sup>	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 <sub>2</sub> emissions, thousand tonnes <sup>2)</sup>	20.2	20.3

<sup>1)</sup> Including intra-Group sales.

<sup>2)</sup> 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 m<sup>3</sup> 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](http://lantmannenagroetanol.se)

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

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

<sup>1)</sup> 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](http://aspen.se)

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



### Lantmännen Aspen

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

<sup>1)</sup> 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.

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**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](http://lantmannenreppe.se)

### Lantmännen Reppe

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

<sup>1)</sup> Including intra-Group sales.





Good food from  
Lantmännen

## Food Sector

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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.

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

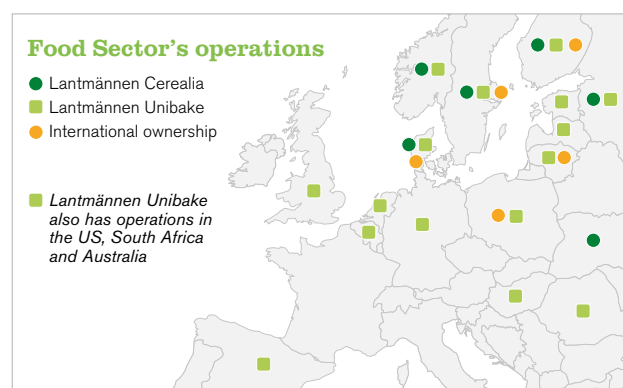
The Food Sector comprises two business areas: *Lantmännen Cerealia* and *Lantmännen Unibake*. Production takes place at 46 facilities, and the Sector has many well-known brands, including Kungsörnen, AXA, Bonjour, Schulstad, Hatting, FINN CRISP, GoGreen, GooH and Korvbrödsbagarn. The Sector is also responsible 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 <sup>1)</sup>	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 <sub>2</sub> emissions, thousand tonnes <sup>2)</sup>	139.6	156.8

<sup>1)</sup> Including intra-Group sales.

<sup>2)</sup> 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, Goooh 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 <sup>1)</sup>	3,980	4,077
Average number of employees	1,182	1,178
of which women/men, %	42/58	41/59

<sup>1)</sup> 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 <sup>1)</sup>	10,726	10,313
Average number of employees of which women/men, %	5,316 40/60	5,433 41/59

<sup>1)</sup> Including intra-Group sales.

### Lantmännen Unibake’s brands







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**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.

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



# Lantmännen Real Estate

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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. Lantmännen Agrovärme is also part of Lantmännen Real Estate.

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.

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# 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 m<sup>2</sup>, 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 "Lantmännens 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.

## 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.

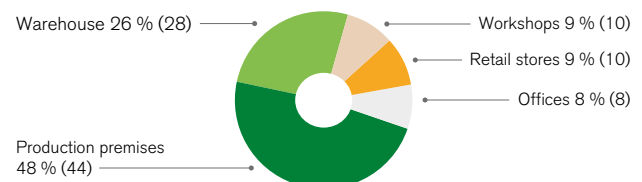
Lantmännen Real Estate	2017	2016
Net sales, MSEK <sup>1)</sup>	511	455
Operating income, MSEK	302	281
Return on operating capital, %	14.3	16.2
Investments in non-current assets, MSEK	440	383
Average number of employees	45	39
of which women/men, %	40/60	32/68
Women/men in executive management, %	29/71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

<sup>1)</sup> Including intra-Group sales.

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

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

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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.

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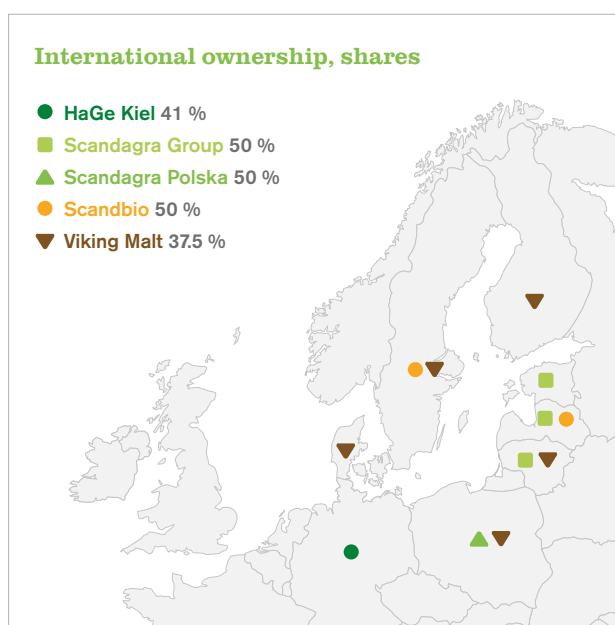


# Our international partnerships enable us to participate in the global market



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.

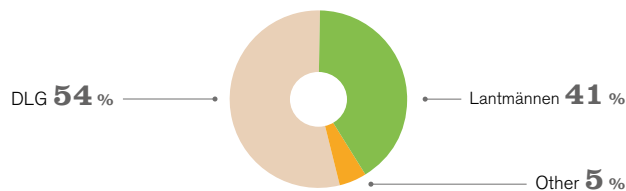
In order to strengthen and expand existing international agricultural cooperation, Lantmännen and the Danish agricultural company DLG (Dansk Landbrugs Grovareselskab) have established the company Lantmännen DLG International (LDI). The purpose of the company is to expand the position in markets and businesses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







### 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



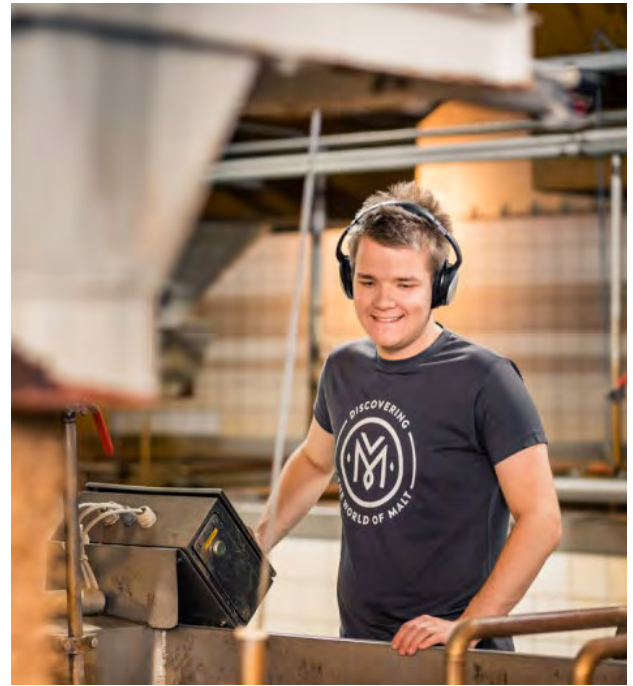
### Scandagra Group Part of the Agriculture Sector

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.



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 Båretofta 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

Soukolofjärvi, 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\*

\* Together with related parties, or through wholly or partly-owned companies.

### Employee Representatives

#### Tommy Brunsärn

Södertälje  
 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 Environmental 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 Anläggningmaskiner 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.





*Per Arfvidsson, 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 Arfvidsson**

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.

## **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)

## **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





*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

# Lantmännen's Risk management

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 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,

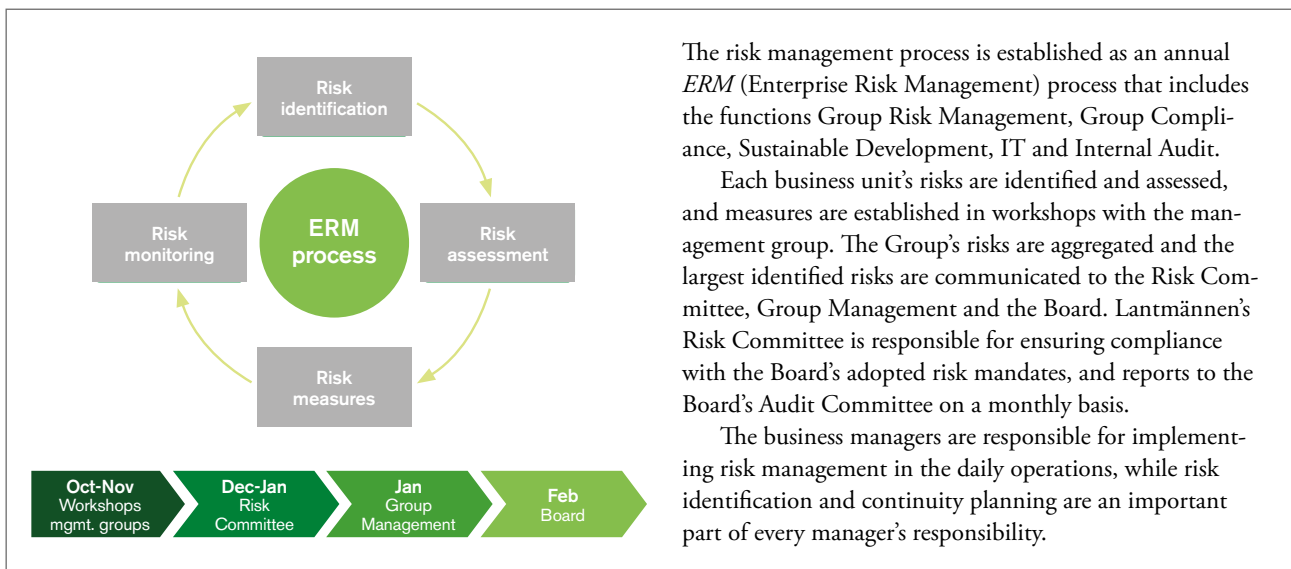
*Operational risks* are part of the Sectors' day-to-day operations and include risks of handling errors that compromise quality and safety, risks associated with compliance with laws and regulations, and risks in financial reporting and internal control. Several operational risks can be controlled, and are often regulated by policies, guidelines and instructions to provide consistent and effective safety in the Group.

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.



**As a risk-prevention measure, about 50 facilities are inspected annually** ”

## 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 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.



# The Group's Ten-year overview

Condensed income statements	IFRS									Swedish GAAP	
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2009	2008
MSEK											
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 <sup>1)</sup>	-	-	-	-	-	-	-	-	-	-1	-122
Tax, minority <sup>2)</sup>	-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

<sup>1)</sup> Under IFRS, refund/supplementary payment is recognized in the same way as dividends.

<sup>2)</sup> Includes adjustment for minority share before transition to IFRS.

Condensed statements of financial position	IFRS									Swedish GAAP	
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2009	2008
MSEK											
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 <sup>1)</sup>	-	-	-	-	-	-	-	-	-	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 <sup>2) 3)</sup>	244	231	188	135	129	120	110	95	1	-	-
Contribution dividend, contribution issue <sup>4)</sup>	322	277	243	328	171	168	230	245	163	163	167

<sup>1)</sup> Under IFRS, provisions are not reported as a separate category, but are included in current and non-current liabilities.

<sup>2)</sup> Under IFRS, refund/supplementary payment is recognized as a dividend in the Group.

<sup>3)</sup> Reported amounts may include adjustments compared with previous years' proposals.

<sup>4)</sup> 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.

# The Group's Key figures

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
<b>Cash flow from operations</b>	<b>124</b>	<b>1,252</b>	<b>1,356</b>	<b>1,070</b>	<b>1,432</b>	<b>-180</b>	<b>855</b>	<b>1,473</b>	<b>2,227</b>	<b>2,227</b>	<b>-1,861</b>
Cash flow from acquisitions and divestments of operations, net <sup>1)</sup>	-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

<sup>1)</sup> 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 Lantmäns machinery business, DataVäxt and Frozen Bakery Products.

2015 includes acquisition of Vaasan and sale of Lantmännen Doggy

2014 includes acquisition of Strängnäs Valskvarn, 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 Kronfågel Group and Rigas Dzirnarnieks.

2010 includes acquisition of 37 percent of Bakehouse and divestment of SweChick, Ecobrånse and Conagri.

2009 includes acquisition of 38 percent of Bakehouse and divestment of Lantmännen Färskebröd in Sweden.

2008 includes acquisition of Euro-Bake, Eurobuns and Baco and divestment of Weibull Trädgård and Granngården.

# Consolidated 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
<b>Net sales</b>	<b>39,686</b>	<b>37,244</b>
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
<b>Operating income</b>	<b>1,677</b>	<b>1,606</b>
Finance income	151	165
Finance costs	-307	-314
<b>Income after financial items</b>	<b>1,521</b>	<b>1,457</b>
Tax	-216	-183
<b>Net income for the year</b>	<b>1,305</b>	<b>1,274</b>
<b>Net income for the year attributable to:</b>		
Members of the economic association	1,301	1,273
Non-controlling interests	4	1

## Consolidated Statement of Comprehensive Income

MSEK	2017	2016
<b>Net income for the year</b>	<b>1,305</b>	<b>1,274</b>
<b>Other comprehensive income</b>		
<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
<b>Total</b>	<b>-1</b>	<b>-126</b>
<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
<b>Total</b>	<b>75</b>	<b>230</b>
<i>Share of OCI in equity accounted companies</i>		
Items that will be reclassified to the income statement	43	51
<b>Total</b>	<b>43</b>	<b>51</b>
<b>Other comprehensive income, net of tax</b>	<b>117</b>	<b>155</b>
<b>Total comprehensive income</b>	<b>1,422</b>	<b>1,429</b>
<b>Total comprehensive income attributable to:</b>		
Members of the economic association	1,418	1,428
Non-controlling interests	4	1



# Consolidated 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
<b>ASSETS</b>		
<b>Non-current assets</b>		
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
<b>Total non-current assets</b>	<b>21,799</b>	<b>19,514</b>
<b>Current assets</b>		
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
<b>Total current assets</b>	<b>12,741</b>	<b>12,976</b>
<b>TOTAL ASSETS</b>	<b>34,540</b>	<b>32,490</b>

MSEK	2017 Dec 31	2016 Dec 31
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
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
<b>Total equity attributable to members of the economic association</b>	<b>14,859</b>	<b>13,795</b>
Non-controlling interests	89	88
<b>Total equity</b>	<b>14,948</b>	<b>13,883</b>
<b>Non-current liabilities</b>		
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
<b>Total non-current liabilities</b>	<b>5,983</b>	<b>6,219</b>
<b>Current liabilities</b>		
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
<b>Total current liabilities</b>	<b>13,609</b>	<b>12,388</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>34,540</b>	<b>32,490</b>

# 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.

## Consolidated Statement of Cash Flows

MSEK	2017	2016
<b>OPERATING ACTIVITIES</b>		
Operating income	1,677	1,606
Adjustment for non-cash items <sup>1)</sup>	1,107	1,302
	<b>2,784</b>	<b>2,908</b>
Financial items paid, net	-210	-205
Taxes paid	-121	-132
<b>Cash flow from operating activities before changes in working capital</b>	<b>2,453</b>	<b>2,571</b>
<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
	<b>-55</b>	<b>565</b>
<b>Cash flow from operating activities</b>	<b>2,398</b>	<b>3,136</b>
<b>INVESTING ACTIVITIES</b>		
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
<b>Cash flow from investing activities</b>	<b>-3,101</b>	<b>-2,310</b>
<b>Cash flow before financing activities</b>	<b>-703</b>	<b>826</b>
<b>FINANCING ACTIVITIES</b>		
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
<b>Cash flow from financing activities</b>	<b>-149</b>	<b>-337</b>
<b>Cash flow for the year</b>	<b>-852</b>	<b>489</b>
Cash and cash equivalents at beginning of year	1,773	1,252
Exchange differences in cash and cash equivalents	6	32
<b>Cash and cash equivalents at end of year</b>	<b>927</b>	<b>1,773</b>

MSEK	2017	2016
<sup>1)</sup> 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
<b>Total</b>	<b>1,107</b>	<b>1,302</b>

# Consolidated Statement of Changes in Equity

MSEK	Contributed capital	Other contributed capital	Reserves	Retained earnings	Total Lantmännen's owners	Non-controlling interests	Total equity
<b>Opening balance, January 1, 2016</b>	<b>2,146</b>	<b>2,775</b>	<b>-169</b>	<b>7,974</b>	<b>12,726</b>	<b>21</b>	<b>12,747</b>
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
<b>Closing balance, December 31, 2016</b>	<b>2,299</b>	<b>2,895</b>	<b>112</b>	<b>8,489</b>	<b>13,795</b>	<b>88</b>	<b>13,883</b>
<b>Opening balance, January 1, 2017</b>	<b>2,299</b>	<b>2,895</b>	<b>112</b>	<b>8,489</b>	<b>13,795</b>	<b>88</b>	<b>13,883</b>
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
<b>Closing balance, December 31, 2017</b>	<b>2,464</b>	<b>3,010</b>	<b>230</b>	<b>9,155</b>	<b>14,859</b>	<b>89</b>	<b>14,948</b>

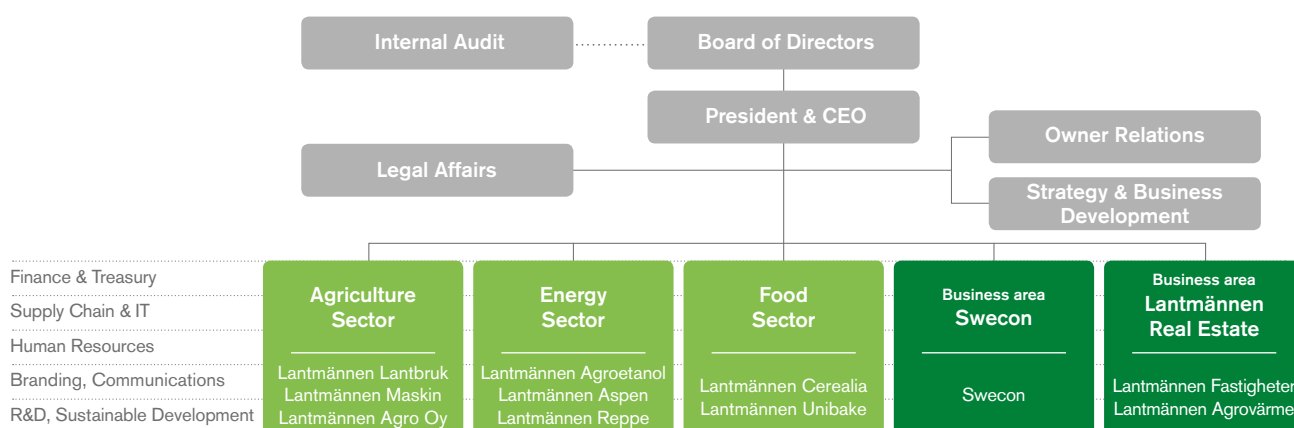
Equity attributable to members of the economic association, MSEK	2017	2016
Contributed capital, paid in	1,208	1,101
Contributed capital, issued	1,256	1,198
Other equity	12,395	11,496
<b>Total equity attributable to members of the economic association</b>	<b>14,859</b>	<b>13,795</b>



# 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 LM<sup>2</sup> 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
<b>Lantmännen total</b>	<b>12,198</b>	<b>13,560</b>	<b>25,758</b>	<b>13,928</b>	<b>39,686</b>

### 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 <sup>1)</sup>	75	83	158	66	224
Other operations	-94	-16	-110	-46	-156
Group items	-8	-61	-69	-4	-73
<b>Lantmännen total</b>	<b>401</b>	<b>804</b>	<b>1,205</b>	<b>503</b>	<b>1,708</b>

<sup>1)</sup>Including capital gain on sale of property

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### 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
<b>Lantmännen total</b>	<b>3.3</b>	<b>5.9</b>	<b>4.7</b>	<b>3.6</b>	<b>4.3</b>

### 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 <sup>1)</sup>	10.0	9.8	9.9	9.2	9.7
<b>Lantmännen total</b>	<b>5.9</b>	<b>11.2</b>	<b>8.6</b>	<b>6.7</b>	<b>7.9</b>

<sup>1)</sup> 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
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
<b>Lantmännen total</b>	<b>12,198</b>	<b>13,560</b>	<b>25,758</b>	<b>13,928</b>	<b>39,686</b>

### 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
Swecon	66	138	204	168	372
Lantmännen Real Estate <sup>1)</sup>	75	161	236	66	302
Other operations	-94	-16	-110	-46	-156
Group items	-8	-61	-69	-4	-73
<b>Lantmännen total</b>	<b>401</b>	<b>804</b>	<b>1,205</b>	<b>472</b>	<b>1,677</b>

<sup>1)</sup>Including capital gain on sale of property

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### 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
Swecon	3.1	5.3	4.3	6.4	5.1
<b>Lantmännen total</b>	<b>3.3</b>	<b>5.9</b>	<b>4.7</b>	<b>3.4</b>	<b>4.2</b>

### 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
Swecon	52.6	74.5	65.6	118.0	82.0
Lantmännen Real Estate <sup>1)</sup>	10.0	9.8	9.9	9.2	9.7
<b>Lantmännen total</b>	<b>5.9</b>	<b>11.2</b>	<b>8.6</b>	<b>6.3</b>	<b>7.8</b>

<sup>1)</sup> Adjusted for gain on sale of property



## 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.

# 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.

**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.

**CSR** ▶ Corporate Social Responsibility, also describes companies' efforts to integrate social and environmental considerations into their business.

**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.

**Value added** ▶ EBITDA plus employee benefits expense.

**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](http://ifrs.com)

**R&D** ▶ Research and Development.

**Pulses** ▶ Cultivated large-seeded legumes, such as peas, vetches, lupins and beans.

**Volatile** ▶ Tending to vary often or widely.

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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.