



2018

**Lantmännens Annual Report
with Sustainability Report**



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Lantmännen's Annual General Meeting

The Annual General Meeting will be held at Clarion Hotel Sign, Norra Bantorget, Stockholm, on Wednesday, May 8, 2019.

Listen to us!

Listen to selected parts of Lantmännen's Annual Report with Sustainability Report on a computer or mobile. *(Available in Swedish)*
[→ lantmannen.com/lyssna2018](https://lantmannen.com/lyssna2018)

Distribution & Ordering

Lantmännen's financial reports 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.

Financial Reporting

Interim Report, 1st four months May 29, 2019
 Interim 2nd four months October 3, 2019

Sustainability Report

Lantmännen reports in accordance with the Global Reporting Initiative guidelines for sustainability reporting, GRI Standards. Sustainability reporting can be found on pages [→ 145-167](#). The statutory sustainability report is on pages [→ 23-31, 145-167 and 183-186](#).

Lantmännen is a farmers' 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 SEK 45 billion.



Lantmännen's business model makes farming thrive though constant renewal.



Lantmännen in figures

Net sales

MSEK 43,962

Net sales for the year increased by 11 percent to MSEK 43,962 (39,686). For the full year 2018, organic growth was 4 percent and currency translation effects were 2 percent, while acquired and divested operations were responsible for the remainder of the increase. Sales increased in all segments.

Operating income

MSEK 1,443

Operating income was MSEK 1,443 (1,677) and adjusted for items affecting comparability MSEK 1,580 (1,708).

Income after financial items

MSEK 1,250

Income after financial items totaled MSEK 1,250 (1,521) and adjusted for items affecting comparability MSEK 1,387 (1,552).

Net income after tax

MSEK 1,182

Net income after tax was MSEK 1,182 (1,305).

Cash flow

MSEK 1,023

Cash flow from operating activities for the year was MSEK 1,023 (2,398). Cash flow from investing activities was MSEK -1,847 (-3,101). Investments in non-current assets totaled MSEK 1,825 (2,593). Total cash flow before financing activities was MSEK -824 (-703).

Proposed dividend to members

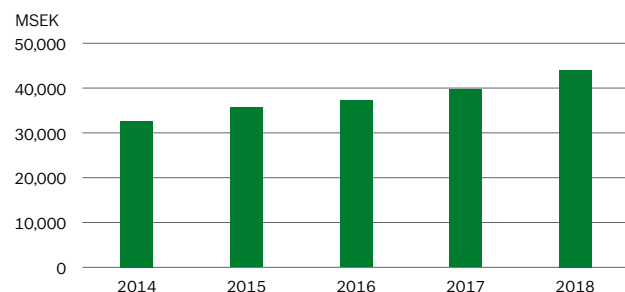
MSEK 619

Proposed dividend: The Board proposes a refund and supplementary payment of 1.5 (2.5) percent on trade with Lantmännen Lantbruk Sweden and a 0.5 (0.5) percent refund on purchases from Lantmännen Maskin's and Swecon's Swedish operations. The total proposed refund and supplementary payment is MSEK 156 (245).

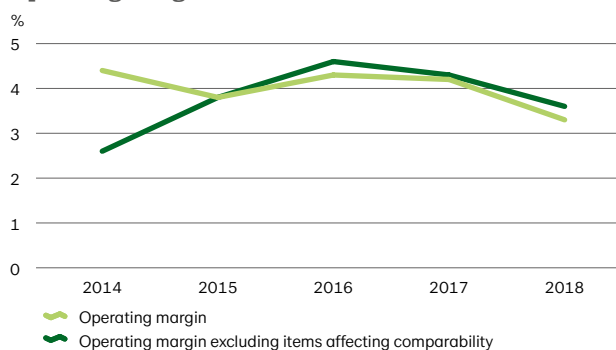
The Board proposes a contribution dividend of 8 (9) percent of the contributions' nominal value, totaling MSEK 213 (222), and a contribution issue of MSEK 250 (100). In total, the proposed contribution dividend and contribution issue amount to 17 (13) percent of the association's contributed capital.

This means that the total proposed dividend to members is MSEK 619 (700 previous year, including extra dividend of MSEK 133). The Board also proposes a 5.25 (6.0) percent dividend on subordinated debentures, totaling MSEK 13 (15).

Net sales



Operating margin



Key figures



Lantmännen's key figures

	2018	2017
Net sales, MSEK	43,962	39,686
Operating income, MSEK	1,443	1,677
Operating margin, %	3.3	4.2
Income after financial items, MSEK	1,250	1,521
Net income for the year, MSEK	1,182	1,305
Cash flow before financing activities, MSEK	-824	-703
Return on equity, %	7.6	9.0
Return on operating capital, %	6.0	7.8
Total assets, MSEK	37,095	34,540
Equity ratio, %	43.2	43.3
Investments in non-current assets, MSEK	1,825	2,593
Net debt, MSEK	8,719	7,274
Interest coverage ratio, times	6.0	6.3
Net debt/EBITDA (bank definition)	3.25	2.70
Number of members	24,798	25,021
Average number of employees	9,940	9,850
of which women/men, %	34/66	34/66
CO ₂ emissions, thousand tonnes	151	184
CO ₂ emissions, tonnes per MSEK net sales	3.4	4.6
Employee satisfaction index ¹⁾	70	70
Total sick leave, %	4.5	4.4

¹⁾ Refers to 2017, as survey is conducted every two years.

Excl. items affecting comparability

	2018	2017
Operating income, MSEK	1,580	1,708
Operating margin, %	3.6	4.3
Income after financial items, MSEK	1,387	1,552
Net income for the year, MSEK	1,289	1,353
Return on equity, %	8.2	9.4
Return on operating capital, %	6.6	7.9

Sales by market, MSEK

	2018	2017
Sweden	19,866	18,242
Finland	5,697	3,735
Germany	5,494	4,720
Denmark	2,884	2,855
Norway	2,011	2,108
United Kingdom	1,648	1,389
Baltic region	1,036	854
Netherlands	785	1,191
Russia	621	452
Belgium	514	549
Poland	484	456
France	444	358
Spain	430	500
Switzerland	62	281
Rest of Europe	830	808
United States	921	944
Rest of world	235	244
Total	43,962	39,686

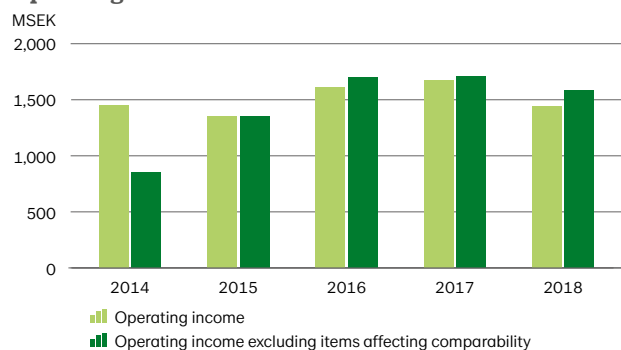
Distribution of the Group's sales



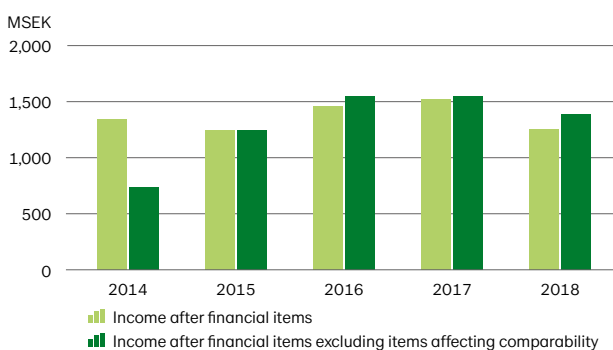
Alternative performance measures

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 144, under the heading "Description of financial performance measures".

Operating income



Income after financial items

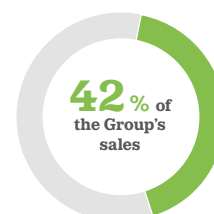


Business overview



Agriculture Sector

The Agriculture Sector is Lantmännen's core business with products and services to promote strong, competitive farming. The Sector includes Lantmännen Maskin, with the brands Valtra, Fendt, Väderstad and KUHN. Lantmännen Kraft, Sweden's largest supplier of horse feed, is also part of the Sector. The Agriculture Sector also has operations in Finland through the companies Lantmännen Agro Oy and Lantmännen Feed Oy. The Sector is also responsible for Lantmännen's ownership interests in HaGe Kiel, Scandagra Group and Scandagra Polska.

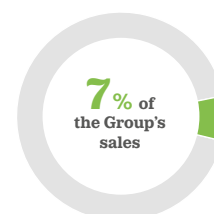


Learn more [→](#) on page 34



Energy Sector

The Energy Sector is one of Sweden's largest producers of bio-energy products and operates in a global market with the main focus on Europe. The Sector offers responsibly produced environmentally smart energy, food and industrial products and related services. The Sector's businesses are Lantmännen Agroetanol, Lantmännen Aspen and Lantmännen Reppe. The Sector is also responsible for Lantmännen's ownership interests in Scandbio.

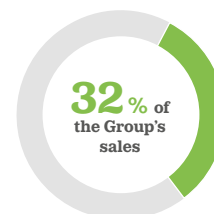


Learn more [→](#) on page 42



Food Sector

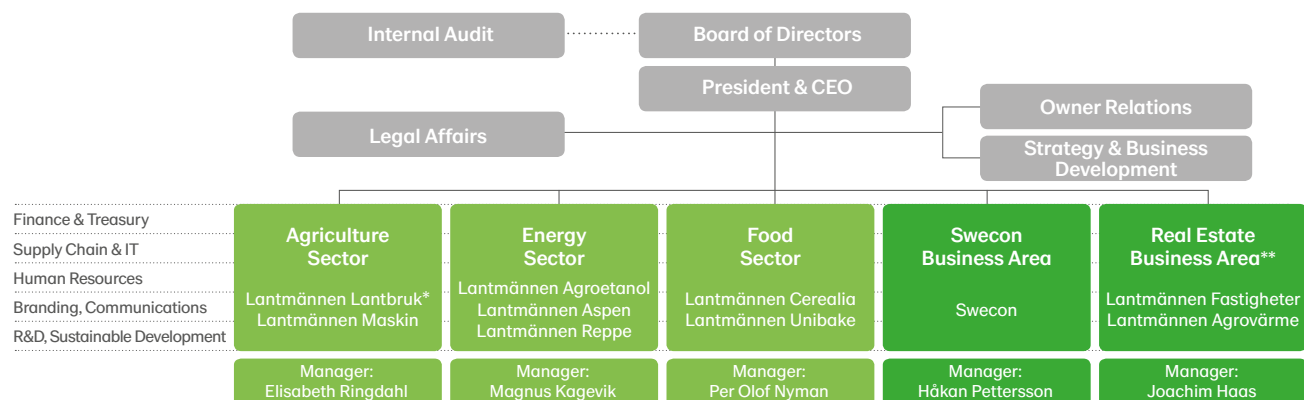
The Food Sector develops, produces and markets products such as flour, breakfast foods, pasta, frozen and fresh bread, crispbread and ready-to-eat meals. The Sector has its base in the Nordic countries but has a presence in about 20 countries. The Sector has two businesses: Lantmännen Cerealia and Lantmännen Unibake. The Sector's brands include AXA, Kungsörnen, Amo, Regal, FINN CRISP, Bonjour, GoGreen, Gooh, Hatting and Korvbrödsbagarn. The Sector is also responsible for Lantmännen's ownership interests in Viking Malt.



Learn more [→](#) on page 46

Key figures	Agriculture Sector		Energy Sector		Food Sector	
	2018	2017	2018	2017	2018	2017
Net sales, MSEK	19,338	16,660	3,117	3,068	15,351	14,349
Operating income, MSEK	131	337	168	156	748	739
Operating margin, %	0.7	2.0	5.4	5.1	4.9	5.2
Return on operating capital, %	2.0	6.1	14.6	20.5	5.0	5.4
Investments in non-current assets, MSEK	260	128	103	86	891	1,351
Average number of employees	1,678	1,697	282	258	6,568	6,499
of which women/men, %	23/77	21/79	27/73	26/74	41/59	40/60
CO ₂ emissions, thousand tonnes	6.9	20.1	20.3	20.2	119.5	139.6
Total sick leave, %	3.6	-	2.5	2.7	4.9	4.9

Lantmännen's organization



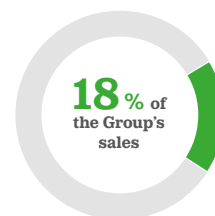
* Lantmännen Lantbruk Sweden and international operations.

** Real Estate Business Area consists of Lantmännen Real Estate (Lantmännen Fastigheter) and Lantmännen District Heating (Lantmännen Agrovärme).

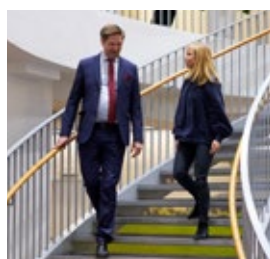


Swecon Business Area

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. The Swecon Business Area offers a complete range of construction machinery, equipment, spare parts, servicing and support. The product range consists of wheel loaders, excavators, dumpers, rigid haulers and road construction equipment.



Learn more → on page 54



Real Estate Business Area

The Real Estate Business Area consists of Lantmännen Fastigheter, Lantmännen Agrovärme and the ownership interests in Lanthem. Lantmännen Fastigheter manages commercial premises, which are rented out both externally and internally with the strategy of increasing the proportion of external rental income. The aim is to provide Lantmännen with appropriate premises and to optimize external revenue.



Learn more → on page 58

Key figures	Swecon Business Area		Real Estate Business Area		Lantmännen total	
	2018	2017	2018	2017	2018	2017
Net sales, MSEK	8,252	7,361	525	511	43,962	39,686
Operating income, MSEK	440	372	265	302	1,443	1,677
Operating margin, %	5.3	5.1	-	-	3.3	4.2
Return on operating capital, %	104.6	82.0	11.9	14.3	6.0	7.8
Investments in non-current assets, MSEK	405	515	125	440	1,825	2,593
Average number of employees	1,119	1,053	46	45	9,940	9,850
of which women/men, %	11/89	11/89	42/58	40/60	34/66	34/66
CO ₂ emissions, thousand tonnes	-	-	4.2	3.9	151	184
Total sick leave, %	4.4	-	1.0	0.5	4.5	4.4

Overview of the year's events



From the President

Lantmännen is developing well!

Lantmännen is a company with committed owners and skilled employees, good customer relationships and a solid strategy, "Field to Fork 2030". We have a diversified business portfolio throughout the grain value chain with a number of strategic portfolio companies within which we have worked successfully for a long time. Our main assignment is to create profitability for our members' farms and optimize the return on the capital in the association.

An advantage of our diversified business portfolio is that we can compensate for weaknesses in certain businesses with strengths in others. This has been particularly important in 2018, with drought and low ethanol prices having a very negative effect on our operations. However, despite this, our sound balance sheet and good earnings growth mean that we will propose the highest ever ordinary dividend to our members at this year's AGM.

Lantmännen is a company with long-term vision and sustainability as its basis. We are therefore driving the development towards sustainable food and bio-energy systems. In close cooperation with our members and other stakeholders, we are working purposefully to continue strengthening our responsibility and commercialize the sustainable added values we can offer.

Per Olof Nyman
President & CEO, Lantmännen

Lantmännen's 2018 harvest forecast:

Lowest harvest since the late 50s



Lantmännen's assessment of the 2018 harvest indicates a total of 3.5 million tonnes of grain, oilseeds and pulses. The summer's very hot and dry weather has resulted in a harvest that is almost half of what would be a normal one. For many farmers, the harvest has corresponded to just 30-50 percent of a normal harvest. The late and wet fall in 2017 resulted in less fall sowing, which also contributed to the lower total harvest. Sweden is therefore now a net importer, and imports are estimated at 800,000 – 900,000 tonnes, with feed grain representing the largest proportion.

Lantmännen's action package

Lantmännen looks after its members and we are working closely with the industry to do everything we can for Swedish farming in a very difficult situation. In early August, to ease the negative effects of the drought, Lantmännen presented a powerful action package for members, with a total value of about MSEK 220, which was expanded in November.

Some of the most important components of the package are temporary measures, such as an *extra dividend*, *extra discount* and *supplement on trading* with Lantmännen and a lower *interest rate* on the financing service.

MSEK TOTAL 220

ED95 bioethanol fuel in heavy goods transport

Lantmännen and Scania have launched a new heavy goods model powered by the ethanol fuel ED95. The HGV model is the first in Scania's upcoming series production of HGVs with 13-liter engines, showing that it is possible to use sustainable biofuel in heavy goods vehicles. The cooperation between Lantmännen and Scania is an important step towards reducing fossil fuel dependency and climate emissions in road transport.



Sweden's most sustainable food brand



Lantmännen was named Sweden's most sustainable food brand in the Sustainable Brand Index (SBI) survey of Swedish consumers. When SBI presented the results from the survey of Swedish corporate customers in November, Lantmännen came first again, this time in the fast-moving consumer goods category.

Lantmännen on the way to doubling organic grain trade

The year's lower harvest reduced the availability of organic grain, which increased the need for imports and significantly curtailed export opportunities. Acreage continues to increase and is in line with Lantmännen's focus on doubling trade in organic grain by 2020. Lantmännen's organic business grew in 2018, driven by increased demand for its supply of inputs for organic farming.

Lantmännen works actively to strengthen the competitiveness of Swedish farming, with a need for both conventional and organic farming in farming of the future.



NordBau construction exhibition

Swecon took part in the large German construction exhibition NordBau and presented *mySwecon* – a new digital service for Swecon's customers.

Lantmännen awarded official credit rating from Moody's

In February, Lantmännen received an investment grade rating of Baa3, stable outlook, from the credit rating agency Moody's.

Lantmännen Unibake bakes and delivers



1,500 tonnes of bread per day

We are now reversing the trend for the Swedish skylark

In Sweden, three out of four skylarks have disappeared over the last 40 years according to a new report from WWF, BirdLife Sweden and SLU (Swedish University of Agricultural Sciences) in collaboration with Lantmännen. Small unsown skylark plots on the fields have been shown to create the variation that the bird needs and are helping to reverse the negative trend.



Major investment in livestock and crop production

Lantmännen, HKScan and LRF are investing heavily in livestock and crop production via the joint company *Tillväxtbolaget för Sveriges Lantbrukare* (the growth company for Swedish Farmers). The purpose of the venture is to provide capital for growth and competitiveness in Swedish agricultural companies, which also contributes to the national food strategy.



Lantmännen introduces optical quality control of grain

Lantmännen began using the Grain Value analytical instrument for skin damage and fusarium analyses during the 2018 harvest. The instrument will provide an even more objective analysis of grain quality.

Lantmännen and CropTailor crack the oat genetic code

Biotech company CropTailor is first in the world to map the DNA of oats. The research will contribute to the production of healthier and more sustainable oat varieties. Lantmännen is the majority owner of CropTailor.



Calculating the carbon footprint of our feed reduces climate impacts by up to 30 percent

Lantmännen began to calculate the carbon footprint of its feed as far back as 2008. The development has continued and Lantmännen has updated the feed raw materials carbon footprint and included more raw materials in the calculation. The result is a feed that contributes to more sustainable livestock production with a carbon footprint up to 30 percent lower.



Kristina Gustafsson, Feed Manager, Lantmännen

Research – increased funding

MSEK 25 for research foundation

Lantmännen invests MSEK 250-300 annually on research and innovation. To develop new business opportunities and continue to be an innovative and profitable company, Lantmännen is increasing its investments and raising its funding to Lantmännen Research Foundation from MSEK 15 to a total of MSEK 25, with a focus on creating added value from grain.

Lantmännen now part of SLU's doctoral program

Lantmännen's three project proposals progressed into SLU's (Swedish University of Agricultural Sciences) LivsID program for industrial doctoral students working within food-related research. The program is part of the Government's investment in the national food strategy to meet future challenges in the industry.

ThermoSeed Global acquired for increased focus on sustainable seed

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



New positions at Lantmännen

New Lantmännen Board member

Lantmännen's annual general meeting adopted the election of **Sonat Burman-Olsson** as a new Board member, in line with the Nomination Committee's proposal.

Magnus Kagevik, new Head of the Energy Sector

Magnus has joined Lantmännen from his position as Executive Vice President Assa Abloy AB & President APAC in Hong Kong.

Bengt Alestig, new CEO of Lantmännen Maskin

Bengt has been appointed CEO of Lantmännen Maskin. Bengt joins the company from his role as CEO of Linde Material Handling AB.



Lantmännen acquires cattle feed business from Finnish company Raisio

The acquisition is part of Lantmännen's growth strategy in the Baltic Sea region and strengthens Lantmännen as a Finnish market participant by broadening the offering to farmers.

The cattle feed business has been renamed Lantmännen Feed.



Gooh in collaboration with Agrikultur restaurant



Gooh has started a collaboration with the Stockholm-based restaurant Agrikultur and one of Sweden's top chefs, Filip Fastén. Gooh has initially developed two new ready meals in partnership with Fastén, both inspired by Swedish taste traditions.

2019 After the turn of the year

First place in Inter Business Index 2019

Lantmännen came first in Inter Business Index 2019, which ranks Sweden's 50 largest companies in terms of sustainability.

Lantmännen Unibake acquires Australian bakery

Lantmännen Unibake has acquired 100 percent of the shares in Bakery Du Jour in January 2019. Bakery Du Jour is a leading Australian supplier of pastry products in the premium segment to retailers and food service.



Chairman's comments



2018 was no ordinary year. As we look back, we can see that the harvest was almost half that of a normal year and that Sweden is not self-sufficient in terms of grain. Production of dairy products and meat was also affected by the heat and drought, and the shortage of Swedish raw materials will hopefully lead to higher food prices. As the extreme weather affected agriculture, we farmers found ourselves at the top of the news pages, and if there is any upside to the summer's weather, it is the commitment that was shown to Swedish farming. A commitment we should nurture and hold dear.

We cannot control the weather, but both Lantmännen and farming can learn from what has happened and we can become better at planning for unforeseen events. I am an optimist who definitely believes that challenges create new opportunities. Here, Lantmännen is one of the few companies able to really contribute to new ideas and innovation – from field to fork. The long-term perspective of a cooperative enterprise provides opportunities for sustainable investments and when this is combined with a broad portfolio of businesses, it provides an incredibly strong foundation to stand on. This has largely been about Lantmännen Unibake and Swecon being able to balance a tough year for Lantmännen Lantbruk by means of strong economic leverage. This year, poorer

earnings in agricultural operations can be compensated for by strong demand for burger buns and wheel loaders. A broad portfolio of different businesses and geographies also spreads the risks. Strong operations that generate earnings and cash flow can support extraordinary measures, as was the case this year, and Lantmännen's long-term dividends to us members.

As a consequence of the summer's heat and drought, in early August the Board of Directors decided on an action package of MSEK 220 to ease the effects. We called it the Lantmännen package and its main components were an extra dividend on trading with Lantmännen Lantbruk in the first eight months of the year, a decision that required an EGM, and a temporary discount and supplement on

trading in the last four months of the year. In line with early promises, we paid out MSEK 133 to members at the end of September and MSEK 55 in February. In mid-November, the Board adopted supplementary measures as we saw even more clearly the long-term effects of the summer weather. These were basically simple decisions – in difficult situations, a cooperative enterprise must be able to act quickly with concrete measures for its members.

Both extreme weather and climate challenges raise a number of issues for a company like Lantmännen that lives with farming and in proximity to cultivation of feed and grain. In a longer perspective, I see investments in R&D within plant breeding, feed development and circular bioenergy as areas of great potential. This is one of the reasons why Lantmännen increased the funding to its Research Foundation by MSEK 10 during the year. In a shorter perspective, we have developed more sustainable forms of cultivation, feed with high and measurable climate performance and invested in the possibility of making ethanol from food waste. In a society where sustainability has an ever-increasing focus, there are vast opportunities in agriculture, both in terms of energy and food. Being able to increase the profitability of the farm through innovation, while giving consumers even more sustainable products is an exciting business opportunity!



In a society where sustainability has an ever-increasing focus, there are vast opportunities in agriculture, both in terms of energy and food.

An important part of the Board's work in 2018 has involved the adoption and establishment of an updated strategy, Field to Fork 2030. The new strategy is largely a natural development of our earlier focus and is clearly anchored in the Owner dialogue that has been carried out. And the starting point is clear – Lantmännen is a company where farming and farmers are at the center, a cooperative enterprise that is owned and governed by active Swedish farmers. We have talked about the importance of further developing Lantmännen's unique position in Sweden, while at the same time investing from field to fork with the Baltic Sea region as a starting point – but with an increased focus on northern Europe and interesting emerging markets. Unibake's

acquisition of a business in Australia may feel distant, but it is fully in line with the opportunity to grow profitably. We have also talked about the importance of strengthening our international agricultural position. Here, the acquisition of the cattle feed business from Raisio in Finland is a strategic step. Another important part of the updated strategy is innovation.

New concepts, new products and the ability to exploit new technology create market interest and better profitability for us members. Increasing exports also provides new opportunities to obtain leverage from our added values. During the year, Lantmännen was able to constructively contribute to and benefit from the previously adopted Food Strategy, with regard to Sweden Food Arena, a forum for creating innovation from field to fork, Grogrund, a competence center for plant breeding and various export initiatives.

I mentioned earlier the value of a balanced portfolio that can financially and profitably compensate strengths and weaknesses in various businesses. Farming-related operations have obviously faced challenges during the year, while other parts of the Group have developed very well. This year's ordinary dividend to Lantmännen's members is the highest ever, and these are funds that go directly to Swedish farming. The uniquely high dividend is due to our ability to benefit from the alternatives and opportunities offered by our dividend policy, which safeguard development both within Lantmännen and out there on the farms. The Board of Directors proposes a refund and supplementary payment of 1.5 percent on trading with Lantmännen Lantbruk and an unchanged 0.5 percent for the machinery operations. The Board also proposes that the Annual General Meeting adopt a contribution dividend of 8 percent of the contributions' nominal value and a contribution issue of MSEK 250. The total dividend amounts to MSEK 619. The Board's ambition is to consolidate the strength of being a cooperative enterprise that contributes to the profitability and competitiveness of Swedish farming.

In conclusion, I would like to thank our President and CEO Per Olof Nyman and all our employees for your great commitment in 2018. It is my wish that we can continue the affinity we have shared in the agricultural industry during what has been a very difficult time. The goal is a profitable company that strengthens the competitiveness and profitability of members' farms in both crop and livestock production – with a view to being world-class!

Kristianstad, February 2019

Per Lindahl
Chairman, Lantmännen

President's overview

Lantmännen's results are strong despite the challenging situation after the 2018 harvest. Income after net financial items, adjusted for items affecting comparability, was MSEK 1,387 – a lower result than in the previous year.

2018 has been a special year for Lantmännen. The year has been dominated by the drought and high temperatures in the spring and summer months, resulting in the smallest grain harvest in many years. The low harvest has presented great challenges for our members and for several of Lantmännen's businesses; we have managed the situation well so far, but the consequences of the drought continue to affect us in 2019.

One of Lantmännen's greatest strengths as a cooperative with a balanced business portfolio is that we can act quickly to meet challenges, and that temporary setbacks within certain business can be offset by stronger results in others. It also means that we have been able to take action to facilitate the situation for members during the year – including an extra dividend of MSEK 133, an extra discount and supplement on trading with Lantmännen, the waiving of handling costs for unfulfilled contracts and a postponement of the payment for contract redemption until next year's harvest at a very favorable interest rate. In 2018, Lantmännen distributed an ordinary and extra dividend on the 2017 results totaling MSEK 700, which is by far the largest dividend in Lantmännen's history. Despite these measures, the situation for many farmers is very difficult as we enter 2019.



In 2018, Lantmännen distributed an ordinary and extra dividend on the 2017 results totaling MSEK 700. This is by far the largest dividend in Lantmännen's history.

How our Sectors and Business Areas performed

The Agriculture Sector has had an intensive year, with a significant focus on measures to offer solutions for livestock and milk producers badly affected by the drought and shortage of roughage. Volumes of feed products have consequently risen sharply during the year and we have very high capacity utilization in our feed factories as we leave 2018. The grain business, which has been significantly affected by the very low harvest, has had an economically difficult year with low capacity utilization at our facilities. The Sector's other businesses have developed well, partly compensating for the loss

in the grain business. In the machinery business, we have had major economic challenges for a long time, something we are now beginning to address on a broad front – this work will continue with full momentum in 2019 and beyond.

The Energy Sector has also had an eventful year. Lantmännen Agroetanol has been negatively affected by a low average price of ethanol during the year and higher grain prices towards the end of the year. At the same time, an exciting and innovative initiative is in progress which involves recycling bakery waste for use as raw material in ethanol production, which means that we can supply so-called Generation 2 ethanol with a higher sales premium. Lantmännen Aspen continues to develop very well, even though the drought also had an impact on Aspen's business in spring and summer, and we look forward to the impending focus on expansion into North America and elsewhere. Lantmännen Reppe's operations in Växjö have been discontinued due to profitability problems, but at the same time we see increased business opportunities in the remaining operations in Lidköping.

In the *Food Sector*, Lantmännen Cerealia continues its improvement work. The market situation is difficult in many categories and this places high demands on the products we deliver. By focusing on its core areas, Lantmännen Cerealia aims to create stability and higher efficiency in the business, in order to create a stable platform for growth in the longer term. Lantmännen Unibake's operations continue to develop very well, particularly in Russia and Finland, where we can clearly see the results of the focused work that has been done in these operations in recent years. The bakeries in Nowa Sól and Londerzeel are producing at an ever-increasing rate, and we look forward to continued profitable growth in 2019.

The Swecon Business Area also continues to perform very well, delivering record results for the second consecutive year. In addition to the successful Swedish operations, Germany in particular is increasingly contributing to the positive earnings, and the operations in the Baltic region have also developed well. The launch of the mySwecon digital service is another highlight from the last year.

The Real Estate Business Area is developing according to plan, reporting an operating income excluding property sales that is slightly higher than in the previous year – mainly due to increased leasing.

Updated strategy towards 2030

Although 2018 and 2019 are affected by last summer's drought in terms of earnings, Lantmännen's ambitions are just as high as before in the longer term. During 2018, our long-term strategy has been updated to cover a longer time horizon; the updated strategy has been named "Field to Fork 2030" and is an ambitious plan that shows the way towards continuing profitable growth for all our businesses. The update involves an evolution of the previous strategy: our assignment is to create profitability for our members' farms and optimize the return on their capital in the association, which is still the starting point and priority area when choosing where to allocate our resources.

In recent years, we have focused on our businesses completing the circle around the Baltic Sea – this has been a recipe for success, and the Baltic Sea region is now Lantmännen's natural home market. It is now about taking the next step: among other things, we are planning for continuing expansion in northern Europe and at the same time targeted measures for interesting export markets. For Lantmännen Unibake and Lantmännen Aspen, there is an even wider geographical focus.

Two recent major acquisitions exemplify our strategy well: Raisio's cattle feed operations in Finland, which now go by the name Lantmännen Feed, and the Australian pastry manufacturer Bakery Du Jour, which further strengthens Lantmännen Unibake's presence in Australia.

Challenges in the short term – opportunities in the longer term

Lantmännen has shown very good development in recent years, and the earnings curve has pointed steadily upwards. Although the challenging situation after the summer drought leads to a break in that trend, our ambitions are just as high as before in the longer term – and we have every opportunity to achieve them.

We are a company with committed members, skilled employees, good customer relationships and a solid strategy. This gives us a stable platform to stand on, which means that, despite our size, we can quickly switch from short-term adjustments to long-term initiatives and therefore set a high ambition level for Lantmännen with confidence. In 2019, we will need to act decisively and flexibly to meet the immediate challenges, while taking further steps to become even better in the coming years – thereby strengthening our position as Swedish farmers' best business partner.

Stockholm, February 2019

Per Olof Nyman
President & CEO, Lantmännen



Lantmännen's business model

We work for profitable, sustainable and long-term farming. With innovative and responsible use of farmland resources, we make farming thrive. The Lantmännen model gives us a unique opportunity to create long-term value – both today and for the future.

Farmers' cooperative

Lantmännen is no ordinary company. *We are a farmers' cooperative* with the core values of responsibility, openness, sustainability and profitability. Lantmännen is owned and governed by 25,000 farmers, who are members of the association. Our assignment is to contribute to the profitability of the farms and optimize the return on the members' capital in the association. Lantmännen's profits go back to the members, and over SEK 4 billion has been distributed during the last 10 years.

Business partner for agriculture

Through *customer-oriented and efficient agribusiness*, we contribute to the profitability of the members' farms.

We lead the use of farmland resources in an innovative and responsible manner for the farming of tomorrow. We drive the development of agriculture throughout the value chain, from cultivation methods and inputs to the processing of raw materials into food, feed and biofuel.



“
We create business for increased profitability of members' farms and to contribute to profitable sustainable development.”

Value from farmland

Our core business is grain, and we operate in an international market. Sweden is our base and the Baltic Sea region is our expanded home market, as a platform for continuing international investments. Innovation work is important and must permeate the entire company in order to resolve current and future challenges. Lantmännen also has its own research foundation.

Research and innovation

We conduct research and innovation for tomorrow's farming, bioenergy and food of the future. Every year, we invest MSEK 250-300 in research and development from field to fork.

Innovation in agriculture, food and bioenergy creates new business opportunities and is crucial to resolving current and future challenges.

More than an ordinary company

At the year's annual general meeting, it was decided to bring the Owner dialogue project to a close. One of the main conclusions from the Owner dialogue is that Lantmännen should be a cooperative enterprise owned and governed by active Swedish farmers who are members of the association.

The Owner dialogue has enabled members and elected representatives to systematically discuss Lantmännen's long-term direction. The message is clear – the project is completed, but in a cooperative enterprise, the dialogue must always continue.

Involvement and dialogue through the districts, membership meetings, council of trustees and different working groups are important ways of utilizing the strength of the cooperative form of enterprise. In this way, Lantmännen combines operations that are regional and close to the customer with large-scale national and international operations. The *Owner dialogue*, an initiative running for more than a year, enabling members to discuss Lantmännen's long-term focus, was concluded at Lantmännen's Annual General Meeting. The Owner dialogue shows that Lantmännen has a clear mission to prioritize the process of strengthening the competitiveness and profitability of agriculture. Continued internationalization, business development in the grain value chain and development of new services for agriculture are important, as is the further development of governance.

The Owner dialogue confirmed that Lantmännen is currently on the right track and that the basis for our strategy should remain in place. An updated strategy for Lantmännen, Field to Fork 2030, has been presented and is partly based on input from the Owner dialogue. Several new inter-groups have begun their work, including a focus on feed, grain and contribution issues. New Articles of Association were adopted at the Annual General Meeting, including a minimum level of turnover with Lantmännen. Several initiatives for younger entrepreneurs and members are planned. A comprehensive training plan for elected representatives within Lantmännen was compiled during the year. During fall, the Board held a road-show in the districts in order to establish the new strategy. The Board also asked how Lantmännen can contribute to climate change adaptation at the farm level.

Active nomination committees at all levels are an important factor in inspiring members to become involved as elected representatives and developing governance.

District organization

Lantmännen's 20 districts are the basis for the members' influence and an important link between the members and Lantmännen. The district boards work both regionally and on cross-cutting issues. During the year, many districts have

arranged or participated in meetings connected with the summer drought and heat.

Council of Trustees

Lantmännen's Council of Trustees acts in an advisory capacity for the Board and works to promote positive development for Lantmännen. The work has focused on, among other things, development of the machinery business and application of the new Articles of Association. The Council of Trustees was an important channel for information and communication with regard to the summer drought and Lantmännen's action package.

District Board Conference

The Conference was held on November 29-30, 2018. The conference program included, among other things, a follow-up of the strategy discussions in connection with the road-show meetings and reviews of the work of the different reference groups – the inter-groups. Part of the conference focused on trendspotting with regard to food of the future.

Lantmännens AGM and EGM

The AGM was held on May 7, 2018 in Stockholm. The business dealt with included several motions related to quality issues and governance. In connection with Lantmännen's action package and the extra dividend, a per capsulam extraordinary general meeting was held, with the majority of the delegates voting via a digital platform. The outcome of the meeting was positive, although there were some reservations regarding parts of the Board's proposal. The meeting voted in favor of the proposal and the extra dividend was able to be paid at the scheduled time, at the end of September.



The dividend makes a difference

Lantmännen's mission is to contribute to the profitability of members' farms and optimize the return on their capital in the association. In 2018, it became particularly clear that Lantmännen's business model can make a difference when conditions are difficult. Summer and fall 2018 were a major challenge for Swedish agriculture due to the drought.

Where are earnings created?

Long-term profitability is created through efficient and customer-oriented agribusiness with strong operations throughout the value chain. Most of the earnings are generated in the processing activities, e.g. processing grain into food or bioenergy. A value-creating industrial and processing business provides a market for members' grain and generates significant added value. The result is distributed to the members according to the dividend policy and Lantmännen contributes to the development of agriculture. *Refunds* and *supplementary payments* are based on earnings from contribution-based agriculture operations, Lantmännen Lantbruk and Lantmännen Maskin. *Contribution dividends* and *contribution issues* are mainly based on the results of the processing and industrial operations; food, energy, construction machinery and real estate.

Dividend policy

The principles for dividends are set out in the dividend policy adopted by the Board. The intention is that the dividend level will be adjusted to the Group's earnings, financial position, cash flow and strategic investment needs. It is the Board's aim that Lantmännen will generate regular and stable dividends for its members over time in the form of refunds and supplementary payments, contribution dividends and contribution issues. During fall, the Group Board revised the dividend policy and the contribution issue distribution is now 50 percent on trading and 50 percent on paid-in and issued contributions.

Contributed capital

MSEK	2018	2017	2016	2015	2014
Paid-in contributions	1,318	1,208	1,101	986	931
Issued contributions	1,346	1,256	1,198	1,160	1,046
Total	2,664	2,464	2,299	2,146	1,977

Dividend¹⁾

MSEK	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Refund and supplementary payment ²⁾	156	245	231	188	135	129	120	110	95	1
Extra dividend	-	133	-	-	-	-	-	-	-	-
Contribution dividend ²⁾	213	222	207	193	178	171	88	78	68	63
Contribution issue ²⁾	250	100	70	50	150	-	80	152	177	100
Total	619	700	508	431	463	300	288	340	340	164
Contribution dividend and contribution issue as % of contributed capital	17%	13%	12%	11%	17%	9%	9%	15%	18%	13%

¹⁾ Reported amounts may include adjustments compared with previous years' proposals. ²⁾ Pursuant to Board's proposal for 2018.



All members of Lantmännen share in the dividend from the association. There are four forms of dividend:

- Refund** – calculated on purchases from Lantmännen Lantbruk Sweden and Lantmännen Maskin's and Swecon's Swedish operations.
- Supplementary payment** – calculated on sales to Lantmännen Lantbruk Sweden.
- Contribution dividend** – dividend (interest) on contributed and issued capital.
- Contribution issue** – some of the profit, mainly from Lantmännen's industrial operations, is distributed among the members by transferring collective capital to individual capital.

“ An extra dividend to ease the effects of the drought was paid in September.

Contributed capital – paid-in and issued

Lantmännen's members invest capital through their contributions in the association. Contributed capital amounted to MSEK 2,664 (2,464) at the end of 2018 and consisted of paid-in contributions of MSEK 1,318 (1,208) and issued contributions of MSEK 1,346 (1,256).

How earnings are distributed

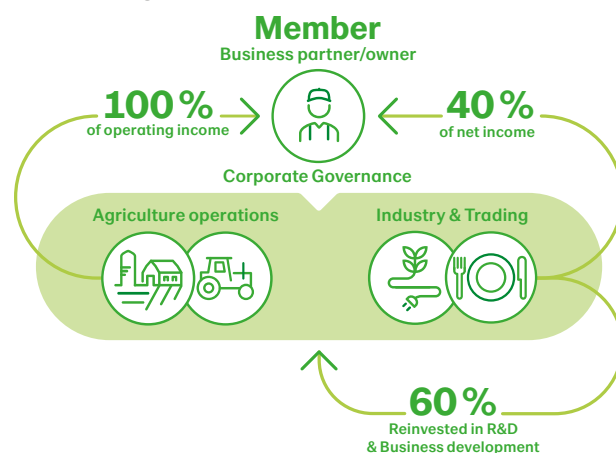
Refunds and supplementary payments are distributed in proportion to members' business with the agriculture operations.

For 2018, the Board has proposed that the AGM adopt a dividend in the form of a refund and supplementary payment of 1.5 (2.5) percent on trading with Lantmännen Lantbruk Sweden and a 0.5 (0.5) percent refund on purchases from Lantmännen Maskin's and Swecon's Swedish operations. The total refund and supplementary payment is estimated at MSEK 156 (245).

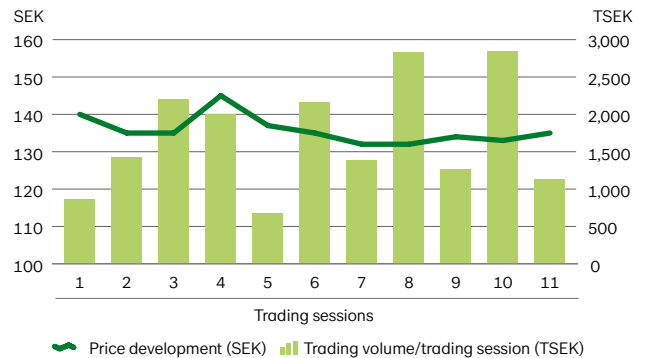
The Board proposes that the Annual General Meeting adopt a contribution dividend of 8 (9) percent of the contributions' nominal value, totaling MSEK 213 (222), and a contribution issue of MSEK 250 (100). Contribution dividends are paid in proportion to members' paid-in and issued contributions. Contribution issues mean that part of the collectively-owned unrestricted capital is transferred to members' individual contributed capital. The contribution issue is distributed, in accordance with Lantmännen's dividend policy, as follows: paid-in and issued contributions (50 percent) and contribution-based trade with Lantmännen (50 percent).

In addition, a 5.25 (6) percent dividend on subordinated debentures, totaling MSEK 13 (15), is proposed, based on the conditions in the subordinated debenture offer. The debentures have a term of 5 years, maturing on December 30, 2019.

How earnings are distributed



Contribution issues – trading and price trend



Trading in contribution issues

Members of Lantmännen have been able to buy and sell contribution issues since 2009. Purchased contribution issues carry the same entitlement to contribution dividends and new contribution issues as paid-in contributions. There were 11 (13) trading sessions in 2018 and the total turnover was MSEK 19 (23). The transaction price varied between 132 and 145 percent of the nominal value.

Lantmännen's action package

In August, to ease the negative economic effects of the drought, Lantmännen presented an action package for members, with a total value of about MSEK 220. The package, which was expanded in November, comprises:

- Extra dividend for 2017 calculated as 2 percent on trading with Lantmännen Lantbruk Sweden in the period January to August 2018. The dividend, which amounted to MSEK 133, was paid in September after adoption by the Extraordinary General Meeting on September 1, 2018.
- Extra discount and supplement of MSEK 55 calculated as 2 percent on trading with Lantmännen Lantbruk Sweden from September to the end of December 2018.
- Waiving of the SEK 0.10 per kilo charge on repurchased grain contracts, estimated value MSEK 23.
- 1.5 percent reduction in the interest rate on Lantmännen's financing service in the period September 1, 2018 to September 30, 2019, estimated value MSEK 12.
- Offer of special credit for managing the cost of repurchasing non-fulfilled forward contracts and pool agreements.

The aim of the action package was to benefit all different types of production. The aim was to find simple solutions that could quickly bring liquidity to agriculture.

Market and trends

The drought in summer 2018 is a reminder that conditions can change quickly. Being ready and prepared to handle varying weather conditions is now high on the agenda. At the same time, we continue to have a strong global economy that drives demand for food. In the future, we also need to understand and manage a global market on the basis of our local conditions in the Baltic Sea region.



Megatrends

- **Global and urban middle class** – trade and exports to Asia and Africa increasingly important for northern European players.
- **Stable conditions** – in neighboring markets in the Baltic Sea region.
- **Consumer trends** – affect demand. Taste, health, origin, sustainability and convenience.
- **Shifting of channels** – from food retail stores to restaurants, specialty stores and e-commerce.
- **Digitalization from field to fork** – creates new opportunities for driving productivity and new customer experiences.
- **Volatile commodity prices** – affect the entire value chain.
- **Climate change** – impacts through real effects, political decisions and consumer demand.
- **Political risks** – increased elements of protectionism and unsettled trade policy, uncertainty about Brexit, increased focus on self-sufficiency within food.

Sales and growth in Lantmännen's main markets

	% of Group's sales		Expected GDP growth 2019
	2018	2017	
Sweden	45	46	1.8 %
Finland	13	9	1.9 %
Germany	12	12	2.1 %
Denmark	7	7	2.0 %
Norway	5	5	2.4 %
United Kingdom	4	3	1.6 %
Baltic region	2	2	3.2 %
Poland	1	1	3.5 %
Main markets, total	89	85	

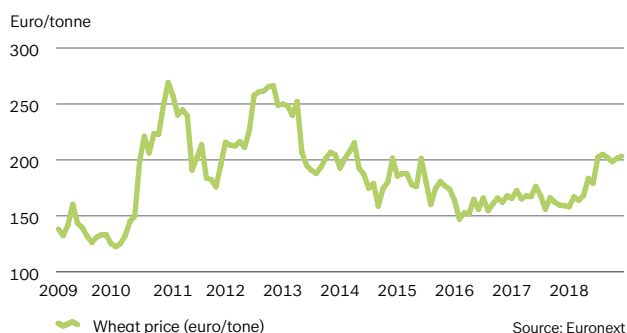
High global growth forecast

The growth is driven primarily by higher growth in the Euro area, China, Japan and the US. Many emerging economies continue to grow, but on the other hand, the growth is increasingly uneven and is considered to have peaked in several of the larger economies. The greatest risks are considered to be escalating trade restrictions and counter-measures, political uncertainty and protectionist measures.

External Conditions

- A strong global economy with regional differences and increased elements of protectionism, an unsettled trade policy and uncertainty about Brexit.
- Consolidation of the agriculture and food industry continues in Europe.
- The position of the food retail sector is strong, due to private labels, but it is increasingly affected by a shift towards increased market shares for restaurants and e-commerce.
- Digitalization continues at increased speed, particularly with regard to agricultural companies.
- The circular economy and bio-based economy permeate business policy conditions. The circular economy is about more efficient resource turnover and reducing the need for resources. The bio-based economy is about sustainable biomass production and environmentally-friendly, efficient processing.

Volatile price trend on the commodity exchange

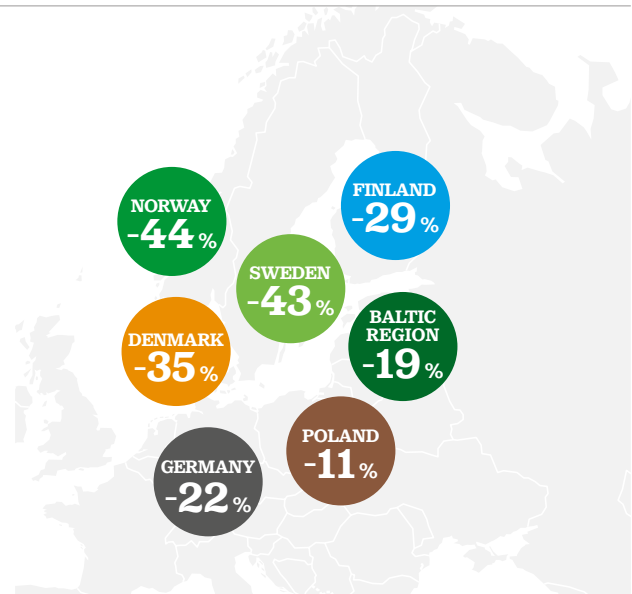


“ Lantmännen creates a unique position together with agricultural companies

Drought effect on grain harvest

	2014-2018 average 000 tonnes	2018/2019 000 tonnes	Change in %
Norway	1,173	662	-44 %
Sweden	5,623	3,207	-43 %
Denmark	9,581	6,240	-35 %
Finland	3,724	2,658	-29 %
Germany	47,816	37,419	-22 %
Baltic Sea region	102,610	80,882	-21 %
Lithuania	5,088	4,066	-20 %
Estonia	1,188	977	-18 %
Latvia	2,484	2,059	-17 %
Poland	27,106	24,256	-11 %
EU	303,078	275,278	-9 %

Source: Stratégie Grains, November 2018



The summer drought dominates the grain market

The global grain harvest was lower than normal, particularly in northern Europe. The Swedish harvest for 2018 is estimated at 3.3 million tonnes, which is a decline of almost 43 percent compared with the average of the total harvests over the last five years. Global grain stocks have been rising since 2012, but in 2017-18, the trend was broken by the rate of consumption outgrowing global grain production. Population and wealth growth are the main drivers of increased demand for grain for use in both plant-based and animal-based food.

Food trends in the Nordic market

Health, convenience, sustainability and origin continue to be strong consumer trends in the Nordic food industry. Demand for climate-friendly products is high, but many consumers feel unsure about what products to choose to do most good for health and the climate. Choosing products made from domestic raw materials is a growing trend, and demand for organic goods remains high, although the growth rate has decreased to about 4 percent in Sweden according to Ekoweb. Consumers are increasingly demanding so-called alternative green proteins – vegetable proteins – a consumer trend that has grown stronger in 2018.



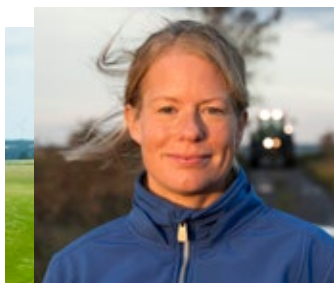
Conclusions and opportunities

- **European value chain consolidation** – driven by a need to reduce costs and uphold market influence in the value chain.
- **Moderate growth in northern Europe** – drives continuing consolidation in the food industry. Exposure needs to increase over time towards new customer channels and export markets.
- **Conditions** – based on local conditions on the farm.
- **Farmers** – create positions for themselves in the new digital landscape around the agricultural companies.
- **Population and economic growth** – particularly in Asia and Africa, opens up opportunities for growth.
- **Clear trend** –towards fewer and larger agricultural companies.
- **Sustainability issues** – increasingly affect the market conditions for the farm's products.

Our strategy

– with the agricultural company at the center

FIELD TO FORK
2030



Agribusiness



Grain value chain



Portfolio holdings

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

The Baltic Sea region is the geographical starting point for **Field to Fork 2030** with increased focus on northern Europe

Lantmännen's strategy Field to Fork 2030 is aimed at developing our operations in a long-term perspective, with farmland in the Baltic Sea region as the starting-point. The natural conditions mean that grain and grass, together with oilseeds and pulses are the dominant crops in the Baltic Sea region – which represents the basis for both crop and livestock production. A constant increase in productivity and yield is a foundation for developing the competitiveness of the members and Lantmännen from field to fork.

Increased and competitive cultivation contributes to strengthening the entire grain value chain – both for the agricultural company and Lantmännen. Our ongoing investments in grain storage capacity are aimed at contributing to increased production over time.

Significant growth opportunities in all businesses

Lantmännen creates offerings that enable efficient and innovative utilization of arable and pasture land to drive value in farming. Through continuous development of agribusiness in partnership with agricultural companies, we contribute to

profitability of the members' farms. This is done, for example, by developing products and services in the areas of feed, inputs, machinery and digitalization of agriculture.

In Lantmännen's work, great emphasis is placed on research and development in order to create added value from farmland through new businesses and new markets. Lantmännen is working further on advancing its position in order to drive business development with the agricultural company at the center. This is particularly true in the area of plant breeding where in Sweden we are making a welcome investment in plant material adapted for the Nordic climate and consumption. Lantmännen will also increase exposure to the fast-growing global emerging economies over time.

National cooperation projects and initiatives

In parallel with our own strategy work, Lantmännen is actively participating in work on the national Swedish food strategy. A number of partnership projects have been initiated with the aim of helping create "a winning value chain" and realizing our strategy.

“ Lantmännen makes farming thrive

Brand position from field to fork

Lantmännen's brand work is aimed at building, developing and protecting our brand as an asset for the entire Group. This is done by building Lantmännen's position in sustainability, responsibility and origin, and supporting and strengthening the connection to our product brands.

Lantmännen's brand work is based on a community of values between all our brands and communication initiatives aimed at safeguarding the value of the brand, thereby strengthening our common competitiveness.

Five Group-wide projects accelerate profitable growth for Lantmännen and agricultural companies

Grain strategy

The grain strategy from field to fork is a central pillar in Lantmännen's strategy.

Feed and livestock strategy

The feed business has development potential and demand for livestock products is on a global upturn.

Our digital agriculture – LM²

LM² is Lantmännen's digital tool for more productive and profitable Swedish farming.

Functional food

Growing consumer interest in health and lifestyle issues is increasing demand for foods with positive added values.

Exports from field to fork

Lantmännen exports agricultural raw materials, processed products and ready foods.

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 refinement 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

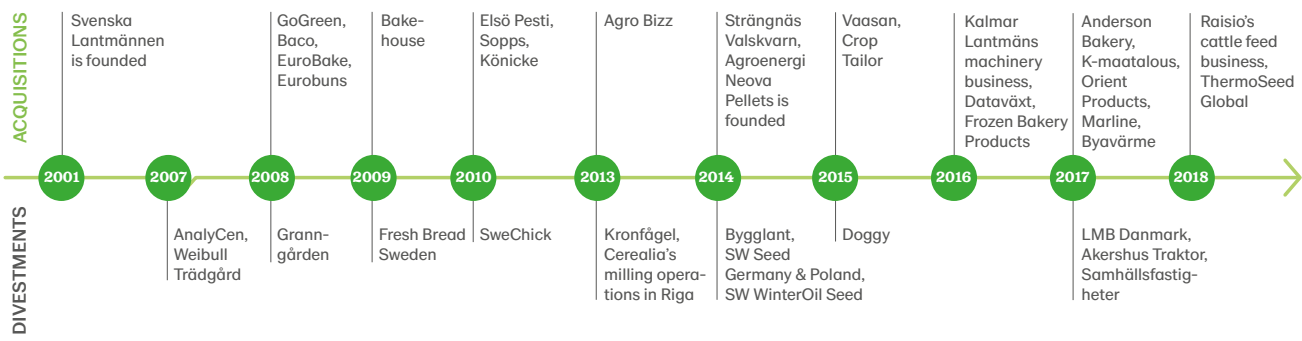
Openness, a holistic view and drive.

Our employee promise

Growing together from field to fork.



Lantmännen's major acquisitions, divestments and ownership interests



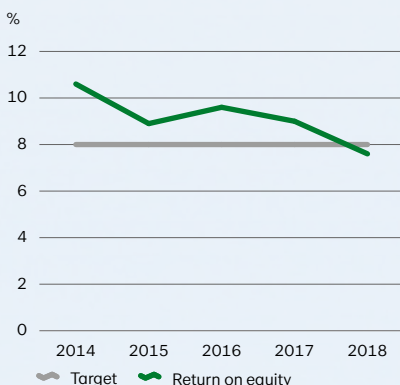
Our financial targets

Each business has its current business plan as its financial objectives. The long-term objectives for the Group and businesses also include non-financial areas.

Return on equity

Return on equity is calculated as net income for the period divided by average equity.

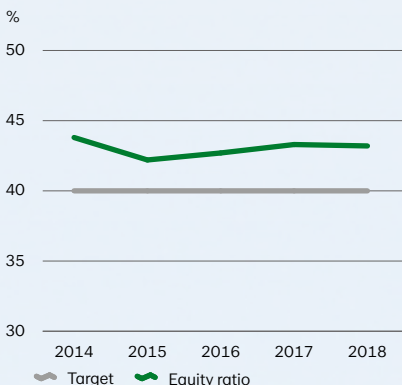
The Group's target **8 %**
The Group's return target is dependent on the composition of the portfolio. The current business portfolio is estimated as having a total return on equity potential of 8 percent over a business cycle.



Equity ratio

Equity divided by total assets.

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.



Net debt*/EBITDA*

Net debt divided by EBITDA, indicates how fast a company can repay its debt (expressed in years).

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.



Outcome **7,6 %**

Return on equity was 7.6 (9.0) percent in 2018. The average return on equity over the last five years has been 9.1 percent.

Description of financial performance measures
→ see page 144.

Outcome **43.2 %**

The equity ratio was 43.2 (43.3) percent at December 31, 2018.

Outcome **3.25**

The present net debt/EBITDA ratio is 3.25 (2.70).

* According to Bank definition



Our sustainability targets

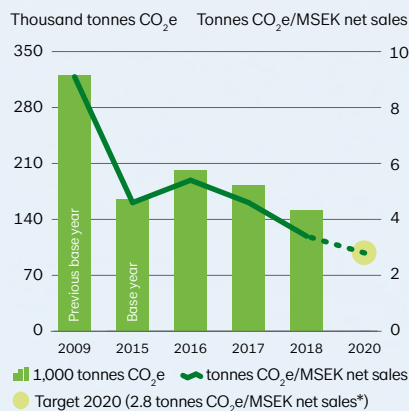


Lantmännen has Group-wide targets for climate, employees and management.

Climate

As part of its responsibility from field to fork, Lantmännen works to reduce the climate impact. We have a target for reducing emissions from our own production.

The Group's target **40%**
The Group's target is to reduce climate emissions from its operations by 40 per cent in the period 2015-2020, calculated as CO₂e tonnes per MSEK net sales.



Outcome **26%**

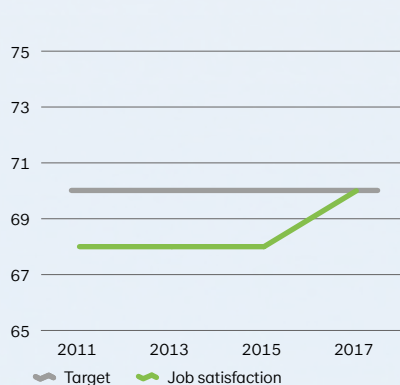
Energy efficiency improvements, conversion to renewable fuels, transition to renewable electricity and lower energy consumption as a result of the drought reduced climate emissions in 2018.

* Adjusted from Lantmännen Annual Report 2017, see pages 153-154.

Employee index

Lantmännen follows up an index for job satisfaction in the Insight employee survey which is conducted every two years. The outcome refers to the most recent survey in 2017. The next survey is in 2019.

The Group's target **70**
Employees' job satisfaction is very important to Lantmännen's success. Lantmännen's Job satisfaction target is 70.



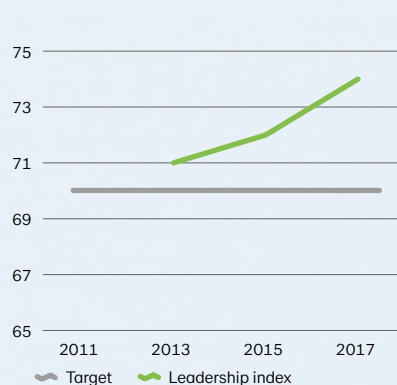
Outcome **70**

The most recent employee survey in 2017 produced strong results. We achieved the Job satisfaction target of 70 (68).

Leadership index

Lantmännen follows up an index for leadership in the Insight employee survey which is conducted every two years. The outcome refers to the most recent survey in 2017. The next survey is in 2019.

The Group's target **70**
Good leadership is very important to Lantmännen's success. Lantmännen's Leadership target is 70.



Outcome **74**

The most recent employee survey in 2017 produced strong results. We exceeded the Leadership target with a score of 74 (72).



Lantmännen's sustainability strategy

Sustainability is an integral part of the business strategy. Lantmännen creates value from farmland resources with leading sustainability performance and develops sustainable solutions for food, energy and bio-based materials.

Sustainability ambition based on the cooperative model

Based on the materiality analysis, Lantmännen's assignment, vision and strategic direction Field to Fork 2030, we have formulated our ambition for the future. We create value from farmland resources with leading sustainability performance and develop sustainable solutions for food, energy and bio-based materials. There is potential to significantly reduce the impact on the environment and natural resources and generate profitable growth from new and existing businesses that meet external and market needs for sustainable products. To achieve our ambition, we must join with members, customers

and suppliers in continuing to develop sustainable cultivation methods, optimize cultivation and its yields with minimal impact on people and the environment, utilize side flows and switch to bio-based circular business.

Four focus areas

Lantmännen works in four focus areas encompassing our important responsibility issues throughout the value chain and in which we manage opportunities and challenges. The focus areas also include goals for what we want to achieve. Learn more at [➔ lantmannen.com/en/sustainable-development](https://lantmannen.com/en/sustainable-development)

Sustainable cultivation

We take an active role in the development of more sustainable agriculture that leads to increased availability of sustainable food, bioenergy and bio-based materials.



Sustainable products

Lantmännen develops and offers innovative products and services for agriculture, bioenergy and food, with sustainable added values for health and the environment.



4 focus areas



Safe and resource-efficient production

Our production should be as efficient as possible and we work constantly to optimize, utilize and save resources at all levels. At the same time, production must be safe for our employees and other parties, such as contractors.



Responsibility in the supply chain

Our customers and consumers should feel confident that we have knowledge and control throughout the supply chain and minimize negative impacts on people, animals, the environment and natural resources.

Climate work towards 2030

With Lantmännen's climate work we will continue to reduce our own impacts and equip the organization and businesses for tomorrow's conditions, in order to contribute to more climate-smart production of food, energy and other bio-based products throughout the value chain.

To slow down climate change and ensure productive agriculture, the climate emissions needs to be reduced at every stage from field to fork. As a food producer and farmers' cooperative, Lantmännen has the responsibility and opportunity to move things in the right direction. The 2018 drought affected farmers and actualized how we are affected by weather in the short term and climate change in the longer term. Farming needs to be climate-adapted but at the same time we need to increase the production of sustainable food and bio-based energy for a growing population. Lantmännen works for farming that is future-oriented and competitive based on climate agreements and goals. The supply of raw materials other than grain can also be affected by climate change and water shortage, and regular risk analyzes are conducted.

“
Lantmännen aims to drive climate-smart production of food and bio-energy where resources are circulated.

Impacts in the cultivation stage

Climate-affecting emissions arise throughout the grain chain. The majority of the climate impact comes in the cultivation stage – from fossil fuels, fertilizer production and soil when it is worked and grain is grown, see below.

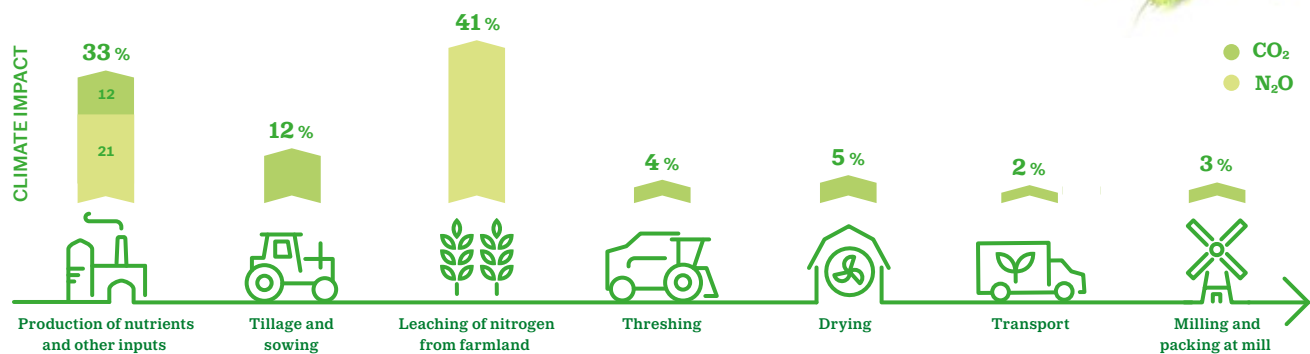
During the year, we intensified our work on identifying potential to further reduce agriculture's climate and environmental impacts in the short and long term.

Target 40 percent reduction in emissions by 2020

In the period 2009-2015, Lantmännen reduced the climate emissions of its own production by 40 percent. The target is now a further 40 percent reduction in relation to sales in 2015-2020. Work is in progress to improve energy efficiency and phase out fossil energy sources in grain handling, district heating production and bakery operations. The outcome for the year is a reduction of 26 percent from the base year 2015. Learn more on → pages 153-154.

In 2018, we adopted a target to reduce emissions from purchased transportation in relation to sales by 70 percent in the period 2009-2030. During the year, we have drawn up strategies to enable more sustainable fuel choices and to find monitoring methods. The outcome for the year is a reduction of 4 percent.

Part of our climate strategy is to develop products with leading sustainability performance. We develop grain concepts for increased biodiversity and reduced emissions, climate-smart feed, foods with Swedish-produced ingredients with their carbon footprints calculated, and ethanol with leading climate performance based on grain and residual waste.



In wheat flour production, 85-90 percent of the total climate impact arises in the cultivation stage, from production of plant nutrients, agricultural activities with fossil fuels, and leaching from the soil. The illustration shows the share of the climate impact in CO₂e, sub-divided into fossil carbon dioxide (CO₂) and nitrous oxide (N₂O). Source: Lantmännen's internal data.

Sustainability for profitable business

Sustainable business development is a key part of Lantmännen's strategy Field to Fork 2030 and is aimed at meeting global sustainability challenges and customer demand for innovative, climate-smart products and foods that promote good nutrition and health.

Renewable raw materials from farmland form the basis of our development of business that strives for circularity, which means that cultivation potential is optimized, flows are closed, and resource efficiency increases. Lantmännen's strength is knowledge, presence and cooperation through the value chain, and investments in research and innovation.



With our knowledge of grain processing and our presence from field to fork, we can meet challenges of the future in food and energy.



Value is created in the field

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

Lantmännen works for more sustainable forms of cultivation through advisory services to farmers and development of technology and methods. The LM² digital platform is an important part of this development. We also work on plant breeding and non-chemical seed treatment. We work together with farmers and customers to develop new grain concepts with specified added values, such as climate performance and biodiversity.

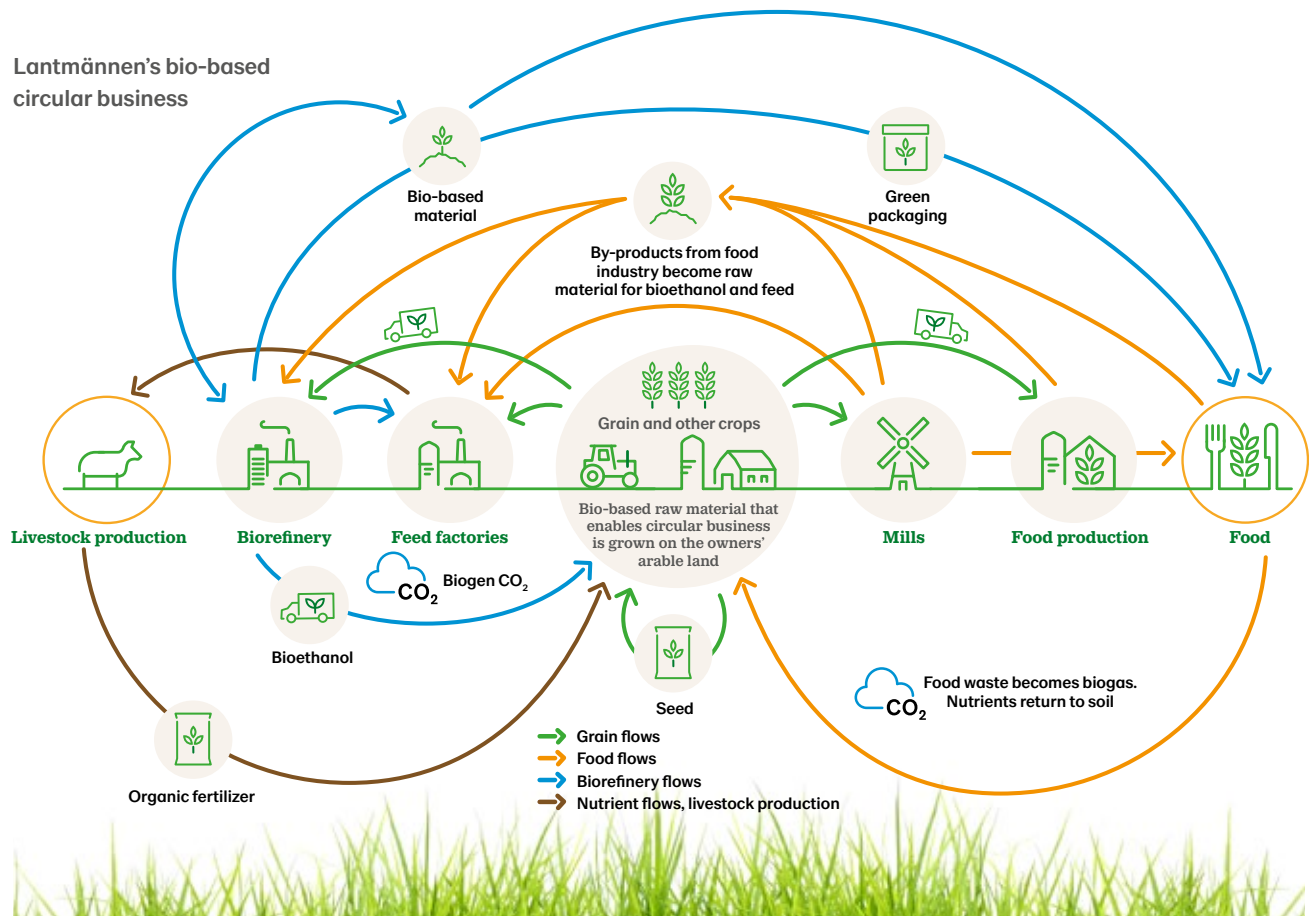
Focus on sustainable cultivation

Sustainable cultivation is about converting agriculture for less climate and environmental impact, while increasing production to meet the growing need for food and renewable raw materials for other purposes when fossil phase is phased out. Lantmännen drives this work by utilizing what is best from different production methods, local conditions and the latest innovation and technology. We focus on development of both conventional and organic production, a broad organic and conventional offering throughout the value chain and combining this with extensive research and new sustainable technology. Farming is developed through, for example, plant breeding, precision tools, more sustainable inputs and cultivation concepts.

Lantmännen is also a major participant in the Swedish organic market. Consumer demand continues to increase, although at a slower rate than in recent years, and by developing the organic value chain, Lantmännen can help to strengthen the competitiveness of Swedish farmers. The strategy for the organic operations includes a target to double trade in organic grain.

Climate & Nature cultivation method

Lantmännen Climate & Nature is a cultivation method for grain, which offers customers a flour with a climate impact that is up to 20 percent lower and ensures farmers are paid more. Lark plots, unsown areas in fields where larks can land and find food, are one of the criteria in Lantmännen's Climate & Nature. A survey during the year shows that the lark plots result in an increase of up to 60 percent in skylarks in the fields that have these plots. All Kungsörnen's wheat flour is labeled *Ett vänligare vete – A friendlier wheat*, produced using the Climate & Nature cultivation method. The rye equivalent is *En vänligare råg – A friendlier rye*.



Lantmännen's development is moving towards circular business where flows of grain, raw and other materials are closed, increasing resource efficiency. Read more about our biorefinery where cycles from our production are closed.

Feed with improved climate performance

During the year, Lantmännen has updated the climate data for feed raw materials and included more raw materials in the calculation. Based on the data, new recipes can be developed, and materials with a higher climate impact can be replaced, wholly or partly, to reduce the impact. An example is cattle feed, where use of synthetic amino acids increases feed efficiency and reduces imported soy. The result is a feed that contributes to more sustainable livestock production with a carbon footprint up to 30 percent lower.

Ethanol from food waste

Lantmännen Agroetanol has developed a bio-based circular business, where grain is processed into ethanol with a low climate impact, animal feed and carbonic acid. 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 released carbon dioxide is captured and converted into carbonic acid to replace fossil-produced carbonic acid. The energy in the process is renewable and Lantmännen Agroetanol is working for fossil-free transport from 2030.

In addition to grain, the refinery uses waste from the food industry. At the end of 2018, a facility was opened in Finland where Lantmännen's bakery business recovers residual products which are shipped to the biorefinery in Norrköping and circulated into ethanol. The ethanol is used as low-level blends (petrol) and high-level blends (E85 and ED95). Learn more on [➔](#) page 44. Lantmännen is working with Scania to develop engines for HGVs powered by fossil-free ethanol.

Food for health and the environment

Lantmännen works to ensure more sustainable food consumption by developing products and ranges and spreading knowledge and inspiration. Lantmännen conducts research into 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 on [➔](#) pages 158-159.

Our work on health and development of sustainable food has resulted in Swedish beans and bean pasta, climate-friendly flour, an increased range of fiber-rich bread products, a large breakfast selection with oats as the main ingredient and a broader range for gluten intolerance.

R&D for future demand

Research is crucial to meeting future challenges and ensuring our competitiveness. Annually MSEK 250-300 is invested in our own and external research projects. With the investments, we create added value from grain, new business opportunities and an innovative corporate culture, and conduct business in cooperation with agricultural companies.

Active role in partnership and research initiatives

In 2018, Lantmännen increased its investments in research by an additional MSEK 10 through the Research Foundation. Lantmännen also assumed leadership in several innovation initiatives linked to the Swedish Food Strategy, such as *Sweden Food Arena* (for innovation in food research). Lantmännen contributed to the establishment of *SLU Grogrund*, a plant breeding competence forum for the academic world and industry, with an annual investment of MSEK 40.

New industrial doctoral students fill knowledge gaps

The key to success is being able to take research findings into operations where they create results in business and product development. As part of the Food Strategy, SLU has created a program for industrial doctoral students, linking the food industry and research. Lantmännen has two of the ten industrial doctoral students, with projects in the areas of feed and flour quality. The knowledge will be used in plant breeding and bakery and milling operations.



Our long-term goal is bio-based circular business with sustainably optimized cultivation.

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. With modern technology, we develop new varieties, which are tested over several years to obtain robust plants that can withstand climate change. Plant breeding increases productivity, cultivation security and farm profitability. It can also lead to new values, such as specialty oils, different starch quality and different baking qualities in wheat.

A collaboration with SLU began in 2018 and involved transferring knowledge about barley genetics to oats for more healthy fiber. The ScanOats research center in Lund, which was the first in the world to map oat DNA, is working

to develop new oat properties for intensified cultivation and better health. The center is run by Lantmännen in collaboration with other stakeholders.

Lantmännen's contributions include special crops. The driving force comes largely from the market where niche crops can provide good business. There are many opportunities for revived grain types, protein crops and, for Sweden, new crops.



New findings on broccoli and diabetes

In 2017, there was a breakthrough in research showing that a natural antioxidant in broccoli can lower blood sugar in type 2 diabetes patients. The findings indicate that broccoli can also be used for preventive purposes. Lantmännen is involved through the Research Foundation and is now working to ensure that the antioxidant is included in food products.

Lantmännen Research Foundation

In 2018, a funding increase from MSEK 15 to MSEK 25 per year was adopted for research through the Lantmännen Research Foundation. 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 receives innovative business ideas from employees, members, entrepreneurs and startups. During 2018, Växthus focused on technology in agriculture and the food industry, which are referred to as Agtech and Foodtech. The latest session was carried out together with Foodhills in Bjuv and Ideon Agro Food, focusing on upscaling of innovation.



Active dialogue and cooperation

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

Lantmännen drives the dialogue in issues that are important to our business and social development, for example, 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 of decision-makers. This creates a solid basis for Lantmännen and our members to contribute to sustainable development.



Lantmännen drives the work through the chairmanship. Lantmännen welcomes a raised innovation level in the industry, particularly in high technology, strengthening international competitiveness and increased export opportunities.

Important regulatory 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 issue is the reduction obligation for fuels in Sweden, where Lantmännen is working to create good conditions for domestic production of biofuels and a market for bioenergy without unjustified restrictive regulations. Since 2016, we have participated in the Government's collaboration group for a circular and bio-based economy.

Other industry initiatives and cooperation forums

Lantmännen participates in a large number of industry organizations and networks, such as the Swedish Food Federation, LRF Plant Breeding, Sustainable Food Chain, Haga Initiative, Fossil Free Sweden, Climate Neutral Freight Transportation (KNEG), the Swedish Bioenergy Association, Svensk Kooperation (Cooperatives Sweden) and the World Bioenergy Association. Working together creates better conditions for our members and sustainable business.

Lantmännen drives specific issues such as responsibly produced soy and palm oil through industry cooperation.

Strategy for competitive food chain

The process of concretizing the Government's food strategy by developing goals and action plans has continued with active participation from Lantmännen. The strategy involves increased food production by fully utilizing and developing the food chain. Key issues are increased exports, innovation and increased competitiveness in both primary production and industry. One initiative is to create an arena, *Sweden Food Arena*, for innovation in the food chain, where participants work in a structured way and government input is coordinated.

Current dialogue topics

The key topics identified by stakeholders for Lantmännen to monitor or pursue are categorized in three areas, with sustainable development as the overall theme.

Examples of current topics in 2018

- Sweden's national food strategy
- Transport and climate policy instruments
- Organic production and issues linked to sustainable cultivation
- Establishment of Sweden Food Arena
- Regulatory framework and focus for biofuels in Sweden and the EU



Active dialogue in organizations and networks

- Thriving farming: LRF, KRAV, Sweden food arena, Spannmålsodlarna
- Responsibly produced food: Swedish Food Federation, Consumer associations, Sustainable Food Chain, Soy Dialogue
- Green energy/Bio-economy: 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. To meet the demands of the outside world and customers, it is crucial to be able to attract and develop committed and driven employees.

Attractive employer with committed employees

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. An important aspect is the employee's short and long-term development plan. In 2018, work was carried out to further strengthen this area and create more continuous dialogue between manager and employee during the year.

Extensive efforts have been devoted to strengthening Lantmännen's brand as an employer, including an updated communicative platform and a clarified employee promise for existing and potential employees. The overall purpose is to create pride and passion among existing employees – and to attract potential employees and arouse their interest in Lantmännen.

For the fifth consecutive year, Lantmännen has been nominated by the talent network 4Potentials 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. In the latest ranking by Universum, which measures the attractiveness of hundreds of companies in Sweden and globally, Lantmännen strengthened its position among economics and engineering students, and showed stable development in the *Young Professionals* category.

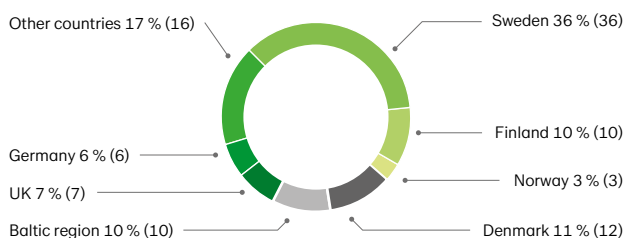
The latest Lantmännen trainee program began in September, with applications from more than 800 individuals in 43 countries. Nine trainees are now undergoing the 15-month program which provides an insight into the entire Group, together with training in leadership and business development.



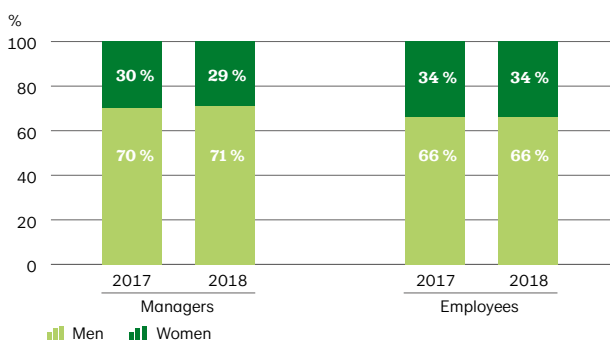
The performance appraisal defines the employee's short and long-term development plan.

Implementation of Lantmännen's remuneration policy continued in 2018. In addition to monetary compensation and benefits, the policy takes into account factors such as in work-life balance, international assignments, development and estimates – and long-term incentives for senior executives.

Our employees – Geographic distribution



Gender distribution



“ Lantmännen works in a long-term framework to increase internal mobility.

Our skills and leadership

Lantmännen works continuously to develop skills and leadership within the Group. Key elements for achieving our goals and accessing the right skills include a successful recruitment process, good leadership and internal development opportunities.

Investments in leadership training for all managers continued in 2018. Our international development programs for high potentials continued during the year:

Explore

for employees at the start of their career

Grow

for new leaders

Accelerate

for senior leaders



Internal mobility within the Group has increased and 48 percent of all managerial recruitments in 2018 were filled with 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.

A new tool for objectively identifying development potential has been implemented.

Safe work environment

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

A web-based tool for reporting, investigation and follow-up of accidents, incidents and risk observations is available in the organization. The injury rate continued to fall in 2018 and the number of reported incidents per accident has increased slightly, taking it above the target. Learn more on [→ page 156](#).

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. However, sick leave has increased slightly in 2018 compared with the previous year. Learn more on [→ page 157](#).

Lantmännen has established a whistleblowing procedure, 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. Lantmännen employees can anonymously, and in their own language, report observations and concerns in a web-based system. A total of 15 reports from four different countries were recorded in 2018. 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 resulted in termination of employment, strengthened leadership, briefing and training of managers and improved local procedures.

Read more on [→ pages 71, 151](#).

Our employees, accidents and incidents

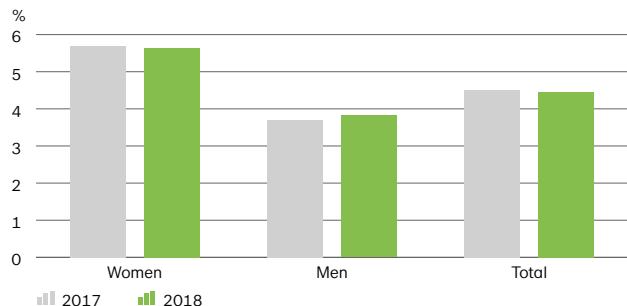
	2018	2017
No. of fatalities due to work-related injuries	0	0
Number of accidents ¹⁾	227	231
Injury rate ²⁾	13.4	13.9
Number of reported incidents ³⁾	2,896	2,869
Number of incidents per accident (lost-time)	12.8	12.4

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

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

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

Sick leave







Our Sectors and Business Areas

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A green tractor with a red implement is working in a field of tall green grass at sunset. The sky is filled with soft, colorful clouds in shades of orange, pink, and blue. The tractor is the central focus, with its headlights on and its large rear wheel visible. The red implement is attached to the back of the tractor, and the overall scene is peaceful and rural.

Agriculture Sector

The Agriculture Sector, which constitutes Lantmännen's core business, develops and offers products and services to promote strong, competitive farming. The Sector operates both in Sweden and internationally and accounts for 42 percent of Lantmännen's sales.

The Sector is responsible for Lantmännen's ownership interests in HaGe Kiel, Scandagra Group and Scandagra Polska.



Developing and strengthening our agribusiness through growth in the Baltic Sea region

The Agriculture Sector is based in Sweden and has a strong position in the Baltic Sea region through international wholly and partly owned companies. The Sector includes *Lantmännen Lantbruk Sweden*, *Lantmännen Maskin*, *Lantmännen Krafft*, *Lantmännen Agro Oy*, *Lantmännen Feed Oy*, *Lantmännen Agro A/S* and *Lantmännen SW Seed BV*. The Agriculture 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. See → page 62.

Lantmännen Lantbruk Sweden offers a wide range of products for livestock and crop production and is a major player in the grain market. Lantmännen Maskin offers agricultural machinery, spare parts and servicing, and has been part of the Sector since 2018. The focus is on developing synergies between the operations and increasing accessibility and presence.

The Finnish company Raisio's cattle feed business was acquired in 2018 and renamed *Lantmännen Feed*. The company has a well-established feed business that complements our offering to Finnish farmers and enables development and growth in Finland.

Market and business environment

The summer drought and heat in much of Europe had a significant effect on the market. For the first time since 2012, the world will consume more wheat than what is produced, resulting in lower closing stocks. The reduced supply has resulted in rising grain prices in Europe. Demand for organic grain remains good.

Profitability for crop and livestock production declined sharply as a result of the drought. Low grain and roughage harvests, rising feed prices and slaughter queues are behind the industry's prediction of a strong decline in profitability up to the 2019 harvest. Competition in the Swedish machinery market is intense. An upward trend in the European market was initially seen, but the dry summer meant that the market stagnated.

Key sustainability issues

Lantmännen works to promote sustainable agriculture, energy-efficient and safe machinery, resource-efficient production and low-impact transport, safe work environments, and responsible sourcing and business relationships. Lantmännen Lantbruk is working towards the goal for all production facilities to be fossil-free by 2025. Emissions have been reduced by about 16,000 tonnes of CO₂ equivalents since 2015, corresponding to 76 percent in relation to sales.

Outlook for 2019

The main focus is on ensuring the right capacity and quality within the grain, feed and seed business. It is important to integrate Lantmännen Feed into Lantmännen and to grow together with Lantmännen Agro Oy in the Finnish market. Operational and structural measures to achieve defined goals will be implemented within Lantmännen Maskin. The measures include new working practices and routines for achieving cost leadership and reducing tied-up capital.

Agriculture Sector, Key figures	2018	2017
Net sales, MSEK ¹⁾	19,338	16,660
Operating income, MSEK	131	337
Operating margin, %	0.7	2.0
Return on operating capital, %	2.0	6.1
Investments in non-current assets, MSEK	260	128
Average number of employees	1,678	1,697
of which women/men, %	23/77	21/79
Women/men in executive management, %	44/56	50/50
Sick leave, %	3.6	- ²⁾
CO ₂ emissions, thousand tonnes	6.9	20

¹⁾ Including intra-Group sales.

²⁾ New organization from 2018.

Excl. items affecting comparability	2018	2017
Operating income, MSEK	197	337
Operating margin, %	1.0	2.0
Return on operating capital, %	3.0	6.1

Agriculture Sector's brands



Lantmännen Lantbruk Sweden

Lantmännen Lantbruk Sweden offers farmers a wide range of products for livestock and crop production. Lantmännen Lantbruk Sweden is a major participant in the grain market and purchases grain, oilseed, pulses and forages, which are sold on to grain traders and Swedish and international industry. Through product and business development, we work to strengthen Swedish farming.

Lantmännen Lantbruk Sweden showed positive development, notably in the feed business where market shares are increasing. The business was significantly affected by the drought and the low harvests, with a negative effect on the result. The development of Lantmännen's LM² digital portal continued with the launch of the new Grain prices service and the LM² Finance financial portal, while services from our subsidiary Dataväxt were also integrated. The collaboration on digital agricultural services with Felleskjøpet of Norway was expanded.

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Proximity to the market, a large network and attractive offers make Lantmännen an attractive business partner.

Grain

The large harvest in 2017 brought good grain sales in the first half of 2018. The summer drought resulted in the poorest harvest in modern times and the amount of grain that Lantmännen received was half the normal level. Sweden went from being a net exporter of about 1.5 million tonnes of grain

to an importer of almost 1 million tonnes, primarily wheat. The grain harvest was affected in much of the Baltic Sea region and the price of physical grain rose sharply.

Lantmännen's trade in grain outside the Swedish market provided good leverage. Proximity to the market and a large network make Lantmännen a significant partner to strategically important customers. The operations of the Scandagra companies in the Baltic region and Poland and Lantmännen Agro in Finland ensure that the raw material needs of Lantmännen's industries and external customers are met.

Capacity-improving measures at our facilities have resulted in smoother harvest management in 2018. Investments in grain warehouses in Lidköping and Norrköping and the start-up of dryers in Grästorps and Hedemora resulted in increased storage capacity of 40,000 tonnes and reduced internal transport. Construction of a grain receiving facility in Hargshamn north of Uppsala and a silo facility in Hammenhög in Skåne began during the year. The facilities will contribute to resource-efficient production, reduced climate impact and safe working environment.

Farmers' interest in financial trading in LM² increased during the year. One factor that has affected interest is the increasingly volatile market. ►►

Lantmännen Lantbruk Sweden, key figures

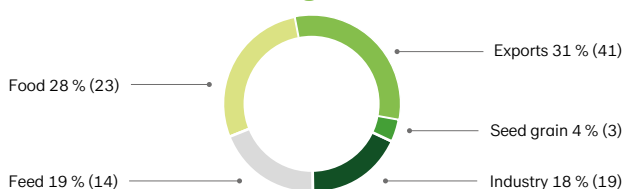
	2018	2017
Net sales, MSEK ¹⁾	11,622	11,169
Operating income, MSEK	38	226
Operating margin, %	0.3	2.0
Return on operating capital, %	1.1	8.2
Investments in non-current assets, MSEK	219	110
Average number of employees	757	807
of which women/men, %	35/65	33/67

¹⁾ Including intra-Group sales.

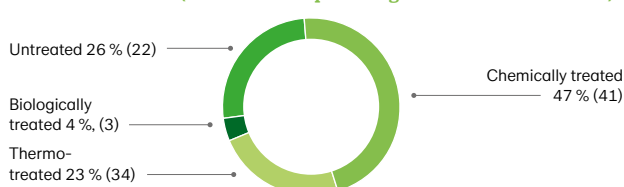
Excl. items affecting comparability

	2018	2017
Operating income, MSEK	104	226
Operating margin, %	0.9	2.0
Return on operating capital, %	3.0	8.2

Use of total volume of sold grain



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





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The transition to LM² has been successful and is key to providing an integrated digital offering to farmers.



Crossbred wheat varieties in SW Seed Svalöv's greenhouses



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Lantmännen Lantbruk has a comprehensive feed range.

Feed

The summer drought brought a sharp reduction in roughage crops and rising prices for raw materials, which created considerable market concerns. Initially, Lantmännen focused on resolving the roughage shortage for dairy herds. Feed sellers actively contacted farmers to provide advice and solutions. Volumes of the *Komplett Grov* and *Galant Grov* replacement feeds increased with good production results. Lantmännen's *Piggfor* range showed a volume increase of 25 percent from the previous year. Fattening pig feed produced good results and new feed for sows and piglets was launched during the year.

Work on increased quality requirements for feed ingredients had positive results among egg and chicken producers. Lantmännen's feed for organic laying hens shows stable growth. During the summer, a new range of poultry feed was launched in smaller sacks for consumers and retailers.

The survey of climate data for feed raw materials continued. The carbon footprint for the cattle feed range was reduced by up to 30 percent, without affecting prices and production. The reduction for pig feed was up to ten percent. In partnership with the association *Foder & Spannmål (Feed & Grain)*, Lantmännen promoted an updated national database on climate data with the aim of getting the industry to work together to reduce climate impacts.

Seed & Forages

Seed breeding and marketing in the areas of seed grain, oilseed and grass seed takes place under the SW brand. The limited fall sowing in 2017 led to high demand for spring seed. The summer drought resulted in much larger grass seed

sales than normal. Forages and seed crops were significantly affected. Lantmännen prioritized securing the supply of grass seed to the Swedish market. There is a risk of a large shortage of seed before the spring sowing in 2019. A dispensation application has been made to the EU to secure the supply by approving use of seed from farms. The conditions for fall sowing in 2018 were generally favorable with record-high sown acreage of wheat and rape. Lantmännen has participated in *Grogrund*, a plant breeding public initiative at SLU, which is part of the national food strategy. Several projects were initiated during the year in areas that included barley, wheat and field beans.

Merchandise

Lantmännen Lantbruk Sweden markets a wide range of products for crop production and feed conservation. The summer's favorable fertilizer prices contributed to high demand. The dry weather resulted in lower sales of fungicides. Demand for plant protection increased during fall. Sales of stretch film developed positively. Low grass harvests during summer were partly compensated for by whole seed silage.

Lantmännen Krafft

Lantmännen Krafft is Sweden's largest supplier of horse feed and one of the largest in the Nordic region, with considerable volumes also in Europe. The company has developed its range to reflect current health and sustainability trends, and with a focus on Swedish raw materials and production. The company showed a positive volume development and strengthened its market position.



Agriculture Sector

Lantmännen Lantbruk Finland

Lantmännen Agro Oy operates through 40 independent Lantmännen-profiled retailers in Finland providing inputs for crop production, feed and parts and equipment. The company also trades in grain in the Finnish market. During the year, the focus has been on integrating the company into Lantmännen.

Lantmännen acquired the Finnish company Raisio's cattle feed business, now *Lantmännen Feed*, with two associated feed factories and sales of inputs for crop production. Through the acquisition, Lantmännen has broadened its offering, and strengthened its presence as a leading agribusiness player in the Finnish market.

At the end of the year, Lantmännen began a cooperation with the Finnish companies on a common strategy for the Finnish market. The cooperation between the Finnish and Swedish agricultural operations has produced positive effects. Among other things, there are synergies in trading in grain and inputs, and during the year, Lantmännen Agro Oy initiated a cooperation with KUHN in the area of equipment. The summer drought also hit Finland hard, which affected results for the Finnish farmers and Lantmännen Agro.

Key figures, Finland

	2018	2017
Net sales, MSEK ¹⁾	3,612	1,754
Average number of employees	73	26
of which women/men, %	36/64	26/74

¹⁾ Including intra-Group sales.

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With Lantmännen Feed, we strengthen our presence as a leading agribusiness player in Finland.

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

Agriculture Sector

Rest of world

Lantmännen Agro A/S

The company's main task is the purchase of grain in Denmark. Drought and heat affected the Danish harvest, which is estimated at 35 percent lower than the five-year average. Despite the low harvest, Lantmännen Agro A/S has managed to deliver according to plan through a good market presence and active trading.

Lantmännen SW Seed BV

The company conducts plant breeding of triticale and potato at the processing station in Emmeloord, Netherlands. The operations continued to develop positively during 2018.



Lantmännen Maskin

Lantmännen Maskin imports, markets and sells agricultural machinery and spare parts and offers services in Sweden. Lantmännen Maskin offers strong brands such as Valtra, Fendt, KUHN and Väderstad, and is responsible for imports and market support for the Massey Ferguson brand in Sweden.

Lantmännen Maskin's offering for Swedish farmers is high-quality agricultural machinery, an extensive range of spare parts and a high level of service.

Sales in 2018 were higher than expected, but the intense competition is squeezing the industry's margins. An action plan was initiated for further streamlining of operations.



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Lantmännen Maskin's nationwide network is complemented by about thirty contracted service partners.

Better and more digitalized processes and working methods will improve the efficiency of operations, enabling the company to continue to be an attractive partner for Swedish farmers.

In recent years, Lantmännen has strengthened its expertise in precision cultivation. Lantmännen's ownership interest in Dataväxt means closer cooperation and improved ability to provide good support to farmers.

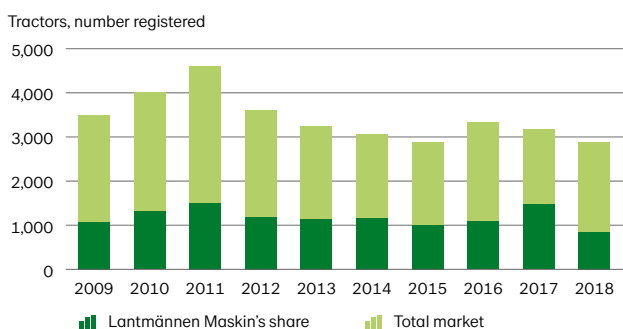
The recruitment of mechanics into the agricultural industry remains challenging.

Market and business environment

There is still intense competition in the Swedish market, resulting in squeezed margins and reduced profitability at the retail level. The assessment is that the market will continue to be highly competitive in 2019. The proportion of large tractors in the tractor market is increasing, which has led to a downward trend in the number of tractors. For many Swedish agricultural companies, the summer drought has meant profitability problems and strained liquidity, which has affected the ability to invest in machines. For the machinery business, the weak krona has led to price increases for imported machines. There is still considerable competition among machinery manufacturers. The first half of 2018 showed positive development in the European machine market, but the dry summer meant that annual volumes were in line with previous years.

Lantmännen Maskin, key figures	2018	2017
Net sales, MSEK ¹⁾	3,875	3,629
Operating income, MSEK	1	-3
Operating margin, %	0.0	-0.1
Return on operating capital, %	0.1	-0.3
Investments in non-current assets, MSEK	5	16
Average number of employees	815	831
of which women/men, %	9/91	9/91
¹⁾ Including intra-Group sales.		
Excl. items affecting comparability	2018	2017
Operating income, MSEK	1	-3
Operating margin, %	0.0	-0.1
Return on operating capital, %	0.1	-0.3

Total market for tractors in Sweden





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Lantmännen Maskin represents strong brands in the agricultural machinery market and offers a broad machinery program for small and large farms, forestry and contracting.

Both suppliers and products are carefully selected to ensure that the best range can always be offered.

Energy Sector

The Energy Sector is 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, carbon dioxide, starch products, alkylate petrol, vodka, gluten, lubricants and chemical products.

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



Energy Sector

We produce ethanol with world-leading climate 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 environmentally smart energy, food and industrial products. The products are responsibly produced, with related services in Sweden, France, Latvia and Finland. The Sector has wholly or partly-owned sales companies in the Nordic region, France, Germany and the US. Sales are conducted through distributors and the export business of the Sector's own companies. The Lantmännen Group's climate and energy targets are permeate the operations and the Sector is continuously improving quality and process yield.

Business environment and market

Bioenergy is Sweden's most widely used type of energy, accounting for over a third of our energy consumption. Sustainable transport is crucial for reducing climate emissions, but the transport sector is still dependent on fossil energy. The Energy Sector produces sustainable ethanol with world-leading climate efficiency. Sweden is the first EU country to have achieved the target of ten percent renewable energy in the transport sector by 2020. The Swedish parliament's targets for the country are a 70 percent reduction in transport emissions by 2030 and zero net emissions of greenhouse gases by 2045. Increased use of low level blends of ethanol in petrol is an important, cost-effective tool for reducing the transport

sector's emissions, and the proportion of ethanol may be raised from the current five percent to ten percent in Sweden. Increased use of the ethanol fuel ED95 is an effective way of reducing emissions and the fossil dependence of heavy vehicles. Demand for the Agrodrank feed product continues to rise 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, efficient production, transport with low climate impact, safe work environments, and responsible sourcing and business relationships.

Outlook for 2019

Lantmännen Agroetanol's ethanol with a high climate performance has been in demand for a number of years, notably in Germany, but we are now seeing increased interest in Sweden. Competition in the ethanol market in Europe is likely to become 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

	2018	2017
Net sales, MSEK ¹⁾	3,117	3,068
Operating income, MSEK	168	156
Operating margin, %	5.4	5.1
Return on operating capital, %	14.6	20.5
Investments in non-current assets, MSEK	103	86
Average number of employees	282	258
of which women/men, %	27/73	26/74
Women/men in executive management, %	30/70	30/70
Sick leave, %	2.5	2.7
CO ₂ emissions, thousand tonnes	20	20

¹⁾ Including intra-Group sales.

Excl. items affecting comparability

	2018	2017
Operating income, MSEK	200	296
Operating margin, %	6.4	9.6
Return on operating capital, %	17.4	38.9

Energy Sector's brands



Lantmännen Agroetanol

Lantmännen Agroetanol is a large-scale biorefinery with grain as its main raw material. 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, carbonic acid and other technical products, and protein products for the feed market.

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

Lantmännen Agroetanol is the largest producer of sustainable ethanol in the Nordic region. 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. The annual production capacity of the Händelö facility in Norrköping is 230,000 m³ of ethanol, 200,000 tonnes of protein-rich feed under the product name Agrodrank and about 90,000 tonnes of carbon dioxide that can be processed into carbonic acid. Differentiation of the product portfolio has continued in 2018 and the broadening of the raw material base also continues. The market was unfavorable in 2018, with very low ethanol prices during January–September and rising grain prices during October–December, driven by the weak harvest result. As a result of high grain and protein prices, the price of feed has been higher than in previous years. Lantmännen Agroetanol's profitability was therefore under strong pressure during the year.

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 are continuing with full momentum and include Etha, ED95 ethanol-based fuel for adapted diesel engines in partnership with Scania and others. Development of the recycling business with waste products from the food industry creates a circular economy and contributes to Lantmännen Agroetanol's profitability. A new facility was opened in Finland during the year, where food waste is collected and transported to Norrköping for further processing.

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Lantmännen Agroetanol is at the forefront of the circular economy with innovative and sustainable system solutions.

In July 2018, Sweden introduced a reduction obligation for petrol and diesel, a similar system as in Germany, which in the long term may benefit biofuels in the Swedish market. Implementation of the EU Renewable Energy Directive, RED II, in 2021 may affect the future of Lantmännen Agroetanol's products. A provision of MSEK 440 has since previously been recognized in connection with the European Commission's investigation of Lantmännen Agroetanol and two other ethanol producers for alleged violation of EU competition law. Lantmännen has cooperated fully with the EU Commission during the investigation and is now engaged in a settlement process.

Learn more at [➔ lantmannenagroetanol.se](https://lantmannenagroetanol.se)



Lantmännen Agroetanol in Norrköping

Lantmännen Agroetanol, key figures	2018	2017
Net sales, MSEK ¹⁾	1,734	1,903
Operating income, MSEK	26	173
Average number of employees	116	105
of which women/men, %	31/69	29/71

¹⁾ Including intra-Group sales.

Lantmännen Aspen

Lantmännen Aspen includes the companies Aspen, Agro Oil and Marline. The company develops, manufactures and markets environmentally friendly Aspen alkylate petrol, almost completely free from harmful products like benzene and other aromatics.



Aspen alkylate petrol is an environmentally-friendly product used in engines for lawn mowers, chainsaws and boats. Lantmännen Aspen is market leader in large parts of Europe and Canada. After a favorable spring, the summer was affected by drought, which brought a decline in demand for alkylate petrol. Sales went up to normal levels in fall.

Agro Oil manufactures high quality lubricants and chemical maintenance products for the professional market for agriculture, forestry and contracting under the *Agrol* brand. The products are optimized based on customers' needs and with the best support on the market, they help to reduce customers' maintenance costs and environmental impacts. Agro Oil is organizationally part of Aspen in order to utilize synergies.

Marline is the leading alkylate petrol producer in France and has annual sales of just over EUR 20 million. With its position in machine rental and construction, Marline complements Aspen's already strong position in servicing specialized trade.

Learn more at → aspen.se and agrol.se

Lantmännen Aspen, key figures

	2018	2017
Net sales, MSEK ¹⁾	928	721
Average number of employees	81	70
of which women/men, %	28/72	27/73

¹⁾ Including intra-Group sales.

Lantmännen Reppe

Lantmännen Reppe creates value by processing wheat into 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, for example to bakeries. The products are also widely used in the paper industry and in biotechnology. Lantmännen Reppe has one of the Nordic region's largest distilleries, which produces high-quality vodka. The company's transport is largely based on biofuels.

Continuing strong demand for Lantmännen Reppe's products has enabled investments in further processing of starch and gluten products. Development work in all product segments has resulted in both new customers and new applications. The packing and packaging industry is growing, bringing increased demand for wheat-based starch products. In 2018, it was decided to discontinue production and sales of glucose syrup for ice cream and the confectionery industry due to insufficient profitability. This meant that the factory in Växjö was closed at the turn of the year.

Learn more at → lantmannenreppe.se

Lantmännen Reppe, key figures

	2018	2017
Net sales, MSEK ¹⁾	472	454
Average number of employees	80	79
of which women/men, %	21/79	21/79

¹⁾ Including intra-Group sales.

Food Sector



Good food from
Lantmännen

The Food Sector refines grain and other raw materials from farmland and produces, among other things, flour, bread, breakfast products, pasta and ready meals. The Sector accounts for 32 percent of the Group's sales.

Lantmännen's green sprout, which can be found on the product packaging, is a guarantee of responsibly produced food.

With a focus on responsibility, origin, sustainability and innovation, Lantmännen's Food Sector offers "Good food" to customers in food retail, food service and the food industry.





Our food is responsibly produced

The Food Sector consists of *Lantmännen Cerealia* and *Lantmännen Unibake* and Lantmännen's ownership interests in the partly-owned company *Viking Malt*. The Sector accounts for 32 percent of the Group's sales and produces food in 46 facilities in just over 20 countries. The Sector has many well-known brands such as Kungsörnen, AXA, START, Bonjour, Hatting, Korvbrödsbagarn, Schulstad, FINN CRISP, Vaasan, GoGreen and Gooh.

Market and business environment

The summer drought and high temperatures had a major impact on the year's harvest in northern Europe, which in turn led to sharp price increases for the grain raw material. For the first time in many years, Lantmännen was forced to import grain into Sweden. Food is affected by strong price pressure, and competition from private labels remains strong.

Online food shopping is showing rapid growth in the global market, and dry goods in particular are moving from stores to online. Online food shopping in the US is expected to account for 20 percent of total food shopping in 2025. Sweden's online food sales are half the US proportion, but with strong growth and sales, they are expected to exceed 2 percent of total food shopping in 2018.

Health, sustainability and origin are important consumer trends in the Nordic region, and there is keen interest in products with low climate impacts and organic goods. "Green eating" is increasing; more and more people are identifying as flexitarians and asking for non-meat proteins. The health trend

Involves increased demand for products with no added sugar, low-salt products and gluten-free foods. There is also growing interest in *functional foods* – products that promote intestinal health and enhance well-being and functions of the body. Consumers appreciate sustainable brands with clear purposes and companies are aiming for uniqueness with niche products.

Key sustainability issues

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

Outlook for 2019

Lantmännen's position in the market with large investments in research, development and innovation throughout the value chain means that we are well positioned to meet external trends. The Food Sector is focusing on generating profitable growth and further trimming the production infrastructure by measures such as continued efficiency improvements, digitalization and factory optimization. Through investments in both production and our brand portfolio, we continue to create efficiency throughout the value chain from field to fork, developing and producing food products with clear added values and in line with consumer preferences.

Food Sector, Key figures

	2018	2017
Net sales, MSEK ¹⁾	15,351	14,349
Operating income, MSEK	748	739
Operating margin, %	4.9	5.2
Return on operating capital, %	5.0	5.4
Investments in non-current assets, MSEK	891	1,351
Average number of employees	6,568	6,499
of which women/men, %	41/59	40/60
Women/men in executive management, %	25/75	25/75
Sick leave, %	4.9	4.9
CO ₂ emissions, thousand tonnes	120	140

¹⁾ Including intra-Group sales.

Excl. items affecting comparability

	2018	2017
Operating income, MSEK	787	708
Operating margin, %	5.1	4.9
Return on operating capital, %	5.3	5.1

Sales by market

	2018	2017
Nordic countries	62 %	63 %
Rest of Europe	32 %	30 %
Rest of world	6 %	7 %



Lantmännen Cerealia

Lantmännen Cerealia develops, produces and markets products such as flour, hulled grains, breakfast products, pancakes, crispbread, pasta, ready meals, beans and lentils.

Lantmännen Cerealia's vision is to be the Nordic region's leading food company. The basis is grain and other raw materials produced on our members' farms. The Nordic countries are our home market, but the products are sold in more than 40 countries globally.

Business environment

The extreme weather conditions in spring and summer 2018 had significant effects on the harvest, thereby also influencing the production of Swedish grain. Lantmännen Cerealia's results were adversely affected by lower grain quality and the fact that grain prices rose more than consumer prices.

Supply of food products has increased in recent years, as producers, retailers and food companies seek new ways to attract consumers. However, shelf space and sourcing of goods set boundaries for the ever-increasing supply. With greater use of new digital channels and tougher competition in the market, there are higher requirements for efficiency throughout the value chain.

Consumers continue to demand discount products, such as private labels, but are willing to pay a higher price for premium products or products that contribute to sustainability and promote better health. As we, and a number of other competitive companies, operate in an environment

that is under constant development, we must continuously develop and improve the product range for customers and consumers.

Market and market performance

Lantmännen Cerealia gained market shares in most categories during the year and we will continue to sharpen our range and increase the focus on our core areas in 2019. Lantmännen Cerealia has had continuing success in the growing breakfast category, both with new products and the basic range.

During the year, it was decided to discontinue the baby food category due to challenges in creating long-term profitability.

Lantmännen Cerealia acquired part of the operations of the food company Ceres i Skåne AB in Bjuv. The acquisition safeguards the long-term production of bread and cake mixes.

Thanks to an improved structure and higher cost efficiency, the modernized mill in Strängnäs has been producing according to plan since August.

In early 2018, Lantmännen Cerealia gathered all operations outside the Nordic region into a new organizational structure called *International Business*. With Ukraine, Russia and the export operations as a single entity, Lantmännen ►►

Lantmännen Cerealia, key figures	2018	2017
Net sales, MSEK ¹⁾	4,139	3,980
Average number of employees	1,361	1,182
of which women/men, %	42/58	42/58

¹⁾ Including intra-Group sales.

Lantmännen Cerealia's brands





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Lantmännen Cerealia works mainly with Nordic raw materials, producing in a sustainable way.





Lantmännen Cerealia has a strong Nordic presence, but our products are available all over the world.

Cerealia will be able to realize its international strategy in an integrated way. Overall, the international business shows stable growth, primarily driven by the operations in Ukraine and the FINN CRISP range. During the year, we continued to build our brands together with professional bakers, chefs and school cooks. We have organized and supported the Swedish Baking Championships, the Swedish Pizza Championships and SkolmatsGastro, a Swedish competition for school cooks.

Product launches

There were several successful launches during the year. Two new crispbreads based on root vegetables were launched under the FINN CRISP brand and we expanded our successful

breakfast range with the launch of a new granola from AXA. START was relaunched with an updated design and several new flavors. GooH introduced new dishes in partnership with the Michelin restaurant Agrikultur and GoGreen launched new grain and bean mixes.

Outlook for 2019

Lantmännen Cerealia continues its work on continuous improvements and streamlining throughout the value chain. The focus is on the core business and securing profitable volumes in all categories. We are focusing on a narrower, more focused range, a simplified organization and maintenance investments in our production lines. Growth is expected to be in line with the market.

Lantmännen Unibake

Lantmännen Unibake is Europe's second-largest bakery company, with 36 bakeries in 15 countries. The company offers frozen and fresh bakery products to the food retail sector and restaurant market in more than 60 countries around the world. Lantmännen Unibake has a long history of successful concepts and products of high quality, with a wide range of well-known brands.

Profitable strategy and balance between markets

Lantmännen Unibake follows a well-defined and profitable strategy that was updated in 2017 with the new mission: "Towards billions of smiling tummies". Implementation of the strategy has led to increased organic growth, while cost-saving initiatives throughout the business have been strengthened. In 2018, Lantmännen Unibake improved its results once again.

With its robust market portfolio, Lantmännen Unibake has outperformed the market through strong growth, notably in Russia, Romania, the UK and Finland. All product categories contributed to the overall growth. Growth in bread for fast food was strongest, but good growth was also noted in retail and restaurants.

Challenges during the year

2018 also presented certain challenges, including soaring butter prices at the beginning of the year, which could not be fully offset by price increases in all markets. In the latter part of the year, rising grain prices driven by the dry, hot summer had a negative impact on business. However, we expect to be able to compensate for this through cost-based price increases in virtually all markets.

The fire in 2015 and the subsequent reconstruction of the bakery in Londerzeel in Belgium led to a temporary loss of business which still affects our Belgian operations. Great efforts are being devoted to building up the business to its previous size. ►►



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We offer the market's widest and most exciting bake-off range. We put great effort into offering the latest innovations and always striving to have the best range!

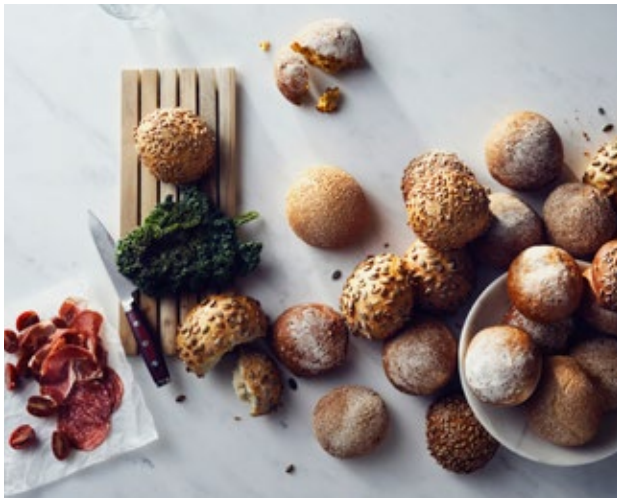
Lantmännen Unibake, key figures

	2018	2017
Net sales, MSEK ¹⁾	11,587	10,726
Average number of employees	5,206	5,316
of which women/men, %	41/59	41/59

¹⁾ Including intra-Group sales.

Lantmännen Unibake's brands





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In February 2018, Lantmännen Unibake’s bakery in Londerzeel was awarded the prestigious “Factory of the Future” award for its world-class production technology, human-centered production and environmental measures.

Well equipped for the future

After the first full production year for the Polish bakery in Nowa Sól, Lantmännen Unibake has successfully completed the start-up phase. The bakery in Nowa Sól will supply to Poland, other parts of Eastern Europe and Germany, with some of the range also going to the Nordic markets, further strengthening Lantmännen Unibake's position in the Baltic Sea region.

In Londerzeel, our bakery is being expanded with the aim of strengthening competitiveness and offering our customers first-class bakery products. The bakery produces baguettes and wheat bread of premium quality.

With the bakery in Romania as its starting-point, Lantmännen Unibake has expanded its operations in south-eastern Europe, thereby strengthening the geographical presence.

Strong foundation for continued growth

Great focus is placed on leadership development throughout the Lantmännen Group. A stable platform has been created through Lantmännen Unibake's global leadership development program and Lantmännen's overall training program.

Work on digitalization continues, with a focus on loyalty building and a new platform for our ERP system. This enables dialogue with more customers and in this way, we reach a broader customer group.

Implementation of a new innovation strategy allows more structured and homogeneous product development throughout the company. The strategy means that resources are invested in projects associated with the most important market trends.

During the year, Lantmännen Unibake showed significant success in sales and business planning. The development of cross-market and cross-functional business processes has enabled more optimal utilization of the bakeries, with a focus on the most profitable business, high and constant capacity utilization and minimization of waste and shortages. Lantmännen Unibake's logistics program also developed well during the year, bringing significant cost savings.

Sustainability is high on the agenda for all Lantmännen Unibake's stakeholders throughout the supply chain. Electric trucks have been introduced in Denmark and logistics have been adapted to optimize vehicle use, with more direct lines to customers in order to save storage and transport costs.

Outlook for 2019

Lantmännen Unibake is well positioned for profitable growth and has a clear plan to meet potential challenges, such as raw material price increases, use of new production lines and complex launches. Lantmännen Unibake's global strategy means that we are stronger and more competitive than before and we see significant scope for further good growth in our operations.



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We are proud to be able to offer the market's most varied range of bread – from dough and part-baked to finished loaf.



Swecon Business Area

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. Swecon offers a broad range of construction machinery, equipment, spare parts, servicing and support. The Business Area accounts for 18 percent of the Group's sales.

Swecon also provides training for drivers, instructors and entrepreneurs. The product range consists of wheel loaders, excavators, dumpers, rigid haulers and road construction equipment.



Swecon has developed well and has a positive market situation

On January 1, 2018, an organizational change was made in order to create more consistent and customer-oriented businesses. Under the change, Swecon became an independent business area within Lantmännen.

Business environment and market

Swecon's markets all continued to show good growth due to the boom in construction and civil engineering and major investments in infrastructure.

The combination of a larger machinery population and increased use of machines has increased the need for servicing and spare parts in all geographical areas, and Swecon's workforce has risen, particularly in terms of technicians in Sweden and Germany.

The Swedish market remains at a high level, and sales are in line with the previous year's record levels. The German and Baltic markets are growing. In the Baltic countries, there is intense competition to maintain market shares.

At the beginning of the year, Swecon was named the best dealer in Volvo Construction Equipment's EMEA region (Europe, Middle East, Africa and Russia). In fierce competition with 66 authorized dealers, Swecon Sweden was designated "2017 Dealer of the Year" by Volvo CE. Swecon Germany was placed third.

A new digital service, *mySwecon*, was presented for Swedish and German customers. The service contains information

about the customer's machines and enables servicing booking and spare parts purchasing via Swecon's e-commerce. More services in the areas of machinery, servicing, support and finance will be built into the portal in the future. The service is based on the same technical platform as LM².

Key sustainability issues

Key sustainability issues include energy-efficient, high-quality and safe machinery that contributes to sustainable development and safe working environments, and responsible sourcing and business relationships. The process of analyzing climate emissions from Swecon's operations began during the year. Swecon also engages in regular dialogue with the real estate companies with regard to energy efficiency. Higher fuel efficiency in the next-generation wheel loaders will mean reductions in climate emissions from machines.

Outlook for 2019

The global construction machinery market is showing a stable 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. The challenge continues to be maintaining and gaining market shares, and developing and retaining employees to meet customer requirements. Swecon will continue to focus on digitalization and the

Swecon Business Area, key figures	2018	2017
Net sales, MSEK ¹⁾	8,252	7,361
Operating income, MSEK	440	372
Operating margin, %	5.3	5.1
Return on operating capital, %	104.6	82.0
Investments in non-current assets, MSEK	405	515
Average number of employees	1,119	1,053
of which women/men, %	11/89	11/89
Women/men in executive management, %	13/87	22/78
Sick leave, %	4.4	- ²⁾
CO ₂ emissions, thousand tonnes ³⁾	-	-

¹⁾ Including intra-Group sales.

²⁾ New organization from 2018.

³⁾ Swecon is not covered by the measurement of carbon dioxide emissions, see [page 162](#).

Excl. items affecting comparability	2018	2017
Operating income, MSEK	440	372
Operating margin, %	5.3	5.1
Return on operating capital, %	104.6	82.0

Swecon Business Area's brands





mySwecon service, e-commerce and the development of common working methods.

Operations

Sweden

Demand for new machines is still high and the number of Volvo machines in the Swedish market is increasing. In 2018, Swecon in Sweden strengthened its workforce with more service technicians and spare parts employees.



Swecon supports schools in training mechanics and service technicians.

During the year, Swecon arranged “information days” to present us as a future employer. The information days enable pupils to see and test Volvo’s machines, but above all they get to meet our employees.

The keen interest in customer training has continued. An example of the initiatives is “*Eco Operator*”, which provides training in eco-driving to help customers reduce costs, contributing to lower environmental impacts, a better work environment and less machinery wear.

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

An agreement was signed with the Swedish Defence Materiel Administration for the delivery of about 50 new wheel loaders per year over the next two years, with an option for a further two years. The agreement also includes technical system support, other support, spare parts and servicing.

During fall, the first ground was broken for a new facility in Mölndal. The facility is expected to be completed in fall 2019.

Germany

The German construction machinery market remains stable and at a high level. Swecon’s market shares have developed positively, particularly for larger wheel loaders, excavators and dumpers. Sales rose in all business areas: new machines, rental, servicing and spare parts.

The “*SmartRent*” rental network continued to grow and now includes more than 30 partners. The network of partners was further developed in order to expand regional coverage and to increase market shares, mainly for compact machines.

A *LEAN Management* program has been introduced with the aim of improving and streamlining workflows and cross-functional collaboration. A health program for employees was introduced.

Baltic region

The construction sector continues to perform well in the Baltic region, due to large infrastructure projects and new building. The *Rail Baltica*, project, a train connection between Tallinn and Berlin, will result in increased sales and higher demand for accessibility and service.

In Estonia, the market is growing and more excavators are being sold than wheel loaders.

Swecon offers used spare parts as a supplement to new original parts and also performs major repairs and renovations of older machines.

New service points have been established in Latvia and Lithuania, in which field service technicians are based. The machine rental market, for both large (general purpose equipment) and compact machines, continues to grow.

The recruitment of technicians for Swecon’s new facility in Tallinn has begun and the facility is expected to be ready in 2019.



“
The construction and civil engineering industry is booming and it is a challenge to recruit, retain and train employees in line with the market’s increasing needs.



Real Estate Business Area

The Real Estate Business Area includes Lantmännen Fastigheter and Lantmännen Agrovärme. Lantmännen Fastigheter manages commercial premises, such as offices, shops, workshops and warehouses. Lantmännen Fastigheter's task is to provide Lantmännen with appropriate premises and optimize external revenues.

Premises are rented out both externally and internally with the strategy to increase the proportion of external rental income. Lantmännen Fastigheter works to concentrate the property portfolio on a number of strategic locations in Sweden.



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

Lantmännen Real Estate manages about 150 properties in 80 locations, with a total surface area of about 1,200,000 m², one-tenth of which is owned by Lantmännen's Grodden pension fund. About half of the rental income comes from external tenants. The property portfolio is largely concentrated on locations where Lantmännen has its own operations in Sweden, and properties that do not fit in the company's management strategy or have limited development opportunities 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 2018, including the acquisition of four properties in Finland. The properties are production facilities that are leased to Lantmännen Lantbruk and were part of the transaction with the Finnish company Raisio.

In addition, land was acquired in Mölndal to build a new facility for Swecon, which will be completed by the end of 2019. Complementary acquisitions of land have been made in Kalmar and in Lidköping to meet the development of Lantmännen's internal operations.

Lantmännen Fastigheter continues its focus on the development and management of community properties through the jointly-owned company Lanthem. About ten projects have been identified within Lantmännen Fastigheter's project portfolio. The project portfolio is land that Lantmännen does not need for its own operations over time.

Market developments

The property market remained good during 2018. Rental growth was particularly strong for offices in large cities. The transaction volume for property in Sweden is high and there is keen foreign interest in Swedish property. However, the market for housing development projects has more or less ground to a halt. Prices of newly built homes have fallen and homes has been difficult to sell in some cases.

Lantmännen Agrovärme

Lantmännen Agrovärme supplies district heating and ready heat, i.e. locally produced and delivered hot water, to 14 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 2018 were in line with the previous year as a result of continued cost-awareness and well implemented fuel purchases.

Key sustainability issues

Key sustainability issues for the Real Estate Business Area include energy-efficient properties and sustainable heat production with low climate impacts, future-proofing properties for climate change, and responsible sourcing and business relationships.

Outlook for 2019

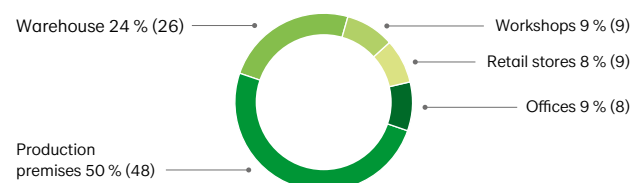
Lantmännen Fastigheter will continue to work on the development of Malmö Port, both under the collaboration with Lanthem Samhällsfastigheter and alone. Lantmännen Agrovärme continues to focus on acquisitions and business development.

Real Estate Business Area, key figures	2018	2017
Net sales, MSEK ¹⁾	525	511
Operating income, MSEK	265	302
Return on operating capital, %	11,9	14,3
Investments in non-current assets, MSEK	125	440
Average number of employees	46	45
of which women/men, %	42/58	40/60
Women/men in executive management, %	40/60	29/71
Sick leave, %	1.0	0.5
CO ₂ emissions, thousand tonnes	4.2	3.9

¹⁾ Including intra-Group sales.

Excl. sale of properties	2018	2017
Operating income, MSEK	213	204
Return on operating capital, %	9.6	9.7

Real Estate Business Area, surface distribution





Lantmännen's international ownership

Lantmännen has interest holdings in a number of international companies. These companies' operations are primarily located in the Nordic region, Germany, Poland and the Baltic countries. Lantmännen's share of income is reported in the relevant Sector or Business Area. With these holdings, Lantmännen is well positioned to offer customers in Sweden and in export markets long-term business relationships with stable delivery performance.

Sweden is our base and the Baltic Sea region is our expanded home market, as a platform for continuing international investments.

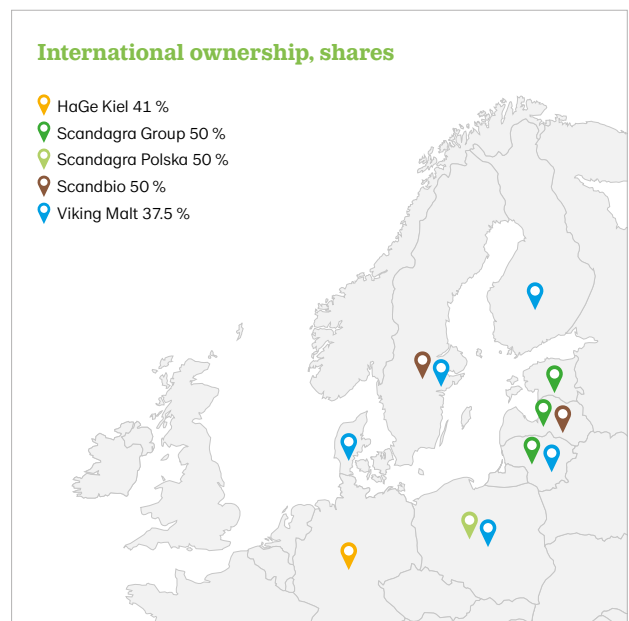


International ownership creates value for Lantmännen



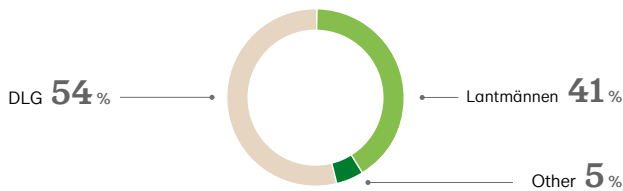
An important part of Lantmännen's strategy Field to Fork 2030 is to manage and profitably develop strategic portfolio holdings. The holdings create value for Lantmännen and agricultural companies in the Baltic Sea region and offer significant development opportunities through economies of scale, with increased power in the market.

In order to strengthen and expand existing international agricultural cooperation, Lantmännen and the Danish agricultural company DLG (Dansk Landbrugs Grovvarerelskab) 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.





Holdings HaGe Kiel



HaGe Kiel Part of the Agriculture Sector

Hauptgenossenschaft Nord (HaGe Kiel) has an annual turnover of approximately EUR 2 billion and about 1,550 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 engages in grain trading, sales of inputs for agriculture and the manufacture and sale of feed. Lantmännen's share of income is included in the Agriculture Sector.

Holdings Scandagra Group and Scandagra Polska



Scandagra Group Part of the Agriculture Sector

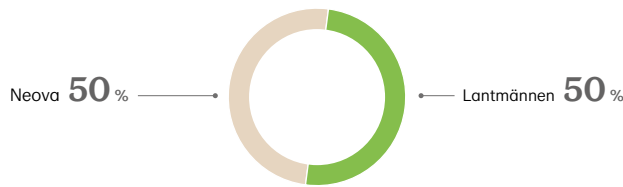
Scandagra Group operates in the Baltic region. The Group has an annual turnover of just over EUR 300 million and about 350 employees. The company is jointly owned (50-50) by Lantmännen and DLG. The operations are conducted through three sales companies – Scandagra Eesti, Scandagra Latvia and Scandagra 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, a merchant of grain and other inputs in the Polish agricultural market, has an annual turnover of just over PLN 400 million (approximately EUR 100 million) and about 120 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.



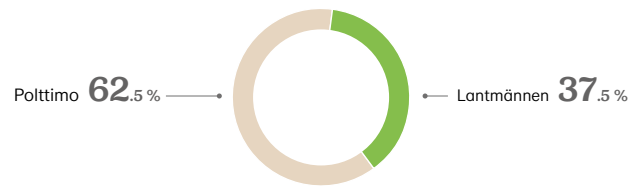
Holdings Scandbio



Scandbio Part of the Energy Sector

Scandbio is the largest solid processed wood fuel company in Sweden and sells 100 percent renewable energy in the form of heat pellets, wood powder, briquettes, biomass logs and bedding pellets. The products are manufactured by using residues from the sawmill industry. The company has an annual turnover of approximately SEK 1 billion and about 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.

Holdings Viking Malt



Viking Malt Part of the Food Sector

Viking Malt refines 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 EUR 200 million 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.

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Board of Directors' Report

The Board of Directors and President & CEO of Lantmännen ek för, Corporate Identity No. 769605-2856, hereby present the annual report for the 2018 financial year. The earnings and financial position of the Parent Company and Group are presented in the following income statements and statements of financial position, with associated comments and notes.

The Group in brief

- **Net sales** for the Group amounted to MSEK 43,962 (39,686), an increase of 11 percent. Organic growth was 4 percent and currency translation effects were 2 percent, while acquired and divested operations accounted for the remainder of the increase.
- **Operating income** was MSEK 1,443 (1,677) and adjusted for items affecting comparability MSEK 1,580 (1,708).
- **Income after financial items** totaled MSEK 1,250 (1,521) and adjusted for items affecting comparability MSEK 1,387 (1,552).
- **Net income after tax** was MSEK 1,182 (1,305).
- **Investments** totaled MSEK 1,825 (2,593).
- **Cash flow before financing activities** was MSEK -824 (-703).
- **The Board of Directors** proposes a dividend in the form of a refund and supplementary payment of MSEK 156 (245), a contribution dividend of MSEK 213 (222) and a contribution issue of MSEK 250 (100).

Description of financial performance measures → see page 144.

The Group's business and organization

Lantmännen is a farmers' cooperative and Northern Europe's leader in agriculture, machinery, bioenergy and food products. Lantmännen creates value from farmland resources in a responsible manner and is part of food consumers' everyday life.

Distribution of Group's net sales



From January 2018, Lantmännen consists of the Agriculture Sector, the Energy Sector, the Food Sector, the Swecon Business Area and the Real Estate Business Area.

The Group is divided into three Sectors and two Business Areas: the Agriculture Sector, the Energy Sector, the Food Sector, the Swecon Business Area and the Real Estate Business Area. Lantmännen is owned by 25,000 farmers, who are also members, business partners and important customers.

Agriculture Sector MSEK 19,338*

The Agriculture Sector, which constitutes Lantmännen's core business, develops and offers products and services to promote strong, competitive farming. The Sector operates in Sweden and internationally and accounts for 42 percent of Lantmännen's sales.

From 2018, Lantmännen Maskin is part of the Agriculture Sector. The focus is on developing synergies between the companies and increasing accessibility and presence.

The Agriculture 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.

Lantmännen Lantbruk Sweden

Lantmännen Lantbruk Sweden offers farmers a wide range of products for livestock and crop production and is a major participant in the grain market through the purchase of grain, oilseeds, pulses and forages, which are sold on to grain traders and Swedish and international industry.

Lantmännen Lantbruk Finland

Lantmännen Agro Oy operates through 40 independent retailers providing inputs for crop production, feed and parts and equipment. The company also trades in grain in the Finnish market. The Finnish company *Raisio's* cattle feed business, now renamed *Lantmännen Feed*, was acquired in November 2018.

* Net sales



Rest of world

The main activity of *Lantmännen Agro A/S* is purchasing grain in Denmark. *Lantmännen SW Seed BV* conducts plant breeding of rye, wheat and potato at the processing station in Emmeloord, Netherlands.

Lantmännen Maskin

Lantmännen Maskin imports, markets and sells agricultural machinery, has an extensive range of spare parts and provides services. *Lantmännen Maskin* has a nationwide network in Sweden, supplemented by about thirty service partners, which offers strong brands such as Valtra, Fendt, KUHN and Väderstad. *Lantmännen Maskin* is also responsible for imports and market support for the Massey Ferguson brand in Sweden.

Energy Sector MSEK 3,117*

The Energy Sector is Sweden's largest producer of bioenergy products and accounted for 7 percent of the Group's sales. The Sector manufactures and markets sustainable ethanol, protein feed, carbon dioxide, starch products, alkylate petrol, vodka, gluten, lubricants and chemical products. The Sector is also responsible for *Lantmännen's* ownership interests in the partly owned company *Scandbio*, Sweden's largest solid processed wood fuel company. The Energy Sector consists of:

Lantmännen Agroetanol: a large-scale biorefinery with grain as its main raw material. The company processes the renewable raw material into alternatives to fossil or non-sustainable products.

Lantmännen Aspen: includes the brands Aspen, Agro Oil and Marline. The company develops, manufactures and markets Aspen alkylate petrol, an environmentally friendly petroleum product, almost completely free from harmful products like benzene and other aromatics.

Lantmännen Reppe: one of Sweden's oldest companies, creating value by processing wheat into wheat gluten, vodka, starch products and animal feed.

* Net sales

Food Sector MSEK 15,351*

The Food Sector refines grain and other raw materials from farmland and produces, among other things, flour, bread, breakfast products, pasta and ready meals. The Food Sector consists of *Lantmännen Cerealia* and *Lantmännen Unibake* and *Lantmännen's* ownership interests in the partly owned company Viking Malt. The Sector accounts for 32 percent of the Group's sales and produces food in 46 facilities in just over 20 countries. The Sector has many well-known brands such as Kungsörnen, AXA, START, Bonjour, Hatting, Korvbrödsbagarn, Schulstad, FINN CRISP, Vaasan, GoGreen and Gooh.

Lantmännen Cerealia develops, produces and markets products such as flour, hulled grains, breakfast products, pancakes, crispbread, pasta, ready meals, beans and lentils. The basis is grain and other raw materials produced on the members' farms.

Lantmännen Unibake is Europe's second-largest bakery company, with 36 bakeries in 15 countries. The company offers frozen and fresh bakery products to the food retail sector and restaurant market in more than 60 countries around the world.

Swecon Business Area MSEK 8,252*

The Swecon Business Area 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. *Swecon* offers a broad range of construction machinery, equipment, spare parts, servicing and support.

The product range consists of wheel loaders, excavators, dumpers, rigid haulers and road construction equipment. *Swecon* also provides training for drivers, instructors and entrepreneurs. *Swecon* was established as an independent business area on January 1, 2018 and accounts for 18 percent of the Group's sales.

Real Estate Business Area MSEK 525*

The Real Estate Business Area consists of *Lantmännen Fastigheter* and *Lantmännen Agrovärme*. *Lantmännen Fastigheter* manages commercial premises, such as offices,



shops, workshops and warehouses. Premises are rented out both externally and internally. The company's assignment is to provide Lantmännen with appropriate premises and optimize external revenue.

Lantmännen Agrovärme supplies district heating and ready heat to certain locations in central and southern Sweden.

Long-term financial targets and outcomes

Lantmännen defines the overall profitability target as a return on equity of 8 percent. Return on equity in 2018 was 7.6 (9.0) percent and adjusted for items affecting comparability 8.2 (9.4) percent.

Lantmännen's target for the equity ratio is at least 40 percent. The equity ratio was 43.2 (43.3) percent at the end of 2018.

Changes in the Group structure in 2018

In November, Lantmännen acquired the Finnish company Raisio's cattle feed business (renamed *Lantmännen Feed*) through the acquisition of shares and assets and a loan repayment. The business has annual sales of about EUR 74 million and a market share of about 35 percent of the Finnish cattle feed market. About 70 employees in Finland were included in the acquisition.

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

Election of the Board

At Lantmännen's AGM in May, Kerstin Arnemo and Sonat Burman-Olsson were elected as new Board members to succeed Thomas Magnusson and Pauline Lindwall.

Board members Ove Gustafsson and Ulf Gundemark were re-elected at the meeting. The meeting adopted a contribution dividend and contribution issue which with the refund and supplementary payment represents a dividend of MSEK 566 to members.

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

Lantmännen's action package

In August, to ease the negative economic effects of the drought, Lantmännen presented an action package for members, with a total value of about MSEK 220, which was expanded in November. The package comprises:

- Extra dividend for 2017 calculated as 2 percent on trading with Lantmännen Lantbruk Sweden in the period January to August 2018. The dividend, which amounted to MSEK 133, was paid in September after adoption by the Extraordinary General Meeting on September 1, 2018.
- Extra discount and supplement of MSEK 55 calculated as 2 percent on trading with Lantmännen Lantbruk Sweden from September to the end of December 2018.
- Waiving of the SEK 0.10 per kilo charge on repurchased grain contracts, estimated value MSEK 23.
- 1.5 percent reduction in the interest rate on Lantmännen's financing service in the period September 1, 2018 to September 30, 2019, estimated value MSEK 12.
- Offer of special credit for managing the cost of repurchasing non-fulfilled forward contracts and pool agreements.

Extraordinary General Meeting

As part of Lantmännen's action package to ease the negative economic effects of the drought, the extraordinary general meeting on September 1, 2018 adopted an extra dividend for 2017, calculated as 2 percent on trading with Lantmännen Lantbruk Sweden during the period January to August 2018. The dividend, which amounted to MSEK 133, was paid in September.

Other significant events in 2018

On January 1, 2018, Lantmännen Maskin was moved to the Agriculture Sector as a retained organizational unit and Swecon became a separate business area. Agro Oil became part of Lantmännen Aspen in the Energy Sector. The Machinery Sector ceased as an organizational unit.

In February, Lantmännen received an official investment grade rating of Baa3, stable outlook, from the credit rating agency Moody's.



In August 2018, it was announced that Lantmännen Agroetanol was engaged in a settlement process with the European Commission in the ethanol investigation.

In August, Lantmännen ek för entered into a new loan agreement, a Revolving Credit Facility, which replaced the previous agreement. The new agreement, which has more favorable terms than the old agreement, is valid until 2023.

Kerstin Arnemo resigned from the Lantmännen Board in October at her own request.

In November, the Lantmännen Board decided on an update of Lantmännen's dividend policy. The decision means that the contribution issue to members is now distributed as follows: 50 percent (previously 75 percent) on paid-in and issued capital and 50 percent (previously 25 percent) on members' turnover with Lantmännen. Other parts of the dividend policy are unchanged.

Lantmännen and Felleskjøpet Agri initiated a collaboration to develop digital agricultural services. At the same time, the Norwegian company Felleskjøpet Agri became an owner of Lantmännen's subsidiary Dataväxt, which provides digital services for Swedish farmers. Lantmännen is still the majority owner of Dataväxt.

Lantmännen was named Sweden's most sustainable brand in the fast-moving consumer goods category in the Sustainable Brand Index (SBI) survey of Swedish business customers, which was presented in November. Earlier in the year – when SBI published its brand survey of Swedish consumers – Lantmännen was named Sweden's most sustainable food brand and Sweden's third most sustainable brand.

Risks and risk management

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

Strategic risks

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

Operational risks

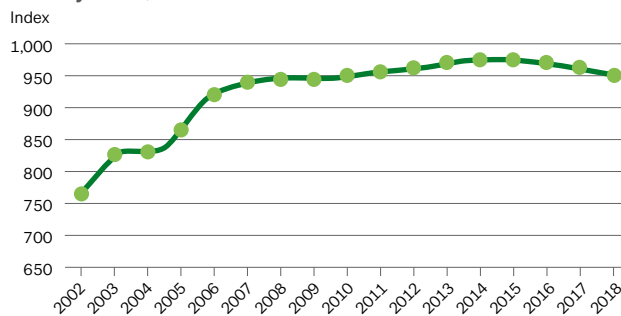
Operational risks are part of the Sectors' day-to-day operations and include risks of handling errors that compromise quality and safety, risks associated with IT security and operation, compliance with laws and regulations, and risks in financial reporting and internal control. Operational risks are governed through policies and guidelines, and managed in internal processes, programs and according to routines. Monitoring takes place within the process, e.g. internal control, external control and auditing, other internal monitoring and reporting to management. A large proportion of the operational risks are managed through insurance – a combination of Lantmännen's insurance company Dirual and a number of public insurance companies with good credit ratings.

Quality risks are managed through Lantmännen's comprehensive product quality and product safety programs.

As a risk-prevention measure, about 50 facilities are inspected annually on the basis of Lantmännen's Safety and Security Guidelines. The purpose is to identify and control risks, which in the long term saves lives and prevents personal injury, and to protect property and results.



Safety level, facilities



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

These inspections result in recommendation and inspection reports with action lists for injury and damage prevention, safety and risk quality improvement, and cost reduction for insurable risks.

Financial risks

Lantmännen is exposed to financial risks that could cause fluctuations in earnings, cash flow and items in the statement of financial position. This risk management is described in the financial policy, Lantmännen's overall governing document for financial risks, adopted annually by the Board. Monthly debriefings on the current financial risks, compliance with the adopted risk mandate and compliance with the financial policy take place via a risk committee headed by the Group's CFO, with regular reporting to Group management and the Group Board.

Agreements have been signed with several banks to safeguard Lantmännen's long-term financing and a number of capital market programs have been established.

The central treasury function is responsible for financing, control of financial risk, liquidity planning, payment solutions and capital efficiency projects. Risk consolidation

and control minimizes the actual risk and also the costs of measures such as hedging currency flows and financing of Lantmännen.

Financial transactions with a financial or commercial counterparty are subject to credit risk, which is minimized by credit control of customers and a good spread of customers across multiple segments and markets. In rare cases, credit insurance is also used. Counterparty risk in financial transactions is minimized by using several different players with good credit ratings. Every year, Lantmännen handles large volumes of grain sourced locally in Sweden or internationally. The grain is sold internally to Lantmännen's industries and to external customers. Changes in grain market prices expose Lantmännen to commodity risk when buying and selling. Commodity risk is minimized by matching purchases and sales or by price hedging in the financial markets. Commodity risk is monitored daily through Lantmännen's own commodity risk system, and each business unit's risk is checked against the permitted risk in the established risk policy. Financial and risk policies are reviewed by the Risk Committee and ratified annually by the Group Board.

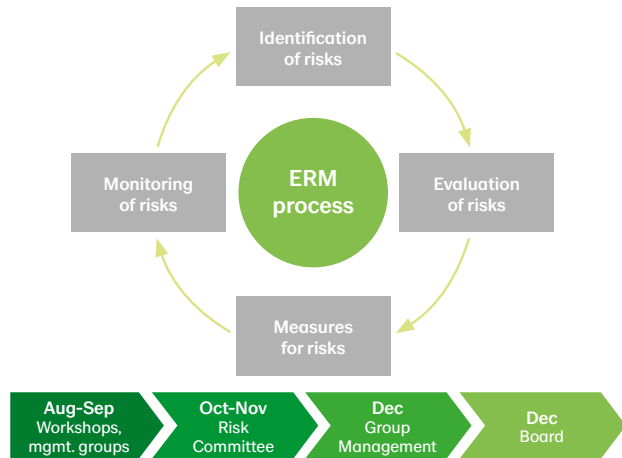
Risk management process

The risk management process is established as an annual Group-wide ERM (Enterprise Risk Management) process that includes the functions Group Risk Management, Group Compliance, Sustainable Development, Health and Safety, Information and IT security and Internal Audit.

Each business unit's risks are identified and assessed based on their effect on results, reputation and people, and risk measures are established in workshops with the management group. The Group's risks are aggregated and the largest identified risks are dealt with by the Risk Committee and Group management, and decisions are made by the Board. This work forms the basis for Lantmännen's risk management and risk identification. The business managers are responsible for implementing risk management in the daily operations, and risk identification, risk management and continuity planning are an important part of every manager's responsibility.



Risk management process



Sustainable business development

Sustainable business development is a key part of Lantmännen's corporate strategy and focuses on farmland resources in the grain value chain. Sustainable business development work is an answer to, and a part of, strategic and operational risk management. Working with customers and suppliers, there is potential to significantly reduce the impact on the environment and natural resources, while generating profitable growth from new and existing businesses that meet the needs of the outside world and the market for responsibly produced food, bioenergy and bio-based materials.

During the year, Lantmännen developed its focus on cultivation concepts with added values for health and the environment. Kungsörnen's friendlier flours *Ett vänligare vete* and *En vänligare råg* are produced using a method with up to a 20 percent lower climate impact. Another example is the focus on Swedish-grown beans and durum wheat from Gotland that are made into pasta. Lantmännen Agroetanol's development of climate-friendly ethanol from grain and also from waste from the food industry are other examples. Lantmännen's organic strategy is to develop and drive the organic market in all parts of the value chain, and its target is to double trade in organic grain to 200,000 tonnes by 2020. Lantmännen's climate work is geared towards the goal of reducing climate emissions by 40 percent in the period 2015-2020 for its own production and reducing emissions from purchased transport by 70 percent in the period 2009-2030. The targets focus on fossil-free production and transport, continuing energy efficiency and investments and measures to reduce the climate emissions throughout the value chain.

Ensuring responsibility – implementation of the Code

Lantmännen's Code of Conduct applies to the entire operations and all employees are trained in the Code. At the end of 2018, 90 (83) percent of employees had completed training in the Code of Conduct. The Code of Conduct is a guiding principle for the behavior and decisions of employees, and also applies to Board members and elected representatives in the member organization and Board members who represent Lantmännen

Financial risk management and control





in partly-owned enterprises. The Code also applies in applicable parts to suppliers and partners. All employees can report any deviations from the Code through a whistleblowing system.

Lantmännen's Code of Conduct forms the basis for evaluation of potential acquisitions and holdings. Implementation of the Code is part of the integration process for new acquisitions. Lantmännen's CSR (Corporate Social Responsibility) Committee has overall responsibility for ensuring the organization is able to implement and follow up the Code of Conduct. The CSR Committee includes representatives from Group management and other managers responsible for specific areas in the Code of Conduct.

To ensure responsibility in the supply chain, implementation and monitoring of Lantmännen's Supplier Code of Conduct is an integral part of the purchasing process. Lantmännen's Supplier Code of Conduct contains general guidelines to ensure a good work environment and social conditions, environmental responsibility, good business ethics, and safe, responsibly produced products. The Supplier Code emphasizes that there is zero tolerance for violation of anti-corruption or competition laws. The Code applies to all suppliers. All suppliers with an annual purchase volume over MSEK 1 or a high annual risk over SEK 300,000 are subject to background monitoring and are followed up with self-assessment and/or audit. In 2018, 92 (90) percent of Lantmännen's purchase volume came from suppliers

assessed and approved in this way. Monitoring through independent third-party audits prioritizes supplier and purchasing categories with a high risk and significant improvement potential. Imported raw materials such as soy and palm oil are important categories in terms of responsibility and Lantmännen supports responsible production by only purchasing RSPO-certified palm oil and responsibly produced soy as defined by the Swedish Soy Dialogue.

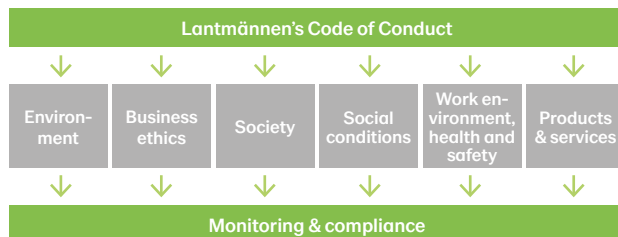
Lantmännen's business ethics compliance program includes compliance with competition and anti-corruption legislation. Regular risk assessments, communication, control and monitoring and training are carried out under the program. Lantmännen also has a risk-based due diligence process for managing sustainability risks, with a particular focus on counterparty corruption.

Compliance and monitoring

The entire Group is responsible for ensuring compliance with the Code of Conduct and policies, and working towards sustainability ambitions, targets and strategies. Monitoring and analysis of business development is conducted at different levels and frequencies. The CSR Committee decides on and monitors key performance measures. For all transactions, implementation of the Code of Conduct and the Supplier Code of Conduct is monitored on a four-monthly basis through minimum responsibility requirements. The results are reported to business management and Group management.

Group Management's four-monthly follow-up with the business area managers includes a Sustainability Business Review. An annual quality review of Lantmännen's production is conducted, which includes product quality and processes, sustainability performance, purchase and sales agreements, and product-specific requirements. Part of the review is an analysis of how food production has implemented governing documents with criteria for responsibly produced food.

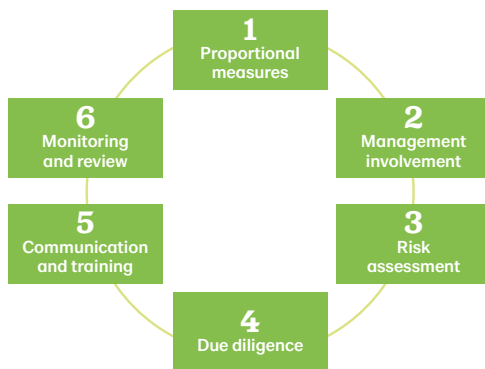
Lantmännen's Group Compliance function reports regularly to the Board and Group management on compliance, identified risks and the status of work in the business ethics compliance program. Compliance with the Code of Conduct



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



Lantmännen's business ethics compliance program



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

is reviewed annually by Group management and the Board follows up deviations from the Code.

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

In Sweden, Lantmännen conducts operations subject to permit requirements at 20 plants, and operations subject to notification requirements at 90 plants, in accordance with the Environmental Code. These activities include mills, workshops and production facilities for feeds, ethanol and food. The main direct environmental impacts are noise, emissions into the air and water, and temporary storage of hazardous waste. Production units in other countries adapt their operations, apply for any required permits and report to the authorities in accordance with local laws.

Reporting under laws, GRI and Global Compact

In accordance with Chapter 6, section 11, of the Swedish Annual Accounts Act, Lantmännen Ek för has chosen to present

the statutory Sustainability Report separately from the Annual Report. This Sustainability Report covers Lantmännen Ek för and its subsidiaries. The Sustainability Report was submitted to the auditor at the same time as the Annual Report. The sustainability report can be found in the Annual Report with Sustainability Report on pages 23-31, 145-167 and 183-186.

As Lantmännen reports according to a Group structure of Sectors, reporting for companies is by Sector.

Lantmännen reports its sustainability performance annually and applies GRI Sustainability Reporting Standards (GRI Standards).

Lantmännen's Annual Report with Sustainability Report also fulfills the requirements on Communication on Progress (COP), which is a disclosure on progress made in implementing the Global Compact principles on responsible business.

Research and development

Lantmännen has a long tradition of research and development and invests in both its own and external research projects to promote new knowledge. Every year, MSEK 250-300 is invested in research and innovation projects – from product and process development to strategic Group-wide research projects. The investments are mainly in the grain value chain from field to fork.

Human resources

The average number of employees during the year was 9,940 (9,850) and the number of full-time employees at December 31, 2018 was 9,895 (9,597). 3,541 (3,559) of the average number of employees were employed in Sweden. Lantmännen's aim is to be an attractive employer providing a healthy working climate where skills are nurtured and developed throughout the Group.

Lantmännen's equal opportunity and diversity policy states that the Group shall safeguard and value the skills, qualities and experience of all employees, regardless of gender, age, ethnicity, beliefs, sexual orientation, disability or other individual differences. It also states that the Group does not tolerate any bullying, harassment or discrimination. Lantmännen has routines and guidelines on the practical handling of bullying



and harassment matters. The Group's contingency plan has information on how a victim should act and obtain help, the manager's responsibility, etc.

Health, work environment and safety program

Lantmännen sees proactive work environment and safety initiatives as a prerequisite for a sustainable work environment and as part of the strategy for achieving business goals. A safe work environment is a high priority and Lantmännen works continuously to identify and address risks in this area. Part of the work environment program includes continuous monitoring throughout the organization, with annual reporting to Group management. Constant improvements in work environment and safety training at the facilities, and injury prevention inspections (see Operational risks) have resulted in a significant improvement in safety and employees' safe behavior.

Remuneration policy

Lantmännen's remuneration policy stipulates that remuneration and benefits at Lantmännen must contribute towards engaging, motivating and retaining the employees Lantmännen needs for success in our business operations. Remuneration at Lantmännen must always be assessed from a total remuneration perspective, including everything with a perceived value for employees in their employment. Implementation of the remuneration policy continued in 2018. In addition to monetary compensation and benefits, the policy takes into account factors such as in work-life balance, international assignments, development and estimates – and long-term incentives for senior executives. Decisions on remuneration and benefits at Lantmännen should always be based on Lantmännen's values of openness, a holistic view and drive, and should be neutral in terms of gender, religion, ethnicity, disability and sexual orientation. For further information about Lantmännen's remuneration, see → note 6.

Events after the end of the reporting period

In January 2019, Lantmännen Unibake acquired all shares in the Australian pastry manufacturer Bakery Du Jour. The

company has an annual turnover of just over MSEK 200 and 90 employees.

Lantmännen came first in Business Index 2019, a new sustainability study that ranks Sweden's 50 largest companies in terms of sustainability and value creation in their operations.

Business environment

In the latter part of 2018, the global economy was affected by concerns about trade policy, the Brexit negotiations and Italian politics. Most major economies show relatively good growth.

The UK is due to leave the EU on March 29, 2019, but it is currently unclear whether a deal will be in place by the exit date. Brexit is expected to have a significant impact on companies that do business in or with the UK.

The Swedish economy remains strong, although a certain slowdown in growth was evident at the end of 2018. The strong public finances have contributed to stability in the financial market, despite the prolonged process of forming a government.

The January agreement, which led to a cross-bloc government in Sweden, contains some structural reforms, tax cuts and investments in infrastructure. The government's amending budget, expected in the early part of the year, is expected to increase inflationary pressure.

The 2018 global grain harvest was lower than in the previous year – particularly the wheat harvest, which fell by 5 percent from the previous year. The Swedish harvest was extremely low; the total harvest is estimated at 3.3 million tonnes, which is 45 percent less than the previous year and 43 percent below the five-year average. The low harvest has meant that Sweden has gone from net exporter to net importer of grain.

For crop and livestock production, profitability deteriorated sharply as a result of the drought. Low grain and roughage harvests, rising feed prices and slaughter queues are behind the industry's prediction of a strong decline in profitability up to the 2019 harvest. The early harvest and favorable conditions during fall have resulted in a large fall-sown acreage.

Health, sustainability and origin continue to be strong



consumer trends in the Nordic food industry. Interest in climate-friendly products and organic goods remains strong. Vegetarian consumption is on the rise and consumers are increasingly demanding non-meat-proteins.

Brexit

Within Lantmännen, Brexit has the greatest impact on Lantmännen Unibake, which is preparing for a worst-case scenario. In 2018, Brexit has been an important focus area for identifying risks and ensuring adequate measures. A project team was established and will continue its work in the early part of 2019.

Lantmännen's Group Strategy – Field to Fork 2030

Lantmännen's strategy Field to Fork 2030 is aimed at developing our operations in a long-term perspective, with the focus on customers and consumers, and with farmland in the Baltic Sea region as the basis. The natural conditions mean that grain and grass, together with oilseeds and pulses are the dominant field crops in the Baltic Sea region – which represents the basis for both crop and livestock production. A constant increase in productivity and return is a foundation for developing the competitiveness of the members and Lantmännen from field to fork.

Increased and competitive cultivation contributes to strengthening the entire grain value chain – both for agricultural companies and Lantmännen. Our ongoing investments in grain storage capacity are aimed at contributing to increased production over time.

Outlook

The growth is driven primarily by higher growth in the Euro area, China, Japan and the US. Many emerging economies also have higher growth than was previously forecast, but on the other hand, the growth is increasingly uneven and is considered to have peaked in several of the larger economies. Sweden's economy remains strong, with rising employment and good growth.

The summer drought in 2018 is a reminder that conditions can change quickly. Being ready and prepared to handle

varying weather conditions is now high on Lantmännen's agenda. At the same time, the global economy is strong, which drives demand for food.

The Agriculture Sector maintains a clear focus on upholding the right capacity and quality within the grain, feed and seed business. Another priority for the Sector is the integration of Lantmännen Feed with Lantmännen Agro Oy and growing in the Finnish market. Operational and structural measures will be implemented within Lantmännen Maskin, aimed at achieving defined goals.

The Energy Sector sees increased Swedish interest in Agroetanol's ethanol with a high climate performance, which was previously mainly in demand in Germany. Competition in the ethanol market in Europe is likely to become 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.

The Food Sector's position in the market, with large investments in research, development and innovation throughout the value chain, means that we are well positioned to meet external trends. In line with Lantmännen's updated strategy, the Food Sector is focusing on generating profitable growth within Lantmännen Unibake. Improvement work continues at Lantmännen Cerealia, with the aim of increasing profitability in all product categories. Investments in production and the strong brand portfolio mean that efficiency is created throughout the value chain from field to fork and food products are developed with clear added values.

The Swecon Business Area'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. Swecon continues to invest in digitalization for both services and working methods.

The Real Estate Business Area will continue to work on the development of Malmö Port, both under the collaboration with Lanthem Samhällsfastigheter and alone. Lantmännen Agrovärme continues to focus on acquisitions and business development.

Group Net sales and earnings

- ➔ Lantmännen's net sales increased to MSEK 43,962 (39,686)
- ➔ Operating income amounted to MSEK 1,443 (1,677)
- ➔ Operating income adjusted for items affecting comparability was MSEK 1,580 (1,708).

Net sales

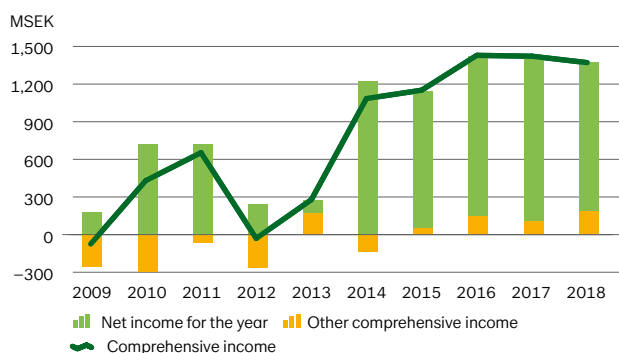
Lantmännen's net sales for 2018 amounted to MSEK 43,962 (39,686), an increase of 11 percent. The increase is due to organic growth of 4 percent and currency translation effects of 2 percent, with the remainder attributable to acquired and divested operations. Sales increased in all segments in 2018.

Operating income

Lantmännen's operating income was MSEK 1,443 (1,677) and adjusted for items affecting comparability MSEK 1,580 (1,708). The drought in 2018 had a significant impact on operating income, notably in the Agriculture and Energy Sectors, which have a significantly lower operating income than in the previous year. However, operating income for the Swecan Business Area and the Food Sector was higher than in the previous year. Currency translation effects had a positive impact of MSEK 28 on operating income and acquired and divested operations also had a positive impact.

The year's items affecting comparability amounted to MSEK -137 (-31). The Agriculture Sector has items affecting comparability of MSEK -66 related to the extra discount and supplement on trading with Lantmännen Lantbruk Sweden and the waiving of the fee for repurchasing grain contracts. The item is part of Lantmännen's action package to ease the negative effects of the drought. The Energy Sector has restructuring costs of MSEK 32 due to the discontinuation of Lantmännen Reppe's production of glucose syrup in Växjö. The Food Sector has structural costs of MSEK 39 for restructuring in Lantmännen Unibake, which affects personnel and non-current assets in both the fresh and frozen bread operations. Net items affecting comparability in 2017 were MSEK -31. In the Food Sector, items affecting comparability were

Comprehensive income for the year



MSEK 96, consisting of the final part of the insurance payment for the bakery that burnt down in Belgium, and restructuring costs of MSEK 34 in Lantmännen Cerealia, and MSEK 31 in Lantmännen Unibake. In 2017, a provision of MSEK 140 was recognized in the Energy Sector in connection with the European Commission's investigation of Lantmännen Agrotanol and two other ethanol producers for alleged violation of EU competition law. Property operations were affected by a capital gain of MSEK 78 in 2017.

Net financial income and income after financial items

Net financial income amounted to MSEK -193 (-156). The change is due to negative currency effects during the first half of 2018, but also to the fact that net financial income for 2017 was affected by capital gains on sales of shares. Income after financial items was MSEK 1,250 (1,521) and adjusted for items affecting comparability MSEK 1,387 (1,552).

Tax and income after tax

Tax expense for the year was MSEK 68 (216). Lantmännen's tax expense was affected by the fact that dividends, including refunds and supplementary payments, from economic associations are tax deductible. The year's tax expense year has declined as a result of the capitalization of previously uncapitalized tax loss carryforwards.

Income after tax amounted to MSEK 1,182 (1,305), of which MSEK 1,176 (1,301) was attributable to members of the economic association and MSEK 6 (4) to non-controlling interests (minority ownership) in the Group's subsidiaries.

The Group's items affecting comparability¹⁾

MSEK	2018	2017
Recognized operating income	1,443	1,677
<i>Items affecting comparability in operating income:</i>		
Action package, Agriculture Sector	-66	-
Restructuring costs, Energy Sector	-32	-
Restructuring costs, Food Sector	-39	-65
Insurance compensation, Food Sector	-	96
Provisions, Energy Sector	-	-140
Capital gains, Lantmännen Real Estate	-	78
<i>Total items affecting comparability in operating income</i>	<i>-137</i>	<i>-31</i>
Operating income, adjusted for items affecting comparability	1,580	1,708
Recognized income after financial items	1,250	1,521
Items affecting comparability in operating income according to above	-137	-31
Income after financial items adjusted for items affecting comparability	1,387	1,552
Net income for the year, adjusted for items affecting comparability	1,289	1,353
Return on equity, adjusted for items affecting comparability, %	8.2	9.4
Return on operating capital, adj. for items affecting comparability, %	6.6	7.9

¹⁾ See also note 10.

Consolidated Income Statement

MSEK	Note	2018	2017
Net sales	4, 5	43,962	39,686
Other operating income	5	279	440
Changes in inventories of finished goods and work in progress		-301	-535
Raw materials and consumables		-12,767	-12,186
Merchandise		-15,583	-12,471
Employee benefits expense	6	-6,037	-5,747
Depreciation, amortization and impairment	7	-1,363	-1,242
Other operating expenses	8	-6,866	-6,422
Share of income of equity accounted companies	16	119	154
Operating income	10, 11	1,443	1,677
Finance income	9	96	151
Finance costs	9	-289	-307
Income after financial items		1,250	1,521
Tax	12	-68	-216
Net income for the year		1,182	1,305
Net income for the year attributable to:			
Members of the economic association		1,176	1,301
Non-controlling interests		6	4

Consolidated Statement of Comprehensive Income

MSEK	Note	2018	2017
Net income for the year		1,182	1,305
Other comprehensive income	22		
<i>Items that will not be reclassified to the income statement</i>			
Actuarial gains and losses on defined benefit pension plans, net before tax	25	-30	-1
Financial assets at fair value through other comprehensive income, net before tax		-69	-
Tax attributable to items that will not be reclassified		12	0
Total		-87	-1
<i>Items that will be reclassified to the income statement</i>			
Available-for-sale financial assets, net before tax		-	-17
Cash flow hedges, net before tax		30	-6
Exchange differences on translation of foreign operations		198	118
Net gain on hedge of net investment in foreign operations, net before tax		-50	-30
Tax attributable to items that will be reclassified		15	10
Total		193	75
<i>Share of OCI in equity accounted companies</i>			
Items that will be reclassified to the income statement		83	43
Total		83	43
Other comprehensive income, net of tax		189	117
Total comprehensive income		1,371	1,422
Total comprehensive income attributable to:			
Members of the economic association		1,365	1,418
Non-controlling interests		6	4

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

	Agriculture Sector		Energy Sector		Food Sector		Swecon Business Area		Real Estate Business Area		Lantmännen Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
MSEK												
Net sales	19,338	16,660	3,117	3,068	15,351	14,349	8,252	7,361	525	511	43,962	39,686
Operating income	131	337	168	156	748	739	440	372	265	302	1,443	1,677
Return on operating capital, %	2.0	6.1	14.6	20.5	5.0	5.4	104.6	82.0	11.9	14.3	6.0	7.8
Operating income, adjusted for items affecting comparability	197	337	200	296	787	708	440	372	213 ¹⁾	204 ¹⁾	1,580	1,708
Return on operating capital, adjusted for items affecting comparability, %	3.0	6.1	17.4	38.9	5.3	5.1	104.6	82.0	9.6 ¹⁾	9.7 ¹⁾	6.6	7.9

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

Lantmännen Lantbruk Sweden

MSEK	2018	2017
Net sales	11,622	11,169
Operating income	38	226
Return on operating capital, %	1.1	8.2
Operating income, adjusted for items affecting comparability	104	226
Return on operating capital, adjusted for items affecting comparability, %	3.0	8.2

Lantmännen Maskin Sweden

MSEK	2018	2017
Net sales	3,875	3,629
Operating income	1	-3
Return on operating capital, %	0.1	-0.3
Operating income, adjusted for items affecting comparability	1	-3
Return on operating capital, adjusted for items affecting comparability, %	0.1	-0.3

Agriculture Sector

The Agriculture Sector's net sales for 2018 are significantly higher than in the previous year, mainly due to the acquisition of Lantmännen Agro in Finland, completed in June 2017, and generally higher price levels. The Sector's operating income adjusted for items affecting comparability amounts to MSEK 197, compared with MSEK 337 the previous year. The lower operating income is due to the year's low grain harvest.

The Agriculture Sector has items affecting comparability of MSEK -66 related to the extra discount and supplement on trading with Lantmännen Lantbruk Sweden and the waiving of the fee for repurchasing grain contracts. The item is part of Lantmännen's action package to ease the negative effects of the drought.

The drought and heatwave during the 2018 harvest year had a strong influence on the last six months of the year

and will continue to have a significant effect in the period ahead. This places great demands on, among other things, the Sector's ability to provide the industrial businesses with grain and on taking concrete action to ease the effects of the drought. As a result of the low harvest, Sweden has gone from exporter to importer of grain, leading to a sharp increase in tied-up capital in Lantmännen's agribusiness.

Demand for feed has been very high during and after summer due to the drought and shortage of roughage on farms. The year's fall-sown acreage is unusually large, which has led to increased demand for seed during fall, mainly rape and winter wheat. There has been a significant shortage of spring seed. After the end of the year, the EU approved a Swedish dispensation to use seed from farms, which facilitates the situation ahead of the spring sowing.

The integration of Lantmännen Agro in Finland is progressing well, and the implementation of a Sector-wide ERP

system was completed in November. The acquisition of the Finnish company Raisio's cattle feed business (renamed Lantmännen Feed) was completed on November 1.

The Sector's international interest holdings in Germany, Poland and the Baltic region were also affected by the summer's extreme weather, and these operations reported a lower operating income than in the previous year.

The dry, hot summer also had an impact on Lantmännen Maskin during the year: farmers showed less ability to invest and the Swedish tractor market continued to decline in 2018, which brought further price pressure in the market. Lantmännen's order intake was good up to and including the start of the third four-month period but declined towards the end of the year. Demand for equipment, spare parts and servicing remains good.

A cost-saving and efficiency program was initiated within Lantmännen Maskin during the year. The workforce has been slightly reduced and the range is under continuous development, with a greater focus on offering machine-related products, while more peripheral parts of the range are being phased out.

A number of new services were launched in the LM² web portal during the year, including price display and LM² Finance. A collaboration on digitalization was initiated with the Norwegian company Felleskjøpet Agri in September.

Energy Sector

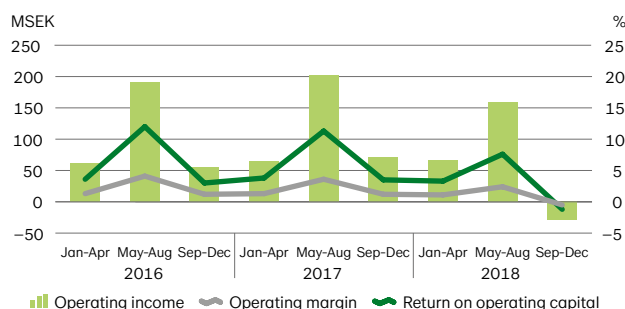
The Sector's net sales for 2018 are in line with the previous year, while operating income adjusted for items affecting comparability is MSEK 200 – a decline from MSEK 296 the previous year. Net sales and earnings were positively affected by Lantmännen Aspen's acquisition of the French alkylate petrol producer Marline, which was completed at the end of 2017.

Lantmännen Agroetanol's operating income is considerably lower than in the previous year. This is mainly due to lower ethanol prices than in the previous year and higher grain prices at the end of the year as a result of the summer drought. Production during the year was affected by planned feed dryer replacements: to date, two out of four dryers have been replaced. In November, a new facility was opened in Kotka in Finland for recycling residues, mainly from Lantmännens bakeries, for use as a raw material in ethanol production.

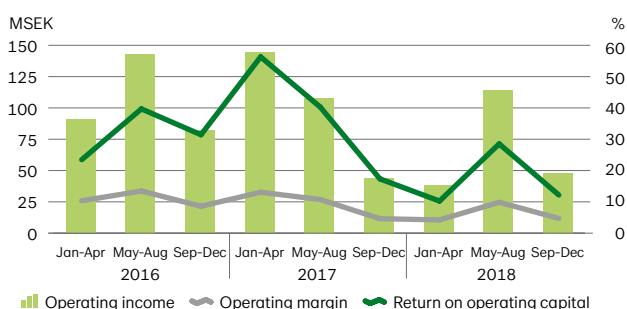
Lantmännen Aspen shows higher operating income than in the previous year, largely due to the contribution from the acquisition of Marline in France and a favorable currency effect due to the weak Swedish krona. The dry, hot summer in northern Europe has meant lower alkylate petrol sales.

Lantmännen Reppe shows an operating income in line with the previous year, and the company has continued to work on developing new products and increasing production efficiency. Production in Växjö ceased in December, due to insufficient profitability; Lantmännen Reppe will now focus on the production of gluten, spirits, starch and feedstuffs in

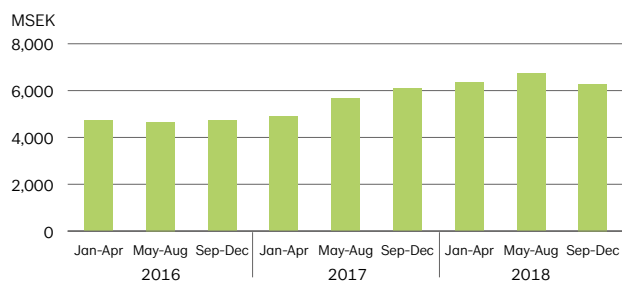
Agriculture Sector, adjusted for items affecting comparability



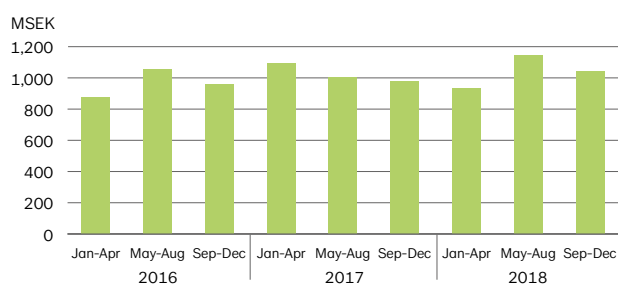
Energy Sector, adjusted for items affecting comparability



Agriculture Sector, net sales



Energy Sector, net sales



Lidköping. Costs for discontinuing the operations in Växjö have affected the Sector's operating income, with an item affecting comparability of MSEK –32.

The jointly owned pellet company Scandbio shows a slightly higher operating income than in the previous year, mainly due to the cold start to the year.

Food Sector

The Food Sector's net sales are higher than in the previous year. Operating income adjusted for items affecting comparability amounts to MSEK 787, compared with MSEK 708 in the previous year. Both sales and earnings have been positively affected by currency translation effects, primarily in Lantmännen Unibake.

Lantmännen Cerealia shows a slightly higher operating income than in the previous year, mainly due to continued cost savings and the contribution from the Russian crispbread producer Orient Products, acquired in September 2017. During the year, Lantmännen Cerealia also took over the mix and packing business of the food company Ceres in Bjuv. Despite intense competition in large parts of the market, Lantmännen Cerealia has increased its market share in Sweden in the large breakfast category. Demand for oat products in particular has increased in 2018.

Lantmännen Unibake continues to perform well and reported higher earnings than in the previous year. In particular, Russia, the UK, Finland and the Baltic region are developing

well, showing growth exceeding the rest of the market. Unibake's results have been adversely affected by planned start-up costs in the new bakeries in Belgium and Poland, which are both now producing at higher capacity and utilization.

Lantmännen Unibake's earnings have been positively affected by the continuous efforts to reduce costs in production, and by the fact that costs for higher butter prices have been largely compensated for in stores.

Both Lantmännen Cerealia and Lantmännen Unibake were affected by rising raw material prices towards the end of the year as a result of the summer drought. In some areas, challenges are also linked to the generally lower quality of the year's harvest compared with the previous year.

The Sector has an item affecting comparability of MSEK –39 related to restructuring in Lantmännen Unibake.

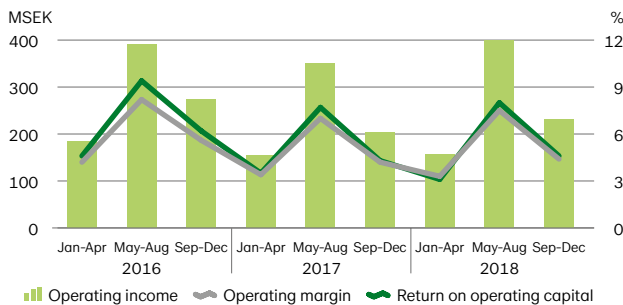
The operations of the jointly-owned company Viking Malt continue to develop well, although the quality of the year's harvest has presented certain production challenges due to high protein content.

The Sector's operating income was positively affected by the sale of the associated company Struer Brød.

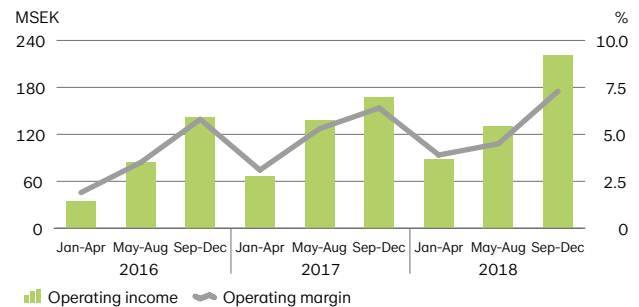
Swecon Business Area

The Swecon Business Area's net sales are higher than in the previous year. Operating income was MSEK 440, an increase from MSEK 372 for the previous year – and Swecon's highest ever operating income.

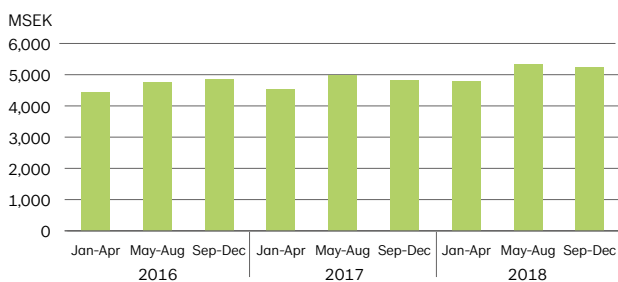
Food Sector, adjusted for items affecting comparability



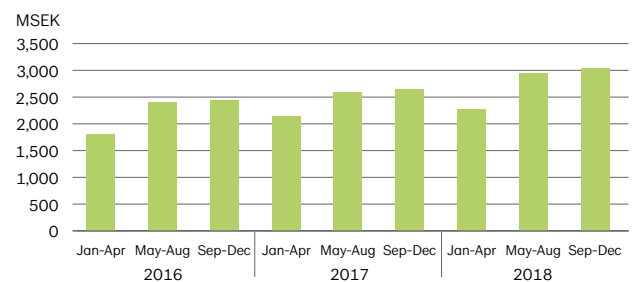
Swecon Business Area, adjusted for items affecting comparability



Food Sector, net sales



Swecon Business Area, net sales



In Sweden, the total market remains at a high level, and both sales and the order backlog were at historically high levels at the end of 2018. The larger machinery population and increased machine utilization by Swecon's customers mean that the servicing and spare parts market is also increasing. Competition increased a little during the last months of the year.

The total market is increasing in Germany, and Swecon has continued to gain market shares during the year. Swecon is maintaining its market shares in the Baltic countries. In Germany and the Baltic region, the increased machinery population and higher utilization are also driving the aftermarket in terms of servicing and spare parts.

A continuing major challenge is the lack of technical staff, and finding and training new employees to respond to the increased demand. During the year, Swecon has appointed a number of new technicians, although the availability of machine operators and technical staff is still limited and there is fierce competition in the labor market.

Deliveries of wheel loaders to the Swedish Defense Materiel Administration began at the end of the year. The agreement covers about 50 new wheel loaders per year over the next two years, and also includes technical system support and other support, as well as spare parts and service availability.

The large German construction exhibition NordBau took place in September. One of the new features introduced at the Exhibition was "mySwecon" – a new digital service for Swecon's customers, which collects information about the customer's machines and facilitates contact with Swecon and bookings for spare parts or servicing. mySwecon is based on the same technical platform as LM².

Real Estate Business Area

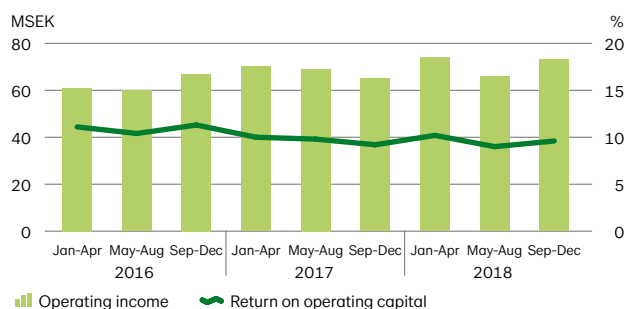
The Real Estate Business Area's net sales are a little higher than the previous year, and operating income excluding property sales is MSEK 213, compared with MSEK 204 the previous year. Income from property sales was MSEK 52 (98). Operating income excluding property sales has been positively affected by increased leasing, particularly during the first four months.

The difference in income from property sales is due to the previous year's large divestment of community properties to the property company Lanthem, now jointly owned by Lantmännen Real Estate and Hemsö.

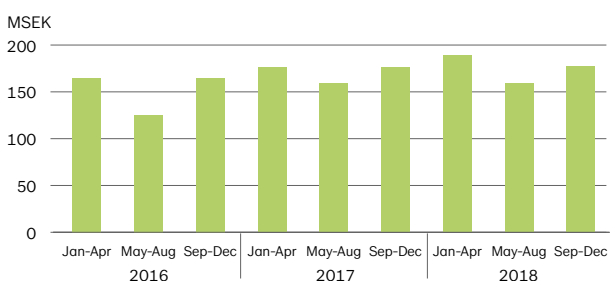
As part of the acquisition of the Finnish company Raisio's cattle feed business, which was finalized in November, Lantmännen Real Estate has acquired two feed factories Ylivieska and Kouvola. During the year, Lantmännen Real Estate secured land in a number of strategically important locations – including Svalöv, Kalmar and Örebro. Work on building a new facility for Swecon in Mölndal also began during the year. The facility is planned to be ready for occupancy in the last quarter of 2019.

Lantmännen Agrovärme's operations continue to develop according to plan. The result for 2018 is a little lower than in the previous year, due to the warm weather of the summer and the challenges of securing chip raw material.

Real Estate Business Area, adjusted for property sales



Real Estate Business Area, net sales



Consolidated Statement of financial position

- ➔ The equity ratio was 43.2 (43.3) percent.
- ➔ Return on equity was 7.6 (9.0) percent.
- ➔ Return on operating capital was 6.0 (7.8) percent.
- ➔ The Group's average operating capital increased to MSEK 24,046 (21,544) as an effect of acquisitions and investments, increased tied-up capital due to the drought and currency translation effects related to foreign operations
- ➔ The capital turnover rate was 1.8 (1.8) percent.

Assets and investments

Total assets at the end of the year were MSEK 37,095 (34,540), an increase of MSEK 2,555.

Property, plant and equipment amounted to MSEK 10,012, compared with MSEK 9,387 the previous year. Investments in property, plant and equipment amounted to MSEK 1,714 (2,471) and included replacement investments, Lantmännen Unibake's investments in bakeries and the Agriculture Sector's acquisition of agricultural land for plant breeding purposes in Svalöv.

Investment property amounted to MSEK 661 (643).

Investments in intangible assets for the year amounted to MSEK 111 (122). Intangible assets totaled MSEK 8,801 (8,565), an increase of MSEK 236, which is mainly due to Lantmännen Lantbruk's acquisition of Raisio's cattle feed business (renamed Lantmännen Feed Oy).

Current assets excluding cash and cash equivalents increased by MSEK 1,854, from MSEK 11,814 to MSEK 13,668. The increase is mainly related to inventories and trade receivables, mainly in the Agriculture Sector, and is essentially an effect of the drought.

Liabilities and equity

Group equity was MSEK 16,027 (14,948) at the end of the year, with MSEK 92 (89) attributable to owners other than the members of the economic association, i.e. non-controlling interests in Group companies. Net income after tax increased equity by MSEK 1,182 (1,305), while dividends and changes in contributed capital reduced equity by MSEK 259 (361). Items recognized in other comprehensive income (e.g. remeasurement effects) increased equity by MSEK 189 (117).

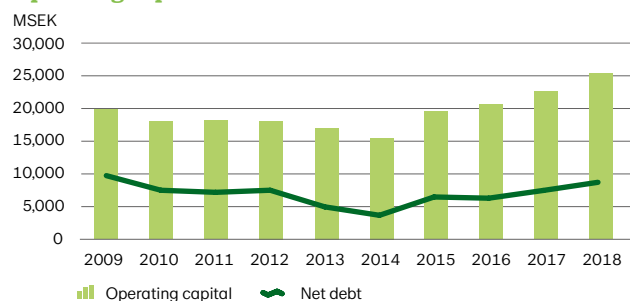
The Group's net debt at the end of the year was MSEK 8,719 (7,274), an increase of MSEK 1,445. The Group's liquidity reserve at the end of the year was MSEK 1,373 (3,004) and is calculated based on Lantmännen's current loan agreements and covenants. At the end of 2018, Lantmännen was operating within the framework of the covenants associated with its existing loan agreements.

The equity ratio was 43.2 (43.3) percent at the end of the year.

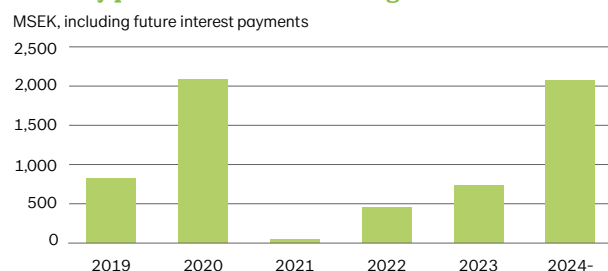
Net debt

MSEK	2018	2017
Liabilities to credit institutions	4,558	3,599
Issued securities, MTN loans	1,248	1,247
Savings and deposit accounts, members et al.	3,217	2,993
Pension liabilities	611	554
Subordinated debentures	250	250
Other interest-bearing liabilities	222	275
Total interest-bearing liabilities including pension liabilities	10,106	8,918
Other interest-bearing assets	667	717
Short-term investments, less than 3 months	90	-
Cash and bank balances	630	927
Total interest-bearing assets	1,387	1,644
Group's net debt	8,719	7,274

Operating capital and net debt



Maturity profile of interest-bearing financial liabilities



Consolidated Statement of financial position

MSEK	Note	2018 Dec 31	2017 Dec 31
ASSETS			
Non-current assets			
Property, plant and equipment	13	10,012	9,387
Investment properties	14	661	643
Goodwill	15	5,350	5,238
Other intangible assets	15	3,451	3,327
Equity accounted holdings	16	2,299	2,182
Non-current financial assets	17	629	825
Deferred tax assets	12	248	170
Other non-current assets	18	57	27
Total non-current assets		22,707	21,799
Current assets			
Inventories	19	6,943	5,948
Trade and other receivables	20	6,668	5,823
Current interest-bearing assets	21	39	18
Current tax assets	12	18	25
Cash and cash equivalents	21	720	927
Total current assets		14,388	12,741
TOTAL ASSETS		37,095	34,540

MSEK	Note	2018 Dec 31	2017 Dec 31
EQUITY AND LIABILITIES			
Equity			
Contributed capital		2,664	2,464
Other contributed capital		3,110	3,010
Reserves		442	230
Retained earnings incl. net income		9,719	9,155
Total equity attributable to members of the economic association		15,935	14,859
Non-controlling interests		92	89
Total equity	22	16,027	14,948
Non-current liabilities			
Non-current interest-bearing liabilities	23, 24	5,493	4,523
Provisions for pensions	25	611	554
Deferred tax liabilities	12	650	638
Other non-current provisions	26	208	240
Other non-current liabilities	27	43	28
Total non-current liabilities		7,005	5,983
Current liabilities			
Current interest-bearing liabilities	23, 24	4,002	3,841
Trade and other payables	28	9,280	8,966
Current tax liabilities	12	103	98
Current provisions	26	678	704
Total current liabilities		14,063	13,609
TOTAL EQUITY AND LIABILITIES		37,095	34,540

Pledged assets and contingent liabilities, → see note 34.

Distribution of the Group's Assets

	Non-current assets	Current assets
2018	61.2 %	38.8 %
2017	63.1 %	36.9 %

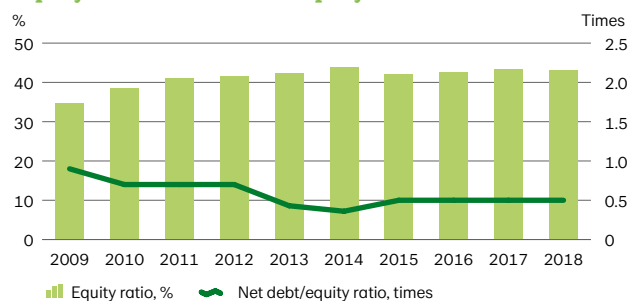
Development of the Group's equity and liabilities

	Equity	Non-current liabilities	Current liabilities
2018	43.2 %	18.9 %	37.9 %
2017	43.3 %	17.3 %	39.4 %

Contributed capital and equity



Equity ratio and net debt/equity ratio



Consolidated Statement of Cash Flows

- Positive cash flow from operating activities of MSEK 1,023 (2,398).
- Cash flow from investing activities was MSEK –1,847 (–3,101)
- Cash flow before financing activities was MSEK –824 (–703).

Cash flow from operating activities

The cash operating surplus, i.e. cash flow from operating activities before changes in working capital, gave a positive result of MSEK 2,268 (2,453). Cash flow from changes in working capital was MSEK –1,245 (–55). The decline from the previous year is mainly attributable to the Agriculture Sector, as an effect of the drought. As a result of the low harvest in Sweden, the Agriculture Sector has gone from exporter to importer of grain, leading to a sharp increase in tied-up capital.

Cash flow from operating activities was MSEK 1,023 (2,398).

Cash flow from investing activities

Cash flow from acquisitions of operations was MSEK –373 (–1,076). Lantmännen has acquired the Finnish company Raisio's cattle feed business (renamed Lantmännen Feed) through the acquisition of shares and assets and a loan repayment.

Divestments of operations generated a positive cash flow of MSEK 40 (224).

Investments in property, plant and equipment and intangible assets totaled MSEK –1,825 (–2,593). The investments include the bakery which Lantmännen Unibake is currently

building in Poland and the Agriculture Sector's acquisition of agricultural land for plant breeding purposes in Svalöv. Sales of property, plant and equipment and intangible assets generated a positive cash flow of MSEK 199 (319), mainly attributable to the sale of rental machinery in the Swecon Business Area and property sales.

Cash flow from investing activities was MSEK –1,847, compared with MSEK –3,101 the previous year.

Cash flow before financing activities

Cash flow before financing activities was MSEK –824 (–703).

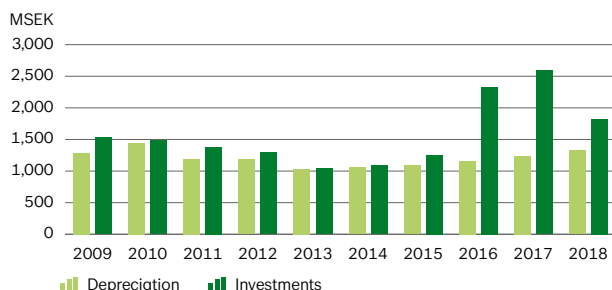
Cash flow from financing activities

Financing activities had an impact of MSEK 605 (–149) on cash flow. The change in interest-bearing liabilities was MSEK 1,108 (200). The dividend payment of MSEK –603 (–445) was distributed as follows: contribution dividend of MSEK –355 (–207) and refund and supplementary payment of MSEK –245 (–231) to members of the association.

Cash flow for the year

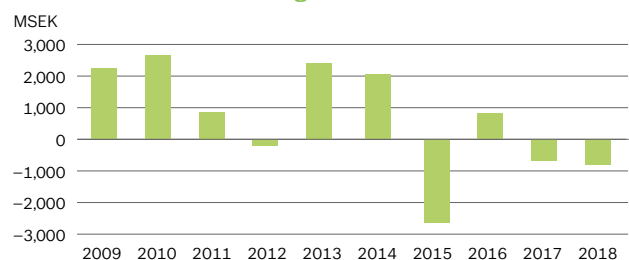
Cash flow for the year was MSEK –219 (–852) and the Group's cash and cash equivalents ended the year at MSEK 720 (927).

Depreciation/investment in property, plant and equipment



Investments in 2016, 2017 and 2018 include investments in Londerzeel, Belgium, as a result of the bakery that burned down in 2015.

Cash flow before financing activities



Consolidated Statement of Cash Flows

MSEK	Note	2018	2017
OPERATING ACTIVITIES			
Operating income		1,443	1,677
Adjustment for non-cash items ¹⁾		1,191	1,107
		2,634	2,784
Financial items paid, net	35:1	-234	-210
Taxes paid		-132	-121
Cash flow from operating activities before changes in working capital		2,268	2,453
<i>Cash flow from changes in working capital</i>			
Change in inventories		-857	-687
Change in operating receivables		-588	545
Change in operating liabilities		200	87
		-1,245	-55
Cash flow from operating activities		1,023	2,398
INVESTING ACTIVITIES			
Acquisitions of operations (incl. capital contribution)	35:2	-373	-1,076
Divestment of operations	35:3	40	224
Investment in property, plant & equipment	35:4	-1,714	-2,471
Investment in intangible assets		-111	-122
Sale of property, plant & equipment and intangible assets		199	319
Change in financial investments		112	25
Cash flow from investing activities		-1,847	-3,101
Cash flow before financing activities		-824	-703
FINANCING ACTIVITIES			
Change in interest-bearing liabilities including pension provisions	35:5	1,108	200
Paid-in contributed capital		161	171
Refunded capital contribution		-61	-75
Dividend paid		-603	-445
Cash flow from financing activities		605	-149
Cash flow for the year		-219	-852
Cash and cash equivalents at beginning of year		927	1,773
Exchange differences in cash and cash equivalents		12	6
Cash and cash equivalents at end of year	35:6	720	927

¹⁾ MSEK	2018	2017
Adjustment for non-cash items		
Depreciation, amortization and impairment of non-current assets	1,363	1,242
Share of income of equity accounted companies	-58	-117
Capital gains/losses on sale of non-current assets and operations	-45	-108
Other non-cash items	-69	90
Total	1,191	1,107

Consolidated Statement of Changes in Equity

MSEK	Note	Contributed capital	Other contributed capital	Reserves	Retained earnings	Total Lantmännen's owners	Non-controlling interests	Total equity
Opening balance, January 1, 2017		2,299	2,895	112	8,489	13,795	88	13,883
Net income for the year		-	-	-	1,301	1,301	4	1,305
Other comprehensive income, net of tax		-	-	118	-1	117	-	117
Total comprehensive income		-	-	118	1,300	1,418	4	1,422
Distributions to owners		69	115	-	-634	-450	-7	-457
Contributed capital paid in by members		171	-	-	-	171	-	171
Contributed capital paid out to members		-75	-	-	-	-75	-	-75
Other change		-	-	-	-	-	4	4
Closing balance, December 31, 2017	22	2,464	3,010	230	9,155	14,859	89	14,948
Changes due to amended accounting policies in associates		-	-	-	-33	-33	-	-33
Opening balance, January 1, 2018		2,464	3,010	230	9,122	14,826	89	14,915
Net income for the year		-	-	-	1,176	1,176	6	1,182
Other comprehensive income, net of tax		-	-	212	-23	189	-	189
Total comprehensive income		0	0	212	1,153	1,365	6	1,371
Distributions to owners		100	100	-	-556	-356	-3	-359
Contributed capital paid in by members		161	-	-	-	161	-	161
Contributed capital paid out to members		-61	-	-	-	-61	-	-61
Closing balance, December 31, 2018	22	2,664	3,110	442	9,719	15,935	92	16,027

More information about equity can be found in the Parent Company's statement of changes in equity on [page 90](#) and in note 22.

Equity attributable to members of the economic association, MSEK	2018	2017
Contributed capital, paid in	1,318	1,208
Contributed capital, issued	1,346	1,256
Other equity	13,271	12,395
Total equity attributable to members of the economic association	15,935	14,859

Parent Company Lantmännen ek för

Operations

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

Net sales and operating income

Net sales amounted to MSEK 12,099 (11,571).

Operating income for the year was MSEK -111 (-10).

Income after financial items

Net financial income amounted to MSEK 165 (557). Net financial income includes dividends of MSEK 81 (597, mainly from subsidiaries). Net financial income was also affected by currency effects of MSEK -67 (-54), mainly due to a weaker Swedish krona.

Income after financial items was MSEK 54 (547).

Investments

Investments in non-current assets during the year totaled MSEK 169 (130).

Equity ratio

The equity ratio at the end of the year was 44.9 (45.0) percent.

Human resources

The average number of employees was 953 (1,023).

Member information

The number of members on December 31, 2018 was 24,798 (25,021). Refunded contributed capital is expected to be MSEK 70 (61) in 2019.

Extraordinary General Meeting

As part of Lantmännen's action package to ease the negative economic effects of the drought, the extraordinary general meeting on September 1, 2018 adopted an extra dividend for 2017, calculated as 2 percent on trading with Lantmännen Lantbruk Sweden during the period January to August 2018. The dividend, which amounted to MSEK 133, was paid in September.

Proposed dividend

The Board of Directors proposes that dividends be paid to both direct members and local associations as follows:

Refund and supplementary payment

- 1.5 (2.5) percent in refund and supplementary payment on the members' trading with Lantmännen Lantbruk Sweden.
- 0.5 (0.5) percent in refund on members' purchases from Lantmännen Maskin's and Swecon's Swedish operations.

The total proposed refund and supplementary payment is MSEK 156 (245). The actual outcome of the 2017 refund and

supplementary payment was MSEK 245, compared with MSEK 244 allocated in the 2017 financial statements.

As a result of amendments to Lantmännen ek för's Articles of Association, with effect from 2018, decisions on a refund and supplementary payment will be made by Lantmännen's annual general meeting. The refund and supplementary payment is recognized directly in the Parent Company's equity as a dividend.

Contribution dividend

Contribution dividend of 8 (9) percent on the nominal value of the contributions, totaling MSEK 213 (222).

Contribution issue

Contribution issue of MSEK 250 (100). The issue capital will be distributed as follows: 50 (75) percent based on members' contributions, paid-in and issued contributed capital, and 50 (25) percent on members' contribution-based turnover with the association in 2018.

In total, the proposed contribution dividend and contribution issue amount to 17 (13) percent of the association's contributed capital.

Dividend on subordinated debentures

Dividend of 5.25 (6.0) percent on subordinated debentures, totaling MSEK 13 (15), based on the conditions in the subordinated debenture offer.

Proposal for appropriation of profit

The Board of Directors proposes that the Parent Company's unappropriated earnings of TSEK 8,025,997 be allocated as follows:

	TSEK
Refund and supplementary payment	155,825
Contribution dividend	213,116
Contribution issue	250,000
Dividend on subordinated debentures	13,125
Carried forward	7,393,931
Total	8,025,997

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

The dividend is calculated on the basis of the membership roll as updated on December 31, 2018. The contribution dividend amount may be changed as a result of changes in the membership roll up to May 8, 2019.

Lantmännen's Annual General Meeting

The 2018 Annual Report will be presented for adoption at the Annual General Meeting on May 8, 2019 at Clarion Hotel Sign, Norra Bantorget, Stockholm.

Parent Company **Income statement**

MSEK	Note	2018	2017
Net sales, external		9,521	9,168
Net sales, intra-Group		2,578	2,403
Net sales, total	36	12,099	11,571
Change in products in progress, finished goods and work in progress for third parties		-50	292
Other operating income	36	277	266
		12,326	12,129
Operating expenses			
Raw materials and consumables		-7,914	-7,806
Merchandise		-1,841	-1,685
Other external costs	37	-1,745	-1,699
Employee benefits expense	6	-765	-790
Depreciation, amortization and impairment		-172	-159
Total operating expenses		-12,437	-12,139
Operating income	38,41	-111	-10
Income from financial items			
Income from investments in Group companies	39	19	510
Income from investments in joint ventures/associates	39	58	1
Income from other securities and receivables classified as non-current assets	40	2	10
Interest income from Group companies		404	365
Other interest and similar income		77	78
Interest expenses to Group companies		-107	-72
Other interest and similar expenses		-221	-281
Exchange differences, financial items	41	-67	-54
Total financial items		165	557
Income after financial items		54	547
Refund and supplementary payment ¹⁾		-2	-243
Group contributions received		515	810
Other appropriations	51	-	0
Income before tax		567	1,114
Tax on net income for the year	42	-18	-99
NET INCOME FOR THE YEAR		549	1,015

¹⁾ See note 1 for the accounting treatment of refunds and supplementary payments. The actual outcome for the 2017 refund and supplementary payment was MSEK 2 higher than the amount allocated in 2017. The difference was recognized as an expense in 2018.

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

Parent Company **Statement of Financial Position**

MSEK	Note	2018 Dec 31	2017 Dec 31	MSEK	Note	2018 Dec 31	2017 Dec 31
ASSETS				EQUITY AND LIABILITIES			
Non-current assets				Equity	50		
Intangible assets	43			Restricted equity			
Intangible assets		477	499	Contributed capital		2,664	2,464
		477	499	Subordinated debentures		250	250
Property, plant and equipment	44			Statutory reserve		3,110	3,010
Land and buildings		263	257			6,024	5,724
Investment property	45	14	19	Non-restricted equity			
Plant and machinery		312	375	Retained earnings		7,477	7,032
Other non-current assets		160	78	Net income for the year		549	1,015
		749	729			8,026	8,047
Non-current financial assets				Total equity		14,050	13,771
Investments in Group companies	46	9,808	7,795	Untaxed reserves	51	466	466
Investments in joint ventures/associates	16	1,240	1,222	Provisions			
Receivables from Group companies		4,906	4,381	Provisions for pensions	52	2	3
Receivables from joint ventures/associates		161	161	Other provisions	53	93	122
Other non-current financial assets		154	172	Total provisions		95	125
Deferred tax asset	42	79	97	Non-current liabilities			
Other non-current assets		0	10	Non-current interest-bearing liabilities		4,534	4,020
		16,348	13,838	Other non-current liabilities		509	3
Total non-current assets		17,574	15,066	Total non-current liabilities		5,043	4,023
Current assets				Current liabilities			
Inventories	47	2,889	2,554	Current interest-bearing liabilities	54	2,399	2,313
Trade receivables	48	1,802	1,460	Trade payables		2,471	2,459
Receivables from Group companies		9,370	11,840	Liabilities to Group companies		6,966	7,291
Receivables from joint ventures/associates	48	28	21	Liabilities to joint ventures/associates		18	28
Other current receivables		148	93	Other current liabilities		187	309
Prepayments and accrued income	49	213	178	Accruals and deferred income	55	434	613
		14,450	16,146	Total current liabilities		12,475	13,013
Cash and bank balances		105	186	TOTAL EQUITY AND LIABILITIES		32,129	31,398
Total current assets		14,555	16,332				
TOTAL ASSETS		32,129	31,398				

Pledged assets and contingent liabilities, → see note 57.

Parent Company **Statement of Cash Flows**

MSEK	Note	2018	2017
OPERATING ACTIVITIES			
Operating income		-111	-10
Refund and supplementary payment		-245	-231
Adjustment for non-cash items ¹⁾		171	158
		-185	-83
Financial items paid, net ²⁾		156	633
Taxes paid		0	0
Cash flow from operating activities before changes in working capital		-29	550
<i>Cash flow from changes in working capital</i>			
Change in inventories		-335	-501
Change in operating receivables		-363	273
Change in operating liabilities		1,591	199
		893	-29
Cash flow from operating activities		864	521
INVESTING ACTIVITIES			
Acquisition of shares and interests, owner contributions etc.		-2,031	-281
Divested operations, share capital repayments		-	1,318
Investment in property, plant & equipment		-130	-63
Investment in intangible assets		-40	-67
Sale of property, plant & equipment and intangible assets			33
Change in financial assets		1,606	-2,838
Cash flow from investing activities		-595	-1,898
Cash flow before financing activities		269	-1,377
FINANCING ACTIVITIES			
Group contributions paid, net		811	415
Change in interest-bearing liabilities	56	-891	131
Paid-in contributed capital		161	171
Refunded capital contribution		-61	-75
Dividend paid		-370	-225
Cash flow from financing activities		-350	417
Cash flow for the year		-81	-960
Cash and cash equivalents at beginning of year		186	1,146
Cash and cash equivalents at end of year³⁾		105	186
MSEK			
1) Adjustment for non-cash items			
Depreciation, amortization and impairment of non-current assets		171	159
Capital gains/losses on sale of non-current assets and operations		0	-1
Total		171	158
2) Financial items			
Dividends received		81	597
Interest received		476	442
Interest paid		-328	-339
Other financial payments		6	4
Realized exchange gains/losses		-79	-71
Total		156	633
3) Cash and cash equivalents			
Cash and bank balances		105	186
Total		105	186

Parent Company **Statement of Changes in Equity**

MSEK	Restricted equity			Non-restricted equity	Total equity
	Contributed capital	Subordinated debentures	Statutory reserve		
Equity, Jan 1, 2017	2,299	250	2,895	7,441	12,885
Net income for the year	-	-	-	1,015	1,015
Dividend paid ¹⁾	-	-	-	-225	-225
Contributed capital paid in by members	171	-	-	-	171
Contributed capital paid out to members	-75	-	-	-	-75
Adopted contribution issue and transfer to statutory reserve	69	-	115	-184	0
Equity, Dec 31, 2017	2,464	250	3,010	8,047	13,771
Net income for the year	-	-	-	549	549
Dividend paid ¹⁾	-	-	-	-237	-237
Extra dividend ²⁾	-	-	-	-133	-133
Contributed capital paid in by members	161	-	-	-	161
Contributed capital paid out to members	-61	-	-	-	-61
Adopted contribution issue and transfer to statutory reserve	100	-	100	-200	0
Equity, Dec 31, 2018	2,664	250	3,110	8,026	14,050

¹⁾ Contribution dividend MSEK -222 (-207), dividend on subordinated debentures MSEK -15 (-18), reported as interest expense in the Group. See note 1 for the accounting treatment of refunds and supplementary payments.

²⁾ Extra dividend MSEK -133 (0) is part of Lantmännen's action package.

MSEK 26 (49) of the contributed capital paid out comprises refunds to members who have left the association and MSEK 35 (26) is related to changed investment obligation criteria for individual members.

In 2019, an estimated MSEK 70 (61) in contributed capital will be refunded to members, distributed as follows: members who have left the association MSEK 34 (26) and changed investment criteria MSEK 35 (36).

The unmet obligation of members to invest in Lantmännen pursuant to the articles of association amounted to MSEK 411 (559) at 12/31/2018.

Contributed capital, MSEK	2018	2017
Paid-in contributed capital	1,318	1,208
Issued contributed capital	1,346	1,256
Total	2,664	2,464

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

Notes to the annual financial statements

Amounts in MSEK unless otherwise stated.

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

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

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

The 2018 financial statements for the Group and Parent Company will be presented for adoption by the Annual General Meeting on May 8, 2019.

Notes – Group

Note 1 Accounting policies

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

BASIS OF PREPARATION

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

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

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

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

In the 2018 Annual Report, the Group and Parent Company have applied, for the first time, the amended standards and interpretations effective for annual periods beginning on January 1, 2018. Apart from the amendment mentioned below, these have not had any material impact on the Group's or the Parent Company's financial reports.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains a model for the classification and measurement of financial instruments, a forward-looking impairment model for financial assets and a revised approach to hedge accounting. Classification and measurement under IFRS 9 are based on the entity's business model for managing financial assets and the assets' contractual cash flow characteristics. The introduction of IFRS 9 means changes to Lantmännen's classification of certain financial assets. This does not affect how these assets are valued in the balance sheet but affects how changes in value are reported.

The changed classification did not affect the carrying amount at the transition date. In summary, this means that assets measured at fair value through other comprehensive income increase compared with IAS 39. The transition to IFRS 9 does not involve any change to the classification of other financial assets and liabilities. However, the names of the financial asset and liability categories are changed.

In addition, the standard introduces a new model for the calculation of credit losses, the purpose of which is to report these earlier. The new model does not have a material impact on the Group's financial reporting.

In the transition rules for IFRS 9, Lantmännen has taken advantage of the option not to restate comparatives for 2017.

See table *Classification of financial assets and liabilities* under IFRS 9 [➔](#) on page 92.

IFRS 15 Revenue from Contracts with Customers

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

IFRS 15 entered into force on January 1, 2018. The Group and the Parent Company have applied the standard, including the 2016 amendments, from that date using the full retrospective method, with restatement of comparatives. The transition to IFRS 15 has not had any material financial restatement effects as of the transition date, which means that no adjustment of opening equity on January 1, 2017 has been reported. In addition, no adjustments have been required for the comparative year 2017, apart from disclosures in some notes.

Standards, amendments and interpretations effective on or after January 1, 2019

A number of new and amended IFRSs have not yet entered into force and have not been adopted early in preparing the Group's and the Parent Company's financial reports. IFRS that may affect the Group's or the Parent Company's financial reports are described below. Other new or amended standards and interpretations published by the IASB are not expected to have any material impact on the Group's or the Parent Company's financial reporting.

IFRS 16 Leases

IFRS 16 Leases replaces IAS 17 Leases from January 1, 2019. The new standard makes no distinction between operating and finance leases for the lessee. Under the new standard, lessees are required to account for leases as a right-of-use asset, i.e. the right to use the asset during the lease term, and a financial liability, i.e. the lessee's commitment to make lease payments. Depreciation of the right-of-use asset and interest on the lease liability are reported in the income

Note 1 continued

Classification of financial assets and liabilities under IFRS 9

Assets MSEK	Carrying amount ¹⁾	Category – IAS 39 Dec 31, 2017	Category – IFRS 9 Jan 1, 2018
Other shares and interests			
- Investment shares	16	Available-for-sale financial assets	At fair value through profit or loss
- Investment shares	4	At fair value through profit or loss	At fair value through profit or loss
- Strategic holdings	314	Available-for-sale financial assets	At fair value through OCI
- Strategic holdings	123	At fair value through profit or loss	At fair value through OCI
Other financial assets			
- Interest-bearing securities	90	At fair value through profit or loss	At fair value through profit or loss
- Other financial assets	287	Loans and receivables	Amortized cost
- Derivative instruments	4	Derivatives for hedge accounting	Derivatives for hedge accounting
Other non-current assets	14	Derivatives for hedge accounting	Derivatives for hedge accounting
Trade and other receivables			
- Trade receivables	5,343	Loans and receivables	Amortized cost
- Derivative instruments	68	Derivatives for hedge accounting	Derivatives for hedge accounting
Current interest-bearing assets	18	Loans and receivables	Amortized cost
Cash and cash equivalents	927	Loans and receivables	Amortized cost
Total assets	7,208		
Liabilities MSEK	Carrying amount¹⁾	Category – IAS 39 Dec 31, 2017	Category – IFRS 9 Jan 1, 2018
Non-current interest-bearing liabilities			
- Interest-bearing liabilities	4,500	Other financial liabilities	Other financial liabilities
- Derivative instruments	23	Derivatives for hedge accounting	Derivatives for hedge accounting
Other non-current liabilities			
- Non-current liabilities	25	Other financial liabilities	Other financial liabilities
- Derivative instruments	3	Derivatives for hedge accounting	Derivatives for hedge accounting
Current interest-bearing liabilities			
- Interest-bearing liabilities	3,838	Other financial liabilities	Other financial liabilities
- Derivative instruments	3	Derivatives for hedge accounting	Derivatives for hedge accounting
Trade and other payables			
- Trade payables	7,308	Other financial liabilities	Other financial liabilities
- Derivative instruments	38	Derivatives for hedge accounting	Derivatives for hedge accounting
Total liabilities	15,738		

¹⁾ The classification according to IFRS 9 has not caused changes to the carrying amount compared with IAS 39.

statement. Lease payments are apportioned between the finance charge and reduction of the lease liability. The standard is not mandatory for short-term leases (lease term less than 12 months) and leases where the underlying asset is of low value. The new standard does not involve any major differences for lessors. In 2017, Lantmännen initiated a project to evaluate the effects of the new standard. The project has identified operating leases primarily for land, office premises, production and warehouse premises, rental machines, service vehicles and company cars. Lantmännen has chosen to apply the simplified transition approach, which means that comparative amounts for previous periods have not been restated. A marginal borrowing rate has been set for each country and duration for discounting identified leases. The right-of-use period has been assessed on the basis of knowledge of the length of underlying agreements as well as termination and extension clauses. Right-of-use agreements shorter than 12 months or which terminate within 12 months of the transition date are classified as short-term leases and are therefore not included in the reported financial liabilities or rights of use. Right-of-use agreements with a replacement value of less than SEK 50,000 and all leases relating to office equipment have been classified as low value leases and are not included in the reported financial liabilities or rights of use. Existing finance leases previously reported under IAS 17 Leases are reclassified in accordance with IFRS 16 at their reported amounts on the day before the application of the new standard. The implementation effects for IFRS 16 are shown in the table below:

Impact of IFRS 16, January 1, 2019

TSEK	IFRS 16 adjustment
Right-of-use assets	2,632
Prepaid expenses	-39
Lease liabilities	2,593

In addition, finance leases reported under IAS 17 Leases will be reclassified.

The assessment is that operating income in 2019 will increase marginally and that income after financial items will decline marginally. The RFR 2 exception concerning leases will be applied for the Parent Company. This means that the Parent Company's principles for accounting for leases will be unchanged.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 is a new interpretation that deals with uncertainty in the treatment of income taxes under IAS 12 Income Taxes. The introduction of IFRIC 23 will not have any material impact on the reporting of tax risks.

Changes to the Parent Company's accounting policies

The Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities has been updated. Among other things, a new model has been introduced for the calculation of credit losses, the purpose of which is to report these earlier. The new model does not have any material effect on the Parent Company's financial reports.

Note 1 continued

ASSUMPTIONS AND ACCOUNTING ESTIMATES

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

JUDGMENTS IN THE APPLICATION OF ACCOUNTING POLICIES

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

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

CONSOLIDATED FINANCIAL STATEMENTS

The Group's financial statements comprise the financial statements for the Parent Company and all Group entities in accordance with the definitions below. A Group entity is consolidated from the date on which the Group obtains control, or for associates, significant influence, over the enterprise, while divested Group entities are included in the consolidated financial statements up to and including the date on which the Group still has control, or for associates, significant influence, over the enterprise.

Subsidiaries

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

The consolidated financial statements are prepared according to the acquisition method. The cost of an investment in a subsidiary is the cash amount and the fair value of any non-cash consideration paid for the investment. The value of the acquired net asset, the equity in the company, is determined by measuring acquired assets and liabilities and contingent liabilities at their fair value on the date of acquisition. Those fair values constitute the Group's cost. If the cost of an investment in a subsidiary exceeds the fair value of the acquired company's identifiable net assets, the difference is recognized as goodwill on consolidation. Whether a minority's share of goodwill should be measured and included as an asset is determined for each acquisition. If the cost is less than the final fair value of the net assets the difference is recognized directly in the income statement.

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

Associates and joint ventures

Associates are companies over which Lantmännen has a significant, but not controlling, influence. This is normally the case when the Group holds between 20 and 50 percent of the voting rights. Companies over which Lantmännen and other parties have contractual joint control are classified as joint ventures. All companies in which Lantmännen holds between 20 and 50 percent of the voting rights are classified as joint ventures or associates. No companies with a larger or smaller ownership share are classified in this way.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost. Acquired assets and liabilities are measured in the same way as for subsidiaries, and the carrying amount includes potential goodwill and other Group adjustments. The Group's share of the company's income after tax arising after the acquisition, adjusted for any depreciation/reversals of the value on consolidation, is reported on a separate line in the income statement and is included in operating income. The share of income is calculated on the basis of Lantmännen's share of equity in the

company. The equity method means that the consolidated carrying amount of investments in these companies corresponds to the Group's share of the equity of companies plus the residual value of fair value adjustments.

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

Non-controlling interests (minorities)

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

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

Translation of foreign Group entities

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

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

In cases where net investments in foreign operations are hedged with financial instruments the foreign exchange differences arising on translation of these instruments are also recognized in the statement of comprehensive income.

When a foreign operation is disposed of, the cumulative translation differences and exchange differences for any financial instruments held for hedging the net investment in the company are recognized as part of the gain or loss on disposal.

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

Parent Company

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

FOREIGN CURRENCY TRANSACTIONS AND BALANCE SHEET ITEMS

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

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

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

Note 1 continued

SEGMENT REPORTING

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

The business segments are consistent with the Group's operational structure, in which activities are divided into three Sectors and two Business Areas. The segments are organized around different types of products and services. The three Sectors are Agriculture, Energy and Food and the two Business Areas are Swecon and Real Estate. Activities not reported as a separate segment, mainly corporate functions, are reported as Other operations. A further description of the operating segments can be found in [note 4](#).

The segments are responsible for their operating income and the assets and liabilities used in their own operations, namely the operating capital. Financial items and taxes do not fall within the Sectors' responsibility; these are reported centrally for the Group. The same accounting policies are used for the segments as for the Group, apart from pensions (IAS 19 Group level only) and financial instruments (IFRS 9 Group level only).

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

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are recognized at cost less accumulated depreciation and any accumulated impairment. Cost includes expenditure that can be directly attributed to the acquisition of the asset, including the effect of cash flow hedges relating to investment purchases in foreign currencies. Start-up and pre-production costs that are necessary for bringing the asset to its predetermined condition are included in the cost. For major investments, where the total investment value is at least MSEK 300 and the investment period lasts at least 12 months, interest during construction is included in the cost of the asset.

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

Investment property

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

Parent Company

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

Depreciation policies for property, plant and equipment

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

The following depreciation schedules are applied:

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

INTANGIBLE ASSETS

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

Goodwill

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

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

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

Trademarks

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

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

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

Parent Company

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

Customer and supplier relationships

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

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

Research and development

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

Note 1 continued

For development of fuels, expenditure is capitalized only when the product can demonstrate technical acceptance and commercial potential and political decisions have been made. Currently, this means that all expenditure on the development of commercial and similar products is expensed as incurred. Expenditure on development of business-related IC/IT systems is capitalized if the general preconditions according to the above are met and the total expenditure is estimated to exceed MSEK 3.

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

Other intangible assets

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

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

IMPAIRMENT

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

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

An asset's value in use is the present value of the estimated future cash flows that are expected from using the asset and its estimated residual value at the end of its useful life. When calculating value in use, future cash flows are discounted using a pre-tax interest rate that takes into account a market assessment of risk-free interest rates and risk associated with the specific asset. At Lantmännen the risk premium is estimated in relation to the proximity of the operation to the farmer. Operations close to the farmer have a lower risk premium level.

INVENTORIES

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

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

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

RECOGNITION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

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

CLASSIFICATION OF FINANCIAL INSTRUMENTS

The classification of financial instruments forms the basis for their recognition and measurement.

Financial assets

Classification of financial assets is based on the business model that Lantmännen applies to manage the financial assets and the contractual cash flow characteristics of the financial assets.

The following three measurement categories are applicable to financial assets:

- Amortized cost.
- Fair value through other comprehensive income.
- Fair value through profit or loss.

A financial asset is measured at amortized cost if:

- The financial asset is managed within a business model whose objective is to realize the financial asset's cash flows by collecting contractual cash flows; and
- The contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if:

- The financial asset is managed within a business model whose objective is to realize the financial asset's cash flows by collecting contractual cash flows and by selling the asset; and
- The contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

For equity instruments not held for trading, Lantmännen may choose to present value changes in other comprehensive income on initial measurement.

All other financial assets are measured at fair value through profit or loss.

Business model assessment

Lantmännen assesses which business model a financial asset is managed in at the portfolio level or by type of financial asset, as this reflects how the financial assets are managed, evaluated and reported to management.

Information on which the business model assessment is based:

- policies and instructions for the current portfolio or type of assets and how they are applied in practice;
- evaluation and monitoring of the portfolio's return;
- risks affecting the return, and their management;
- compensation of staff managing financial assets, e.g. whether the compensation is based on changes in the fair value of assets; and
- frequency and volume of sales of assets, and the reason for the sales.

Financial assets held for trading or which are managed and evaluated based on their fair values are measured at fair value through profit or loss.

Assessment of contractual cash flows

For this assessment, interest is defined as compensation for the time value of money, compensation for credit risk for the principal amount outstanding over a specific period of time and other risks associated with the lending of capital.

Note 1 continued

To assess whether the contractual cash flows consist solely of payments of principal and interest on the principal amount outstanding, Lantmännen uses the contractual terms of the financial asset as its basis. The assessment is aimed at determining whether there are conditions that may change the time and/or size of the contractual cash flows in such a way that they no longer consist solely of payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost

Financial assets measured at amortized cost consist mainly of long-term and short-term loans, trade receivables and bank funds. The objective of these financial assets is to collect contractual cash flows.

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income consist of holdings in shares that do not qualify as subsidiaries or associates, held for strategic reasons and to promote Lantmännen's business activities.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss consist of holdings of bonds, shares held as financial investments and derivative instruments with a positive fair value and not identified as hedging instruments in a hedging relationship.

Financial liabilities

Financial liabilities are measured either at amortized cost or at fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss

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

Other liabilities

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

Non-current financial assets

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

Short-term investments

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

Cash and cash equivalents

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

IMPAIRMENT OF FINANCIAL ASSETS

Impairment losses are calculated and recognized for financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income. Impairment is not recognized for holdings of equity instruments. Reserves for credit losses are calculated and reported initially on the basis of twelve months' expected credit losses. If the credit risk has increased significantly since the financial asset's initial recognition, credit loss provisions are calculated and reported based on expected credit losses for the asset's entire remaining life. For trade receivables, which do not contain a significant financing component, a simplified approach is applied, and credit loss provisions are calculated and reported based on expected credit losses for the entire remaining life, regardless of whether or not the credit risk has increased significantly.

Lantmännen mainly bases the calculation of expected credit losses on an individual assessment of the relevant receivable, together with information on historical losses for similar assets and counterparties. The historical information is continuously evaluated and adjusted based on the current situation and Lantmännen's expectation of future events.

HEDGE ACCOUNTING

Lantmännen applies hedge accounting, provided the criteria for hedge accounting are in place. The criteria for hedge accounting are as follows:

- The hedging relationship consists only of eligible hedging instruments and hedged items;
- At the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge;
- The hedging relationship meets all of the hedge effectiveness requirements (that there is an economic relationship, that the effect of credit risk does not dominate and that the hedge ratio is the same as that actually used in the hedge).

Most of Lantmännen's derivative contracts have been entered into to hedge risks such as currency risk and commodity risk. The majority of the derivative instruments held by Lantmännen are hedging instruments that qualify for hedge accounting. Financial derivative instruments that are hedging instruments hedge either an asset or a liability, a net investment in foreign operations or are a hedge of an actual or forecast transaction.

IFRS 9 defines three different hedging relationships: cash flow hedges, hedging of net investments and fair value hedges. Lantmännen only applies cash flow hedging and hedging of net investments.

Cash flow hedges

A cash flow hedge is a hedge held to reduce the risk of an impact on profit or loss from changes in cash flow relating to a highly probable forecast future transaction or in transactions associated with an asset or liability. In cash flow hedge accounting, fair value changes for the derivative instrument (hedging instrument) are recognized in other comprehensive income and accumulated in equity. When the hedged position is recognized in profit or loss, the result of the revaluation of the derivative instrument is also transferred to profit or loss.

Hedging of net investments

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

Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment that is attributable to a particular risk and could affect profit or loss. For a fair value hedge, the gain or loss on the derivative instrument's fair value is recognized in profit or loss. The hedged item is remeasured at fair value, taking into account the hedged risk, and is recognized in profit or loss along with the gains or losses on the derivative instrument's fair value.

PARENT COMPANY

In the Parent Company, financial instruments are accounted for using the cost method in accordance with RFR 2 and where interpretation guidance is taken from the K3 rules. If hedge accounting is applied, this is done on the basis of the criteria set out in IFRS 9. When hedge accounting is applied, value changes for the hedged item and the hedging instrument are not recognized in the statement of financial position. Derivatives for which hedge accounting is not applied are measured at the lower of cost and net realizable value at the reporting date.

In the Parent Company, non-current financial assets are therefore measured at cost and current financial assets at the lower of cost and fair value, with

Note 1 continued

impairment for expected credit losses on receivables applied according to IFRS 9. For other financial assets, impairment is based on market values.

The Parent Company applies the exemption from measuring financial guarantee contracts in favor of subsidiaries, associates and joint ventures in accordance with IFRS 9, and uses instead the principles for measurement contained in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

DETERMINATION OF FAIR VALUE

If a financial instrument is traded in an active market, the quoted prices are used to determine the fair value. This applies, for instance, to commodity futures and energy derivatives. For unlisted financial instruments, or if the market for a certain financial asset is inactive, the value is determined through the application of generally accepted valuation techniques. Lantmännen makes assumptions based on the market conditions prevailing at the reporting date. The fair value of forward exchange contracts and currency swaps is estimated based on current forward rates at the reporting date. Interest rate swaps are valued using estimates of future cash flows discounted to current market rates. Market rates and current credit margins are the basis for determining the fair value, for information purposes, of long-term borrowings. For financial assets and liabilities with short maturities, the fair value is estimated at cost adjusted for any impairment.

PROVISIONS

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

EMPLOYEE BENEFITS

Pensions

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

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

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

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

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

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

A special payroll tax is calculated on the difference between the pension obligation determined according to IAS 19 and the pension obligation determined according to the rules applied in the legal entity. The calculated future payroll tax is reported as part of the pension obligation.

Parent Company

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

Termination benefits

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

Variable salary

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

TAXES

The Group's tax expense consists of current tax and deferred tax. Taxes are recognized in the income statement, except when the underlying transaction is recognized directly in OCI, in which case the related tax effect is also recognized in OCI. However, in the case of contribution dividends, refunds and supplementary payments, which are reported as dividends in the Group's equity, the tax effect of these tax-deductible items is recognized in the income statement as part of the year's tax expense. Current tax is the tax payable or receivable for the current year. Current tax also includes adjustments to current tax attributable to prior periods.

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

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

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

Parent Company

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

Note 1 continued

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue recognition

Lantmännen generates its main revenue from the sale of finished products, but also from services rendered, licensing and property leasing. Lantmännen's operations and sales are divided into different segments. The product portfolio is therefore diversified, but the principles for revenue recognition for product or service sales are the same in all segments. Revenue from property leasing is recognized in accordance with the rules for lease revenue.

Performance obligations and timing of revenue recognition

The Group manufactures/processes or imports and sells finished products and accessories. Sales are through dealers/retailers and directly to farmers, industrial customers and consumers. In customer contracts for the sale of products, there are usually 1-2 performance obligations depending on the segment: goods, in some cases an extended warranty and a service. Revenue is recognized at the point in time when control of the asset is passed to the customer, which is dependent on the shipping conditions.

Rights of return and repurchase obligations

When the Group sells goods to customers with rights of return, implicit or explicit, a liability is recognized for the expected repayment and an asset for the right to recover goods from customers on settlement of the repayment liability when the goods are returned. These items are classified in the balance sheet as a return liability and a return asset (under Inventories). Historical experience is used to estimate the proportion of returns at the time of sale ("expected value method") and revenue is recognized only for products not expected to be returned.

Some customer contracts are based on an entity's obligation to repurchase the product, i.e. a repurchase agreement. If the Group has an obligation to repurchase the asset at the customer's request, the Group considers at contract inception whether the customer has a significant economic incentive to exercise that right. If the buyer has a significant economic incentive to exercise its right, this results in the customer effectively paying the Group consideration for the right to use an asset for a certain period of time. The Group then accounts for the agreement as a lease in accordance with IAS 17. If the buyer does not have a significant economic incentive to exercise its right, the Group accounts for the agreement as if it were the sale of a product with a right of return.

Warranty commitments

In certain cases, the Group has customer contracts that include an extended warranty commitment. Revenue from such warranties is reported on a straight-line basis over the warranty period, unless some other method provides a better measure of the fulfillment of the performance obligation. An extended warranty is considered to exist when the customer is able to buy this service, it is separately priced and the warranty extends beyond the standard warranty required by law. The Group's obligation to take back defective products under the standard warranty required by law is accounted for in accordance with IAS 37.

Determination of transaction price

Volume discounts

In sales with volume discounts, the probable outcome of the sales volume and the associated discount is estimated at the time of the sale. The estimated discount is then included in the transaction price, thus reducing revenue. The assessment of the volume outcome is revised on each reporting date.

Joint marketing activities

Certain sales may include an agreement with the customer on joint marketing activities. Sales to retailers (stores) may include listing fees, which are fees paid to the customer in order to receive special product placement in the store. These fees are considered part of the underlying sales transaction and reduce the transaction price, and thus the revenue. Other joint market activities with a customer are assessed on a case-by-case basis to determine whether the activity is part of the sales transaction or whether a distinct service or product is purchased in the form of the market activity. If the market activities are considered part of the sales transaction, their costs reduce the transaction price and thus the revenue for the transaction.

Trade-in products

In product sales (agricultural or construction machinery) where the sale transaction includes the trade-in of an older machine, the transaction is formulated in such a way that the trade-in is classified as a machine purchase. The trade-in takes place as a new sale and at the customer's request, and the trade-in price is the machine's market value.

Services

The Group performs services in crop production and farming, including repairs, servicing and maintenance of products. Revenue from services in crop production and farming is reported when the service is performed. Revenue from maintenance and servicing of products is reported on a straight-line basis over the contract period, unless some other method provides a better measure of the fulfillment of the performance obligation.

Revenue from administrative and property services, both of which are often provided under longer contracts, is reported when the service is performed and the customer can benefit from the service.

Software licenses

The Group licenses intellectual property such as software in machinery. Free-standing software in machinery is classified as a "right-to-use" license and is recognized as revenue at a given point in time, usually the license date of issue. Licenses considered to be an integral part of a machine are recognized as revenue together with the machine, which is when control of the machine passes to the customer.

Royalty revenue

The Group sells seed, forages and other crops with license agreements. License agreements contain royalties that are based on the customer's use or sale of the goods containing the intellectual property. Sales-based or usage-based royalties are recognized when the subsequent sale or use occurs.

New balance sheet items

In cases where the Group receives advance payments from its customers, these are reported as contract liabilities under Trade and other payables in the statement of financial position. A trade receivable is recognized when the goods have been delivered or the service has been performed, and when the right to consideration is unconditional as only the passage of time is required before payment of the consideration is due. Only in exceptional cases does it happen that the Group has partly fulfilled its performance obligation but is not entitled to consideration until further performance occurs. In these cases, a contract asset is recognized and reported under Trade and other receivables. If the claim on the customer is unconditional, but invoicing has not yet taken place, a receivable not yet invoiced is reported under Trade and other receivables. When reporting rights of return, a return liability is reported under Trade and other payables and a return asset under Inventories.

REFUND AND SUPPLEMENTARY PAYMENT

Members of Lantmännen ek för may receive a refund on purchases from Lantmännen Lantbruk Sweden and Lantmännen Maskin's and Swecon's Swedish operations and a supplementary payment on sales to Lantmännen Lantbruk Sweden. The refund and supplementary payment represents part of the economic association's dividend to its members and is recognized as a dividend in the consolidated financial statements.

Parent Company

As a result of amendments to Lantmännen ek för's Articles of Association, with effect from 2018, decisions on a refund and supplementary payment will be made by Lantmännen's annual general meeting and reported as a dividend. Until 2017, the Board made the decisions on the refund and supplementary payment, which were then reported as an expense in the income statement, after finance income and costs.

LEASING

The Group acts both as lessor and lessee. The Group acts as a lessor only with regard to goods it normally sells, i.e., in connection with customer financing.

Note 1 continued

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

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

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

Since the Group is lessor, assets leased under operating leases are recognized as non-current assets in the statement of financial position and are depreciated over their estimated useful life. The lease payments are included in operating income and allocated on a straight-line basis over the term of the lease. In the case of finance leases, the transaction is recognized as a sale that gives rise to a receivable, which is recognized as a finance lease receivable. Payments received in connection with finance leases are recognized as interest income and amortization of the finance lease receivable.

Parent Company

All leases in the Parent Company are accounted for according to the rules for operating leases. The Parent Company only acts as a lessee.

GOVERNMENT GRANTS

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

BORROWING COSTS

Borrowing costs attributable to investments in assets that take more than 12 months to complete, and for which the investment amount is at least MSEK 300, are capitalized as part of the investment amount. Other borrowing costs are expensed in the period in which they are incurred.

BIOLOGICAL ASSETS

Biological assets are measured and carried at fair value in accordance with IAS 41. Within Lantmännen there are a few businesses that own and manage biological assets. These assets normally have a short life, less than one year. For that reason, Lantmännen has chosen to view the recognized cost as an estimate of fair value. These operations account for a small fraction of Lantmännen's overall operations.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Lantmännen only reclassifies assets as held for sale if their value is substantial. The current threshold is MSEK 50.

GROUP CONTRIBUTIONS AND SHAREHOLDER CONTRIBUTIONS

Parent Company

Lantmännen accounts for group contributions according to the alternative rule, whereby both group contributions received and group contributions made are reported as an appropriation.

RELATED PARTIES

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

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

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

By virtue of their right to participate in the decisions concerning the Parent Company's strategies, Board members have significant influence over the Parent Company and are therefore considered to be related parties. The purpose of an economic association is to promote the economic interests of its members through the economic activities in which they participate. Accordingly, purchases and sales of goods and services have been conducted during the financial year between the Parent Company and individual Board members who are members of the association. These individual Board members also participate in the financing of the association. Transactions between Board members in their capacity as owners and the economic association have taken place in accordance with the association's objectives. As Board members are subject to the same conditions as other members, the amounts involved in these transactions are not disclosed.

Exchange rates for the Group's major currencies:

	2018		2017	
	Average rate	Closing rate	Average rate	Closing rate
DKK	1.38	1.38	1.29	1.32
EUR	10.26	10.28	9.63	9.85
GBP	11.59	11.35	10.99	11.10
NOK	1.07	1.02	1.03	1.00
RUB	0.14	0.13	0.15	0.14
USD	8.69	8.97	8.54	8.23

Accounting policies applied in 2017

RECOGNITION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

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

CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

Lantmännen classifies its financial instruments in the following categories:

Financial assets measured at fair value through profit or loss

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

Note 1 continued

Loans and receivables

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

Available-for-sale financial assets

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

Financial liabilities measured at fair value through profit or loss

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

Other liabilities

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

Non-current financial assets

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

Short-term investments

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

Cash and cash equivalents

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

HEDGE ACCOUNTING

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

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

Cash flow hedging – general

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

Hedging of net investments

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

Parent Company

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

As the interest-bearing assets and liabilities of the Parent Company are consistent in all material respects with those of the Group, no special disclosures are provided for the Parent Company.

DETERMINATION OF FAIR VALUE

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

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

Note 1 continued

New accounting policies from January 1, 2019

LEASING

IFRS 16 Leases has been implemented with effect from January 1, 2019.

Lantmännen has applied the simplified transition method and comparatives have therefore not been restated but are reported in accordance with IAS 17 and IFRIC 4.

The Group acts both as lessor and lessee.

When a contract is signed, an assessment is made as to whether the contract is, or contains, a lease. A contract is, or contains, a lease if:

- There is an identified asset.
- The lessee has the right to substantially all the economic benefits from the use of the identified asset.
- The lessee has the right to control the use of the asset.

If the above conditions are not all met, the contract is not considered to be a lease or contain a lease and is therefore classified as a service contract.

Lessees

Lantmännen recognizes a right-of-use asset and a financial liability at commencement of the lease. Right-of-use assets are measured at cost and include the following:

- the lease liability on initial measurement;
- lease payments made at or before the commencement date, less any incentives received in connection with the signing of the lease;
- initial direct costs; and
- costs of restoring the asset to the condition prescribed in the terms of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. The right-of-use period has been assessed on the basis of knowledge of the length of underlying agreements as well as termination and extension clauses.

The lease liability is initially measured at an amount equal to the present value of the remaining lease payments on the date on which the leased asset is available for use, discounted at the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's marginal borrowing rate.

Lease liabilities include the present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if it is reasonably certain that the lessee will exercise the option; and
- payments of penalties for terminating the lease, if the lease term reflects the assumption that the lessee will exercise the option.

The financial liability is recognized at amortized cost using the effective interest method. The liability is remeasured to reflect changes in future lease payments resulting from a change in index or, e.g., new assessments of amounts payable under future residual value guarantees, or the exercise of purchase, extension or termination options. Any remeasurement of the lease liability results in a corresponding adjustment of the right-of-use asset.

Lantmännen reports a right-of-use asset that is not investment property under property, plant and equipment, and the lease liability as an interest-bearing liability.

Short-term leases and low-value leases

Lantmännen has chosen not to report right-of-use assets and lease liabilities for short-term leases, i.e. contracts where the lease term is shorter than twelve months, and for low-value leases, such as IT and office equipment. Lease payments for these contracts are recognized as an expense on a straight-line basis over the lease term.

IAS 17

For the comparative period, Lantmännen classified leases that transferred substantially all the financial risks and rewards incident to ownership as finance leases.

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

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

Lessors

When Lantmännen is the lessor, the lease is classified as either a finance lease or an operating lease at commencement of the lease term.

When the Group is lessor, assets leased under operating leases are recognized as non-current assets in the statement of financial position and are depreciated over their estimated useful life. The lease payments are included in operating income and allocated on a straight-line basis over the term of the lease. In the case of finance leases, the transaction is recognized as a sale that gives rise to a receivable, which is recognized as a finance lease receivable. Payments received in connection with finance leases are recognized as interest income and amortization of the finance lease receivable.

Parent Company

All leases in the Parent Company are accounted for according to the rules for operating leases. The Parent Company only acts as a lessee.

Note 2 Significant events after the end of the period

In January 2019, Lantmännen Unibake acquired all shares in the Australian pastry manufacturer Bakery Du Jour. The company has an annual turnover of just over MSEK 200 and 90 employees.

Note 3 Significant judgments, accounting estimates and assumptions

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

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

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

Impairment of goodwill and other assets

Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually or whenever there are indications of possible impairment – in situations such as a changed business environment, a divestment decision or closure of operations. The Group's goodwill and other intangible assets amounted to MSEK 8,801 (8,565) at the end of the year, which corresponds to 55 (57) percent of the Group's equity. Other assets are tested for impairment as soon as there is an indication that an asset's recoverable amount is lower than its carrying amount.

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

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

See also → note 7.

Deferred tax assets and tax liabilities

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

More details about amounts can be found in → note 12.

Pensions

The value of pension obligations for defined benefit pension plans is determined by using actuarial calculations based on assumptions about discount rates, future salary increases, inflation and demographics. The discount rate, which is the most critical assumption, is based on the market return on high-quality corporate bonds, namely mortgage bonds with long maturities. The rate is extrapolated to correspond to the pension plan's obligations. A lower discount rate increases the present value of the pension obligation and pension cost, while a higher discount rate has the reverse effect. A 0.25 percent change in the discount rate would change the pension obligation by MSEK 92-98.

For more information about amounts and further sensitivity analyses, see → note 25.

European Commission's ongoing investigation

A provision of MSEK 440 has been recognized in the financial statements since the previous year, in connection with the European Commission's ongoing investigation of Lantmännen Agroetanol and two other ethanol producers for alleged violation of EU competition law. The size of the provision is based on Lantmännen's best judgment as at December 31, 2018.

For information about provisions, see → note 26.

Note 4 Segment reporting

INFORMATION ABOUT OPERATING SEGMENTS

Financial year 2018 MSEK	Agriculture Sector	Energy Sector	Food Sector	Swecon Business Area	Real Estate Business Area	Other operations	Groupwide	Total Group
Net sales								
External sales	17,251	2,944	15,292	8,159	246	70		43,962
Internal sales	2,087	173	59	93	279	528	-3,219	0
Total net sales	19,338	3,117	15,351	8,252	525	598	-3,219	43,962
Operating income per segment	131	168	748	440	265	-180	-129	1,443
<i>Of which share of income of joint ventures/ associates</i>	<i>49</i>	<i>25</i>	<i>33</i>		<i>4</i>	<i>8</i>		<i>119</i>
Finance income								96
Finance costs								-289
Tax expense for the year								-68
Net income for the year								1,182
Other disclosures								
Assets	8,185	1,821	17,150	2,479	2,408	3,407	-2,307	33,143
Share of equity in joint ventures/associates	1,577	182	308		110	122		2,299
Unallocated assets								1,653
Total assets	9,762	2,003	17,458	2,479	2,518	3,529	-2,307	37,095
Liabilities	2,004	905	2,635	2,062	156	4,658	-2,307	10,113
Unallocated liabilities								10,955
Equity								16,027
Total liabilities and equity	2,004	905	2,635	2,062	156	4,658	-2,307	37,095
Investments	260	103	891	405	125	41		1,825
Depreciation, amortization and impairment	-144	-92	-798	-236	-55	-38		-1,363
Significant non-cash items in addition to depreciation								0

Financial year 2017 MSEK	Agriculture Sector	Energy Sector	Food Sector	Swecon Business Area	Real Estate Business Area	Other operations	Groupwide	Total Group
Net sales								
External sales	14,715	2,902	14,299	7,279	244	247		39,686
Internal sales	1,945	166	50	82	267	390	-2,900	0
Total net sales	16,660	3,068	14,349	7,361	511	637	-2,900	39,686
Operating income per segment	337	156	739	372	302	-156	-73	1,677
<i>Of which share of income of joint ventures/ associates</i>	<i>84</i>	<i>20</i>	<i>49</i>		<i>1</i>			<i>154</i>
Finance income								151
Finance costs								-307
Tax expense for the year								-216
Net income for the year								1,305
Other disclosures								
Assets	6,689	1,779	16,710	1,982	2,312	1,746	-700	30,518
Share of equity in joint ventures/associates	1,491	184	297		109	101		2,182
Unallocated assets								1,840
Total assets	8,180	1,963	17,007	1,982	2,421	1,847	-700	34,540
Liabilities	2,229	866	2,549	1,614	236	3,047	-700	9,841
Unallocated liabilities								9,751
Equity								14,948
Total liabilities and equity	2,229	866	2,549	1,614	236	3,047	-700	34,540
Investments	128	86	1,351	515	440	73		2,593
Depreciation, amortization and impairment	-131	-62	-765	-205	-54	-25		-1,242
Significant non-cash items in addition to depreciation								0

On January 1, 2018, an organizational change was made. Comparatives for 2017 have been restated according to the new organization.

Note 4 continued

INFORMATION ABOUT GEOGRAPHIC AREAS

MSEK	2018		2017	
	External sales	Non-current assets	External sales	Non-current assets
Sweden	19,866	8,055	18,242	7,944
Finland	5,697	3,520	3,735	3,074
Germany	5,494	1,508	4,720	1,425
Denmark	2,884	2,243	2,855	2,264
Norway	2,011	338	2,108	303
United Kingdom	1,648	902	1,389	873
Baltic Region	1,036	787	854	742
Netherlands	785	19	1,191	19
Russia	621	831	456	925
Belgium	514	1,718	549	1,564
Poland	484	777	452	563
France	444	382	358	406
Spain	430	0	500	1
Switzerland	62	0	281	0
Rest of Europe	830	331	808	334
United States	921	362	944	340
Rest of world	235	0	244	0
Total	43,962	21,773	39,686	20,777

No Lantmännen customer accounts for 10 percent or more of the Group's total sales.

The information presented regarding distribution of revenue by geographical area is grouped according to customer location.

Information regarding assets is based on geographical areas grouped according to asset location, i.e., where the entity carries on its production of goods and services, and includes property, plant and equipment, intangible assets and investments in associates.

Lantmännen's operations are divided into three Sectors and two Business Areas.

Internal reporting to Group Management and the Board corresponds with the Group's operational structure, which means the Group's operating segments are its Sectors and Business Areas. The division is based on the Group's operations from a product and customer perspective.

Sales between the Group's entities are conducted at market terms and conditions.

The assets and liabilities used in each segment's operating activities, and for which it is responsible, are attributed directly to the segments. These assets and liabilities include property, plant and equipment, intangible assets, current assets, operating liabilities and provisions attributable to the sale of goods and services, i.e., the segments' operating capital. Assets and liabilities are attributed directly to the segments or allocated to them in a reasonable and reliable manner.

Responsibility for the management of what the Group defines as financial assets and liabilities, and for the Group's tax lies with the corporate functions at the central level. Financial assets and liabilities, provisions for pensions, taxes, gains and losses on the remeasurement of financial instruments (IFRS 9) and pension obligations (IAS 19) have not been allocated to each segment.

All capital expenditure on property, plant and equipment and intangible assets, apart from expendable equipment and company acquisitions, is included in the segments' investments.

The Group's segments consist of three Sectors and two Business Areas, each specializing in different operations. The segment 'other operations' includes a number of small companies which are controlled at central level. The segments are outlined below:

The **Agriculture Sector**, which constitutes the Group's core business, develops and markets products and services to promote strong, competitive farming. The Sector offers a wide range of livestock and crop production products under strong brands. The Agriculture Sector is a major participant in the grain market, conducting trade in grain, oilseeds, pulses and forages with farmers, grain traders and Swedish and international industry.

The Sector also includes Lantmännen Maskin, which imports, markets and sells agricultural machinery and spare parts and provides services in Sweden. Lantmännen Maskin offers strong brands, including Valtra, Fendt, Väderstad and

KUHN. The Agriculture Sector is responsible for Lantmännen's ownership interests in the partly-owned companies HaGe Kiel, Scandagra Group and Scandagra Polska.

The **Energy Sector** is one of Sweden's largest producers of bioenergy products and operates in a global market with the main focus on Europe. The Sector's companies manufacture and market sustainable ethanol, protein feed, carbon dioxide, starch products, alkylate petrol, vodka, gluten, lubricants and chemical products. Lantmännen Agroetanol, Lantmännen Aspen and Lantmännen Reppe are part of the Energy Sector. The Energy Sector is responsible for Lantmännen's ownership interests in the partly-owned company Scandbio, Sweden's largest solid processed wood fuel company.

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

- Lantmännen Cerealia develops, produces and markets products such as flour, hulled grains, breakfast products, pancakes, crispbread, pasta, ready meals, beans and lentils. Operations are conducted in Sweden, Norway, Denmark, Finland, Ukraine and Russia, but the products are sold in more than 40 countries.
- 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 sector and restaurant market in more than 60 countries around the world. Lantmännen Unibake has a long history of successful concepts and products of high quality, with a wide range of well-known brands.

The **Swecon Business Area** 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. Swecon offers a broad range of construction machinery, equipment, spare parts, servicing and support. The product range consists of wheel loaders, excavators, dumpers, rigid haulers and road construction equipment.

The **Real Estate Business Area** manages commercial premises, such as offices, shops, workshops and warehouses. The Business Area's assignment is to provide Lantmännen with appropriate premises and optimize external revenue. Premises are rented out both externally and internally, with the strategy of increasing the proportion of external rental income. Lantmännen Real Estate works to concentrate the property portfolio on a number of strategic locations in Sweden. The Real Estate Business Area includes Lantmännen Agrovärme, which provides ready heat and district heating.

Note 5 Breakdown of revenue

MSEK	2018	2017
Net sales		
Net sales from contracts with customers:		
Lantmännen Lantbruk Sweden	11,622	11,169
Lantmännen Lantbruk Finland	3,612	1,754
Lantmännen Maskin Sweden	3,875	3,629
Agriculture Sector, other and eliminations	229	108
Agriculture Sector	19,338	16,660
Lantmännen Agroetanol	1,734	1,903
Lantmännen Reppe	472	454
Lantmännen Aspen	928	721
Energy Sector, other and eliminations	-17	-10
Energy Sector	3,117	3,068
Lantmännen Cerealia	4,139	3,980
Lantmännen Unibake	11,584	10,726
Food Sector, other and eliminations	-375	-357
Food Sector	15,348	14,349
Swecon Sweden	4,116	3,881
Swecon Germany	3,394	2,816
Swecon Baltic	287	233
Swecon Business Area, other and eliminations	-3	-6
Swecon Business Area	7,794	6,924
Real Estate Business Area	114	109
Other operations	598	637
Eliminations	-2,967	-2,660
Total	43,342	39,087
Net sales from leasing activities		
Food Sector	3	-
Swecon Business Area	458	437
Real Estate Business Area	411	402
Eliminations	-252	-240
Total	620	599
Total net sales	43,962	39,686
Other operating income		
Capital gains	51	123
Government grants	15	14
Insurance compensation	35	146
Other	178	157
Total	279	440

Capital gains in 2018 and 2017 are mainly from property sales.
Insurance compensation received in 2017 relates primarily to compensation for the bakery in Londerzeel, Belgium, which burnt down in 2015.

Note 6 Employees and employee benefits expense

Average number of employees	2018	of which female	2017	of which female
Group				
Sweden	3,541	27 %	3,559	27 %
Denmark	1,132	28 %	1,163	30 %
Finland	947	55 %	974	54 %
United Kingdom	662	28 %	687	26 %
Germany	570	15 %	558	15 %
Russia	478	43 %	220	44 %
Poland	477	34 %	432	34 %
Lithuania	407	62 %	434	57 %
Estonia	374	66 %	381	65 %
Belgium	307	34 %	364	32 %
Norway	269	37 %	316	34 %
Ukraine	221	54 %	204	55 %
Latvia	173	48 %	195	50 %
United States	165	35 %	167	31 %
Romania	86	60 %	83	59 %
Hungary	83	43 %	75	43 %
Netherlands	21	30 %	21	27 %
France	17	19 %	6	17 %
Spain	10	73 %	11	72 %
Total, Group	9,940	34 %	9,850	34 %
Parent Company				
Sweden	953	38 %	1,023	37 %
Total, Parent Company	953	38 %	1,023	37 %

Employee benefits expense	Group		Parent Company	
MSEK	2018	2017	2018	2017
Salaries and benefits, Managing Directors	93	85	14	13
- of which variable component	11	11	3	3
Salaries and benefits, other employees	4,340	4,146	518	549
Social security costs				
- cost for the year	967	916	199	196
- payroll tax effect on compensation from pension fund	-	-	-16	-16
Pension costs				
- cost for the year ¹⁾	428	368	94	91
- compensation from pension fund			-65	-65
Other staff costs	209	232	21	22
Total	6,037	5,747	765	790

¹⁾ MSEK 13 (12) of the Group's pension costs relates to CEOs.
The outstanding pension obligation to them is MSEK 2 (2).
MSEK 4 (4) of the Parent Company's pension costs relates to CEOs.
The outstanding pension obligation to them is MSEK 0 (0).

Gender representation in executive management	Group		Parent Company	
Female representation, %	2018	2017	2018	2017
Boards of Directors	14	12	18	17
Other senior executives	29	30	30	30

Note 6 continued

SALARIES AND REMUNERATION OF SENIOR EXECUTIVES

Senior executives

Senior executives as referred to in this note are Lantmännen's Group Management, consisting of the President & CEO, the Executive Vice President, three Heads of Sectors, two Managing Directors of business areas and three Directors of Corporate Functions. Members of Group Management may be employed by the Parent Company or by subsidiaries. The composition of senior executives changed during 2018. Group Management consisted of 10 individuals at the beginning of the year. One individual left Group Management and one individual joined during the year, which meant that Group Management still consisted of 10 individuals at the end of the year.

Lantmännen's Remuneration Committee

Lantmännen's Board of Directors has a special Remuneration Committee. The Remuneration Committee's tasks include preparing the Board's decisions regarding the salaries and remuneration of the President & CEO, and, in consultation with the President & CEO, preparing proposals on terms for the remuneration of Group Management prior to the President & CEO's decision.

Lantmännen's remuneration policy

The objective of Lantmännen's remuneration policy is to offer remuneration that helps to engage, motivate and attract the expertise that Lantmännen needs in order to be successful in its business operations. The fundamental principles are as follows:

- Remuneration must be neutral in terms of gender, religion, ethnicity, disability, sexual orientation etc.
- Remuneration must be individual and differentiated, and always strongly linked to the employee's performance.
- Remuneration must be based on the necessary skills, duties, qualifications, experience, position and contribution to the business.
- Remuneration must be relevant in relation to the external market.
- Remuneration must always be determined on the basis of the business and financial situation within the Lantmännen Group and its companies.

Remuneration within Lantmännen must always be considered and assessed from a total remuneration perspective. Decisions on remuneration within Lantmännen should always be made on the basis of our values: openness, a holistic view and drive.

Remuneration structure

The Annual General Meeting decides on the remuneration of the Board of Directors for the period until the next AGM. The remuneration is distributed between a fixed annual fee and an hourly fee. The AGM's decisions on the fixed fee cover the Chairman, the Vice Chairman and other Board members.

The AGM adopts guidelines for remuneration of Group Management on the basis of the Board's proposals. The 2017 meeting adopted the guidelines that were applied in 2018. The 2018 meeting adopted the guidelines that will be applied in 2019.

Lantmännen's remuneration structure for Group Management consists of the following components:

- Fixed salary
- Variable salary
 - Short-term incentive program
 - Long-term incentive program
- Pension
- Termination and other benefits

Fixed salary

Members of Lantmännen's Group Management undergo an annual salary review on January 1. The review considers individual performance, market salary growth, changed areas of responsibility, company performance and local agreements and regulations.

Variable salary - Short-term incentive program

Lantmännen has a Group-wide variable salary program, which for 2018 covered all members of Group Management. Decisions about target groups and guidelines for variable salary are made annually by the AGM in the case of the Group Management and by the Board of Lantmännen in other cases. For 2018, the program consists of financial and individual targets. The financial targets represent 75 percent of the maximum variable salary and are linked to the economic value added that the operating units generate for Lantmännen. The individual targets represent 25 percent.

The maximum variable salary that could be paid to Lantmännen's Group management in 2018 was 30 percent of the agreed fixed salary, before salary exchange, with full achievement of targets. The total maximum variable salary that could be paid to employees entitled to variable salary in 2018 was approximately MSEK 42, excluding social security costs. The 2018 variable salary was estimated at MSEK 12, excluding social security costs.

Variable salary - Long-term incentive program

Lantmännen's long-term incentive program runs for four years with an initial performance year followed by three lock-in years. The program covers all the members of Group management and a small group of senior executives and business-critical key individuals.

The purpose of the program is to drive and reward exceptional value growth and profitability within the Group. The program also has a construction that links the interests of the owners and participants. An initial allocation under the program is contingent on the Group achieving a predetermined minimum result for return on equity (RoE) in the performance year. The initial allocation increases with a higher RoE, but there is a ceiling at which no further allocation takes place. The maximum allocation as a percentage of the fixed annual salary after completion of the performance year is 40 percent for the President & CEO, 30 percent for other Group management and 20 percent for other participants.

If the RoE result leads to a maximum initial allocation, the cost is estimated at about MSEK 28, excluding social security contributions. Costs for initial allocation in the 2018 program have been calculated at MSEK 14 excluding social security contributions.

Pensions

Lantmännen offers Group Management occupational pensions in accordance with national practice, local agreements and other regulations.

The majority of Group Management members have entitlement to a pension on reaching the age of 65. There are currently three main principles governing pension accrual for members of Lantmännen's Group Management, all of whom apart from one are employed in Sweden:

- Occupational pension accrual in accordance with the ITP agreement in Sweden, with a pensionable salary ceiling of 30 income base amounts and payment of sickness benefits as laid down in the ITP agreement. The majority also have a premium provision corresponding to 30 percent of salary over 30 income base amounts.
- Occupational pension accrual in accordance with the ITP agreement in Sweden up to 7.5 income base amounts. Payment of sickness benefits is as laid down in the ITP agreement. There is also a premium provision corresponding to 30 percent of salary over 7.5 income base amounts. The Executive Vice President's pension accrual follows this structure.
- A defined contribution pension, with a premium of 10-30 percent of the pensionable salary. The President & CEO receives a defined contribution pension, with a premium of 30 percent of the pensionable salary.

All senior executives apart from one have a retirement age of 65, including the President & CEO and Executive Vice President, and earn their pensions in accordance with one of the main principles described above. One of them has pension rights on reaching the age of 63. The pension is accrued in the form of a defined benefit pension arrangement corresponding to 60 percent of a previously defined pensionable salary. If the employee chooses to remain in service until the age of 65, the pension rights accrue from the age of 63 to 65, according to the ITP plan.

Note 6 continued

Other benefits

In addition to fixed salaries, variable salaries and pensions, Lantmännen offers other benefits in the form of company cars, occupational injury insurance and occupational group life insurance in accordance with local agreements and regulations. Members of Group management are also normally entitled to an annual health check, private health insurance and supplementary health insurance that can give benefits for salary between 30-50 income base amounts. For countries outside Sweden, equivalent benefits are offered in accordance with national practice and legislation.

Termination benefits/notice

The President & CEO and Executive Vice President have a notice period of six months for termination of employment at their own request and six

months for termination at Lantmännen's request. If employment is terminated at Lantmännen's request, the President & CEO will receive a salary during the notice period corresponding to the fixed salary and other benefits (including occupational pension and insurance). In addition, termination benefits corresponding to twelve months' fixed salary will be paid, with full deduction of any salary from a new employer. Other members of Group Management have a notice period of six months for termination of employment at their own request and at Lantmännen's request. If the termination is at Lantmännen's request, termination benefits corresponding to six or twelve months' fixed salary are paid, with any income from other employment during this period deducted.

Salaries and remuneration of senior executives 2018 TSEK	Directors' fees	Fixed salary ³⁾	Variable salary ⁴⁾	Pension ³⁾	Other benefits ⁵⁾	Total 2018
Elected Board members of Lantmännen ek för, according to specification below ¹⁾	5,196					5,196
President & CEO Per Olof Nyman		7,111	2,226	2,868	133	12,338
Executive Vice President Per Arvidsson		3,567	802	941	126	5,436
Group management, other ²⁾		24,431	6,083	7,051	1,103	38,668
	5,196	35,109	9,111	10,860	1,362	61,638
Salaries and remuneration of senior executives 2017 TSEK	Directors' fees	Fixed salary ³⁾	Variable salary ⁴⁾	Pension ³⁾	Other benefits ⁵⁾	Total 2017
Elected Board members of Lantmännen ek för, according to specification below ¹⁾	4,942					4,942
President & CEO Per Olof Nyman		6,246	2,196	3,396	139	11,977
Executive Vice President Per Arvidsson		3,398	957	905	112	5,372
Group management, other ²⁾		22,529	5,883	7,003	951	36,366
	4,942	32,173	9,036	11,304	1,202	58,657

¹⁾ Includes remuneration from both Lantmännen ek för and other Group companies and covers fixed annual fee and an hourly fee.

²⁾ Other Group Management consists of 8 individuals, which was also the average for the year. Disclosures regarding Group Management only apply to individuals who are members of Lantmännen's Group Management.

³⁾ Certain members of Group Management are entitled to switch between fixed salary and pension within the framework of current tax legislation.

⁴⁾ Estimated variable salary for each year. For 2018, the initial allocation under the long-term incentive program and the estimated variable salary for the short-term incentive program are included, for payment in the following year. The estimated variable salary for 2017 was consistent with the outcome.

⁵⁾ Mainly company cars, but also other benefits such as health insurance and subsistence.

Board of Directors' fees ¹⁾

TSEK	2018	2017
Per Lindahl ²⁾	1,242	979
Hans Wallemyr ³⁾	759	596
Kerstin Arnemo ⁴⁾	225	-
Gunilla Aschan	461	431
Sonat Burman-Olsson ⁵⁾	255	-
Ulf Gundemark	435	424
Bengt-Olov Gunnarson ⁶⁾	-	404
Ove Gustafsson ⁷⁾	506	322
Pauline Lindwall ⁸⁾	179	441
Thomas Magnusson ⁹⁾	179	424
Johan Mattsson	448	443
Henrik Wahlberg ⁷⁾	507	305
Björn Wallin ⁹⁾	-	173
Total	5,196	4,942

¹⁾ Includes remuneration from both Lantmännen ek för and other Group companies and covers fixed annual fee and an hourly fee.

²⁾ Chairman of the Board from May 4, 2017

³⁾ Vice Chairman of the Board from May 4, 2017

⁴⁾ From May 7, 2018 to October 16, 2018

⁵⁾ From May 7, 2018

⁶⁾ Chairman to May 4, 2017

⁷⁾ From May 4, 2017

⁸⁾ To May 7, 2018

⁹⁾ To May 4, 2017

Note 7 Depreciation, amortization and impairment of assets

MSEK	2018	2017
Depreciation and amortization		
Land and buildings	186	168
Plant and machinery	813	759
Equipment, tools, fixtures and fittings	104	84
Investment properties	12	14
Intangible assets	215	212
Total	1,330	1,237
Impairment and reversal of impairment		
Land and buildings	2	-
Plant and machinery	30	4
Equipment, tools, fixtures and fittings	1	-
Other intangible assets	-	1
Total	33	5
Total depreciation, amortization and impairment		
MSEK	2018	2017
Land and buildings	188	168
Plant and machinery	843	763
Equipment, tools, fixtures and fittings	105	84
Investment properties	12	14
Other intangible assets	215	213
Total	1,363	1,242
Impairment by Sector		
MSEK	2018	2017
Agriculture Sector		
- from annual impairment testing	1	1
Energy Sector		
- as an effect of restructuring decision	16	-
Food Sector		
- from annual impairment testing	-	3
- as an effect of restructuring decision	16	-
Other operations		
- from annual impairment testing	-	1
Total	33	5

For further details see also [notes 13, 14 and 15](#).

Impairment

Lantmännen measures the recoverable amount of assets in predefined cash-generating units when there are indications that there may have been a material decline in value and this is not expected to be temporary.

Lantmännen always conducts annual impairment testing (usually in the third four-month period) of cash-generating units that contain goodwill and other intangible assets with an indefinite useful life, irrespective of whether there is any indication that the assets may be impaired.

The recoverable amount of cash-generating units is determined by calculating their value in use. Value in use is the present value of the estimated future cash flows expected to be derived from continuing use of the asset. The estimates for the year are based on adopted budgets for 2019 and adopted strategic plans for 2020 and 2021. The calculation of value in use is also based on what management believes are reasonable market assumptions, and includes cash flow projections for the existing operations, with annual growth after 2023 assumed to be weak, i.e. about 2 percent for most operations.

The discount rates used for the present value calculation of the expected future cash flows correspond to the long-term return requirements, before tax, that have been defined for operations in the cash-generating units. In determining the discount rate, the risk associated with the asset in question is taken into account; proximity of operations to the farmer have a lower risk premium.

The cash-generating units defined within Lantmännen are at a lower organizational level than the segments in Lantmännen's segment reporting, i.e. the Group's Sectors and Business Areas.

The annual measurement of the value of goodwill and intangible assets with indefinite useful lives did not result in any impairment.

Lantmännen Unibake accounts for 67 percent of the Group's total value of goodwill and other assets with indefinite useful lives, and Lantmännen Cerealia accounts for 21 percent.

A pre-tax discount rate of 8 (8) percent was applied during impairment testing of the cash-generating units Lantmännen Unibake and Lantmännen Cerealia. No impairment was identified. An increase of 1 percentage point in the discount rate would have reduced the estimated total value in use for these units by MSEK 3,463, which would still not have resulted in an impairment loss, all other assumptions remaining unchanged.

Other units with goodwill and intangible assets with indefinite useful lives were well within the estimated value in use limit during impairment testing for the year. The pre-tax discount rates used in these impairment tests were within the range 8 to 13 percent.

An impairment loss of MSEK 33 on property, plant and equipment was recognized during the year following local impairment testing.

Note 8 Fees and reimbursement of expenses to auditors

MSEK	2018	2017
Ernst & Young		
Annual audit	16	14
Tax consultancy services	2	2
Other services	2	4
Total	20	20
Other auditors		
Annual audit	2	2
Other services	0	0
Elected auditors		
Annual audit	1	1

The annual audit comprises the auditing of the annual financial statements for the Parent Company and Group, the accounting records and the administration of the Board of Directors and President & CEO. It also includes other duties incumbent on the company's auditors, as well as advice and other assistance arising from observations made while performing the audit or carrying out such other duties.

Note 9 Finance income and costs

MSEK	2018			2017		
	Income	Costs	Total	Income	Costs	Total
Financial assets at fair value through profit or loss						
Dividend	6	-	6	9	-	9
Capital gains/losses	1	-	1	33	-	33
			7			42
Financial assets measured at amortized cost¹⁾						
Interest income, receivables from members	39	-	39	43	-	43
Other interest income	42	-	42	17	-	17
			81			60
Financial assets at fair value through other comprehensive income²⁾						
Dividend ³⁾	4	-	4	4	-	4
Capital gains/losses	0	-	0	8	-	8
Impairment, reversal of impairment	1	-	1	0	-	-
			5			12
Derivatives used in hedge accounting						
Interest on currency forward contracts and swaps	3	0	3	30	-45	-15
Ineffective portion of financial hedges	0	0	0	7	-	7
			3			-8
Other financial liabilities						
Interest expense, pension plans	-	-12	-12	-	-11	-11
Interest expense, liabilities to members	-	-20	-20	-	-20	-20
Interest expense, liabilities to the public	-	-8	-8	-	-6	-6
Interest expense, borrowing	-	-196	-196	-	-180	-180
Other borrowing expenses	-	-13	-13	-	-17	-17
Other interest expenses	-	0	0	-	-7	-7
Currency effects	-	-40	-40	-	-21	-21
			-289			-262
Total	96	-289	-193	151	-307	-156

¹⁾ In 2017, this category was called *Loans and receivables*

²⁾ In 2017, this category was called *Available-for-sale financial assets*

³⁾ Of which MSEK 0 attributable to shares sold in the financial year

Note 10 Items affecting comparability

The Group's income can be inflated or reduced by certain items that affect comparability. An overview of these items is presented below.

An item affecting comparability is a one-time item that is not directly related to the planned future operations and is outside the range of MSEK +/-30.

MSEK	2018	2017
Capital gains on sale of operations	-	78
Insurance compensation	-	96
Items affecting comparability in other operating income	-	174
Restructuring costs	-71	-65
Other	-66	-140
Total items affecting comparability in operating income	-137	-31
Total items affecting comparability in income after financial items	-137	-31
Tax effect of items affecting comparability	30	-17
Total items affecting comparability in net income for the year	-107	-48

Items affecting comparability by Segment/Sector in 2018

MSEK	Restructuring costs	Other	Total
Agriculture Sector	-	-66	-66
Energy Sector	-32	-	-32
Food Sector	-39	-	-39
Total	-71	-66	-137

The Agriculture Sector has an item affecting comparability related to the extra discount and supplement on trading with Lantmännen Lantbruk Sweden and for the waiving of the fee for repurchased grain contracts. The item is part of Lantmännen's action package to ease the negative effects of the drought.

The Energy Sector has restructuring costs due to the discontinuation of Lantmännen Reppe's production of glucose syrup in Växjö.

The Food Sector has structural costs for restructuring in Lantmännen Unibake, which affects personnel and non-current assets in both the fresh and frozen bakery operations.

Note 10 continued

Items affecting comparability by Segment/Sector in 2017

MSEK	Restructuring costs	Other	Total
Energy Sector	-	-140	-140
Food Sector	-65	96	31
Lantmännen Real Estate	-	78	78
Total	-65	34	-31

In the Energy Sector, 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.

In the Food Sector, the final insurance payment for the burnt-down bakery in Londerzeel, Belgium, had a positive impact of MSEK 96 on earnings for the year.

In the Food Sector, provisions were recognized for Lantmännen Cerealia's restructuring program for improved cost efficiency and competitiveness, and the restructuring program for Lantmännen Unibake's fresh bread operations.

Lantmännen Real Estate reported a capital gain on the divestment of a property operation.

Note 11 Exchange differences affecting income

MSEK	2018	2017
Exchange differences affecting operating income	-101	-27
Exchange differences in financial items	-40	-21
Total	-141	-48

Exchange differences in operating income are included in:	2018	2017
Cost of materials	-100	-24
Other operating income/expense	-1	-3
Total	-101	-27

Note 12 Taxes

MSEK	2018	2017
Tax on net income for the year		
Current tax expense (-)/tax income (+)		
Tax expense/income for the period	-167	-132
Adjustment of tax attributable to prior years	0	3
Total current tax	-167	-129
Deferred tax expense (-)/tax income (+)		
Deferred tax from changes in temporary differences	24	42
Deferred taxes arising from changes in tax rates	5	45
Deferred tax income in capitalized loss carryforwards	140	52
Utilization of previously capitalized loss carryforwards	-76	-224
Other changes	6	-2
Total deferred tax	99	-87
Total recognized tax expense	-68	-216

Note 12 continued

Reconciliation of effective tax	2018		2017	
	Percent	MSEK	Percent	MSEK
Income before tax		1 250		1 521
Anticipated tax according to enacted Swedish tax rate	22.0 %	-275	22.0 %	-335
Items with tax effects on the results and their impact on the effective tax rate:				
Non-deductible expenses	2 %	-26	4 %	-56
Tax-exempt capital gains	-2 %	21	-1 %	22
Tax-exempt dividends	0 %	1	0 %	1
Other non-taxable income	-1 %	14	-1 %	10
Tax on unrecognized income	0 %	0	1 %	-12
Loss carryforward arising during the year, not capitalized as a deferred tax asset	0 %	-4	0 %	-7
Utilization of previously uncapitalized loss carryforwards	-7 %	92	-1 %	22
Difference in book and tax depreciation	0 %	0	0 %	-6
Effect of special tax rules for economic associations	-8 %	100	-6 %	91
Tax attributable to prior years	1 %	-7	0 %	3
Effect of changes to tax rates, tax rules and different tax rates in the Group	0 %	-4	-2 %	26
Reversal of income of joint ventures/associates	-2 %	26	-3 %	34
Other	0 %	-6	1 %	-9
Recognized effective tax	5 %	-68	14 %	-216

According to the tax rules applicable to economic associations, the dividend proposed from the Board, which will be paid to physical persons in the following year, is tax-deductible in the current year and was taken into account in calculating the current tax. Refunds and supplementary payments are also tax-deductible costs; they are not recognized in the consolidated income statement but as dividends.

The effective tax for the year was affected by the recalculation of deferred taxes as a result of changed corporate tax rates in Sweden (22% to 21.4% or 20.6%), Norway (23% to 22%) and Belgium (34% to 25%).

Tax items recognized through other comprehensive income

MSEK	2018	2016
Deferred tax		
Actuarial gains and losses on defined benefit pension plans	7	0
Cash flow hedges	4	1
Financial assets at fair value through other comprehensive income	5	4
Total	16	5
Current tax		
Current tax in hedges of net investments	11	5
Total tax effects in other comprehensive income	27	10

Note 12 continued

Deferred tax asset/tax liability	2018			2017		
	Deferred tax asset	Deferred tax liability	Net	Deferred tax asset	Deferred tax liability	Net
MSEK						
Group						
Land and buildings	42	144	-102	44	147	-103
Machinery and equipment	80	542	-462	75	526	-451
Intangible assets	118	586	-468	119	554	-435
Trade receivables	0	0	0	1	-	1
Pension provisions	139	0	139	133	-	133
Other provisions	50	1	49	49	-	49
Loss carryforwards	321	0	321	247	-	247
Other	205	84	121	180	89	91
Total	955	1,357	-402	848	1,316	-468
Offsetting of assets/liabilities	-707	-707	0	-678	-678	0
Total, net deferred tax asset	248	650	-402	170	638	-468

Deferred tax assets and liabilities attributable to the same tax authority have been offset against each other.

Change in deferred tax in temporary differences and loss carryforwards 2018

MSEK	Amount at beginning of year	Recognized in income statement	Recognized in OCI	Changes in acquisitions/divestments	Reclassifications	Translation differences	Amount at end of 2018
Group							
Land and buildings	-103	6	-	-	-	-5	-102
Machinery and equipment	-451	1	-	-2	-	-10	-462
Intangible assets	-435	15	-	-41	-	-7	-468
Trade receivables	1	-1	-	-	-	-	0
Pension provisions	133	-1	7	-	-	-	139
Other provisions	49	-4	-	-	3	1	49
Loss carryforwards	247	62	-	-	6	6	321
Other	91	21	9	-	-7	7	121
Total	-468	99	16	-43	2	-8	-402

Change in deferred tax in temporary differences and loss carryforwards 2017

MSEK	Amount at beginning of year	Recognized in income statement	Recognized in OCI	Changes in acquisitions/divestments	Reclassifications	Translation differences	Amount at end of 2017
Group							
Land and buildings	-112	10	-	-2	1	0	-103
Machinery and equipment	-473	25	-	4	-3	-4	-451
Intangible assets	-425	80	-	-74	-7	-9	-435
Trade receivables	2	0	-	0	-1	0	1
Pension provisions	123	10	0	-	0	0	133
Other provisions	80	-29	-	-2	-1	1	49
Loss carryforwards	424	-182	-	-	1	4	247
Other	80	-1	5	-3	6	4	91
Total	-301	-87	5	-77	-4	-4	-468

Loss carryforwards

At the end of the year, the Group had loss carryforwards of MSEK 1,479 (1,647), of which MSEK 1,365 (1,142) was taken into account in the calculation of deferred tax.

The remainder related mainly to loss carryforwards in the German operations.

These have not been assigned any value as it is currently uncertain whether they will be utilized.

The loss carryforwards not included in the computation of deferred tax amount to MSEK 114 (505) and have an unlimited life.

Note 13 Property, plant and equipment

MSEK	Land and land improvements		Buildings		Plant and machinery		Equipment, tools, fixtures and fittings		Construction in progress		Total property, plant and equipment	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Accumulated cost of acquisition	1,048	926	6,191	5,559	15,600	14,500	1,756	1,646	1,095	1,480	25,690	24,111
Accumulated depreciation	-103	-98	-2,603	-2,295	-10,838	-10,120	-1,365	-1,290	-	-	-14,909	-13,803
Accumulated impairment	-49	-49	-184	-186	-514	-665	-22	-21	-	-	-769	-921
Carrying amount	896	779	3,404	3,078	4,248	3,715	369	335	1,095	1,480	10,012	9,387
Balance at beginning of year	779	700	3,078	2,648	3,715	3,703	335	319	1,480	870	9,387	8,240
Investments ¹⁾	107	81	21	238	519	668	62	48	1,005	1,436	1,714	2,471
Company acquisitions	-	12	92	7	63	57	-	12	-	-	155	88
Company divestments	-	-2	-	-21	-	-	-	-3	-	-	0	-26
Sales and disposals	-	-9	-27	-39	-139	-345	-	-3	-	-	-166	-396
Regular depreciation for the year	-4	-4	-182	-164	-813	-759	-104	-84	-	-	-1,103	-1,011
Impairment for the year	-	-	-2	-	-30	-4	-1	-	-	-	-33	-4
Reclassifications	7	4	384	395	852	356	71	44	-1,391	-845	-77	-46
Translation differences	7	-3	40	14	81	39	6	2	1	19	135	71
Carrying amount	896	779	3,404	3,078	4,248	3,715	369	335	1,095	1,480	10,012	9,387
Leases, MSEK												
Carrying amount of assets held under finance leases	-	-	146	160	434	401	6	4	-	-	586	565
Government grants reduced the year's investments by	4	0	0	0	0	0	0	0	0	0	4	0

¹⁾ Investments for the year do not include any capitalized interest. Properties acquired in companies are treated as asset acquisitions and accounted for as acquisitions of property, plant and equipment or investment properties.

Government grants reduced the year's investments by MSEK 4 (0). Contractual obligations relating to investments in property, plant and equipment amounted to MSEK 276 (172) at the end of the year.

For further information about depreciation and impairment, see note 7.

For further information about leases, see note 29 Leases and note 30 Customer financing.

Note 14 Investment property

MSEK	Land		Buildings		Total investment property	
	2018	2017	2018	2017	2018	2017
Accumulated cost of acquisition	122	128	616	680	738	808
Accumulated depreciation	-6	-7	-71	-158	-77	-165
Carrying amount	116	121	545	522	661	643
Balance at beginning of year	121	162	522	696	643	858
Sales and disposals	-6	-43	-20	-170	-26	-213
Regular depreciation for the year	-1	-1	-11	-13	-12	-14
Reclassifications	2	3	54	9	56	12
Carrying amount	116	121	545	522	661	643

Properties where less than 10 percent of the space is used for the Lantmännen Group's own activities are classified as investment property in the Group.

For further information about leases, see note 30 Customer financing.

Investment properties with a carrying amount of MSEK 402 (444) are pledged as security for the Group's borrowing. The estimated fair value is MSEK 658 (711).

Note 14 continued

Changes in fair value

MSEK	2018	2017
Fair value at beginning of year	1,136	1,449
Sales and disposals	-36	-320
Fair value changes	19	106
Reclassifications	-39	-99
Fair value at end of year	1,080	1,136

All investment properties have been valued according to hierarchy level 3, i.e. based on unobservable inputs and according to the methods described below.

Fair value has been determined on the basis of internal assessments. Property sales carried out during the year have been reconciled.

The value has been estimated using the following measurement methods:

- In the majority of cases the market price method has been used, where sales of equivalent properties in the market are used to support the valuation.
- Net present value, using cash flow calculations, where the properties' future net operating income and estimated residual value have been calculated at the present value.
- In certain cases, net present value using the net capitalization method has been calculated, where a normalized figure for net operating income is seen in relation to a market-adjusted direct return requirement.

Investment properties' impact on income for the period

MSEK	2018	2017
Rental income	100	99
Direct costs, including costs for repair and maintenance		
- Properties that generate rents	-38	-40
Net operating income	62	59

Note 15 Intangible assets

Other intangible assets

MSEK	Goodwill		Trademarks		Customer and supplier relationships		Patents, licenses and similar rights		Capitalized expenditure on development, internally generated		Total other intangible assets	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Accumulated cost of acquisition	5,389	5,277	2,092	2,064	1,965	1,756	248	276	1,027	925	5,332	5,021
Accumulated amortization	-	-	-250	-251	-737	-583	-194	-218	-634	-562	-1,815	-1,614
Accumulated impairment	-39	-39	-	-	-	-	14	-	-80	-80	-66	-80
Carrying amount	5,350	5,238	1,842	1,813	1,228	1,173	68	58	313	283	3,451	3,327
Balance at beginning of year	5,238	4,611	1,813	1,629	1,173	1,076	58	34	283	241	3,327	2,980
Investments			2	-			17	26	92	96	111	122
Company acquisitions	-45	557	4	164	158	205	-	5	-	1	162	375
Sales and disposals	-1	-	-	-	-	-	-1	-	-1	-	-2	0
Regular amortization for the year	-	-	-4	-7	-133	-127	-16	-8	-62	-70	-215	-212
Impairment for the year	-	-	-	-	-	-	-	-	-	-1	0	-1
Reclassifications	-	-	-	-	-	-	9	-	-2	13	7	13
Translation differences	158	70	27	27	30	19	1	1	3	3	61	50
Carrying amount	5,350	5,238	1,842	1,813	1,228	1,173	68	58	313	283	3,451	3,327

Allocation of goodwill, brands and customer/supplier relationships per Sector

Agriculture Sector	222	150	18	18	196	118
Energy Sector	263	351	146 ¹⁾	124 ¹⁾	116	74
Food Sector	4,850	4,709	1,678 ²⁾	1,671 ²⁾	896	952
of which Lantmännen Unibake Business Area	4,046	3,914	1,025 ²⁾	1,008 ²⁾	568	617
Swecon Business Area	15	15	-	-	20	29
Lantmännen Real Estate	-	13	-	-	-	-
Total	5,350	5,238	1,842	1,813	1,228	1,173

¹⁾ Of which brand with indefinite useful life, Aspen MSEK 50 (50).

²⁾ Of which brands with indefinite useful lives MSEK 1,589 (1,561), distributed as follows: Lantmännen Unibake MSEK 995 (976) and Lantmännen Cerealia MSEK 594 (585).

There were no contractual obligations relating to investments in intangible assets at the end of the year.

Further information about amortization, impairment and annual impairment testing of goodwill and trademarks with indefinite useful lives can be found in [note 7](#).

Note 16 Equity accounted investments

Lantmännen's holdings in associates and joint arrangements classified as joint ventures are accounted for using the equity method.

Lantmännen reports income from associates and joint ventures with a one-month lag, which means that net income for the year includes Lantmännen's share of their income for the period December of the previous year to November of the current year. The lag is a practical measure, as the companies are not able to apply all aspects of Lantmännen's reporting process.

MSEK	Group		Parent Company	
	2018	2017	2018	2017
Accumulated cost of acquisition	2,301	2,184	1,290	1,272
Accumulated impairment	-2	-2	-50	-50
Carrying amount	2,299	2,182	1,240	1,222
Balance at beginning of year	2,182	1,896	1,222	1,242
Acquisitions/shareholder contributions	24	77	13	21
Divestments	-13	-6	-	-
Share of income of associates	119	154	-	-
Dividend for the year	-61	-39	-	-
Reclassifications	3	57	5	-8
Impairment	-	-	-	-33
Other	-38	-	-	-
Translation difference/OCI	83	43	-	-
Carrying amount	2,299	2,182	1,240	1,222
Investments in joint ventures	686	661	435	436
Investments in associates	1,613	1,521	805	786
Total	2,299	2,182	1,240	1,222

Any impairment and reversals of impairment are recognized in the income statement under Share of income of equity accounted companies.

Summary of financial information for joint ventures and associates

Information is for 100 percent in each company

Joint ventures	Scandagra Group AB		Scandagra Polska Sp. z o.o.		Scandbio AB	
	2018	2017	2018	2017	2018	2017
MSEK						
Balance sheet items						
Non-current assets	255	238	100	117	207	220
Current assets	1,932	1,570	346	485	338	374
<i>of which cash and cash equivalents</i>	4	21	11	22	0	21
Total assets	2,187	1,808	446	602	545	594
Non-current liabilities	733	428	2	3	12	12
<i>of which financial liabilities</i>	727	422	-	-	-	-
Current liabilities	921	893	330	469	257	298
<i>of which financial liabilities</i>	572	678	-	-	-	-
Total liabilities	1,654	1,321	332	472	269	310
Net assets, 100%	533	487	114	130	276	284
<i>Ownership share in company, %</i>	50 %	50 %	50 %	50 %	50 %	50 %
Lantmännen's share of net assets	267	244	57	65	138	142
Goodwill on consolidation	-	-	-	-	17	17
Carrying amount in Lantmännen	267	244	57	65	155	159

In connection with the acquisition of the Finnish company Raisio's cattle feed business in 2018, Lantmännen acquired shares in the company Vihervakka OY. Lantmännen's share of the company amounts to 39.4 percent after the acquisition.

In 2018, Lantmännen acquired shares in Foodhills AB, which increased Lantmännen's share from 10 percent to 20 percent, and the holding was reclassified from other holdings to investments in associates.

The year's divestment of associates is mainly related to Lantmännen's share in the Danish company Struer Brød A/S, which was part of the Food Sector.

'Other' is mainly related to the transition to IFRS in a company, with an effect of MSEK -32.

Acquisitions/shareholder contributions in 2017 were mainly related to Lanthem Samhällsfastigheter AB and Scandagra Polska Sp z o.o.

The 2017 reclassification mainly concerns Lanthem Samhällsfastigheter AB and Akerhus Traktor AS.

MSEK	Share of income of joint ventures and associates		Dividends from joint ventures and associates	
	2018	2017	2018	2017
Joint ventures				
Scandagra Group AB	14	34	-	-
Scandagra Polska Sp. z o.o.	-9	-38	-	-
Scandbio AB	21	14	-25	-10
Other	11	12	-	-
Associates				
HaGe Kiel AG	37	76	-17	-9
Viking Malt Oy	33	49	-16	-15
Other	12	7	-3	-5
Carrying amount	119	154	-61	-39

Note 16 continued

MSEK	Scandagra Group AB		Scandagra Polska Sp. z o.o.		Scandbio AB	
	2018	2017	2018	2017	2018	2017
Income statement items						
Net sales	3,427	2,845	1,016	1,226	1,042	956
Net income for the year	27	68	-18	-24	42	28
of which depreciation and amortization	-29	-26	-3	-3	-29	-28
of which interest income	36	29	5	1	0	0
of which interest expenses	-22	-18	-10	-10	-2	-3
of which tax expenses/income	-4	-7	-	0	-8	-6
Total comprehensive income	27	68	-18	-24	42	28
Ownership share in company, %	50 %	50 %	50 %	50 %	50 %	50 %
Lantmännen's share of net income	14	34	-9	-12	21	14
Impairment of goodwill on consolidation	-	-	-	-26	-	-
Carrying amount in Lantmännen	14	34	-9	-38	21	14

Operating income in other joint ventures was MSEK 21 (24) and Lantmännen's recognized share of income was MSEK 11 (12).

Associates MSEK	HaGe Kiel AG		Viking Malt Oy	
	2018	2017	2018	2017
Balance sheet items				
Non-current assets	2,275	2,141	1,075	1,083
Current assets	5,551	5,010	1,063	998
Total assets	7,826	7,151	2,138	2,081
Non-current liabilities	890	836	828	958
Current liabilities	3,991	3,490	489	364
Total liabilities	4,881	4,326	1,317	1,322
Net assets, 100 %	2,945	2,825	821	759
Ownership share in company, %	41 %	41 %	37.5 %	37.5 %
Lantmännen's share of net assets	1,207	1,158	308	285
Goodwill on consolidation	12	11	-	-
Carrying amount in Lantmännen	1,219	1,169	308	285

MSEK	HaGe Kiel AG		Viking Malt Oy	
	2018	2017	2018	2017
Income statement items				
Net sales	20,473	20,875	2,373	2,181
Net income for the year	91	186	89	130
Other comprehensive income	17	13	-	-
Total comprehensive income	108	199	89	130
Ownership share in company, %	41 %	41 %	37.5 %	37.5 %
Lantmännen's share of net income	37	76	33	49
Lantmännen's share of OCI	7	5	-	-
Carrying amount in Lantmännen	44	81	33	49

Operating income in other associates was MSEK 24 (15), and Lantmännen's recognized share of income was MSEK 12 (7).

Information on contingent liabilities for joint ventures and associates can be found in [note 34](#).

Lantmännen does not have any commitments to the companies over and above these contingent liabilities.

There are no restrictions on the companies' ability to transfer assets to their owners.

Note 16 continued

Parent and Group holdings of shares in associates and joint ventures, 12/31/2018

Company name	Corporate ID no.	Domicile	Number of participations	Share of capital, %	Carrying amount, Group, MSEK	Carrying amount, Parent, MSEK
<i>Joint ventures owned by Parent Company:</i>						
Scandagra Group AB	556009-3121	Malmö	85,000	50	267	120
Scandagra Polska Sp. z o.o	PL 0000138255	Poland	2,686	50	57	65
Scandbio AB	556215-0606	Jönköping	30,000	50	155	178
AB Tillväxt för Svensk Animalieproduktion	556155-9831	Stockholm	135,500	33	25	24
Lantmännen Dansk Landbrugs Grovvarereselskab International AB (LDI)	559025-3182	Stockholm	25,000	50	72	48
<i>Joint ventures owned by other Group companies:</i>						
Lanthen Samhällsfastigheter AB	559000-6036	Stockholm	25,000	50	101	
Barken Bostadsutveckling Fastighets AB	559067-6192	Stockholm	25,000	50	8	
Nacka Skarpnäs Fastigheter AB	556831-3661	Stockholm	250	50	1	
<i>Associates owned by Parent Company:</i>						
Hauptgenossenschaft Nord AG (HaGe Kiel AG)	DE134852742	Germany	9,846,829	41	1,219	597
Viking Malt Oy	FI 0802004-9	Finland	1,381,387	37.5	308	178
Swevet Holding AB	556892-6108	Sjöbo	17,199,086	40.5	20	20
Åhus Stuveriinteressenter AB	556039-8256	Åhus	5,987	50	0	0
European Agri Trade A/S	26207177	Denmark	180	50	0	0
European Crop Protection A/S	21538388	Denmark	232	46	0	0
European Fertilizer A/S	20296372	Denmark	155	31	0	0
Piteå Spannmåls AB	556090-8187	Piteå	1,500	30	0	0
Foodhills AB	559097-6501	Ångelholm	20,000	20	10	10
<i>Associates owned by other Group companies:</i>						
Aspen-Produkte Handels GmbH	HR205654	Germany		50	26	
Akershus Traktor AS	947340204	Norway	5,150	50	20	
Vihervakka OY	FI 01381036	Finland	788	39.4	10	
Total					2,299	1,240

Note 17 Non-current financial assets

MSEK	2018	2017
Receivables from joint ventures/associates	255	233
Other shares and interests	-	126
Financial assets at fair value through OCI ¹⁾	363	331
Derivative instruments	8	4
Other non-current financial assets	3	131
Total	629	825
<i>Financial assets at fair value through other comprehensive income¹⁾</i>		
MSEK	2018	2017
Balance at beginning of year under IAS 39	331	439
Reclassification due to transition to IFRS 9	126	-
Investments	5	15
Divestments	-17	-138
Impairment	-14	-
Fair value remeasurement for the year	-63	15
Reclassifications	-5	-
Carrying amount	363	331

<i>Financial assets at fair value through other comprehensive income¹⁾</i>		
MSEK	2018	2017
Copenhagen Malmö Port	13	-
HKScan Oyj	48	101
LRF ²⁾	63	-
Mackmyra Svensk Whisky AB	-	16
Norlic ²⁾	22	-
Scandi Standard AB	205	210
Taurus ²⁾	5	-
Other ²⁾	7	4
Carrying amount	363	331

¹⁾ In the previous year, this category was called Available-for-sale financial assets.

²⁾ In the previous year, reported under Other shares and interests.

Remeasurement to fair value of available-for-sale financial assets is recognized in OCI in the consolidated statement of comprehensive income. Impairment and reversal of impairment is recognized in the income statement under finance income and costs.

At the beginning of the year, the Group's holdings in Graminor were classified as at fair value through OCI. This holding has been divested during the year as a result of Lantmännen's decision that future collaboration with Graminor will take place under various cooperation and license agreements. The fair value at the time of divestment was MSEK 8 and the accumulated profit amounted to MSEK 1.7.

Note 18 Other non-current assets

MSEK	2018	2017
Non-current derivative instruments, operating	50	14
Other non-current operating assets	7	13
Total	57	27

Note 19 Inventories

MSEK	2018	2017
Raw materials and consumables	1,118	598
Products in progress	468	707
Finished goods	2,391	2,163
Merchandise	2,864	2,438
Advances to suppliers	102	42
Total	6,943	5,948

MSEK 125 (98) of inventories for the year have been measured at net realizable value. The total cost of goods sold during the year was MSEK 34,674 (30,917).

Note 20 Trade and other receivables

MSEK	2018	2017
Trade receivables	4,534	3,985
Trade receivables, joint ventures/associates	43	27
Trade receivables, finance service	629	546
Contract assets from contracts with customers	36	56
Derivative instruments	178	68
Other operating receivables from joint ventures/associates	11	9
Other current receivables	670	720
Prepayments and accrued income	567	412
Total	6,668	5,823

The 2017 figures are adjusted in accordance with IFRS 15.

Age analysis of trade receivables

MSEK	2018	2017
Receivables, not yet due	4,593	4,115
Receivables, past due		
< 30 days	585	400
31-60 days	64	52
61-90 days	27	17
> 91 days	66	54
Total	5,335	4,638
Allowance for expected credit losses	-129	-80
Total	5,206	4,558

Trade receivables include the financing service, which means that the credit period may be extended by up to 11 months.

Note 20 continued

Allowance for expected credit losses MSEK	2018	2017
Allowance at beginning of year	-80	-87
New allowance for expected losses	-61	-30
Utilization of allowance for established losses	13	13
Reversal of provisions no longer required	1	20
From acquired, divested companies	-1	5
Exchange differences	-1	-1
Allowance at end of year	-129	-80

The total cost of expected losses on trade receivables for the year is MSEK -60 (-10) and is recognized in other operating expenses.

For information about credit quality of trade receivables, see note 24.

Prepayments and accrued income MSEK	2018	2017
Prepaid rent	39	46
Prepaid insurance	37	24
Accrued bonuses and discounts	20	16
Other prepayments	271	222
Other accrued income	200	104
Total	567	412

Note 21 Current interest-bearing assets and cash and cash equivalents

Current interest-bearing assets MSEK	2018	2017
Receivables from joint ventures/associates	2	2
Interest-bearing receivables	20	7
Derivative instruments	1	0
Other current financial assets	16	9
Total	39	18
Cash and cash equivalents MSEK	2018	2017
Cash and bank balances	630	927
Short-term investments < 3 months	90	-
Total	720	927

Receivables with a maturity of up to one year and investments with maturities between three months and one year are recognized as current interest-bearing assets.

As short-term investments normally have a fixed rate period of less than three months, they carry very little interest rate risk.

Note 22 Equity

MSEK	Reserves						Equity attributable to members of the economic association	Equity attributable to NCI	Total equity
	Contributed capital	Other contributed capital	Hedge reserve	Reserve for financial assets at fair value through OCI ¹⁾	Translation reserve	Retained earnings			
Equity, January 1, 2017	2,299	2,895	17	98	-3	8,489	13,795	88	13,883
Net income for the period after tax	-	-	-	-	-	1,301	1,301	4	1,305
Actuarial gains and losses on pension plans	-	-	-	-	-	-1	-1	-	-1
Available-for-sale financial assets									
- remeasurement for the year	-	-	-	21	-	-	21	-	21
- transferred to income statement	-	-	-	-38	-	-	-38	-	-38
Cash flow hedges									
- remeasurement for the year	-	-	-14	-	-	-	-14	-	-14
- transferred to income statement	-	-	8	-	-	-	8	-	8
Exchange differences on translation of foreign operations	-	-	-	-	161	-	161	-	161
Net gain on hedge of net investment in foreign operations									
- net income for the year	-	-	-	-	-22	-	-22	-	-22
- transferred to income statement	-	-	-	-	-8	-	-8	-	-8
Tax relating to components of other comprehensive income	-	-	1	4	5	0	10	-	10
Other comprehensive income for the period, net of tax	0	0	-5	-13	136	-1	117	0	117
Total comprehensive income	0	0	-5	-13	136	1,300	1,418	4	1,422
Dividend paid ²⁾	-	-	-	-	-	-207	-207	-7	-214
Refund and supplementary payment	-	-	-	-	-	-243	-243	-	-243
Contributed capital paid in by members	171	-	-	-	-	-	171	-	171
Contributed capital paid out to members	-75	-	-	-	-	-	-75	-	-75
Appropriation of profit	69	115	-	-	-	-184	0	-	0
Other changes relating to non-controlling interests ³⁾	-	-	-	-	-	-	0	4	4
Total equity, December 31, 2017	2,464	3,010	12	85	133	9,155	14,859	89	14,948
Changes due to amended accounting policies in associates						-33	-33		-33
Equity, January 1, 2018	2,464	3,010	12	85	133	9,122	14,826	89	14,915
Net income for the period after tax	-	-	-	-	-	1,176	1,176	6	1,182
Actuarial gains and losses on pension plans	-	-	-	-	-	-30	-30	-	-30
Financial assets at fair value through other comprehensive income									
- remeasurement for the year	-	-	-	-62	-	-	-62	-	-62
- transferred to balance sheet	-	-	-	-7	-	-	-7	-	-7
Cash flow hedges									
- remeasurement for the year	-	-	45	-	-	-	45	-	45
- transferred to income statement ⁴⁾	-	-	-15	-	-	-	-15	-	-15
Exchange differences on translation of foreign operations	-	-	-	-	281	-	281	-	281
Net gain on hedge of net investment in foreign operations									
- net income for the year	-	-	-	-	-50	-	-50	-	-50
- transferred to income statement	-	-	-	-	-	-	0	-	0
Tax relating to components of other comprehensive income	-	-	4	5	11	7	27	-	27
Other comprehensive income for the period, net of tax	0	0	34	-64	242	-23	189	0	189
Total comprehensive income	0	0	34	-64	242	1,153	1,365	6	1,371
Dividend paid ²⁾	-	-	-	-	-	-356	-356	-3	-359
Refund and supplementary payment	-	-	-	-	-	-	0	-	0
Contributed capital paid in by members	161	-	-	-	-	-	161	-	161
Contributed capital paid out to members	-61	-	-	-	-	-	-61	-	-61
Appropriation of profit	100	100	-	-	-	-200	0	-	0
Other changes relating to non-controlling interests	-	-	-	-	-	-	0	-	0
Total equity, December 31, 2018	2,664	3,110	46	21	375	9,719	15,935	92	16,027

¹⁾ 2017 Available-for-sale financial assets.

²⁾ Refers to contribution dividend concerning parent association members.

³⁾ 2017, including reclassification of Cgrain AB from associate to subsidiary after ownership increased. The company has non-controlling interests.

⁴⁾ All effects transferred to the income statement have affected operating income.

Note 22 continued

Contributed capital refers to the contribution that a member is obliged to make in order to participate in the association in accordance with the Articles of Association (paid-in contribution) and the contribution that arises as a result of a contribution issue (issued contribution).

Restricted reserves are reported under other contributed capital in the Parent Company.

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

The reserve for financial assets at fair value through other comprehensive income includes the accumulated net change in fair value of assets classified as "financial assets at fair value through other comprehensive income" until the asset is sold, after which it is reported under retained earnings.

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

Equity attributable to non-controlling interests is described in note 1 on [page 93](#).

Management of the Group's capital

Lantmännen has two overall financial objectives:

- return on equity of at least 8 percent over a business cycle and with the present business portfolio
- equity ratio of at least 40 percent

To achieve these objectives, Lantmännen uses financial instruments for its operations and specific profitability targets for each business. These profitability targets are expressed as a percentage of operating capital and vary according to the type of business and profitability levels for comparable enterprises outside Lantmännen.

It is Lantmännen's aim that each business will achieve a return on operating capital that is at least on a par with that of comparable enterprises outside the Group.

Future investments are allocated primarily to areas that meet the profitability target and have potential for profitable growth.

Note 23 Interest-bearing liabilities

Non-current interest-bearing liabilities

MSEK	Note	2018	2017
Non-current liabilities to credit institutions	24	3,799	2,795
Issued securities ¹⁾		1,248	1,247
Subordinated debentures		250	250
Financial liabilities, leases	29	112	118
Other non-current interest-bearing liabilities		61	90
Derivative instruments		23	23
Total		5,493	4,523

¹⁾ Recognized at amortized cost.

Current interest-bearing liabilities

MSEK	Note	2018	2017
Current liabilities to credit institutions	24	759	804
Liabilities to members, savings		1,640	1,488
Deposits with Lantmännen Finans AB from the public		1,577	1,505
Financial liabilities, leases	29	8	11
Other current interest-bearing liabilities		18	30
Derivative instruments		0	3
Total		4,002	3,841

Interest-bearing liabilities, total 9,495 8,364

Deposits with Lantmännen Finans AB from the public are from companies, members, employees and other individuals. The deposit accounts offer unrestricted withdrawals, interest from the first SEK 1 and cover of SEK 950,000 under the national deposit guarantee scheme.

MSEK	2018	2017
Balance at beginning of year	8,364	8,364
Cash flow	1,107	203
Acquisitions/divestments	-57	-147
Changes in values	82	-45
Other	-1	-11
Carrying amount	9,495	8,364

Note 24 Financial instruments and financial risk management

RISK MANAGEMENT

Lantmännen is exposed to different types of financial risk in the course of its international operations. Financial risk is the risk of fluctuations in the Group's earnings and cash flow as a result of changes in commodity market prices, exchange rates, interest rates and refinancing, and also includes credit and counterparty risks. Lantmännen conducts internal banking activities through the corporate function Group Treasury within Lantmännen ek för.

The main task of Group Treasury is to provide cost-effective financing, identify and efficiently minimize financial risks to which the Group is exposed in its daily operations, support management and Group companies and optimize the Group's net financial items and tied-up capital.

The financial policy governs how financial risks shall be handled and specifies the mandate, limits and which financial instruments may be used. The Group's financial policy is established annually by Lantmännen's Board of Directors. The Group's Risk Committee receives regular reports on changes to the Group's financial risks. Group Treasury also handles Lantmännen's netting system and is responsible for handling the Group's liquidity via cash pools in banks. Only banks and credit institutions that have a high credit rating and essentially participate in the Group's long-term financing are accepted as counterparties to Lantmännen in financial transactions.

CAPITAL STRUCTURE AND FINANCIAL COVENANTS

Lantmännen is actively working on its capital structure to ensure long-term financial stability, meet the organization's need for capital at the lowest cost and ensure opportunities for future acquisitions. Lantmännen uses multiple financial performance measures to measure its capital structure and has, for example, a long-term objective that its equity ratio shall exceed 40 percent. To fund its activities, Lantmännen has loans from several banks and credit institutions. The credit conditions for the loans depend on Lantmännen's financial performance and are described in the covenants contained in the agreements. For further information on Lantmännen's covenants, see ["Refinancing risk"](#) below.

Lantmännen also has loans where collateral is pledged as security, mainly in real estate mortgages. For further information see [note 34](#).

CURRENCY RISK

In the course of its operations, Lantmännen is exposed to currency risk, in the form of exchange rate fluctuations affecting the Group's earnings and financial position. The Group's currency exposure includes both transaction exposure and translation exposure. The Group's currency risk management is aimed at minimizing the short-term effect of exchange rate fluctuations and their adverse impact on the Group's earnings and financial position.

Note 24 continued

Transaction exposure

Transaction exposure is the risk of changes in exchange rates having an adverse effect on the Group's operating income. To address this risk, the Group's financial policy requires the Sectors' foreign currency sales and purchases to be hedged with Group Treasury. This can be done either by order or based on a rolling 12-month exposure forecast. The aim is to minimize the effects of currency fluctuations in the first instance by using foreign currency inflows for payments in the same currency. In addition, financial instruments are used to hedge forecast cash flows, in accordance with the guidelines contained in Lantmännen's financial policy.

Lantmännen is primarily exposed to the EUR, DKK, RUB, USD and NOK. The different currencies represent both inflows and outflows against the Swedish krona and a large proportion of them are hedged. Consequently, the transaction-related earnings impact of an exchange rate change is considered to be minimal.

On translation of operating income, a +/-10 percent change in the Swedish krona against the subsidiaries' currencies would have an approximate effect of MSEK +/- 99 (+/- 125) on operating income, all other things being equal. The calculation does not take into account any changes in prices and customer behavior caused by the exchange rate movements.

Sensitivity analysis for major currencies	Change	Operating income effect, MSEK	
		2018	2017
Risk			
EUR/SEK	-10 %	-55	-86
NOK/SEK	-10 %	-14	-8
RUB/SEK	-10 %	-15	-10
USD/SEK	-10 %	-6	-7
GBP/SEK	-10 %	-4	-1
Other	-10 %	-5	-13
Total		-99	-125

The currency derivatives used for hedging purposes are forward exchange contracts.

The currency distribution of the Group's outstanding forward contracts was as follows:

Currency distribution and payment structure, operating forward contracts				
MSEK	2019	2020	2021	2022
EUR	-1,581	5	-	-
NOK	-170	-	-	-
DKK	-170	-	-	-
GBP	39	-	-	-
USD	178	-	-	-
PLN	24	-	-	-
Total	-1,680	5	0	0

The nominal net amount per currency is shown in the table above. Negative amounts represent sales of a particular currency and positive amounts represent purchases.

The average remaining maturity of the forward contracts at December 31, 2018 was 3 (2) months.

Translation exposure

Translation exposure is the risk to which Lantmännen is exposed when translating foreign subsidiaries' balance sheets into SEK. Currency hedging of investments in foreign subsidiaries is mainly managed through borrowing in the corresponding foreign currency. This is recognized at the closing rate on the reporting date. The Parent Company's exchange differences attributable to these hedges and translation differences from the net assets of subsidiaries are recognized in other comprehensive income and accumulated in consolidated equity ("Equity Hedge"). Only net investments with significant exposure to a currency are hedged. These are currently net investments in EUR and DKK.

If the Swedish krona weakened against other currencies by 10 percent, equity would increase by MSEK 1,042 (806), not taking into account the equity hedge.

If the equity hedge is taken into account, equity would increase by MSEK 823 (830), all other things being equal.

PRICE RISK

Lantmännen uses the financial markets to manage price risk in commodity trading, such as trade in grain and feed raw materials, ethanol sales and energy purchases. The purpose of using price hedges to manage price risk is to increase predictability and even out price fluctuations, thereby ensuring the right prices are passed on to customers.

Commodity price risk

Lantmännen's main commodity price risk is associated with wheat, rape, barley, oats and soy. The pricing of commodities varies over time as a result of international supply and demand. Commodity risks are primarily attributable to Lantmännen Lantbruk's operations, Lantmännen Agroetanol's ethanol production, Lantmännen Cerealia's operations and Lantmännen Unibake's bakery operations. In addition to hedging prices by means of supply contracts, prices are also hedged by means of financial futures through commodity exchanges and banks. Pricing of most of Lantmännen's traded commodities is based on USD or EUR. Under Lantmännen's financial policy, the currency is considered to be part of the transaction's pricing and must be hedged on or before the transaction date.

Energy price risk

Through its energy-intensive operations Lantmännen is subject to risks associated with price fluctuations, particularly for electricity and gas. If the energy price risk is not hedged, these price fluctuations will have a direct impact on the Group's operating income. The Group's electricity consumption is therefore hedged on a gradual basis according to a strategy established by the corporate function Group Risk Management. The objective of the hedging strategies for electricity and gas is to reduce the volatility of the Group's energy costs. As electricity and gas are traded in EUR, this also gives rise to a currency risk. This is hedged on a continuous basis.

Electricity price hedging for Sweden, Denmark, Finland and Norway

Maturity year	2019	2020	2021	2022
Hedged share of forecast annual need	75 %	58 %	37 %	20 %

Electricity price hedging for UK

Maturity year	2019	2020	2021	2022
Hedged share of forecast annual need	75 %	30 %	10 %	5 %

The Group companies' total electricity consumption in 2018 was 584 (576) GWh. The share for the operations in Sweden, Denmark, Finland and Norway was 446 (449) GWh and the UK 30 (30) GWh. A +/-10 percent movement in the price of electricity would affect the valuation of the energy hedges by MSEK +/-22. The Group companies' natural gas consumption in 2018 was 271 (299) GWh. The share for the operations in Sweden, Finland and Denmark was 105 (139) GWh and the UK 25 (27) GWh. A +/-10 percent change in the price of gas would affect the valuation of the gas hedges by MSEK +/-3.1.

Price hedges via ethanol and gasoline contracts

Ethanol price hedges for Agroetanol in the Energy Sector were entered into regularly throughout 2018 in order to mitigate earnings fluctuations attributable to daily market price changes. The hedge ratio at December 31, 2018 was 0 percent. Eurobob gasoline price hedges for Aspen in the Energy Sector were entered into regularly throughout 2018 in order to mitigate earnings fluctuations attributable to daily market price changes. Eurobob is priced in USD. The hedge ratio at December 31, 2018 was 26 percent. A +/-10 percent movement in the price of gasoline would affect the valuation of the gasoline hedges by MSEK 5.7.

INTEREST RATE RISK

Lantmännen's financing sources consist mainly of equity, member deposits, cash flow from operating activities and borrowing. Interest-bearing loans expose the Group to interest rate risk and changes in interest rates have a direct impact on the Group's net interest income. The fixed-rate period is one of the more significant factors that affect interest rate risk. The Group's debt management is dealt with by Group Treasury to ensure efficiency and risk control.

Note 24 continued

Group Treasury ensures that the average fixed-rate period in the long-term debt portfolio remains within the range of 6-36 months. The Group uses interest rate derivatives to adjust fixed-rate periods in the interest-bearing borrowing portfolio. The strategy involves creating a spread in the maturity structure and arranging new borrowings in currencies in which the Group has large assets, such as SEK, EUR and DKK. In addition, the aim is to be active in capital markets, both in Sweden and abroad, in order to avoid excessive individual exposure to the Swedish banking and capital markets.

At the end of the year, the weighted average borrowing rate was 0.93%, excluding transaction fees. The Group's interest-bearing liabilities at December 31, 2018,

including interest rate swaps, had a weighted average fixed-rate period of 30.8 (24.8) months.

REFINANCING RISK, LIQUIDITY RISK AND LIQUIDITY RESERVE

Refinancing risk is the risk that costs will be higher and opportunities for financing limited when loans and other credit arrangements are renewed. Liquidity risk is the risk that the Group will encounter difficulty in discharging payment obligations. Lantmännen limits its refinancing risk by having a well-diversified group of counterparties and maturities for its loans. The weighted average maturity of loans with credit institutions including bond loans at the end of the year was 6.0 (6.8) years.

HEDGE ACCOUNTING

Types of hedge accounting applied in the consolidated financial statements

Type of exposure	Type of hedged item	Hedged risk	Hedging instrument	Hedge accounting model ¹⁾
Currency exposure	Future foreign currency purchases and sales	Currency risk	Forward exchange contracts	Cash flow hedges
	Investments in foreign subsidiaries	Currency risk	Foreign currency loans	Hedging of net investments
Interest rate exposure	Loans with variable interest	Interest rate risk	Interest rate swaps	Cash flow hedges
Commodity exposure	Future purchases and sales of wheat	Wheat price risk	Wheat futures	Cash flow hedges
	Future purchases of electricity	Electricity price risk	Electricity futures	Cash flow hedges
	Future purchases and sales of rape	Rape price risk	Rape futures	Cash flow hedges
	Future sales of alkylate petrol	Gasoline risk	Eurobob futures	Cash flow hedges

¹⁾ Differences in critical conditions between hedging instruments and hedged items are the main source of ineffectiveness for all types of hedging.

Lantmännen applies hedge accounting for the majority of the derivatives used to hedge various types of risks that arise.

Hedging instruments with associated hedged items and derivatives without hedge accounting

MSEK	Average hedging price/rate	Nominal amount Remaining maturity		Nominal amount		Assets Carrying amount		Liabilities Carrying amount		The year's value change 2018	Accumulated value change 12/31/2018
		<1 year	>1 year	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017		
Cash flow hedges¹⁾											
Interest-related contracts											
Interest rate swaps	1.35 %	-	2,083	2,083	2,049	1	2	16	13	-4	-15
Currency-related contracts											
Forward exchange contracts and currency swaps											
EUR	10.34	2,444	-	2,444	2,327	26	29	12	43	14	14
Other currencies	-	114	-	114	110	2	1	5	3	-3	-3
Commodity-related contracts											
Wheat futures	SEK 2,070/tonne	-1,353	-	-1,353	-772	22	55	27	35	-5	-5
Electricity futures	SEK 315/MWh	101	166	267	165	190	22	102	5	-31	88
Rape futures	SEK 3,818/tonne	-122	-	-122	-830	5	5	2	1	3	3
Soy futures	SEK 3,142/tonne	-26	-	-26	-210	3	1	1	-	2	2
Eurobob futures	SEK 5,424/tonne	72	-	72	-	-	-	18	-	-18	-18
Ethanol futures	-	-	-	-	33	-	1	-	1	-	-
Total hedging instruments		1,230	2,249	3,479	3,775	249	115	183	100	-42	66
Derivatives without hedge accounting											
Interest-related contracts											
		-	300	300	400	-	-	7	11		
Currency-related contracts											
		1,546	1,369	2,915	3,487	47	34	110	50		
Commodity-related contracts											
		95	13	108	30	9	4	3	0		
Total derivative instruments without hedge accounting		1,641	1,682	3,323	3,917	56	38	120	61		
Total derivative instruments		2,871	3,931	6,802	7,692	305	153	303	161		
Hedging of net investments in foreign operations											
Currency-related contracts											
Hedging instruments – Loans											
		-	-1,834	-1,834	-1,022	-	-	1,834	1,022	-52	-72
Hedging instruments – Derivatives											
		-165	-195	-360	-66	-	-	9	11	2	-9
Hedged item – net investments in foreign operations											
		-	2,194	2,194	1,088	1,843	1,033	-	-	50	81

¹⁾ Differences in critical conditions between hedging instruments and hedged items are the main source of ineffectiveness for all types of hedging.

Note 24 continued

By constantly maintaining cash assets or unused credit facilities, the Group ensures it has a solid liquidity reserve, thereby reducing the liquidity risk. The Group's liquidity reserve (available line of credit) is calculated on the basis of Lantmännen's loan agreement and associated covenants signed with the syndication banks on July 9, 2015. Liquidity reserve at December 31, 2018 was MSEK 1,373 (3,004).

Maturity structure of interest-bearing financial liabilities¹⁾

MSEK	Group		Parent Company	
	2018	2017	2018	2017
2018		540		502
2019	835	600	809	599
2020	2,097	2,087	2,072	2,087
2021	52	81	26	81
2022	463	1,538	437	1,517
2023-	2,820	-	2,256	-
Total	6,267	4,846	5,600	4,786

¹⁾ Including future interest payments.

MTN program

A medium term note (MTN) program was established in December 2015. The bond program has a loan limit of SEK 3 billion for issues on the Swedish equity market. On 12/31/2018, a nominal amount of MSEK 1,250 was outstanding, with a maturity of 5 years. The Group underwent an external rating process during the year and received an investment grade rating (BAA3) from Moody's.

Maturity structure of loan liabilities to credit institutions by currency

MSEK	Total	2020-2024			
		2019	2020-2021	2022-2023	2024-
EUR	1,802	21	805	637	339
DKK	1,355	25	50	50	1,230
SEK	3,110	789	1,294	527	500
Total	6,267	835	2,149	1,214	2,069
Of which interest	449	72	102	77	198
Total excl. interest	5,818	763	2,047	1,137	1,871

The table above refers to undiscounted contractual amounts, which deviate from the liabilities reported in the balance sheet.

External currency swaps related to financing of Group companies

MSEK	Group	
	2018	2017
EUR	2,574	3,208
DKK	816	784
NOK	123	277
GBP	-	992
USD	-	30
SEK	-4,485	-6,205
PLN	502	375
RON	116	124
RUB	407	530
Total	53	115

All external currency swaps related to the financing of Group companies are in the Parent Company, Lantmännen ek för.

Other interest-bearing liabilities, savings and capital account

Other current liabilities include members' savings of MSEK 1,640 (1,488). Deposits into the capital account totaled MSEK 1,577 (1,505), of which MSEK 1,577 (1,505) was through Lantmännen Finans AB. These liabilities are formally short-term and the deposits may be withdrawn with one day's notice. However, experience shows little movement in these liabilities. See note 23.

Other non-current interest-bearing liabilities, consisting among others of long-term lease liabilities, amount to MSEK 173 (208).

During the year, Lantmännen renegotiated its covenants under credit agreements with banks. According to the new terms, Lantmännen's net debt/EBITDA must be less than 3.75 (3.75) at the end of the year. If Lantmännen fails to meet the covenants, the bank is entitled to terminate the credits prematurely. On December 31, 2018, net debt/EBITDA according to the bank syndicate's definition was 3.25 (2.7).

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

MSEK	2019	2020	2021	2022-	Fair value
Currency derivatives	4,104	1,101	268	-	-52
Interest rate derivatives	-	1,783	0	600	-22
Energy derivatives	101	82	55	29	88
Commodity derivatives	-1,410	9	3	1	-18
Ethanol derivatives	76	-	-	-	6
Total	2,871	2,975	326	630	2

Maturity structure of derivative instruments, nominal amounts December 31, 2017

MSEK	2018	2019	2020	2021-	Fair value
Currency derivatives	5,843	29	-	-	-29
Interest rate derivatives	244	0	2,505	852	10
Energy derivatives	70	62	44	13	2
Commodity derivatives	-706	-	-	-	36
Ethanol derivatives	34	-	-	-	0
Total	5,485	91	2,549	865	19

CREDIT AND COUNTERPARTY RISK

Credit and counterparty risk is the risk that the counterparty in a transaction will be unable to discharge its obligations, thereby causing a loss for Lantmännen. The Group's main credit and counterparty risk arises from bank funds, derivative instruments with positive market values and trade receivables. The Group's maximum credit risk corresponds to the carrying amount of the financial assets, as reported in the consolidated balance sheet. Counterparty risk is limited by only accepting counterparties with high credit-worthiness according to the established financial policy and by defining the maximum exposure per counterparty according to the counterparty's creditworthiness.

Financial counterparties are selected on the basis of rating criteria, taking into account the spread of counterparty risk and other mutual business interaction. The table below shows the Group's bank funds at December 31, 2018, according to the counterparty's rating at the reporting date.

The Group continuously assesses expected credit losses for bank funds, mainly based on the counterparty's rating. As a result of the counterparties' credit-worthiness and the fact that invested bank funds are available on demand, the expected credit losses at the reporting date are immaterial.

Lantmännen has entered into ISDA and CSA agreements with several of the counterparties with which the Group conducts derivative transactions, with the aim of reducing counterparty risk.

Customer credit risk

The credit risk associated with trade receivables is managed through special credit rating reviews. Lantmännen has credit control procedures in place and obtains information about the financial position of customers from various credit-rating agencies. Lantmännen's customer base is well-diversified as a result of the Group having different business areas and operating in several countries and different markets. Lantmännen also conducts active monitoring of trade receivables in order to minimize customer defaults and ensure payment precision. The Group's credit risk in trade receivable is further reduced by the fact that in many cases the Group's customers are also members of the parent

Note 24 continued

association and as such have capital that can be utilized if a customer is unable to discharge its obligations to the Group.

The main basis for the Group's expected credit losses on trade receivables is an individual assessment of each receivable (risk of counterparty failing to discharge its obligation) together with an overall assessment based on the Group's loss history for receivables with similar credit risk.

Lantmännen Finans AB has transferred its leasing and hire purchase contracts to Swedbank on an ongoing basis. Swedbank has limited recourse. At 12/31/2018, recourse was MSEK 79 (79). However, the consolidated balance sheet is only affected by the expected loss, which is MSEK 6. The amount is reported under other liabilities in the balance sheet.

Further information about trade receivable and the allowance for expected credit losses can be found in [note 20](#).

Financial assets and liabilities measured at fair value in the statement of financial position, December 31, 2018

Assets, MSEK	Level 1	Level 2	Level 3	Total
Derivatives with positive fair value	296	9	-	305
Other financial assets measured at fair value	257	-	106	363
Total assets	553	9	106	668
Liabilities, MSEK				Total
Derivatives with negative fair value	186	117	-	303
Total liabilities	186	117	0	303

Financial assets and liabilities measured at fair value in the statement of financial position, December 31, 2017

Assets, MSEK	Level 1	Level 2	Level 3	Total
Derivatives with positive fair value	83	3	-	86
Other financial assets measured at fair value	421	0	126	547
Total assets	504	3	126	633
Liabilities, MSEK				Total
Derivatives with negative fair value	42	25	-	67
Total liabilities	42	25	0	67

Fair value hierarchy with information on inputs used to measure fair value

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

Level 2: Inputs other than the quoted prices included in level 1 that are observable for the asset or liability, i.e. quoted prices or data derived therefrom.

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

Assets in Level 3 refer to other shares and interests and have been measured at cost of acquisition, which is considered a good reflection of the fair value at the closing date.

As the interest-bearing assets and liabilities of the Parent Company are consistent in all material respects with those of the Group, no special disclosures are provided for the Parent Company.

Financial assets and liabilities by measurement category, December 31, 2018

MSEK	Financial assets at fair value through profit or loss	Financial assets measured at amortized cost	Financial assets at fair value through other comprehensive income	Derivatives used in hedge accounting	Other derivatives	Other financial liabilities	Total carrying amount	Fair value
ASSETS								
Other shares and interests	-	1	363	-	-	-	364	364
Other financial assets	-	257	-	8	-	-	265	265
Other non-current assets	-	7	-	50	-	-	57	57
Trade and other receivables	-	5,923	-	169	9	-	6,101	6,101
Current interest-bearing assets	-	4	-	-	35	-	39	39
Cash and cash equivalents	90	630	-	-	-	-	720	720
Total assets	91	6,821	363	227	44	-	7,546	7,546
LIABILITIES								
Non-current interest-bearing liabilities	-	-	-	23	-	5,470	5,493	5,598
Other non-current liabilities	-	-	-	27	3	13	43	43
Current interest-bearing liabilities	-	-	-	-	-	4,002	4,002	3,999
Trade and other payables	-	-	-	123	-	7,442	7,565	7,565
Total liabilities	-	-	-	173	3	16,927	17,103	17,205

Derivatives are also reported under Accruals and deferred income (127) and Prepayments and accrued income (34).

Note 24 continued

Financial assets and liabilities by measurement category, December 31, 2017

MSEK	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Derivatives used in hedge accounting	Other derivatives	Other financial liabilities	Total carrying amount	Fair value
ASSETS								
Other shares and interests	126	-	331	-	-	-	457	457
Other financial assets	90	274	-	4	-	-	368	368
Other non-current assets	-	13	-	14	-	-	27	27
Trade and other receivables	-	5,343	-	68	-	-	5,411	5,411
Current interest-bearing assets	-	18	-	-	-	-	18	18
Cash and cash equivalents	-	927	-	-	-	-	927	927
Total assets	216	6,575	331	86	0	0	7,208	7,208
LIABILITIES								
Non-current interest-bearing liabilities	-	-	-	23	-	4,500	4,523	4,524
Other non-current liabilities	-	-	-	3	-	25	28	28
Current interest-bearing liabilities	-	-	-	3	-	3,838	3,841	3,841
Trade and other payables	-	-	-	38	-	7,308	7,346	7,346
Total liabilities	-	-	-	67	0	15,671	15,738	15,739

Offsetting of financial assets and liabilities, 12/31/2018

ASSETS MSEK	Recognized in statement of financial position	Gross amount for financial assets offset against financial liabilities	Amounts not offset in statement of financial position	Net amount
Derivatives ¹⁾	305	-	60	245
Total	305	-	60	245
LIABILITIES MSEK	Recognized in statement of financial position	Gross amount for financial liabilities offset against financial assets	Amounts not offset in statement of financial position	Net amount
Derivatives ¹⁾	303	-	60	243
Total	303	-	60	243

Offsetting of financial assets and liabilities, 12/31/2017

ASSETS MSEK	Recognized in statement of financial position	Gross amount for financial assets offset against financial liabilities	Amounts not offset in statement of financial position	Net amount
Derivatives ¹⁾	86	-	35	51
Total	86	-	35	51
LIABILITIES MSEK	Recognized in statement of financial position	Gross amount for financial liabilities offset against financial assets	Amounts not offset in statement of financial position	Net amount
Derivatives ¹⁾	67	-	35	32
Total	67	-	35	32

¹⁾ Trading in derivatives is subject to the ISDA agreement, which also regulates the netting of liabilities and receivables in the course of operations and in situations such as breaches of contract or early termination.

Note 25 Provisions for pensions

Lantmännen has both defined contribution and defined benefit pension plans. The defined benefit plans, which are reported in Lantmännen's statement of financial position, are funded and unfunded. The largest defined benefit plans are ITP 2 pensions, which are book reserve pensions.

These pensions are insured through PRI Pensionsgaranti and are secured by a pension fund. PRI Pensionsgaranti is a mutual insurance company that guarantees employees' future pensions. The Grodden pension fund was established in December 2011, when Lantmännen transferred assets into the fund. As the assets are in a separate fund, the obligations can be reduced by the market value of the fund's assets when reported in the statement of financial position. Six of Lantmännen's Swedish companies are connected to the fund. There is no obligation for the companies in the fund to make additional contributions to the fund. Lantmännen pays a lower risk premium to PRI Pensionsgaranti for the parts of the pension liability that are funded in Grodden.

There are also funded pension plans in Norway, where one of the companies has pension obligations safeguarded by funds. One of the Norwegian companies discontinued its defined benefit plan in 2017 and switched to a defined contribution plan.

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

Defined benefit plans

MSEK	2018	2017
<i>Funded plans:</i>		
Defined benefit obligations under Swedish PRI Pensionsgaranti plans	2,457	2,349
Other defined benefit obligations	84	86
Fair value of plan assets	-1,983	-1,932
Total net value of funded plans	558	503
Funded plans recognized as a provision	558	503
<i>Unfunded plans:</i>		
Other unfunded obligations	53	51
Total unfunded plans	53	51
Provisions for pensions, net	611	554

Pension cost in the income statement

MSEK	2018	2017
<i>Defined benefit plans</i>		
Cost of pensions accrued during the year	41	44
Interest expense, interest income, net	12	11
Curtailements and settlements	-	-4
Cost of defined benefit plans	53	51
Cost of defined contribution plans	387	328
Total pension cost in the income statement	440	379
<i>The cost is recognized on the following lines in the income statement</i>		
Employee benefits expense	428	368
Finance costs	12	11
Total cost relating to pensions	440	379

Pension-related remeasurements in OCI

MSEK	2018	2017
<i>Defined benefit plans</i>		
Return on plan assets in excess of what is recognized as interest income in the income statement	84	73
Experience-based adjustment of obligation	-27	-70
Effects of changes in demographic assumptions	34	-
Effects of changes in financial assumptions	-121	-4
Total actuarial gains (+) and losses (-)	-30	-1
Tax on above items	7	0
Total recognized in OCI	-23	-1

Pension plans by country

MSEK	2018			2017		
	Obligations	Plan assets	Pension liability	Obligations	Plan assets	Pension liability
Sweden	2,460	-1,909	551	2,354	-1,856	498
Norway	84	-74	10	86	-76	10
Germany	39	-	39	36	-	36
Netherlands, Poland, Finland, France	11	-	11	10	-	10
Total	2,594	-1,983	611	2,486	-1,932	554

Note 25 continued

The following summary explains how obligations, assets and the net amount changed during the year:

MSEK	2018			2017		
	Defined benefit obligations	Plan assets	Net	Defined benefit obligations	Plan assets	Net
Opening balance	2,486	1,932	554	2,461	1,942	519
Service cost during the year	41	-	41	44	-	44
Interest recognized in income statement	60	48	12	59	48	11
Payment of pension benefits	-112	-8	-104	-108	-7	-101
Compensation paid to employer ¹⁾	-	-93	93	-	-93	93
Payment of contributions by employer ¹⁾	-	18	-18	-	8	-8
Curtailments and settlements	-	-	0	-40	-36	-4
Return on plan assets in excess of recognized interest	-	84	-84	-	73	-73
Remeasurement of pension obligations recognized in OCI	114	-	114	74	-	74
Translation differences	5	2	3	-4	-3	-1
Closing balance, pension liability	2,594	1,983	611	2,486	1,932	554
<i>Of which funded plans</i>			<i>558</i>			<i>503</i>
<i>Of which unfunded plans</i>			<i>53</i>			<i>51</i>

¹⁾ Compensation from the Swedish pension fund consists of MSEK 93 (93) to 3 (3) companies in 2018. Three Swedish companies made payments of MSEK 13 (0) into the pension fund in 2018. MSEK 5 (8) was paid into Norwegian plans.

Specification of plan assets

	2018 MSEK	2017 MSEK	2018 %	2017 %
Property	1 081	971	55 %	50 %
Fixed-interest investments	367	336	19 %	17 %
Equity investments	401	423	20 %	22 %
Hedge funds	92	187	5 %	10 %
Cash and cash equivalents	42	15	2 %	1 %
Total	1,983	1,932	100 %	100 %

Equity investments include subordinated debentures of MSEK 70 (71) in Lantmännen ek för. Other holdings under equity investments are mainly related to listed shares.

Actuarial assumptions ²⁾	2018	2017
Discount rate	2.5 %	2.5 %
Future salary increases	2.75 %	3.0 %
Inflation	2.0 %	1.5 %
Life expectancy assumptions, Sweden	DUS14	DUS14
Duration	17 years	16 years

²⁾ Weighted average, corresponding to the Swedish assumptions, as Swedish plans dominate.

A 0.25 percent decrease in the discount rate would increase the Swedish pension obligation (which is 95 percent of the total) by approximately MSEK 98, while a 0.25 percent increase in the interest rate would reduce it by approximately MSEK 92. A change of one year in mortality assumptions would increase the obligation by approximately MSEK 96 in the case of a longer life expectancy and would reduce it by the same amount in the case of a shorter life expectancy. A 0.25 percent change in inflation would reduce the obligation by approximately MSEK 83 in the case of a fall in inflation and would increase it by approximately MSEK 88 in the case of a rise. A 0.25 percent change in salary growth assumptions would increase the obligation by approximately MSEK 22 in the case of a higher assumption and would reduce it by approximately MSEK 21 in the case of a lower assumption. The Swedish pension fund's return was about 7 (6) percent in 2018, and a 1 percentage point change in the return would increase or decrease the value of the plan assets by about MSEK 21 (20).

The Swedish funded plans cover active members, 14 (15) percent, paid-up policyholders, 36 (35) percent, and retired persons, 50 (50) percent.

Expected payments of pensions under defined benefit pension plans in 2019 are MSEK 103 (100).

For certain employees in Sweden insurance premiums are paid to Alecta with regard to commitments under the traditional ITP (individual supplementary pension) plan. The plan is a multi-employer defined benefit plan. At present, Alecta is unable to disclose the information that is required to recognize this plan as a defined benefit plan. Consequently, pensions insured through Alecta, are recognized as a defined contribution plan. Of the above cost of MSEK 387 (328) for defined contribution plans, MSEK 26 (23) relates to Alecta premiums for traditional ITP plans. Alecta's surplus may be distributed to the policyholders and/or the insured. At the end of the year, Alecta's surplus in the form of its collective funding ratio was 142 (154) percent. The collective funding ratio reflects the market value of Alecta's assets as a percentage of its insurance obligations, calculated in accordance with Alecta's actuarial assumptions, which do not follow IAS 19.

Information on pensions for senior executives can be found in [note 6](#).

Note 26 Other provisions

MSEK	Warranty commitments	Actuarial provisions	Restructuring measures	Other	Total 2018	Total 2017
Opening balance	90	86	98	670	944	974
Provisions during the period	42	15	37	52	146	253
Amounts utilized during the period	-21	-	-50	-37	-108	-219
Reversals during the period	-5	-	-7	-77	-89	-67
Effects of divested, acquired operations	-	-	-	-8	-8	-1
Translation differences	0	0	1	0	1	4
Carrying amount at end of period	106	101	79	600	886	944
Of which current provisions	99	34	57	488	678	704
Of which non-current provisions	7	67	22	112	208	240

MSEK 165 of the non-current provisions is expected to be used in 2021 and thereafter.

Increases in previously existing provisions are included in the period's provisions.

The majority of the year's restructuring provisions relate to measures in the Energy Sector, most of which are expected to be used in 2019.

MSEK 78 (96) of the provisions under Other relates to the estimated costs of closing down grain elevators. During 2018, a provision of MSEK 25 has been recognized for grain elevators.

In corporate groups the size of Lantmännen, there are normally a number of ongoing disputes. Lantmännen has assessed the most likely outcome of the disputes currently at issue, and where an outflow of financial resources is probable, a corresponding amount has been recognized as a provision.

Note 27 Other non-current liabilities

MSEK	2018	2017
Non-current derivative instruments, operating	30	3
Non-current liabilities to joint ventures/associates	11	11
Other non-current operating liabilities	2	14
Total	43	28

Note 28 Trade and other payables

MSEK	2018	2017
Trade payables	5,588	5,342
Trade payables, joint ventures/associates	17	10
Contract liabilities from contracts with customers	1,010	768
Other operating liabilities, associates	0	19
Other current liabilities	827	1,169
Derivative instruments	123	38
Accruals and deferred income	1,715	1,620
Total	9,280	8,966
Accruals and deferred income		
MSEK	2018	2017
Accrued personnel-related costs	759	602
Other accruals	695	788
Deferred income	261	230
Total	1,715	1,620

The 2017 figures are adjusted in accordance with IFRS 15.

Note 29 Leases

The Group is both a lessor and a lessee. The Group's obligations as a lessee are reported in this note. The Group as a lessor is reported in note 30 Customer financing. The Group has both operating and finance lease obligations.

Operating leases

Recognized costs of operating leases

MSEK	2018	2017
Minimum lease payments	805	612
Contingent rents	33	11
Total	838	623

Future obligations under non-cancelable operating leases are reported below.

Minimum lease payments due

MSEK	2018	2017
Within one year	505	436
Between one and five years	1,029	873
After five years	807	536
Total	2,341	1,845

Companies in the Lantmännen Group are tenants in properties owned by Lantmännen's pension fund. The annual rent for these properties was MSEK 69 (68) in 2018 and is expected to be MSEK 71 in 2019. 33 percent of the lease contracts run until 2021 and 67 percent until 2027. Estimated rents for these contracts are included in the minimum lease payments reported above.

Finance leases

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

Note 29 continued

Recognized costs and payment of finance leases

MSEK	2018	2017
Minimum lease payments		
- reported as interest	11	13
- reported as payment (reduction of liability)	10	9
Contingent rents	0	0
Total payments under finance leases	21	22

The carrying amount of the leased assets at the reporting date is reported in note 13, Property, plant and equipment.

Future minimum lease payments (payment and interest) by period:

MSEK	Payment	2018 Interest	Total charge	Payment	2017 Interest	Total charge
Maturity						
Within one year	8	11	19	11	11	22
Between one and five years	17	43	60	15	42	57
After five years	95	116	211	103	126	229
Total	120	170	290	129	179	308

Note 30 Customer financing

Customer financing is mainly concerned with financing Lantmännen's sales of agricultural and construction machinery to end customers. Customer financing through leasing occurs mainly in Swecon's international operations.

The real estate operations' leasing of premises to external customers is also reported as customer financing.

Customer financing through finance leases occurs to a very limited extent, and outstanding receivables are well below MSEK 1 for both years.

Operating leases

For equipment and premises leased to customers and tenants under operating leases, future payments under non-cancelable leases fall due as follows:

Minimum lease payments due

MSEK	2018	2017
Within one year	136	151
Between one and five years	278	259
After five years	122	155
Total	536	565

The total minimum lease payments are distributed as follows: premises MSEK 520 (536) and machinery MSEK 16 (29).

Note 31 Related party transactions

The association's Board members have significant influence over the Parent Company and are therefore considered to be related parties. The purpose of an economic association is to promote its members' economic interests through trade with them.

To this end, purchases and sales of goods and services are conducted with individual Board members who are also members of the association. Similarly, these individual Board members also participate in the financing of the association. As all these transactions have occurred in accordance with the association's purpose and under the conditions applicable to other members, the amounts involved are not disclosed.

Salaries and similar benefits received by senior executives are reported in note 6. Dividends from subsidiaries and joint ventures/associates are shown in notes 16 and 39. Receivables from and liabilities to joint ventures/associates are shown in notes 17, 20, 21, 23, 27 and 28.

Related party transactions	2018	2017
Intra-group purchases, share of total purchases, %	11	12
Intra-group sales, share of total sales, %	9	9
Purchases of goods and services from joint ventures and associates, MSEK	515	477
Sales of goods and services to joint ventures and associates, MSEK	419	372
Transfer of capital to Lantmännens Gemensamma Pensionsstiftelse Grodden (pension fund), MSEK	13	-
Transfer of capital from pension fund to Lantmännen, credited, MSEK	93	93
Rent paid to pension fund, MSEK	69	68
Sales of goods and services to pension fund, MSEK	25	11

Note 32 Government grants

MSEK	2018	2017
Grants recognized as revenue	15	14
Grants that reduced expenses	30	32
Total	45	46
Grants during the year that reduced the value of non-current assets	4	-

During 2018, a grant corresponding to MSEK 4 (-) was received which reduced the value of non-current assets or was recognized as deferred income at the reporting date.

Note 33 Acquisitions and divestments

Acquisitions 2018

The following acquisitions of subsidiaries were made in 2018.

Company	Operations	Acquisition date	Purchase price, MSEK	Acquisition-related costs, MSEK	Goodwill, MSEK	Other intangible assets, MSEK	Property, plant & equipment, MSEK	Annual sales, MSEK	Number of employees	Acquired interest	Holding after acquisition
Raisioagro Oy (renamed Lantmännen Feed Oy)	Feed, Agriculture	Nov 18	314	7	70	95	144	770	70	100 %	100 %

Lantmännen has acquired the Finnish company Raisio's cattle feed business through the acquisition of shares and non-current assets including two properties. The company has a market share of about 35 percent of the Finnish cattle feed market.

The acquisition balance sheet for acquisitions in the third four-month period of 2018 is still preliminary. The company is consolidated as a subsidiary using the acquisition method.

For information on the fair value of net assets in acquired operations, not including Other smaller acquisitions, see below and note 35:2 in Notes to the statement of cash flows.

Acquisition balance sheet

MSEK	2018 ¹⁾	2017 ²⁾
Acquisition price		
Cash/Loan repayment	314	1,006
<i>Acquired assets and liabilities at fair value</i>		
Property, plant and equipment	144	83
Intangible assets	95	387
Inventories	82	202
Trade receivables	45	587
Other current and non-current assets	19	61
Trade payables	-55	-566
Other liabilities	-40	-180
Net assets acquired, total	290	574
Cash and cash equivalents	11	15
Financial liabilities	-57	-92
Acquired net debt	-46	-77
Goodwill	70	509
Total	314	1,006

Acquisition-related costs, reported as
Other operating expenses

7 29

The above values include fair value adjustments to the carrying amounts of the companies' identifiable assets and liabilities made when preparing the acquisition balance sheets. These adjustments are shown below:

MSEK		
Property, plant and equipment	0	0
Intangible assets	95	617
Deferred tax liabilities	-19	-80

¹⁾ Includes acquisition of Raisioagro.

²⁾ Includes acquisitions of Marline, Orient Products, K-maatalous, PS Bageri and Byavärme.

Effect of acquired companies on the consolidated income statement

MSEK	2018 ¹⁾	2017 ¹⁾
Net sales	126	1,847
Operating income from companies	-1	8
Operating income from acquisition adjustments, excluding acquisition costs	-1	-9
Operating income, total	-2	-1

Sales and income if acquisition had been at the beginning of the year

MSEK		
Net sales	770	3,560
Operating income from companies	26	104
Operating income from acquisition adjustments, excluding acquisition costs	-6	-30
Operating income, total	20	74

Effect on the Group's cash and cash equivalents

MSEK		
Consideration paid for the year's acquisitions/loan repayments	314	1,006
Takeover of loans	57	92
Cash and cash equivalents in acquired companies	-11	-15
Total	360	1,083

Note 33 continued

Acquisitions 2017

The following acquisitions of subsidiaries were made in 2017.

Company	Operations	Acquisition date	Purchase price, MSEK	Acquisition-related costs, MSEK	Goodwill, MSEK	Other intangible assets, MSEK	Property, plant & equipment, MSEK	Annual sales, MSEK	Number of employees	Acquired interest	Holding after acquisition
SAS Marline Europé (Marline)	Energy	Dec 2017	352	7	256	149	5	200	20	100 %	100 %
Orient Products LLC	Bakery	Sep 2017	276	11	140	152	32	85	250	100 %	100 %
K-maatalous (renamed Lantmännen Agro Oy)	Agriculture	Jun 2017	297	10	57	81	0	3,200	45	100 %	100 %
PS Bageri AB (Anderson Bakery)	Bakery	Mar 2017	63	1	43	5	9	75	30	100 %	100 %
Byavärme AB	Heating	Dec 2017	18	0	13	0	37	7	0	100 %	100 %
Other smaller acquisitions			7	0	0	0	0	0	0		

Lantmännen acquired Marline, France's leading alkylate petrol producer. Marline is the leading French company in specialty fuels and finished blends for small engines. The acquisition gave Lantmännen Aspen scope to expand its existing offering in France and grow in new customer segments.

Lantmännen acquired the Russian crispbread producer Orient Products, based in St Petersburg. Orient is a market leader in crispbread in Russia, with the Schedrie and Kruazett brands. The acquisition strengthened Cerealia's position in the large and growing Russian market.

Lantmännen acquired the Finnish company K-maatalous (renamed Lantmännen Agro Oy) from Kesko Group in a debt-free sale structured as a share transaction. K-maatalous is one of the largest operators in the Finnish agricultural market and operates in plant production, animal feed, grain, and implements and parts for agricultural machines. The company has 40 independent retailers with a total of 78 stores.

Lantmännen acquired Anderson Bakery, a baguette bakery outside Stockholm.

Lantmännen acquired the district heating company Byavärme in Vinslöv. The business is based on cooperation with local players.

Divestments 2018

Only minor divestments of subsidiaries took place during 2018.

Divestments 2017

The following divestments of subsidiaries took place in 2017.

Company	Operations	Sale date	Consolidated net sales 2017, MSEK	Consolidated net sales 2016, MSEK	Average no. of employees 2017	Average no. of employees 2016	Divested interest	Holding after divestment
LMB Danmark A/S	Machine sales	Jan 2017	0	521	0	15	100 %	0 %
Akershus Traktor AS	Machine sales	May 2017	179	658	36	104	50 %	50 %
Lantmännen Samhällsfastigheter AB	Property development	Aug 2017	11	12	0	0	50 %	50 %

Lantmännen's operation with importing responsibility for Claas in Denmark, LMB Danmark A/S, was divested. The sale generated a capital gain of MSEK 6 and a positive cash flow of MSEK 50.

Lantmännen divested 50 percent of the shares in Akershus Traktor AS, a Norwegian Valtra dealer. The company then became an associate. The purchase consideration was MSEK 9 and the sale did not generate any gain or loss.

Lantmännen divested 50 percent of the shares in the real estate group Lantmännen Samhällsfastigheter AB to the property company Hemsö. The purchase consideration was MSEK 51 and the capital gain, including revaluation effect, was MSEK 78. After the divestment, the real estate group became a joint venture and was renamed Lantem Samhällsfastigheter AB.

Note 34 Pledged assets and contingent liabilities

Pledged assets

MSEK	For own financial liabilities	Other commitments	Total pledged assets	
			2018	2017
Real estate mortgages	1,456	-	1,456	1,711
Bank accounts	-	108	108	119
Other	-	3	3	3
Total	1,456	111	1,567	1,833

Real estate mortgages have been provided for the liabilities of the Parent Company in the amount of MSEK 1,456 (1,711), of which MSEK 1,003 (559) relates to properties owned by subsidiaries.

Contingent liabilities

MSEK	2018	2017
Guarantees for		
- joint ventures	675	357
Other contingent liabilities	60	142
Total	735	499

Note 35 Notes to the statement of cash flows

MSEK	2018	2017
1) Interest paid and dividends received		
Dividends received	10	14
Interest received	76	85
Interest paid	-265	-314
Realized exchange gains/losses	-50	-21
Other financial payments	-5	26
Total	-234	-210
2) Acquisition of operations		
<i>Assets and liabilities acquired</i>		
Property, plant and equipment	144	85
Intangible assets, including goodwill	165	915
Inventories	82	201
Trade receivables	45	587
Other current and non-current assets	19	62
Cash and cash equivalents	11	15
	466	1,865
Financial liabilities	57	389
Trade payables	55	566
Operating liabilities	40	194
	152	1,149
Net assets acquired	314	716
Repayment of loans in acquired companies	57	297
Purchased interests in associates*	13	78
Purchase consideration paid	384	1,091
Cash and cash equivalents in acquired operations	-11	-15
Effect on cash and cash equivalents	373	1,076

Further information on acquired operations can be found in [note 33](#).

* Including shareholder contributions

MSEK	2018	2017
3) Divestment of operations		
<i>Assets and liabilities divested</i>		
Property, plant and equipment	-	241
Inventories	-	233
Trade receivables	-	85
Other current and non-current assets	15	124
	15	683
Financial liabilities		359
Trade payables		86
Operating liabilities		53
Capital gains/losses	-25	-88
	-25	410
Consideration received	40	273
Repayment of loans in divested companies	-	-49
Effect on cash and cash equivalents	40	224
4) Investments		
The Group's investments in property, plant and equipment held under finance leases amounted to MSEK 294 (423) during the year.		
5) Change in interest-bearing liabilities and pensions		
Change in interest-bearing liabilities, net	1,107	203
Change of pensions	1	-3
Total	1,108	200

Further information on divested operations can be found in [note 33](#).

Further information about cash flow from interest-bearing liabilities can be found in [note 23](#).

MSEK	2018	2017
6) Cash and cash equivalents		
Cash and bank balances	630	927
Short-term investments, maturity less than 3 months	90	-
Total	720	927

The Group's total liquidity reserve, defined as cash, bank deposits and credit available under the provisions of applicable loan agreements, was MSEK 1,373 (3,004) at the end of the year.

Notes to the Parent Company's financial statements

Note 36 Breakdown of revenue

MSEK	2018	2017
Net sales		
Sales of goods	11,573	11,113
Service contracts	391	323
License revenue, seed and forages	73	73
Leasing activities	62	62
Total	12,099	11,571
Other operating income		
Services	138	131
Capital gains	0	1
Government grants	2	-
Other license revenue	118	112
Other	19	22
Total	277	266

Services and Other license revenue are primarily revenue from Group companies.

Customers outside Sweden accounted for approximately 18 (23) percent of the Parent Company's total net sales.

Note 38 Operating income

Related party transactions

Related party transactions in the Parent Company's operating income are shown below. In this context, transactions with members in accordance with the Association's objectives are not considered related party transactions. Salaries and similar benefits received by senior executives are reported in [note 6](#). Dividends from subsidiaries and associates are shown in [note 39](#).

	2018	2017
Intra-group purchases, share of total purchases, %	4	5
Intra-group sales, share of total sales, %	23	22
Purchases of goods and services from joint ventures/ associates, MSEK	515	477
Sales of goods and services to joint ventures/ associates, MSEK	256	237
Receipts from Grodden pension fund, MSEK	65	65

Leases

Operating expenses include operating lease costs of MSEK 42 (36). Future obligations under non-cancelable operating leases are reported below.

Minimum lease payments due

MSEK	2018	2017
Within one year	42	34
Between one and five years	130	98
After five years	111	3
Total	283	135

Note 37 Fees and reimbursement of expenses to auditors

MSEK	2018	2017
<i>Ernst & Young</i>		
Annual audit	5	4
Tax consultancy services	2	2
Other services	1	1
Total	8	7
<i>Elected auditors</i>		
Annual audit	1	1

Note 39 Income from investments in Group companies and joint ventures/associates

Income from investments in Group companies

MSEK	2018	2017
Dividend	19	557
Capital gain on disposal of shares	2	193
Impairment	-2	-240
Total	19	510

Dividends were received as follows: MSEK 14 from Dirual AG and MSEK 5 from Gyllebo Gødning AB. Impairment of shares during the year is related to the holding in Lantmännen Energi AB. The previous year's income includes dividends of MSEK 290 from Doofmas & Co AB, MSEK 257 from Lantmännen Animalieinvest AB, MSEK 7 from Gyllebo Gødning AB and MSEK 3 from Dataväxt AB, a capital gain on the disposal of shares in Lantmännen Maskin DK A/S and impairment of the holding in Lantmännen Animalieinvest AB.

Income from investments in joint ventures/associates

MSEK	2018	2017
Dividend	58	34
Impairment	-	-33
Total	58	1

Dividends were received as follows: MSEK 25 from Scandbio AB, MSEK 16 from Viking Malt Oy and MSEK 17 from HaGe Kiel AG. The previous year's income includes dividends of MSEK 15 from Viking Malt Oy, MSEK 10 from Scandbio AB, MSEK 9 from HaGe Kiel AG and impairment of the holding in Scandagra Polska Sp. z o.o.

Note 40 Income from other securities and receivables classified as non-current assets

MSEK	2018	2017
Dividend	4	6
Capital gain on disposal of shares	6	4
Impairment	-8	-
Total	2	10

Note 41 Exchange differences affecting income

MSEK	2018	2017
Exchange differences affecting operating income	-108	9
<i>Exchange differences in financial items</i>		
Exchange differences in financial items, external	225	-117
Exchange differences in financial items, internal	-292	63
Total	-67	-54

Note 42 Taxes

Tax on net income for the year

MSEK	2018	2017
Current tax expense (-)/tax income (+)	-	-
Tax expense/income for the period	-	-
Total current tax	0	0
Deferred tax expense (-)/tax income (+)		
Deferred tax arising from changes in temporary differences	2	4
Deferred tax arising from changes in tax rates and tax laws	-3	-
Deferred tax expense from utilization of previously capitalized loss carryforwards	-16	-103
Other deferred taxes	-1	-
Total deferred tax	-18	-99
Total recognized tax expense	-18	-99

Reconciliation of effective tax	2018		2017	
	Percent	MSEK	Percent	MSEK
Income before tax		567		1,114
Anticipated tax according to enacted Swedish tax rate	22.0 %	-125	22.0 %	-245
Non-deductible expenses	0.4 %	-2	0.4 %	-4
Impairment of shares	0.4 %	-2	5.4 %	-60
Tax-exempt capital gains/losses	-0.4 %	2	-3.8 %	42
Tax-exempt dividend	-3.2 %	18	-11.8 %	131
Other non-taxable income	-0.2 %	1	0.0 %	0
Tax attributable to prior years	0.2 %	-1	0.4 %	-5
Effect of changes to tax rates and tax rules	0.5 %	-3	0.0 %	-
Effect of special tax rules for economic associations	-17.4 %	99	-3.4 %	38
Effect of temporary differences on which deferred tax is not recognized	0.9 %	-5	-0.4 %	4
Recognized effective tax	3.2 %	-18	8.9 %	-99

Deferred tax asset/tax liability

MSEK	2018			2017		
	Deferred tax asset	Deferred tax liability	Net	Deferred tax asset	Deferred tax liability	Net
Land and buildings	-	3	-3	-	3	-3
Other provisions	18	-	18	17	-	17
Loss carryforwards	64	-	64	83	-	83
Total	82	3	79	100	3	97
Offsetting of assets/liabilities	-3	-3	0	-3	-3	0
Total, net deferred tax asset	79	0	79	97	0	97

Deferred tax assets and deferred tax liabilities are offset against each other and the net receivable is recognized in the balance sheet.

Change in deferred tax on temporary differences and loss carryforwards

MSEK	Amount at beginning of year	2018		Amount at beginning of year	2017	
		Recognized in income statement	Amount at end of year		Recognized in income statement	Amount at end of year
Land and buildings	-3	-	-3	-4	1	-3
Other provisions	17	1	18	14	3	17
Loss carryforwards	83	-19	64	186	-103	83
Total	97	-18	79	196	-99	97

Loss carryforwards

Loss carryforwards amounted to MSEK 298 (374) at the end of the year, all of which were included in the computation of deferred tax assets.

Note 43 Intangible assets

MSEK	Patents, licenses and trademarks		Capitalized development expenses		Total intangible assets	
	2018	2017	2018	2017	2018	2017
Accumulated cost of acquisition	547	546	395	357	942	903
Accumulated amortization	-242	-214	-178	-144	-420	-358
Accumulated impairment	-	-	-45	-46	-45	-46
Carrying amount	305	332	172	167	477	499
Balance at beginning of year	332	359	167	122	499	481
Investments	-	-	40	67	40	67
Regular amortization for the year	-27	-27	-35	-20	-62	-47
Impairment for the year	-	-	-	-1	0	-1
Reclassifications	-	-	-	-1	0	-1
Carrying amount	305	332	172	167	477	499

The Schulstad and Korvbrödsbagarn brands are owned by Lantmännen ek för. Both brands are of strategic importance and have an amortization period of 20 years in the Parent Company. They are classified as assets with an indefinite useful life in the consolidated financial statements, and as such are not amortized.

Note 44 Property, plant and equipment

MSEK	Land ¹⁾		Buildings		Total land and buildings	
	2018	2017	2018	2017	2018	2017
Accumulated cost of acquisition	136	128	819	717	955	845
Accumulated depreciation	-57	-54	-610	-510	-667	-564
Accumulated impairment	-	-	-25	-24	-25	-24
Carrying amount	79	74	184	183	263	257
Balance at beginning of year	74	74	183	181	257	255
Regular depreciation for the year	-2	-1	-10	-10	-12	-11
Reclassifications ²⁾	7	1	11	12	18	13
Carrying amount	79	74	184	183	263	257

¹⁾ Including land improvements.

²⁾ Investment properties with a carrying amount of MSEK 4 have been reclassified as property, plant and equipment in 2018.

MSEK	Plant and machinery		Equipment, tools, fixtures & fittings		Construction in progress		Total other non-current assets	
	2018	2017	2018	2017	2018	2017	2018	2017
Accumulated cost of acquisition	3,085	3,060	525	518	114	31	639	549
Accumulated depreciation	-2,637	-2,550	-460	-452	-	-	-460	-452
Accumulated impairment	-136	-135	-19	-19	-	-	-19	-19
Carrying amount	312	375	46	47	114	31	160	78
Balance at beginning of year	375	420	47	39	31	47	78	86
Investments	-	-	-	-	130	63	130	63
Regular depreciation for the year	-87	-91	-9	-8	-	-	-9	-8
Impairment for the year	-1	-	-	-	-	-	-	-
Reclassifications	25	46	8	16	-47	-79	-39	-63
Carrying amount	312	375	46	47	114	31	160	78

Note 45 Investment property

MSEK	Land ¹⁾		Buildings		Total investment properties	
	2018	2017	2018	2017	2018	2017
Accumulated cost of acquisition	7	9	24	126	31	135
Accumulated depreciation	-3	-4	-14	-111	-17	-115
Accumulated impairment	-	-	-	-1	-	-1
Carrying amount	4	5	10	14	14	19
Balance at beginning of year	5	6	14	43	19	49
Regular depreciation for the year	-	-	-1	-1	-1	-1
Intra-group transfers	-	-1	-	-32	-	-33
Reclassifications ²⁾	-1	-	-3	4	-4	4
Carrying amount	4	5	10	14	14	19

¹⁾ Including land improvements.

²⁾ Investment properties with a carrying amount of MSEK 4 have been reclassified as property, plant and equipment in 2018.

Properties where less than 10 percent of the space is used for the Parent Company's own activities are classified as investment properties.

Changes in fair value

MSEK	2018	2017
Fair value at beginning of year	73	201
Intra-Group acquisitions and divestments, net	-	-131
Changes in value	-1	1
Reclassifications	-27	2
Fair value at end of year	45	73

All investment properties have been valued according to hierarchy level 3, i.e. based on unobservable inputs and according to the methods described below.

Fair value has been determined on the basis of internal assessments. Property sales carried out during the year have also been reconciled.

The value has been estimated using the following measurement methods:

- In the majority of cases the market price method has been used, where sales of equivalent properties in the market are used to support the valuation.
- Net present value, using cash flow calculations, where the properties' future net operating income and estimated residual value have been calculated at the present value.
- In certain cases, net present value using the net capitalization method has been calculated, where a normalized figure for net operating income is seen in relation to a market-adjusted direct return requirement.

Investment properties' impact on income for the period

MSEK	2018	2017
Rental income	5	8
Direct costs, including costs for repair and maintenance		
- Properties that generate rents	-2	-4
Net operating income	3	4

Investment properties with a carrying amount of MSEK 10 are pledged as security for the Parent Company's borrowing. The estimated fair value is MSEK 26.

Note 46 Investments in Group companies

MSEK	2018	2017
Accumulated cost of acquisition	10,754	8,739
Accumulated write-ups	200	200
Accumulated impairment	-1,146	-1,144
Carrying amount	9,808	7,795
Balance at beginning of period	7,795	8,892
Acquisitions/shareholder contributions	2,015	2,851
Impairment for the year	-2	-240
Divestments	-	-3,717
Reclassifications	0	9
Carrying amount	9,808	7,795

Acquisitions/shareholder contributions includes shareholder contributions of MSEK 1,965, and MSEK 50 related to the establishment of Dirual Försäkrings AB. Shareholder contributions were as follows: MSEK 1,531 to Lantmännen Unibake Holding AB, MSEK 400 to Lantmännen Agroetanol AB, MSEK 20 to Lantmännen AS-Faktor AB, MSEK 4 to Lantmännen BioAgri AB and MSEK 1 to Thermoseed Global AB.

Note 46 continued

Parent Company and Group holdings of interests in Group companies, 12/31/2018

This overview comprises directly-held subsidiaries, as well as indirectly-held companies with revenues exceeding MSEK 200.

Company name <i>Shares and interests in Swedish subsidiaries</i>	Corporate ID no.	Domicile	Number of participations	Share, %	Carrying amount, MSEK
Lantmännen Agroetanol AB	556028-0611	Norrköping	50,000	100.0	634
Lantmännen Agrovärme AB	556229-5666	Enköping	10,000	100.0	1
Lantmännen Animalieinvest AB	556951-0687	Stockholm	160,529	100.0	166
Lantmännen AS-Faktor AB	556530-9720	Stockholm	100	100.0	39
Lantmännen Aspen AB	556329-9519	Gothenburg	3,850	100.0	180
Lantmännen BioAgri AB	556056-1283	Enköping	20,000	100.0	8
Lantmännen Bränsleteknik AB	556301-2771	Örebro	50,000	100.0	31
Lantmännen Cerealia AB	556017-2222	Malmö	200,000	100.0	662
Lantmännen Cerealia A/S	69120717	Vejle	1	100.0	
Lantmännen Energi AB	556118-3954	Stockholm	400	100.0	38
Lantmännen Fastigheter AB	556017-8443	Stockholm	3,000	100.0	34
Lantmännen Finans AB	556664-8118	Stockholm	2,000,000	100.0	250
Lantmännen Innovation AB	556043-7088	Järna	1,000	100.0	0
Lantmännen Invest AB	556003-3192	Stockholm	440,000	100.0	61
Lantmännen Krafft AB	556156-4039	Malmö	5,000	100.0	1
Lantmännen Maskin AB	556005-7639	Malmö	10,000	100.0	10
Lantmännen Maskin Sydost AB	556067-3443	Malmö	1,000	100.0	25
Lantmännen Reppe AB	556000-1538	Växjö	25,000	100.0	28
Lantmännen Service AB	556831-3695	Stockholm	500	100.0	0
Lantmännen SW Seed AB	556001-5272	Svalöv	298,667	100.0	160
Swecon Baumaschinen GmbH	HRB 48780	Monheim	1	100.0	
Lantmännen Swedish Oats AB	556813-6773	Stockholm	50,000	100.0	0
Lantmännen Unibake Holding AB	556992-5752	Stockholm	1,000	100.0	4,941
Lantmännen Schulstad A/S	10245613	Copenhagen	100,300	100.0	
Oy Lantmännen Unibake Ab Finland	1463476-8	Helsinki	100	100.0	
Lantmännen Unibake Denmark A/S	29219354	Horsens	100,000	100.0	
Lantmännen Unibake GmbH & Co KG	HRA 121351	Bremen		100.0	
Lantmännen Unibake LLC	1045002352130	Egoryesvsk		100.0	
Lantmännen Unibake Londerzeel NV	BE 0427655.479	Londerzeel	4,250	100.0	
Lantmännen Unibake Mouscron	BE 0461.118.402	Moeskroen	18,000	100.0	
Lantmännen Unibake Norway AS	989135082	Langhus	3,405,694	100.0	
Lantmännen Unibake Poland Sp. z o.o.	KRS8038	Poznan	23,250	100.0	
Lantmännen Unibake Sweden AB	556186-7796	Örebro	100,000	100.0	
Lantmännen Unibake UK Ltd	3358553	Milton Keynes	48,010,000	100.0	
Lantmännen Unibake USA, Inc	36-4034179	Chicago	50,000	100.0	
AS Leibur	10224864	Tallinn	740	100.0	
UAB Vilniaus douna	125374462	Vilnius	1,000	100.0	
Vaasan Oy	1098322-3	Helsinki	3,995,398	100.0	
Cgrain AB	556932-8023	Uppsala	45,830	72.4	9
Dataväxt AB	556733-2969	Grästorps	1,000	50.1	72
Dirual Försäkrings AB	516406-1078	Stockholm	50	100.0	50
Doofmas & Co AB	556547-7394	Stockholm	3,400,000	100.0	238
Gyllebo Gödning AB	556179-2911	Lidköping	2,000	66.7	0
Munlos AB	556066-1687	Kävlinge	1,000	100.0	0
Nötcenter Viken AB	556559-4503	Falköping	9,000	100.0	7
Rural Patent Svenska AB	556530-9654	Stockholm	100	100.0	0
Swecon Anläggningsmaskiner AB	556575-1137	Eskilstuna	500,000	100.0	402
Thermoseed Global AB	559071-9810	Uppsala	451	90.2	1
Vegolia AB	556020-6574	Falkenberg	1,000	100.0	0
Åhus Foder HB	969723-3394	Åhus		70.0	0
<i>Shares and interests in foreign subsidiaries</i>					
Lantmännen Agro A/S	10095921	Nyborg	500	100.0	10
Lantmännen Agro Oy	2825061-8	Helsinki	250	100.0	200
Lantmännen Cerealia AS	910629085	Nesttun	17,968,129	100.0	222
Lantmännen Cerealia Oy	2725608-1	Helsinki	240,100	100.0	1,258
Lantmännen Fastigheter Naverland A/S	35530592	Glostrup	1,000,000	100.0	11
Lantmännen Maskin AS	914109981	Jessheim	3,000	100.0	27
Lantmännen Maskin DK A/S	12545479	Horsens	5,000	100.0	1
Dirual AG	CH-0203002	Baar	199,997	100.0	31
Total, Parent Company					9,808

Note 47 Inventories

MSEK	2018	2017
Raw materials and consumables	466	112
Products in progress	372	644
Finished goods	1,552	1,400
Merchandise	412	398
Advances to suppliers	87	-
Total	2,889	2,554

MSEK 43 (28) of the total value of inventories relates to goods measured at net realizable value.

Note 48 Trade receivables

Age analysis of trade receivable incl. receivables from joint ventures/associates	
MSEK	2018
Receivables, not yet due	1,644
<i>Receivables, past due</i>	
< 30 days	149
31-60 days	35
61-90 days	14
> 91 days	19
Total	1,861
Allowance for expected credit losses	-31
Total	1,830

Trade receivables include the financing service, which means that the credit period may be extended by up to 11 months.

Allowance for expected credit losses	
MSEK	2018
Allowance at beginning of year	-33
New allowance for expected losses	-3
Utilization of provision for identified losses	5
Allowance at end of year	-31

The total cost of expected losses on trade receivables for the year is MSEK -3 and is recognized in other operating expenses. For information about credit quality of trade receivables, see note 24.

Note 49 Prepayments and accrued income

MSEK	2018	2017
Prepaid expenses	113	89
Accrued bonuses and discounts	19	15
Other accrued income	81	74
Total	213	178

Note 50 Equity

The Board of Directors of Lantmännen ek för proposes that the Parent Company's unappropriated earnings of TSEK 8,025,997 be allocated as follows:

TSEK	2018	2017
Refund and supplementary payment	155,825	-
Contribution dividend	213,116	221,766
Contribution issue	250,000	100,000
Dividend on subordinated debentures	13,125	15,000
Transferred to statutory reserve	-	100,000
Carried forward	7,393,931	7,609,805
Total	8,025,997	8,046,571

See note 1 for the accounting treatment of refunds and supplementary payments.

Note 51 Other appropriations and untaxed reserves

Untaxed reserves		
MSEK	2018	2017
Accelerated accumulated depreciation/amortization		
- Intangible assets	155	155
- Machinery and equipment	311	311
Total	466	466

Other appropriations		
MSEK	2018	2017
Reversal of excess amortization of intangible assets		
Excess amortization of intangible assets for the year	-	43
Excess depreciation of property, plant and equipment for the year	-	-43
Total	-	0

Note 52 Provisions for pensions

All of the Parent Company's defined benefit pension obligations are governed by the Pension Obligations Vesting Act (Tryggandelagen).

Lantmännen ek för's defined benefit pension obligations have been secured by assets in Lantmännens Gemensamma Pensionsstiftelse Grodden since 2011.

As these pension obligations are secured through a fund, which is completely outside Lantmännen Group, the obligation is offset against Lantmännen ek för's share of the market value of the fund's assets. The fair value measurement of the fund's assets is conducted by external valuers.

The pension liability recognized in the statement of financial position is as follows:

MSEK	2018	2017
Value of pension obligations under fully funded pension plans	899	899
Fair value of Lantmännen ek för's share of pension fund	-899	-899
Net obligation	0	0
Other unfunded pension plans	2	3
Total	2	3

Specification of changes in recognized pension liability during the year:

MSEK	2018	2017
Liability at beginning of year	3	3
Pension costs for the year	65	65
Pension payments	-66	-65
Liability at end of year	2	3

The calculation of pension obligations under funded pension plans was carried out by PRI Pensionsgaranti according to their own adopted actuarial assumptions.

Specification of pension-related costs for the period:

MSEK	2018	2017
Book reserve pensions		
Current service cost	29	22
Interest expenses	36	43
	65	65
Compensation received	-65	-65
Total book reserve pension costs	0	0
Pension through insurance		
Insurance premiums	65	69
Net pension costs for the year, excluding taxes	65	69

MSEK	2018	2017
Pensions costs recognized as employee benefits expense in operating income	29	26
Pensions costs recognized as interest expense in net financial items	36	43
Total	65	69

Fair value of Lantmännen ek för's share of the pension fund's assets:

MSEK	2018	2017
Property	657	605
Fixed-interest investments	194	191
Equity investments	239	262
Hedge funds	56	104
Cash and cash equivalents	22	3
Total	1,168	1,165

The difference between the value of Lantmännen ek för's share of assets in the fund and recognized pension obligations above, is attributable to over-consolidation in the fund. Under the current rules, pension liability is not recognized as an asset. Consequently, only assets equivalent to the value of the liability reduce debt. Over-consolidation at the end of the year was MSEK 269 (266).

Equity investments include subordinated debentures of MSEK 43 (45) in Lantmännen ek för.

Next year's projected payments under defined benefit pension plans amount to MSEK 64 (60).

Note 53 Other provisions

MSEK	Restructuring measures	Other	Total	
			2018	2017
Carrying amount at beginning of period	12	110	122	143
Provisions during the period	7	24	31	7
Utilized during the period	-6	-19	-25	-26
Reversals during the period	-6	-29	-35	-2
Carrying amount at end of period	7	86	93	122

MSEK 78 (96) of the provisions under Other relates to the estimated costs of closing down grain elevators.

About 20 percent of the total provisions are expected to be utilized in 2019.

Note 54 Current interest-bearing liabilities

Current interest-bearing liabilities include savings liabilities to members of MSEK 1,640 (1,488).

Note 55 Accruals and deferred income

MSEK	2018	2017
Accrued personnel-related costs	145	140
Other accruals	282	465
Deferred income	7	8
Total	434	613

Note 56 Financial instruments

	2018	2017
Shares and interests	154	173
Financial assets measured at amortized cost		
Non-current interest-bearing receivables from Group companies	4,906	4,381
Non-current interest-bearing receivables from joint ventures/associates	161	161
Other non-current interest-bearing receivables	0	10
Trade receivables	2,265	1,896
Current interest-bearing receivables from Group companies	8,415	10,610
Other current interest-bearing receivables	10	7
Cash and bank balances	105	186
Total	15,862	17,251
Other financial liabilities		
Non-current interest-bearing liabilities	3,794	2,773
Interest-bearing securities	1,248	1,247
Current interest-bearing liabilities to Group companies	4,990	6,993
Other current interest-bearing liabilities	2,399	2,313
Total interest-bearing liabilities	12,431	13,326
Trade payables	2,562	2,531
Total	14,993	15,857
Interest-bearing liabilities		
Balance at beginning of year	13,326	13,196
Cash flow	-891	131
Other	-4	-1
Carrying amount	12,431	13,326

The Parent Company does not measure or report derivative instruments. ➔ Note 24 also contains other information about the Parent Company's financial instruments.

Note 57 Pledged assets and contingent liabilities

Pledged assets MSEK	For own financial liabilities	Other obligations	Total pledged assets	
			2018	2017
Real estate mortgages	453	-	453	496
Bank accounts	-	107	107	119
Total	453	107	560	615
Contingent liabilities				
MSEK			2018	2017
Guarantees for				
- Group companies			1,742	615
- Joint ventures			675	8
Other contingent liabilities			44	45
Total			2,461	668

Statement pursuant to Chapter 13, Section 6, of the Swedish Economic Associations Act (2018:672)

Following the Board's proposed appropriation of profit of MSEK 632, as presented in note 50 on page 139, the Board hereby issues the following statement pursuant to Chapter 13, Section 6, of the Economic Associations Act (2018:672).

The Board finds that there is full coverage for the association's restricted equity, in accordance with Chapter 12, Section 3 (1), of the Economic Associations Act, after the proposed dividend.

It is the Board's assessment that the proposed dividend is justifiable in view of the requirements that the nature, scope and risks of the operations place on the size of the association's and the Group's equity. The Board has considered, among other things, the association's and the Group's historical and planned development, and the economic situation. The Board's proposal is in line with the dividend policy updated at the Board meeting on November 22, 2018.

The Board has examined the association's and the Group's financial situation and, after closer consideration, concludes that a distribution of profits is justifiable in view of the precautionary principle in Chapter 12, Section 4 (2) and (3), of the Economic Associations Act.

The assessment is that, after the adopted and proposed dividend, the association's and the Group's equity ratio is also expected to be good in relation to the industry in which the Group is active.

It is also the assessment that, after the dividend, the association and the Group will have satisfactory liquidity, and consolidation requirements that may be considered satisfied. The dividend will not affect the association's and the Group's ability to discharge their payment obligations in the short or long term. Nor will the adopted proposed dividend affect the association's and the Group's ability to make any necessary investments.

Following an overall assessment of the association's and the Group's financial circumstances, the Board considers that there is nothing to preclude the distribution of a dividend.

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

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

Stockholm, February 20, 2019

Per Lindahl
Chairman

Hans Wallemyr
Vice Chairman

Gunilla Aschan
Board Member

Sonat Burman-Olsson
Board Member

Ulf Gundemark
Board Member

Ove Gustafsson
Board Member

Johan Mattsson
Board Member

Henrik Wahlberg
Board Member

Tommy Brunsärn
Board Member
Employee representative

Pär-Johan Lööf
Board Member
Employee representative

Tomas Welander
Board Member
Employee representative

Per Olof Nyman
President & CEO

Our audit report was submitted on February 20, 2019

Ernst & Young AB

Anders Kriström
Authorized Public Accountant

Maude Fyrenius
Member representative Auditor

Gustav Jansson
Member representative Auditor

Anders Åbyhammar
Member representative Auditor

The annual financial statements for the Group and Parent Company will be presented for adoption at the Annual General Meeting on May 8, 2019.

Audit Report This is a translation from the Swedish original

To the annual general meeting of Lantmännen ek för, Corporate identity number 769605-2856

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Lantmännen ekonomisk förening for the year 2018. The annual accounts and consolidated accounts of the association are included in this document on pages 65-140.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent association as of December 31, 2018 and its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2018 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual general meeting adopt the income statement and balance sheet for the parent association and the Group.

Our statements in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report submitted to the parent association's audit committee in accordance with Article 11 of Regulation (EU) No. 537/2014 on the Statutory Audit of Public-Interest Entities.

Basis for opinion

We conducted the audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent association and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This means that, to the best of our knowledge, no prohibited services listed in article 5.1 of Regulation (EU) No. 537/2014 on the Statutory Audit of Public-Interest Entities have been provided to the audited association, or where appropriate, to its parent undertaking and to its controlled undertakings within the European Union.

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

Key audit matters

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

The description below of how the audit was conducted with regard to these matters should be read in this context.

We have fulfilled the obligations described in the Auditor's responsibilities section of our report on the annual report in these areas too. This resulted in audit procedures designed to take into account our assessment of the risk of material errors in the annual accounts and consolidated accounts. The outcome of our audit and the audit procedures conducted to address the areas set out below form the basis of our audit report.

Valuation of goodwill and other intangible assets

with indefinite useful lives

The value of goodwill and other intangible assets with indefinite useful lives was MSEK 6,989 as of December 31, 2018, corresponding to 19 % of the Group's assets. The association conducts impairment testing annually and also in cases where an indication of impairment has been identified. It was the association's assessment that, as of December 31, 2018, the discounted present value of projected cash flows exceeded the carrying amount of cash-generating units, and therefore no impairment existed. The recoverable amount of each cash-generating unit is determined as the value in use, which is calculated based on the discounted present value of future cash flows. Key assumptions used in these calculations include future growth, gross profit and the discount rate applied. Impairment testing is a particularly important area, as the process is inherently based on estimates, particularly estimates concerning how the Group's operations will be affected by the market's future development and other economic events, and as the underlying calculations are complex.

In our audit, we evaluated and reviewed the key assumptions, the application of measurement theory, the valuation model used, the discount rate and other source data used by the association. For example, we have compared these with external data sources, such as expected inflation or future market growth, and assessed the sensitivity of the association's valuation model. We have used our valuation specialists in this process. We have focused particularly on the sensitivity of the calculations and have made an assessment of whether there is a risk that a reasonably likely course of events could give rise to a situation where the recoverable amount would be lower than the carrying amount. We have also assessed the association's historical forecasting ability. Finally, we have assessed the appropriateness of the information provided in note 7 (Depreciation, amortization and impairment of assets) and note 15 (Intangible assets) in the Group's notes, in particular regarding the information about which of the stated assumptions are most sensitive when calculating value in use.

Valuation of inventories

Inventories represent a significant part of total assets. The value of inventories, after necessary reserves for obsolescence etc., was MSEK 6,943 as of December 31, 2018, corresponding to 19% of the Group's assets. The association's inventories are reported at the lower of cost and net realizable value. Net realizable value reflects estimated write-offs of obsolete products, older items, stock surplus and costs to sell. The association's areas of business that hold inventories are spread among four different Sectors/Business Areas with different operations and conditions. Overall, this means that the valuation of inventories represents a particularly significant area of the audit.

We carried out examinations of the costs of different parts of the inventories, from components to finished goods. The examination included an age analysis and inventory turnover analysis for each product area, and finally an analysis of obsolete goods. We conducted an analytical examination of changes in the value of inventories, including changes in reserves for internal profits. We also examined whether the association has made appropriate disclosures in note 19 (Inventories) regarding the valuation of inventories.

Fines for infringement of competition law

The association and its subsidiary Lantmännen Agroetanol AB have been under investigation by the European Commission for alleged infringement of competition law in the European ethanol market. The European Commission's sanctions against companies that violate current competition laws normally take the form of fines.

The association's overall assessment of the size of a possible fine is MSEK 440. A provision for this amount has been recognized in the accounts as of December 31, 2018 and is unchanged from the previous year. See also note 26 (Provisions). This is a particularly important area of the audit with regard to the relative size of the amount, combined with the uncertainty about the estimates and assumptions underlying the provision amount.

Our audit procedures have involved examining the viewpoints and analyses made by the association's internal and external lawyers based on the European Commission's ongoing investigation, in order to assess whether the association's conclusions regarding the provision for the fine amount are consistent with the rules of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and assessing the suitability of the disclosures provided in note 26 Provisions.

Information other than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts, which is presented on pages 1-64 and 144-192. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the Company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- draw a conclusion on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause a company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform them of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks of material misstatement, and these are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Lantmännen ekonomisk förening for the financial year 2018 and the proposed appropriations of the association's profit or loss.

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

Basis for opinion

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board is responsible for the proposed appropriations of the parent association's profit or loss. Proposing a dividend includes an assessment of whether the dividend is justifiable considering the requirements that the nature, scope and risks of the parent association's and the Group's operations place on the size of the parent association's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the association's organization and the administration of its affairs. This includes, among other things, continuous assessment of the association's and the Group's financial situation and ensuring that the association's organization is designed so that accounting, management of assets and the association's financial affairs are otherwise controlled in a reassuring manner. The Managing

Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions, and, among other matters, shall take measures that are necessary to fulfill the association's accounting in accordance with law and to conduct the management of assets in a reassuring manner.

Auditor's responsibility

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

- undertaken any action or been guilty of any omission which could give rise to liability to the association; or
- in any other way acted in contravention of the Economic Associations Act, the Annual Accounts Act or the Articles of Association.

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the association's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment, with the starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the association's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the association's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Economic Associations Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed Lantmännen ekonomisk förening's auditor at the Annual General Meeting on May 7, 2018 and has been the association's auditor since 2006. Lantmännen ekonomisk förening became a public interest entity in 2015.

Stockholm, February 20, 2019

Ernst & Young AB

Anders Kriström
Authorized Public Accountant

Gustav Jansson
Member representative Auditor

Maude Fyrenius,
Member representative Auditor

Anders Åbyhammar
Member representative Auditor

Description of financial performance measures

Key figures	Description	Reason for use
Adjusted income	Adjusted income is income net of items affecting comparability.	An adjustment to exclude items affecting comparability.
Average equity/operating capital	Average capital is computed on the closing balance of each month in the accounting period, i.e. twelve periods for the full year. All average capital ratios are calculated in this way.	Ensures accurate calculation of return on equity and operating capital.
Capital turnover rate	Net sales divided by average operating capital.	Shows the efficiency of the use of operating capital.
Cash flow from operating activities	Net income for the period adjusted for items that are not cash inflows or outflows but accounting costs, such as depreciation and capital gains/losses. Adjustments are also made for financial items and income taxes paid, and changes in inventories, operating receivables and operating liabilities.	Shows cash flow from operations that can be used for investments and acquisitions.
EBITDA according to bank definition.	Operating income, excluding income from associates, and excluding depreciation, amortization and impairment. Operating income is also adjusted for acquired and divested companies, and refers to the last 12 months.	To calculate the key ratio Net debt according to bank definition/EBITDA according to bank 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 interest expenses divided by interest expenses .	Shows the ability to cover interest expenses.
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.
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.
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 according to bank definition is based on net debt, but it is calculated as the effect of no financial assets being included, except cash and cash equivalents and certain listed (liquid) shares, and less subordinated debentures.	To calculate the key ratio Net debt according to bank definition/EBITDA according to bank 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 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.

Sustainability Report

President's comments

Lantmännen has long been a driver of development towards sustainable food and bioenergy systems. In close cooperation with our members and other stakeholders, we work purposefully to continue strengthening our responsibility in these areas and successfully commercialize the sustainable added values we can offer.

Lantmännen's development is moving towards circular business where flows of grain, raw and other materials are closed, increasing resource efficiency. During the year, we have taken important steps in line with this – examples include cyclical re-use of bread waste from bakeries in our ethanol business and increased funding for research and innovation throughout the value chain.

In 2018, it became clear what the effects of extreme weather could mean for Sweden's agriculture and food supply: both Lantmännen and our members were hit hard. It is obvious that Lantmännen will need to prepare for changed growing conditions in the future due to accelerating climate change, while at the same time continuing our efforts to reduce climate impacts in our own value chain.

During the year, we adopted a new challenging climate target for transport and launched a new strategic initiative for sustainable cultivation.

We focus strongly on further developing our employees and we continue to improve leadership, health and safety at our workplaces. A low level of sick leave, a decline in work accidents and high employee engagement are priorities and important success factors for us.

We signed the Global Compact's principles for responsible business back in 2009. We also support Agenda 2030 and see that we can contribute to several of the global goals by taking a leading role in the activities we conduct. The work on sustainable business development continues – for good profitability for our members' farms and for a more sustainable tomorrow.

Stockholm, February 2019

Per Olof Nyman
President & CEO, Lantmännen

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Introduction

About the Report

Lantmännen's sustainability report describes our sustainability work throughout the value chain from field to fork, which means everything from plant breeding, inputs, cultivation, raw materials purchasing and processing to sales and consumption of the products we offer.

Global Reporting Initiative (GRI)

Lantmännen has reported according to the GRI guidelines, including the Food Processing sector supplement, for several years. This report has been prepared in accordance with GRI Standards, Core option. Learn more about GRI at globalreporting.org

Global Compact

In 2009, Lantmännen signed the Global Compact, the UN initiative for responsible business, which involves a commitment to implement the Global Compact's ten principles for responsible business. The Global Compact also requires annual disclosure of progress and performance in the form of a Communication on Progress. Lantmännen's Annual Report with Sustainability Report is structured in such a way as to meet the requirements. The GRI Index on [page 163](#) contains references to how we work with the principles. Learn more about Global Compact at unglobalcompact.org

Agenda 2030 and the global goals

Lantmännen supports Agenda 2030 and UN Sustainable Development Goals and has analyzed what they mean for Lantmännen's operations and businesses. Five of the goals are directly linked to Lantmännen's mission and business: Zero hunger, Affordable and clean energy, Responsible consumption and production, Climate action and Life on land. Several other of the goals are important for our impact and operations.

The GRI Index on [page 163](#) contains page references to descriptions of our work on the global goals. More information can be found on our website lantmannen.com/en/sustainable-development

Sustainability reporting legislation

Reporting for all Group companies covered by the Swedish Annual Accounts Act's sustainability reporting requirements is contained in Lantmännen's Annual Report with Sustainability Report. The report can be found on [pages 23-31, 145-167 and 183-186](#). The auditor's opinion regarding the statutory sustainability report is on [page 167](#).

External review of the sustainability report

Lantmännen's sustainability report for 2018 has undergone an external assurance. Learn the Assurance report on [page 167](#).

Contact information

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Lantmännen's sustainable development work

Materiality analysis

Lantmännen places greatest focus on topics that are of importance to our stakeholders and where we can drive sustainable development through profitable business. A materiality analysis has been used to prioritize the most important issues, based on strategies and knowledge about operations, Agenda 2030 and the UN's Global Compact goals, external and market trends, and results from stakeholder dialogue. The analysis forms the basis of our sustainability strategy and sustainability reporting under the Global Reporting Initiative framework.

Lantmännen's ambition

Based on the materiality analysis and Lantmännen's assignment, vision and strategic direction Field to Fork 2030, we have formulated an ambition for sustainable development: Lantmännen creates value from farmland resources with a leading sustainability performance and contributes to sustainable solutions for food, energy and bio-based materials. To achieve our ambition, we must join with customers and suppliers in developing sustainable cultivation methods, optimize cultivation and its yields with minimal impact on people and the environment, utilize side flows and switch to bio-based circular business.

The cooperative ownership model provides the right conditions for both a business focus and long-term sustainability work.

For good results we need focus and work. Lantmännen works in four areas encompassing our important responsibility issues throughout the value chain and where we manage opportunities and challenges. It is also within the focus areas that we have defined targets for what we want to achieve. The four focus areas are *Sustainable cultivation*, *Safe and resource-efficient production*, *Products with sustainable added values* and *Responsibility in the supply chain*. Learn more on [page 24](#) and at lantmannen.com/en/sustainable-development

Materiality analysis



The most important issues for Lantmännen to drive and develop – our material topics – are in green text. The topics are described below. The topics in the upper right box have equal priority. More information about management and outcomes for the material topics is set out on the pages that follow.

a Return and reinvestment in farming

Lantmännen's mission is to make farming thrive. The cooperative model is central to economic stability and endurance. The operating surplus gives benefits in the form of a return that goes back to the members' activities, and investments in research and development.

b Research and innovation in the grain value chain

Our knowledge and operations in every stage contribute to profitable and sustainable development for the entire grain sector. We invest in research in areas such as plant breeding, biological crop protection, biomaterials, health and eating patterns.

c Sustainable cultivation

Environmental impacts from cultivation concern climate impact, land use, water, plant nutrients and crop protection and impacts on biodiversity. Lantmännen works for the development of sustainable cultivation methods. For certain imported raw materials, there are also social risks associated with working conditions and human rights, and Lantmännen therefore sets requirements depending on the risks when sourcing raw materials.

d Climate impact from energy and transport

A large part of the climate impact for our products is in the cultivation stage, but our processing activities also cause

climate-affecting emissions, primarily through use of energy and transport. Our climate strategy means continued investment in energy efficiency and the transition to renewable energy sources and fuels.

e Products with added value for health and environment

New profitable products with a high environmental performance, or other sought-after health and environment-promoting properties are an important part of Lantmännen's business development. Our work on innovation and product development has resulted in several successful examples.

f Product quality, safety and traceability

Lantmännen has knowledge and unique conditions to ensure control and traceability for our products throughout the value chain. The green sprout emblem on food from Lantmännen is our guarantee of responsibly produced food.



Lantmännen's approach to specific issues

There are several issues that are of particular interest to our stakeholders such as customers and consumers.

Learn more about our approach and work on these issues at lantmannen.com/en/sustainable-development.

Organization and governance

Group-wide policies and governing documents

Lantmännen's Code of Conduct applies to the entire operations and all employees. The Code of Conduct provide guidelines for behaviour and decisions to take responsibility from an environmental, social and business ethics perspective. The Code also describes how we work with our products for sustainable consumption and development. All employees undergo training in the Code of Conduct.

The Code is also a guiding principle for Board members and elected representatives, and for Board members who represent Lantmännen in partly-owned enterprises.

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. Learn more on [page 149](#).

For distributors, there is a special Distributor Code of Conduct and we work on implementation and defining procedures for monitoring.

In addition to the Code of Conduct, there is guidance in several areas in policies and guidelines. Read more under each special area in the sustainability report.

Organization, responsibility and monitoring

Responsibility and sustainable business development are a part of strategic business planning that is adopted and monitored in both Group management and the Board. Monitoring and analysis of business development is conducted at different levels and frequencies.

The Group's CSR Committee has overall responsibility for ensuring that the organization is able to implement and monitor the Code of Conduct and the areas covered by the Code. The CSR Committee consists of representatives from Group management and other managers responsible for specific areas in the Code of Conduct.

Each business unit is responsible for systematic work on risk management and responsibility. Group management follows up responsibility issues with management of the business units on a four-monthly basis by means of key figures for minimum responsibility requirements and discussions with the managers during sustainability business reviews.

Lantmännen's work in the area of being a good and attractive employer is managed by the Group Human Resources function. Responsibility is delegated to managers in the organization. Learn more on [pages 32 and 156-157](#).

Lantmännen's business ethics compliance program includes compliance with competition and anti-corruption legislation. Regular risk assessments, communication, control and monitoring and training are carried out under the program. Lantmännen also has a risk-based due diligence process for managing sustainability risks, with a particular focus on counterparty corruption. Lantmännen's Group Compliance function reports regularly to the Board and Group management on compliance, identified risks and the status of compliance work in the business ethics compliance program.

During acquisitions, areas contained in the Code of Conduct are included in the due diligence process and implementation of the Code is part of the integration of new businesses.

An annual quality review of Lantmännen's production is conducted, which includes product quality and processes, sustainability performance, purchase and sales agreements, and product-specific requirements. Part of the review is an analysis of how food production has implemented governing documents with criteria for responsibly produced food.

Compliance with the Code of Conduct is reviewed annually by Group management and the Board follows up deviations from the Code. All employees can report any deviations from the Code through a whistleblower system or other methods of reporting.

Lantmännen strives for transparency towards its stakeholders. We conduct active stakeholder dialogue and have several channels in which to pick up issues concerning our business.

Risk management

Lantmännen's businesses and operations have impacts throughout the value chain. With the impacts come risks of negative effects on people, the environment and/or society and therefore our business.

We identify and assess sustainability-related risks based on the Code of Conduct's areas and special issues. The risk assessment is part of Lantmännen's annual Group-wide Enterprise Risk Management process. It is every business manager's responsibility to implement and monitor the risk work in the daily operations. Sustainable business development work is an answer to, and a part of, strategic and operational risk management.

Learn more about Lantmännen's risk management and risk analysis, and important strategic and operational risks on [pages 183-186](#).

Economic topics

Return and reinvestment in farming plays a key part in Lantmännen's assignment and our mission to make farming thrive. By conducting responsible and profitable business, we can create value for our owners and suppliers and many other stakeholders in our value chain.

Economic performance

Management approach

Lantmännen's assignment is to contribute to the profitability of owners' farms and optimize the return on their capital in the association. The dividend policy and financial objectives and policies govern the work in this area. See [☞](#) pages 15-16 and 22.

Direct economic value generated and distributed (GRI 201-1)

Outcome: Economic value created by Lantmännen for various stakeholders

MSEK	2018	2017	2016	2015	2014
Products and services sold (net sales)	43,962	39,686	37,244	35,660	32,666
Employees (payroll expenses)	6,037	5,747	5,578	5,169	4,741
Owners (dividend)	619 ¹⁾	700	508	431	463
Suppliers (raw materials and consumables, merchandise, other operating expenses)	35,216	31,079	29,493	28,874	26,645
State (taxes)	68	216	183	156	117

¹⁾ The figure includes the dividend proposed by the Board but not yet adopted.

Comments: More information on [☞](#) page 65.

Financial implications and other risks and opportunities due to climate change (GRI 201-2)

Climate-related risks and opportunities are described in the following sections: "Our responsibility from field to fork", "Sustainable business development" in the Board of Directors' report and "Risks and risk management" on [☞](#) pages 24-27, 68-70 and 183-184.

Sourcing

Management approach

Lantmännen's sourcing is governed by the sourcing policy. The evaluation and selection of suppliers is governed by the procurement process. Lantmännen's Supplier Code of Conduct is one of several support tools for evaluating and selecting suppliers. The Code is signed by the supplier as part of the contractual process. To ensure compliance with the requirements, we monitor suppliers' performance through

risk-based assessment, which may be followed by self-assessment and/or third-party audits and background checks in the form of due diligence.

Additional requirements apply to certain companies – e.g. suppliers of raw materials for food, special product categories such as palm oil or suppliers in high-risk countries. The requirements are monitored and reported based on Lantmännen's specific commitments and objectives.

In addition to requirements and supplier monitoring, we assess sustainability risks for all materials, based on factors such as country of origin, cultivation and/or production methods. The assessment may be followed by an analysis providing a detailed description of the risks for our most important purchasing categories and which is used as a basis for risk management decisions such as audits, switching to other materials or suppliers, or specific measures such as certification.

Plans prioritizing which suppliers are to be audited are produced annually. The Group's sourcing committee ensures that the audit is carried out and reports to Group management. Training is provided as required for purchasers and product managers.

Percentage of purchased volume from suppliers compliant with company's sourcing policy (GRI-FP1)

Definition: "Compliant" means that the supplier has the Supplier Code of Conduct (SCoC) in the contract and an approved self-assessment and/or third-party audit.

Percentage of purchased volume from suppliers compliant with company's sourcing policy (GRI-FP1)

Outcome: Supplier Code of Conduct (SCoC) requirement

%	2018	2017	2016	2015	2014
Proportion of purchase volume (SEK)	92 %	90 %	83 %	80 %	76 %

Comments: The objective, which applies to all Lantmännen's purchases of goods and services, both direct (inputs) and indirect, is for all suppliers to have SCoC in their contract and for all suppliers with an annual purchase volume over MSEK 1 or high-risk suppliers over SEK 300,000 to be monitored by self-evaluation and/or a third-party audit. The outcome shows that 92 (90) percent have been monitored and



approved, which is an improvement from 2017 and above the target of 90 percent.

Since our supplier audit work began, 36 audits have been conducted, 4 (0) of which were in 2018. The aim is to increase the work on audits.

Percentage of purchased volume verified as being in accordance with credible, internationally recognized responsible production standards (GRI-FP2)

Lantmännen reports this indicator for two raw materials: soy as an ingredient in feed and palm oil based products as an ingredient in food and feed.

Soy as an ingredient in feed:

Definition: Responsibly produced according to the industry-wide Swedish Soy Dialogue agreement. Certification according to a credible system such as RTRS, ProTerra, organic soy according to IFOAM approved certification or verification through special methodology.

Outcome and comments: Lantmännen continues its work to ensure responsibly produced soy for import as a feed raw material. The objective is 100 percent purchases of responsibly produced soy as defined by the Soy Dialogue. In 2018, the outcome was 100 percent and the total volume of purchased soy was 122,600 tonnes (124,000), which is in line with previous years.

The Soy Dialogue is a collaboration between participants in the Swedish food value chain – from feed companies, slaughterhouses, dairies, to retailers, industry

associations and the WWF. Learn more about the Soy Dialogue at sojodialogen.se

Learn more about our work on the soy issue at lantmannen.com/sustainable-development

Learn more about RTR, Round Table on Responsible Soy, at responsiblesoy.org.

Learn more about ProTerra at proterrafoundation.org

Palm oil as an ingredient in food:

Definition: Purchased volume of palm oil certified under RSPO (Roundtable on Sustainable Palm Oil).

Outcome:

	2018	2017	2016	2015	2014
Purchased volumes of palm oil as an ingredient in food, tonnes	10,300	9,600	9,900	6,800	6,700
Proportion of RSPO-certified	100 %	100 %	100 %	100 %	100 %
of which RSPO Book & Claim ¹⁾	-	0.5 %	9 %	17 %	100 %
of which RSPO Mass Balance	1 %	0.5 %	-	12 %	-
of which RSPO Segregated ²⁾	99 %	99 %	91 %	71 %	-

¹⁾ Palm oil covered by RSPO certificates

²⁾ Segregated and traceable RSPO-certified palm oil

Palm oil as an ingredient in feed:

Definition: Purchased volume of palm kernel expeller

Outcome:

	2018	2017	2016	2015	2014
Palm kernel expeller as an ingredient in feed, tonnes	16,000	13,500	14,750	15,700	9,650

Comments: Our palm oil strategy is to ensure responsibly produced palm oil for the volumes we use in our food products. We achieve this by only purchasing RSPO-certified palm oil, which we have been doing since 2011. The target is a full transition to physically traceable certified palm oil, according to the certification category RSPO Segregated. For 2018, the outcome was 99 (99) percent, and we are working for a transition for all volumes. We also work to accelerate the market's transition together with companies in the industry and stakeholders.

For palm kernel expeller, a by-product of oil palm used in feed production and other areas, the market for certified raw materials is so far not as well developed. Lantmännen engages in dialogue with other industry players to ensure responsible management of this flow and to replace the products with more sustainable alternatives. During the year, Lantmännen has developed feed recipes where Swedish raw materials such as bran can replace palm kernel expeller in a cost-effective way. The result is more climate-smart and efficient feed. Learn more about our work on the issue at lantmannen.com/en/sustainable-development

Learn more about the Round Table on Sustainable Palm Oil rspo.org

Anti-corruption

Management approach

Corruption affects people, the environment, organizations, companies and countries in negative ways. Lantmännen rejects all forms of corruption, bribery, money laundering and illegal competition. Business ethics is included as an area of Lantmännen's Code of Conduct. There are also special policies and a business ethics compliance program. Learn more on in the Board of Director's report on [pages 70-72](#).

Annual risk assessments are conducted based on, among other things, available and independent international risk indexes, and the analysis is reported to Lantmännen's Management and Board. The analysis shows that the majority of Lantmännen's businesses operate in industries and countries with a relatively low risk of corruption. However, there is risk exposure, particularly in the agriculture and food businesses, through direct operations in high and medium-risk countries (e.g. Russia, Ukraine and Baltic countries), in risk sectors and through counterparties operating in high and medium-risk countries. There are some risks associated with competition law, as several of Lantmännen's businesses operate in markets that involve contact with competitors. Lantmännen adjusts its risk management to the assessed risk exposure.

Targeted in-depth training in anti-corruption and competition law is carried out on a regular basis, with a focus on senior positions, particularly vulnerable positions and countries, and key personnel.

For distributors, there is a special Distributor Code of Conduct that communicates Lantmännen's expectations of these parties.

Communication and training about anti-corruption policies and procedures (GRI 205-2)

Definition: Percentage of employees having completed the current version of training in the Code of Conduct.

Outcome: 90 (83) percent of Lantmännen's employees have completed training in Lantmännen's Code of Conduct, which is in line with the target of 90 percent. See table below.

Number and percentage of employees having received training in the Code of Conduct

	2018		2017		2016	
	Number	%	Number	%	Number	%
Nordic countries	5,404	92 %	5,580	87 %	5,096	78 %
Rest of Europe	3,317	88 %	2,909	75 %	2,142	63 %
Other countries	179	98 %	163	88 %	64	47 %
Total	8,900	90 %	8,652	83 %	7,302	72 %

Comments: In 2018, updated versions of Lantmännen's anti-corruption and competition law e-learning were completed by 95 (94) percent of the target group covered by requirements for in-depth business ethics training. The target group consists of key personnel and employees in leading and/or particularly vulnerable positions.

Confirmed incidents of corruption and actions taken (GRI 205-3)

Outcome and comments: A total of 15 (11) reports from four countries were recorded through the whistleblowing function in 2018. Two of the reports concerned suspected corruption. Investigations were carried out but did not result in a confirmation that corruption had occurred. Internal controls and routines have been strengthened. All cases coming in through the whistleblowing function were dealt with by Lantmännen's Whistleblowing Committee and investigations have been made. After the Committee's comments, a number of reports have led to, among other things, a termination of employment, strengthened leadership, information and training of managers and improved local procedures.

Systematic follow-up of compliance with the anti-corruption policy is conducted through screening, analyses and internal control systems, and annual company questionnaires on issues such as the occurrence of corruption incidents. All 63 (all 65) companies answered the questions in 2018. During the year, Lantmännen had 1 (2) confirmed corruption incident, which led to termination of employment and a police report. The incident was detected through internal control systems.

Environmental topics

Lantmännen is active in the grain value chain and is dependent on natural resources and well-functioning ecosystems. At the same time, we have an impact on the environment through our production and cultivation.

Management approach

We engage in systematic efforts to continuously improve operations and reduce our environmental impact. Our measures are based on the precautionary principle and life cycle thinking. Energy consumption, emissions into the air, soil and water, impacts from transport, impacts on land and biodiversity in our operations, and through our purchasing in the supply chain, are issues that are particularly important. Our Code of Conduct clarifies our approach, special policies and guidelines, while goals and strategies govern the focus of work. There are Group-wide targets for climate and organic business. Lantmännen's climate work is geared towards the goal of reducing carbon dioxide emissions by 40 percent in the period 2015-2020 for its own production and reducing emissions from purchased transport by 70 percent in the period 2009-2030. The targets focus on fossil-free production and transport, continuing energy efficiency and investments and measures to reduce the carbon footprint throughout the value chain. In 2018, Lantmännen has intensified its work on mapping potential and identifying challenges in order to further reduce agriculture's climate and environmental impacts in the short and long term. Learn more under Energy, Emissions to air and on [pages 23-27](#). Lantmännen's strategy for organic business includes a target to double trading in organic grain for animal feed and food by 2020. Learn more under Materials.

Materials

Materials used by weight or volume (GRI 301-1)

Definition: Lantmännen reports the use of our most important raw materials: grain and flour, but also soy as an ingredient in feed and palm oil as an ingredient in food as they have special sustainability challenges. Materials include weighed grain from Lantmännen's farmers, including pulses, oilseeds and flour.

Outcome: Materials used, grain and flour

Thousand tonnes	2018	2017	2016	2015	2014
Total volume of weighed grain	1,819	2,720	2,400	2,710 ¹⁾	2,500
Grain grown according to Climate & Nature	59	78	70	55	14
Organic grain	73	126	98	91	71
Grain grown according to Natur+	127	158	132	-	-
Purchased flour	395	430	-	-	-

¹⁾ The figure of 2,900 in the 2015 report was incorrect as it also included other grain flows (imports and trade).

Comments: The summer's intense heat and drought had a negative impact on the Swedish grain harvest, which was considerably smaller than in a normal year. As a result of the lower harvest, the volume of grain that Lantmännen received also fell to just over half that of a normal year.

Lantmännen continues its commitment to premium cultivation methods such as Natur+ and Climate & Nature, although the total harvested quantity declined in 2018. For the same reason, the harvested organic quantity showed a sharp decline from the previous year. More information on our grain concepts can be found at lantmannenlantbruk.se

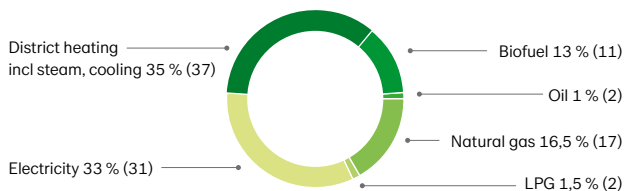
For soy and palm oil, see under Sourcing [pages 150-151](#).

Energy

Energy consumption within the organization (divided into renewable and non-renewable energy sources) (GRI 302-1)

Definition: The indicator includes all Lantmännen's producing facilities.

Energy consumption in 2018 by energy type



Energy

Energy consumption within the organization (divided into renewable and non-renewable energy sources) (GRI 302-1)

Definition: The indicator includes all Lantmännen's producing facilities.

Outcome:	2018		2017		2016		2015 (base year)	
	TJ	GWh	TJ	GWh	TJ	GWh	TJ	GWh
Energy consumption, producing facilities								
Non-renewable fuels	1,119	311	1,326	368	1,289	358	1,240	344
of which Oil	60	17	140	39	115	32	120	33
of which Natural gas	974	271	1,069	297	1,066	296	988	275
of which LPG	84	23	117	32	108	30	132	37
Renewable fuels	778	216	686	191	714	198	691	192
Indirect energy	4,068	1,130	4,310	1,197	4,120	1,144	3,805	1,057
District heating	2,092	581	2,343	651	2,249	625	2,000	556
of which renewable	1,873	520	2,060	572	-	-	-	-
Electricity	1,976	549	1,967	546	1,870	520	1,805	501
of which renewable	1,729	480	1,683	468	1,468	408	1,385	385
Sold electricity and heating	476	132	436	121	390	108	437	121
Total net energy	5,965	1,657	6,322	1,756	6,123	1,701	5,736	1,593

Comments: Energy consumption has decreased in absolute figures, by about 5 percent compared with 2017, mainly as a result of the drought and energy efficiency measures. The lower harvest volumes and dry grain in 2018 reduced energy demand. Many smaller investments in energy efficiency, for example in Nowa Sól in Poland, have produced effects and are reducing energy consumption.

The distribution of energy sources has shifted from fossil energy to renewable. Use of oil and LPG has declined significantly, both in comparison with 2017, when the wet harvest resulted in volumes that needed significant drying, and previous years. The decline is due to a reduced need for drying in 2018, the conversion of four facilities to renewable fuels and the closure of facilities that used LPG. Consumption of district heating decreased as a result of the drought and the closure of facilities in the Nordic region that used district heating. The proportion of renewable energy increased to 73 (70) percent.

Emissions to air

Direct (Scope 1) GHG emissions, Energy indirect (Scope 2) GHG emissions and Other indirect (Scope 3) GHG emissions (GRI 305-1, 305-2 and 305-3)

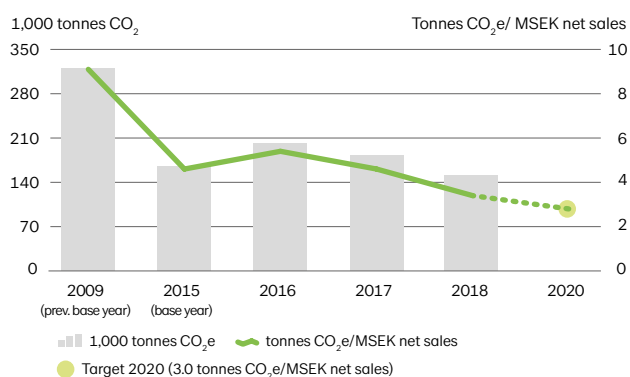
Definition: Lantmännen reports direct emissions of carbon dioxide from the use of fuels produced at its facilities and in its vehicles, indirect emissions from use of electricity and emissions from transport, fuel and electricity production, and business travel.

Greenhouse gas emissions intensity: Carbon dioxide emissions in relation to sales (GRI 305-4)

Definition: Lantmännen reports intensity as: CO₂ emissions, total, tonnes per MSEK net sales.

Outcome: See diagram and table below.

Climate emissions in relation to net sales



Climate emissions in relation to net sales

	2018	2017	2016	2015	2009
CO ₂ use of fuel from facilities, production and vehicles (thousand tonnes)	151	184	200	165	320
Tonnes CO ₂ /MSEK net sales	3.4	4.6	5.4	4.6	9.1
Target 2020	2.8	2.8	2.8	2.8	-

Definition: Lantmännen's target is a 40 percent reduction in emissions for the Group's producing facilities and transport (scope 1 and 2) from 2015 to 2020. The target has been adjusted from the previously communicated target of 3.0 to



2.8 tonnes CO₂e/MSEK net sales. This is because the figure reported for emissions in 2015, which is also the base year for the target, was too high. Consequently, the emission reduction in relation to the target is less than the figure in the report for 2017.

Comments: The key figures for emissions have fallen by 26 percent from the base year 2015 and the rate of improvement is in line with the climate target for 2020, which is 2.8 tonnes CO₂e/MSEK net sales. 2009 was the base year for previous emission targets and is therefore included in the tables.

Climate emissions, scope 1, 2 and 3

CO ₂ e emissions, thousand tonnes	2018	2017	2016	2015	2009
Scope 1 (Fuel incl. own transport)	66,2	79,9	78,1	66,7 ¹⁾	91,6
Scope 2 (Electricity and heating)	57,8	73,4	94,7	74,0	187
Scope 3 (Production (LCI) of electr. and fuel, transport/travel)	26,9	30,4	27,4	24,3 ¹⁾	40,9
Scope 3 (Purchased freight transport)	106 ²⁾	119	122	106	107
Scope 3 (Business travel)	7,3	2,7	-	-	-
Total	264	306	322	271	426

¹⁾ Adjustment from 2017 figure.

²⁾ New calculation method from 2018.

For boundaries, see → Reporting principles.

Comments: The Group is working for a reduction in climate emissions from its own operations (energy and transport), calculated as tonnes of CO₂e per MSEK net sales. The previous target of -40 % for the period 2009-2020 was achieved in 2015. Lantmännen has therefore set a target for a further 40 percent reduction in emissions from its own production by 2020, with 2015 as the base year.

Emissions from production show a decline of 18 percent from the previous year in absolute figures. This is due to reduced energy consumption, conversions and the transition to renewable energy sources. During the year, facilities such as Korvbrödsbagarn in Örebro, grain facilities in Sala, Kumla and Falkenberg converted from fossil to renewable energy. Facilities in Poland have moved to origin-labeled renewable electricity and there has been a transition from natural gas to biogas in Sweden. Increasing feed production has not had a corresponding effect on emissions as the plants are largely powered by renewable energy. For emissions by Sector and Business Area, see the Annual Report from page → 35 onwards.

In 2018, transport increased as a result of a new market for Aspen and centralization of production and warehousing in the food operations. However, emissions have not increased to the same extent as a higher proportion of biofuels has been used. This the result of work over several years, followed up in the Group target to reduce carbon dioxide emissions from purchased transport by 70 percent in relation to net sales in the period 2009-2030. The outcome for 2018 is a reduction of 4 percent compared with 2009.

Emissions from business travel are increasing due to improved reporting and calculation of company car emissions based on actual consumption and distance (estimate 2017).

Water

Water withdrawal

Outcome:

Water withdrawal by source, m ³ /year	2018	2017	2016	2015
Municipal water supply	923,000	916,100	904,100	1,031,000
Groundwater from own source	156,000	95,400	46,600	27,600
Unspecified	1,110,000	1,031,500	1,021,000	623,300
Total water withdrawal	2,189,000	2,043,000	1,971,700	1,681,900

Comments: Collection of data is not yet complete. The high figure for "Unspecified" is due to data not being available. However, the assessment is that the majority of this category is from the municipal water supply.

In addition to water consumption monitoring, all facilities undergo regular risk screening for impacts on water supplies using WBSCD's (World Business Council for Sustainable Development) Water Tool.

In a 2017 analysis, four of Lantmännen's facilities were identified as located in high-risk areas with regard to water consumption: – one seed plant and one workshop in Sweden, and two bakeries in the UK.

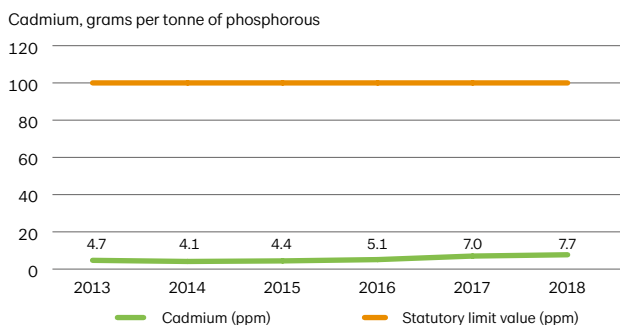
Products and services, environmental impact in the cultivation stage

Lantmännen's specific key figures regarding our products, with a link to the environmental impact in the cultivation stage.

Cadmium in phosphate fertilizer

Definition: X ppm Cd in phosphorus = grams/tonne phosphorus (in fertilizer)

Outcome: 7.7 (7.0) grams of cadmium per tonne of phosphorus in fertilizer in 2018.



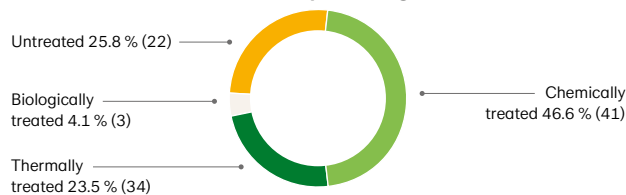
Comments: Cadmium content in mineral fertilizers is still at a low level, between 4-8 mg Cd/kg phosphorus, and has been for over ten years. This is well under the statutory limit value of 100 mg Cd/kg phosphorus. It is important to ensure minimal cadmium input to Swedish arable land. The slightly higher values in recent years are due to a change in demand for certain products and a slightly higher average value of large-volume products.

Seed treatment (proportion of biologically treated, thermally treated, chemically treated and untreated)

Definition: Percentage in tonnes/total grain seed produced, tonnes. As an alternative to chemical seed treatment, the seed can be biologically treated using natural micro-organisms (Cedemon and Cerall methods), or thermally treated (ThermoSeed method) to achieve increased resistance to pests.

Outcome: The total proportion of non-chemical treatment, i.e. untreated, thermally and biologically treated seed, was 53 (59) percent.

Seed treatment (calculated as percentage of volume in tonnes)



Comments: In 2018, Lantmännen utilized capacity as fully as possible at the two ThermoSeed facilities in Skara and Eslöv. Due to rebuilding and larger-scale service work, the production volume decreased. This meant that biological treatment increased, particularly for organic seed, but chemical treatment also increased. This resulted in a volume of non-chemically treated seed corresponding to 53 (59) percent of total treated seed.

Proportion of organic seed

Definition: (Sales of organic seed, tonnes/total sales of seed, tonnes) • 100 = % organic seed

Outcome:

	2018	2017	2016	2015	2014
Proportion of organic seed	13.3 %	12.7 %	11.7 %	9.6 %	9.2 %

Comments: Production and sales of organic seed are increasing, partly driven by increased consumer demand for organic products. Lantmännen has seed and varieties that are adapted for organic farming. As sole supplier, we are also able to effectively eradicate seedborne infection with the ThermoSeed technology, which is approved for organic farming.

Proportion of organic feed

Definition: (Sales of organic feed, tonnes/total sales of feed, tonnes) • 100 = % organic feed.

Outcome:

	2018	2017	2016	2015	2014
Proportion of organic feed	9.7 %	9.5 %	9.4 %	7.8 %	6.8 %

Comments: Sales of organic feed continued to increase. Conventional production of feed also increased, which is why the organic proportion is at the same level, 9.7 (9.5) percent of the volume. Nötfor was responsible for the largest increase, driven by the summer drought which brought an increased need for concentrate, but the transition to organic in 2017 also had an effect in 2018.

Environmental compliance

Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations (GRI 307-1)

Definition: Significant fines are penalties which, due to their level or the nature of the non-compliance, may significantly affect the Group's finances or reputation.

Outcome: No significant fines or non-monetary sanctions in 2018 (0).

Labor Practices and Decent Work

Lantmännen is a responsible player and aims to be an attractive employer. We work systematically for a good and safe work environment, and for equal treatment, gender equality and diversity.

Occupational health and safety

Management approach

Lantmännen has Group-wide goals for work environment. We have a zero vision for work-related accidents and ambitious goals for job satisfaction, motivation and leadership. Our health and safety work follows national legislation in the countries where we operate, but in many cases our internal policies and instructions define a higher standard in order to achieve our business goals. Our work on health and safety must be characterized by close collaboration between management, employees, the safety organization, occupational health and other partners.

Health and safety training is provided continuously in all operations. With information measures, we strengthen

a culture where safety is crucial and we work to integrate risk management as a natural part of daily work and to increase reporting of risk observations as a preventive measure. We also invest in wellness activities.

Regular monitoring of work environment programs is conducted at all our operations. This includes about 50 loss prevention inspections conducted each year at Lantmännen's production facilities, primarily with a focus on financial risks, but with work environment being an important factor. We use the IA system as a tool for reporting, investigating and monitoring work environment and safety.

A survey of Lantmännen's employees is conducted every two years and is a way of monitoring the effectiveness of employee participation and leadership. The result is the basis for continuous improvement work at each level and each manager's area of responsibility. Learn more on [pages 30-31](#).



Work-related injuries (GRI 403-9)

Outcome:

Sick leave, % of normal working hours	2018	2017	2016	2015	2014
Group, total	4.5 %	4.4 %	4.8 %	4.0 %	3.8 %
Agriculture Sector ²⁾	3.6 %	-	-	-	-
Food Sector	4.9 %	4.9 %	5.7 %	4.7 % ¹⁾	4.6 %
Energy Sector	2.5 %	2.7 %	2.2 %	2.2 %	1.9 %
Swecon Business Area ²⁾	4.4 %	-	-	-	-
Real Estate Business Area	1.0 %	0.5 %	0.9 %	4.5 %	1.5 %

¹⁾ Boundary: Vaasan, which was acquired by Lantmännen in spring 2015 and is now integrated into Lantmännen Unibake and Lantmännen Cerealía, is not included in the reported data for 2015.

²⁾ New organization from 2018.

Sick leave, % of normal working hours	2018	2017	2016	2015	2014
Women	5.6 %	5.7 %	6.1 %	4.9 %	4.9 %
Men	3.8 %	3.7 %	4.2 %	3.6 %	3.3 %
Total	4.5 %	4.4 %	4.8 %	4.0 %	3.8 %

Comments: Total sick leave has increased slightly to 4.5 (4.4) percent. Women continue to have a higher percentage than men, but declined slightly in 2018 to 5.6 (5.7). Men, on the other hand, increased slightly in 2018 to 3.8 (3.7) percent. The decline in women's sick leave is mainly attributable to parts of the Food Sector.

Accidents and Incidents	2018	2017	2016	2015	2014
Number of fatalities due to work-related injuries	0	0	0	0	0
Number of accidents ¹⁾	227	231	239	202	228
Injury rate ²⁾	13.4	13.9	14.5	15.2	16.8
Number of reported incidents ³⁾	2,896	2,869	3,072	1,686	2,900
Number of reported risk observations ⁴⁾	4,834	4,895	4,181	2,034	-
Number of incidents per accident (lost-time)	12.8	12.4	12.9	8.3	12.7

¹⁾ Work-related accident resulting in at least one day's absence after the accident occurred. Travel accidents (to and from work) are not included.

²⁾ Number of accidents per million working hours (actual hours worked).

³⁾ Unintended event that could have resulted in ill health or an accident.

⁴⁾ Identified risk that could have resulted in ill health or an accident.

Comments: Lantmännen's injury rate continues its downward trend and has fallen to 13.4 (13.9). The number of lost-time accidents fell slightly in 2018 to 227 (231). Falls and trapped fingers etc. are the most common type of accident. Lantmännen's target is at least 10 reported incidents per accident. In 2018, the number of reported incidents per accident was 12.8 (12.4), which means that the target has been achieved. The most common causes of incidents are deficiencies in equipment, apparatus, machinery, products, materials or maintenance and service.

The number of reported risk observations in 2018 fell to 4,834 (4,895).

Work on further development of Lantmännen's main reporting system (IA) continued during 2018. Employees are encouraged to report incidents, but in particular risk observations, as part of the preventive work.

Diversity and equal opportunity

Management approach

We actively promote equal treatment, gender equality and diversity. We do not accept discrimination, intimidation, oppression or harassment in any form. Lantmännen works on long-term initiatives to improve equality in recruitment and career development. Lantmännen has implemented a tool for more objective and inclusive potential assessment.

Our employee survey includes a question about whether discrimination has been experienced in the organization, and if so in what way. This is done in order to identify and manage risks and areas of improvement. Any deviations are followed up in the form of reported cases through the whistleblowing and HR functions. Learn more on [pages 31, 151](#).

It is important that each employee understands Lantmännen's assignment and goals, so that they can contribute in their work and continuously develop their skills. All employees are required to have regular evaluation and monitoring of their performance and career development through performance



appraisals with their managers at least twice a year. One of the questions in the employee survey is about whether an appraisal has been held.

Diversity of governance bodies and employees (GRI 405-1)

For more information, see [pages 30, 178-181](#), note 6 and the Sector and Business Area descriptions.

Outcome:

	Number of women/men		Women/men, %	
	2018	2017	2018	2017
Group Board ¹⁾	2/9	2/10	18/82	17/83
Group Management	3/7	3/7	30/70	30/70
Managers	342/827	314/738	29/71	30/70
Employees	3,414/6,526	3,321/6,529	34/66	34/66

¹⁾ Including 3 employee representatives.

Employee data is based on average number of employees, data for others is based on numbers.

Age distribution, employees	Proportion, %	
	2018	2017
<30 years	15	12
30-50 years	51	51
>50 years	34	37

Data from October 31, 2017 and December 31, 2018.

Comments: Lantmännen works in a long-term framework to increase gender equality. All Sectors and Business Areas have defined targets and action plans.

Human rights

Lantmännen has a significant responsibility for human rights as a player in all stages of the grain value chain. Human rights can be affected directly and indirectly through land use, environmental impacts, in the supply chain, in production and in the marketing and use of our products.

Management approach

We support and respect internationally proclaimed human rights and work on the basis on the UN's guiding principles for business and human rights. We work actively to ensure that our employees are treated fairly, equally and with respect. We expect our suppliers and business partners to act in the same way towards their employees and the people affected by operations. This is made clear in the Code of Conduct and Supplier Code of Conduct, which reflect Lantmännen's view on anti-corruption, work environment and social conditions, including freedom of association, working hours, salaries, forced labor, child labor, discrimination and oppression.

Lantmännen works actively to establish and implement procedures and systems that identify risks associated with human rights throughout our value chain. We have chosen to integrate risk screening into existing internal processes and into our Group-wide Enterprise Risk Management process. Learn more on [☞](#) pages 68-70, 183-186.

Our risk assessment is based on, for example, available and independent international risk indexes covering both our own operations and suppliers, materials, products and services as business partners. Based on these independent international risk indexes, Russia, Ukraine and Latvia have been identified as high-risk countries in terms of human rights for our own operations. Some of Lantmännen's food business is in these countries, but we do not have any indications of violations of the Code of Conduct in terms of human rights.

In our supply chain – e.g. in the production of raw and other materials, there are risks of human rights violations. We analyze risk materials and suppliers based on the Code's areas, and special handling is required in the case of high risk. Learn more in the Sourcing section. For food, there are special requirements on food safety in production and Lantmännen's own policy with criteria for responsibly produced food. The criteria include origin, safety, high-risk countries and materials, and ingredients and nutrition.

For acquisitions, areas such as human rights, corruption and other financial crimes are part of the due diligence process.

Employees can report cases of violations or complaints through the whistleblowing function. Due to significantly different risks and a differentiated value chain, Lantmännen does not have a Group-wide routine and management for externally received complaints and compensation.

An important factor in ensuring responsibility is competence and capacity within Lantmännen to identify and manage risks. We work to increase understanding and knowledge of risks, and our responsibility in all parts of the organization.



Society and Product Responsibility

Lantmännen conducts responsible business and offers safe and healthy products. We may decide to define higher standards for our own business than those required by local laws when we consider this to be appropriate.

Management approach

Lantmännen's products and services must be of good quality and safe for the user. We comply with international standards in food and feed to protect our customers, consumers and animals. Our responsibility is based on the precautionary principle.

We work systematically to continuously improve our products and services and to develop and offer sustainable solutions to customers, consumers and partners. Our research and development activities must ensure a level of knowledge and skills that enables us to be competitive.

Lantmännen's green sprout on the packaging is a guarantee of responsibly produced food. We create more sustainable food consumption by developing products and ranges, and by spreading knowledge and inspiration. The focus is on foods that promote good health and wellbeing.

The Nutrition policy and Guidelines for health and nutrition provide criteria on how products can contribute to good health. Increased whole grain content, reduced amounts of salt and sugar, and reduced proportion and use of saturated fat are criteria for health.

For food, there are special requirements on food safety in production and Lantmännen's policy for responsibly produced food. The policy includes origin, safety, risks associated with sourcing and procurement, and ingredients and nutrition. All products must be traceable in accordance with applicable regulatory requirements and industry standards.

We follow rules and good practice in the marketing of our products. All Lantmännen's product information and marketing must be correct and in compliance with existing legal frameworks and other guidelines. Added value in the form of health-promoting or environmental benefits is communicated only when these benefits are well documented and scientifically proven. Read more under Materials, Organic seed and Organic feed.

We conduct regular risk analyzes and have systems for identifying and, where necessary, recalling faulty products that may pose a risk to the user. Product deviations and complaints are identified through several customer service and customer contact channels and are dealt with according to the processes of each business areas. For products that are

critical to our customers' operations, delivery contingency plans shall be drawn up and be in place.

Our distributors, who are often the party that consumers of Lantmännen's products meet in a marketplace, must comply with our Distributor Code of Conduct. The Code is based on our Code of Conduct and Supplier Code of Conduct. Learn more on [👉](#) pages 70, 148-149.

Customer and consumer health and safety

Percentage of production volume manufactured in sites certified according to food safety standards

Outcome: All, 100 (100) percent of Lantmännen's food producing facilities are certified according to international standards for food safety, either ISO or approved by the Global Food Safety Initiative (GFSI), and are reviewed by third parties, apart from a facility acquired during the year awaiting certification.





Labeling

Type of product information required and percentage of products subject to such information requirements (GRI 417-1)

Outcome: Information on nutritional content and ingredients is provided on all, 100 percent (100), of Lantmännen's food and feed products. On some products there is a clear description of the origin of the main raw materials. If this is not provided on the product specification, the customer can obtain information about this by contacting Lantmännen. Some work still remains to be done in providing information about packaging recycling and sorting on consumer packaging.

Healthy and affordable food

Definition: Responsibly produced food that promotes good health and wellbeing.

Outcome and comments: Lantmännen conducts leading-edge research¹⁾ in areas such as the health effects of eating habits, carbohydrates and fiber. We work for increased knowledge and awareness among consumers about diet, health and environment by spreading information, new knowledge and inspiration based on official recommendations and science.

¹⁾ Lantmännen invests significant amounts in research and development. Health and food is a priority area. Learn more on [pages 26-28](#) and at lantmannen.com/en/research-and-innovation

Some examples of the results of our work during the year:

- Swedish beans, bean pasta and flour made from root crops
- Increased bread based on rye and whole grain
- Large breakfast selection with oats as the main ingredient
- Many products with health labeling such as the Nordic keyhole, the Finnish heart symbol and the Danish whole grain partnership
- Broader range for persons with celiac disease
- Participation in national initiatives for reducing sugar and salt content in products
- Inspiration and collaboration with public customers for more climate-smart cooking and more healthy snacks
- Recipes and inspiration for healthy foods – e.g. online and the Matsamtalet podcast
- The magazine Cerealier with research news on grain and health for those who give advice on food and health in their work.

More information can also be found at lantmannen.com/bramat

Socioeconomic compliance

Non-compliance with laws and regulations in the social and economic area (GRI 419-1)

Definition: Significant fines are penalties which, due to their level or the nature of the non-compliance, may significantly affect the Group's finances or reputation.

Outcome: No significant fines or sanctions were imposed on Lantmännen in 2018 (0).

Reporting principles

Scope of the report

The reporting refers to the 2018 calendar year, unless otherwise specified. The report is issued annually and refers to the Lantmännen Group, which reports by Sector or Business Area. The organizational changes during the year do not affect the 2018 report. Companies/operations acquired in 2018 and reported in the financial statements are included in the sustainability report. Associates and joint ventures are not included. Reporting takes place by segment for relevant key figures, such as carbon dioxide emissions, sick leave and gender distribution.

Data collection

Data collection is primarily conducted through LUPP, Lantmännen's proprietary reporting system. LUPP covers all Lantmännen's facilities and collects environmental and energy data, production data such as volumes, certifications and other information about the business ethics compliance program and working conditions.

Emissions from purchased transport are calculated according to the TRIM model, which is based on transport work per tonne-km, purchase amounts in SEK and emission factors.

Data on monitoring compliance with the supplier code of conduct comes from Supplier Contract Management (SCM), a proprietary system for managing purchase contracts.

HR-related data comes from HR's system. Work-related accidents, injuries and incidents are reported in the IA work environment reporting system, a web-based system provided by AFA Försäkring, although Lantbruk uses a separate reporting system from where data is entered into Lantmännen's work environment reporting. Both employees and entrepreneurs and others working in our operations are covered by work environment management and accident reporting. However, only Lantmännen's employees are included in the external reporting.

The number of employees having undergone various e-learning courses is collected directly from the E-campus e-learning platform.

Data on legislative compliance is collected from the business through LUPP and from the Legal Affairs and HR departments.

Definitions and boundaries

Facility

The term "Facility" refers to production facilities within the Agriculture, Energy and Food Sectors and Lantmännen Agrovärme in the Real Estate Business Area, and workshops in the machinery operations in the Agriculture Sector and Swecon.

Work-related accidents, incidents, risk observations and sick leave

Work-related accidents are defined as accidents that result in at least one day's absence after the accident occurred (travel accidents to and from work are not included).

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

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

Risk observations are defined as identified risks that could have resulted in ill health or an accident.

Sick leave is days on which employees are absent from work due to illness as a percentage of normal working hours.

Reporting of accidents, incidents, risk observations and sick leave includes Lantmännen employees in each Sector, Business Area and country.

Certificates, certification

Certificates and certification relate to third-party certification that guarantees a certain sustainability performance, such as RSPO for palm oil and KRAV for organic produce. Food certifications refers to international standards such as ISO 22000 or standards in line with the Global Food Safety Initiative.

Energy

Energy consumption encompasses Lantmännen's producing facilities, but does not include energy consumption in Lantmännen Fastigheter's externally leased premises, Lantmännen Agro Oy's franchise-run stores, Lantmännen Maskin's workshops and Lantmännen's office properties and district cooling (only cooling for the office in Stockholm). Energy consumption for the non-included units has been calculated and comes to about 5 percent of total consumption.

LPG is an abbreviation of Liquefied Petroleum Gas and refers to liquefied pressurized gas, such as propane or butane. In Sweden, Norway, Finland, Denmark and the UK, only origin-labeled green electricity, from renewable sources, is purchased.

Compliance

Describes legal compliance and compliance related to laws, international declarations, conventions or agreements, regional and local legislation and regulations in environmental and socio-economic areas. Non-compliance with the law is an infringement that incurs administrative or legal penalties such as sanctions, injunctions and/or significant fines. Significant fines are penalties which exceed SEK 500,000 or which, due to or the nature of the non-compliance, may significantly affect the Group's finances or reputation.

Supplier

The reporting includes suppliers with an annual purchase volume (goods and services, both direct as inputs and indirect) of MSEK 1 and high-risk suppliers over SEK 300,000 on a rolling 12-month basis. About 90 percent of the purchase volume is covered by the reporting (registered in the Supplier Contract Management system). Suppliers from owners, authorities and industry associations are not included in the follow-up and reporting.

An approved supplier is defined as a supplier that has the Supplier Code of Conduct in its contract and has an approved self-assessment and/or third-party inspection/audit.

Equal treatment

The definition of equal treatment and discrimination is based on Lantmännen's Code of Conduct, and the number of incidents of discrimination refers to cases reported to HR, the whistleblowing function, the immediate supervisor or a judicial body, which are considered to be infringements.

Anti-Corruption

Corruption cases are counted as cases confirmed during the current year, i.e. reported cases where investigations are in progress.

Employees

Employees refers to persons employed at Lantmännen. Consultants and temporary workers are included in the reporting to varying degrees. See the scope for each indicator. Most of Lantmännen's employees are permanent employees. The Agriculture Sector uses seasonal workers, mainly during summer. In the information about the number of employees, the average is used.

Material

Lantmännen reports on the use of our most important raw materials: grain for food production, feed and energy, flour, soy and palm oil, all defined as renewable materials. Packaging materials are not reported; data not available.

Reported volumes of grain refer to weighed grain, including pulses (legumes), to the Agriculture Sector. Other grain flows, e.g. from trading or imports, are not included and constitute about 10 percent of the traded grain volume. Flour includes purchased flour and other grain-based raw materials in Cerealia, Unibake and Reppe.

The volumes of soy refer to use in feed production, not use in food, where the share is insignificant, less than 0.5 percent of the total soy volume.

The volumes of palm oil refer to use in food production. Palm kernel expeller, the residue from pressed palm kernels, used for animal feed production, is not

included in the measurable goals and indicators for certified palm oil but is reported as volume.

Human rights

Human rights refers to internationally declared human rights such as the UN's Universal Declaration of Human Rights and the ILO Conventions.

Training

Refers to completed training, for permanent Lantmännen employees, who are registered for follow-up. The compulsory training in Lantmännen's Code of Conduct must be completed no later than three months after the start of employment.

Water

Reporting of water covers Lantmännen's production facilities. Lantmännen Real Estate's externally leased premises, Lantmännen Agro Oy's franchise-run stores, Lantmännen Maskin's workshops and Lantmännen's office properties are not included. There are deficiencies in the quality of the data, both in number of reporting units and specification of water sources. However, the assessment is that the majority of the unspecified water sources category is from the municipal water supply. Water is used for ethanol production processes, in the bakery operations as an ingredient and for cleaning. Total water withdrawal and a risk analysis for operations in areas of water scarcity are reported.

Emissions to air

Lantmännen reports direct emissions of carbon dioxide from energy use at its own facilities and its own vehicles in accordance with WBCSD GHG Protocol Scope 1, and indirect emissions from use of electricity, cooling and district heating in producing units, Scope 2.

Emissions from purchased transport, business travel and production of fuel and electricity are reported in Scope 3. Emissions from the cultivation of grain and other raw materials are not included in the reporting.

In Scope 2, Emissions from electricity consumption do not include Lantmännen Real Estate's externally leased premises, Lantmännen Agro Oy's franchise-run stores, Lantmännen Maskin's workshops and Lantmännen's office properties and district cooling. Data is missing as systematic reporting has not been implemented. Emissions for the non-included units have been estimated and account for about 5 percent of total emissions. For Scope 2, emissions are reported using the market-based method, but we are looking at also reporting using the location-based method at Group level in coming years. This means that emissions from purchased electricity and heating are calculated with an average value for the grid in question, regardless of whether there are guarantees of origin.

The Scope 3 category of business travel includes air and rail travel in the Nordic region and car hire in Sweden booked through a travel agency. Travel and car rental in the Nordic region not booked through travel agencies, all coach, boat and taxi journeys, air and rail travel and car rental in countries outside the Nordic region are not included; data is not available. Travel not included is estimated at 30 percent. Emissions from company cars cover the whole of Lantmännen. Emissions from business travel using private cars are not included. Business travel emissions are calculated based on data from suppliers, i.e. travel companies, car rental companies' reports of kilometers driven and actual fuel consumption, and emission factor for fuel according to EU standards and car manufacturers' data on emissions per car model. Reporting is in CO₂ equivalents, and where data is present, all greenhouse gases are included. In some cases, emissions other than CO₂ may be missing – e.g. for business travel in Scope 3.

From 2017, a new calculation method with other conversion factors for emissions from electricity use has been used, which means that the previous base year 2009 will have a slightly higher calculated value for emissions. Emission factors for electricity in Sweden are taken from the Haga Initiative, based on IEAS. For origin-labeled electricity, factors are taken from the product specification. For Nordic countries, emissions are calculated based on Nordic residual electricity, with data from the Swedish Energy Markets Inspectorate and for electricity in other countries, emissions are calculated based on national electricity mix, with data from the Association of Issuing Bodies. Emission factors for district heating are taken from Swedish Fjärrvärme.

Energy consumption for 2015 has been adjusted from previous reports due to a miscalculation during the integration of Vaasan. [Learn more on page 153.](#)

The targets for emissions from purchased transport include trucks and other transport, such as maritime transport. However, only trucks are included in the reporting; other data is not available. The calculations are based on the best available data, with standard calculations having been used in some cases. Reporting is based on internally registered transport work, primarily in tonne-km. For emission factors (per tonne-km), primarily actual fuel consumption from transporters, secondarily default values from NTM, the Network for Transport Measures. Where transport work data is unavailable, the purchase amount is used. The same units are included in the reporting of key figures for CO₂/MSEK net sales.

GRI Index

Lantmännen has reported according to the Global Reporting Initiative guidelines for several years, including the sector-specific GRI Food Processing Sector Supplement. This report has been prepared in accordance with GRI Standards: Core option, version 2016 unless otherwise indicated. Learn more about GRI at globalreporting.org

The following cross-reference index indicates the compulsory and selected GRI disclosures that are included in Lantmännen's Sustainability Report for 2018, and where the information is reported. For some disclosures, the reporting and/or comments are submitted directly in the index table. The index also contains references to the UN Global Compact's principles as Lantmännen's Sustainability Report represents our Communication on Progress to the UN Global Compact and the UN's sustainability goals.

The references point to the information sources:

- Lantmännen's 2018 Annual Report with Sustainability Report 2018.
- The section of our website that describes the work on responsibility and sustainable development: lantmannen.com/en/sustainable-development

Agenda 2030 and the global goals

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

Lantmännen supports Agenda 2030 and the global sustainable development goals, and has analyzed their implications for Lantmännen's operations and businesses. Five of the goals are directly linked to Lantmännen's assignment and business, see below. References to the goals for different sustainability issues that Lantmännen works with are set out on the pages that follow.



- 2** Zero hunger
- 7** Affordable and clean energy
- 12** Responsible consumption and production
- 13** Climate action
- 15** Life on land

GRI Content Index Standards, Core Option, with supplement for the Food Sector

GENERAL DISCLOSURES					
Disclosure	Description	Comments	Page or URL	UN Global Compact principle	Agenda 2030
Organizational profile					
102-1	Name of the organization	Lantmännen ekonomisk förening			
102-2	Activities, brands, products and services		pages 4-5, 14, 20-21		
102-3	Location of headquarters	Stockholm			
102-4	Location of operations		page 3, note 4, note 6		
102-5	Ownership and legal form		page 65		
102-6	Markets served		pages 3, 18, 35-59 for each Sector and business		
102-7	Scale of the organization		pages 2-3, note 4, note 6		
102-8	Information on employees and other workers		pages 30-31, 72, 156-158, note 6	Principle 4	
102-9	Supply chain		pages 147-150, 157 lantmannen.com/en/sustainable-development		12
102-10	Significant changes to the organization and its supply chain		note 33		
102-11	Precautionary principle or approach	For chemicals-related issues, and internal environmental and health and safety work, the precautionary principle is applied.	pages 70-72, 183-186 lantmannen.com/en/sustainable-development	Principle 7	12 13 15
102-12	External initiatives		pages 35, 146 lantmannen.com/en/sustainable-development	Principles 1 and 8	
102-13	Membership of associations		page 29 lantmannen.com/en/sustainable-development	Principles 1 and 8	

GENERAL DISCLOSURES cont.

Disclosure	Description	Comments	Page or URL	UN Global Compact principle	Agenda 2030
Strategy					
102-14	Statement from senior decision-maker		pages 10-13, 145	CEO Statement	
Ethics and integrity					
102-16	Values, principles, standards and norms of behavior		pages 70-72, 146-148 lantmannen.com/en/sustainable-development	Principles 1-10	
Management approach					
102-18	Management approach		pages 20-24, 146, 148, 176-177 lantmannen.com/en/sustainable-development		
Stakeholder engagement					
102-40	List of stakeholder groups		pages 29, 146 lantmannen.com/en/sustainable-development	Principle 8	
102-41	Collective bargaining agreements	There are several different collective agreements for manual and non-manual workers within Lantmännen. In Sweden, 99 percent of the employees are covered by collective agreements. For the total Group, the figure is about 77 percent.		Principle 3	12
102-42	Identifying and selecting stakeholders		pages 29, 146		
102-43	Approach to stakeholder engagement	No special dialogue has been conducted for the sustainability report.	pages 29, 146-147		12
102-44	Key topics and concerns raised		pages 2146-147		
Reporting practice					
102-45	Entities included in the consolidated financial statements		note 46, page 161		
102-46	Defining report content and topic boundaries		pages 146-147		
102-47	List of material topics		page 147 lantmannen.com/en/sustainable-development		
102-48	Restatement of information	Any changes are commented on for each key figure.	page 161		
102-49	Changes in reporting		pages 24, 161		
102-50	Reporting period	Full year 2018.			
102-51	Date of most recent report	February 2018.			
102-52	Reporting cycle	Annual.			
102-53	Contact point for questions regarding the report	Claes Johansson, Director Sustainability, Lantmännen.	page 146		
102-54	Claims of reporting in accordance with the GRI Standards	Reporting according to GRI Standards, Core option.			
102-55	GRI index	See this index.			
102-56	External assurance	Page 167			

MATERIAL TOPICS, BOUNDARIES, MANAGEMENT APPROACH AND INDICATORS					
Disclosure	Description	Comments	Page or URL	UN Global Compact principle	Agenda 2030
Economic performance – Boundary Lantmännen's own businesses, suppliers, customers, owners and society				Principles 7-9	
103-1-103-3	Management approach		pages 16-17, 22, 148-149		
201-1	Economic value generated and distributed		pages 65, 149		2
201-2	Financial implications and other risks and opportunities due to climate change	Quantification of impacts and risks; data not available.	pages 18, 24-28, 70, 72, 183-185		7 12 13 15
FP Procurement practices – Boundary Lantmännen's own operations and suppliers				Principles 1-10	
103-1-103-3	Management approach		pages 70-72, 148, 149-150 lantmannen.com/en/sustainable-development		
G4-FP1	Percentage of purchased volume from suppliers compliant with organization's sourcing policy		pages 70-72, 149-150		12 15
G4-FP2	Percentage of purchased volume verified as being in accordance with internationally recognized responsible production standards		pages 150-151 lantmannen.com/en/sustainable-development		12 15
Anti-corruption – Boundary Lantmännen's own operations, suppliers and other business partners				Principle 10	
103-1-103-3	Management approach		pages 70-72, 146, 151, 183-184		
205-2	Communication and training on anti-corruption policies and procedures and anti-corruption.	Not reported by employment type as this is not registered and the training is mandatory. Business partners not reported; they sign the Supplier Code of Conduct and this is reported in FP1. All members of the Board participate and are trained in the Code of Conduct.	page 151		12
205-3	Confirmed incidents of corruption and actions taken		page 151		12
Material – Boundary Lantmännen's own operations				Principles 7-9	
103-1-103-3	Management approach		pages 148, 152 lantmannen.com/en/sustainable-development		
301-1	Materials used by weight or volume	Packaging materials are not reported; data not available.	page 152 lantmannen.com/en/sustainable-development		2 7 12 13 15
Energy – Boundary Lantmännen's own operations				Principles 7-9	
103-1-103-3	Management approach		pages 25, 152, 184-185 lantmannen.com/en/sustainable-development		
302-1	Energy consumption within the organization	Deviation for cooling and energy from Real Estate's externally leased premises, Machinery's workshops and our offices. Data not available.	pages 152-153 lantmannen.com/en/sustainable-development		7 13
Emissions into the air – Boundary Lantmännen's own operations and suppliers				Principles 7-9	
103-1-103-3	Management approach		pages 23, 25, 152, 184-185 lantmannen.com/en/sustainable-development		
305-1	Direct (Scope 1) greenhouse gas emissions	Adjustment of calculation from the 2017 report. Deviation for cooling and energy from Real Estate's externally leased premises, Lantmännen Maskin's workshops and our offices. Data not available.	pages 153-154 lantmannen.com/en/sustainable-development		13
305-2	Indirect (Scope 2) GHG emissions	Deviations see above.			13
305-3	Other indirect (Scope 3) GHG emissions	For scope and deviations, see Reporting principles.	pages 153-154		13
305-4	Greenhouse gas emissions intensity: CO2 emissions in relation to value added and sales	See above. Description of efficiency measures, see Reporting Principles in Sustainability Report. Adjustment of calculation from the 2017 report.	pages 23, 153-154 lantmannen.com/en/sustainable-development		13

MATERIAL TOPICS, BOUNDARIES, MANAGEMENT APPROACH AND INDICATORS					
Disclosure	Description	Comments	Page or URL	UN Global Compact principle	Agenda 2030
Own issue Products and services - Boundary Lantmännen's own operations and owners				Principles 7-9	
103-1 - 103-3	Management approach		page 152, lantmannen.com/en/sustainable-development		
Own indicator	Cadmium in phosphate fertilizer		page 155		12 13 15
Own indicator	Seed treatment (proportion of biologically treated, thermally treated and untreated seed, and chemically treated seed)		page 155		12 13 15
Own indicator	Proportion of organic seed		page 155		12 13 15
Own indicator	Proportion of organic animal feed		page 155		12 13 15
Compliance – environmental – Boundary Lantmännen's own operations				Principles 7-9	
103-1 - 103-3	Management approach		pages 72, 152, 184, lantmannen.com/en/sustainable-development		
307-1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		page 155		12 13 15
Work environment, health and safety – Boundary Lantmännen's own operations (2018 version)				Principles 1-2	
103-1 - 103-3	Management approach		pages 30, 73, 148, 156, lantmannen.com/en/sustainable-development		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism	Deviation for key figure for lost days, data not available.	pages 31, 156-157		12
Diversity and equal opportunity – Boundary Lantmännen's own operations				Principles 1-2, 6	
103-1 - 103-3	Management approach		pages 73, 148, 157		
405-1	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	Deviation for breakdown according to employee categories, data not available, and deviation for minority group membership and other indicators of diversity, illegal to register these.	pages 30-31, 157, 178-181		
Human rights risk assessment – Boundary Lantmännen's own operations, suppliers, customers and consumers				Principles 1-6, 10	
103-1 - 103-3	Management approach	No indicator.	pages 148, 157-158, 185, lantmannen.com/en/sustainable-development		12
Own topic Healthy and affordable food – Boundary Lantmännen's own operations, suppliers, customers and consumers				Principles 1-2, 7-8	
103-1 - 103-3	Management approach	No indicator.	pages 24, 27-28, 160, 184 lantmannen.com/bramat		12 15
Customer and consumer health and safety – Boundary Lantmännen's own operations, suppliers, customers and consumers				Principles 1-2, 10	
103-1 - 103-3	Management approach		pages 18, 24, 148, 159, 184-185 lantmannen.com/bramat		
FP5	Percentage of production volume manufactured in sites certified according to food safety standards	Volume not reported; data not available. Percentage of sites reported.	page 159		2 12
Marketing and labeling – Boundary Lantmännen's own operations				Principles 1-2, 7-8.	
103-1 - 103-3	Management approach		pages 148, 159		
417-1	Type of product information required and percentage of products subject to such information requirements		page 160		2 12
Socioeconomic compliance – Boundary Lantmännen's own operations				Principles 1-10	
103-1 - 103-3	Management approach		pages 159, 184-185		
419-1	Monetary value of significant fines and number of non-monetary sanctions for non-compliance with laws and regulations		page 160		12

Auditor's Limited Assurance Report on Lantmännen ekonomisk förening's Sustainability Report and statement regarding the Statutory Sustainability Report

This is the translation of the auditor's report in Swedish

To Lantmännen ekonomisk förening, Corp Id 769605-2856

Introduction

We have been engaged by the Board of Directors of Lantmännen ekonomisk förening to undertake a limited assurance engagement of Lantmännen ekonomisk förenings Sustainability Report for the year 2018. Lantmännen ekonomisk förening has defined the scope of the Sustainability Report to the pages referred to in the GRI index on pages 163-166, the Statutory Sustainability Report is defined on page 72.

Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 161-162 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our review is limited to historical financial information and does therefore not include future oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR:s accounting standard RevR12. The auditor's opinion regarding the statutory sustainability report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an

audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Lantmännen ekonomisk förening in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited review performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, February 20, 2019

Ernst & Young AB

Anders Kriström
Authorized Public Accountant

Charlotte Söderlund
Authorized Public Accountant

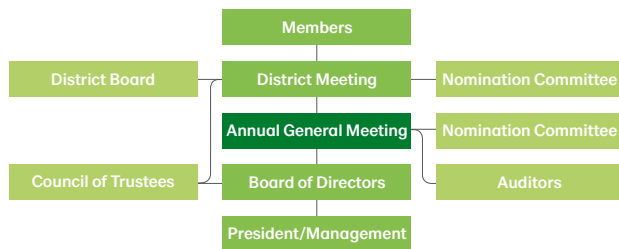
Corporate Governance



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Corporate Governance Report 2018

Lantmännen ek för is a Swedish co-operative economic association headquartered in Stockholm, Sweden. The Group's governance is based on the Association's Articles of Association, the Swedish Economic Associations Act and other applicable laws and rules. Lantmännen's Board of Directors and executive management endeavor to ensure the enterprise is able to respond in the best possible way to the openness and information that owners, employees and other stakeholders expect.



Members

The Group's Parent Company is Lantmännen ek för, a farmers' cooperative owned by 25,000 farmers in Sweden.

Lantmännen has direct members and members connected via local associations. A direct member is assumed to be a natural person or legal entity conducting business in Sweden. Pursuant to the Association's Articles of Association, the members shall be engaged in farming or food production, or have as their principal activity the sale of services to farming, e.g., agricultural contractors. The district meeting and different members' meetings provide an opportunity for members to express their views to the Board of Directors and management in various ways, including motions and written communication.

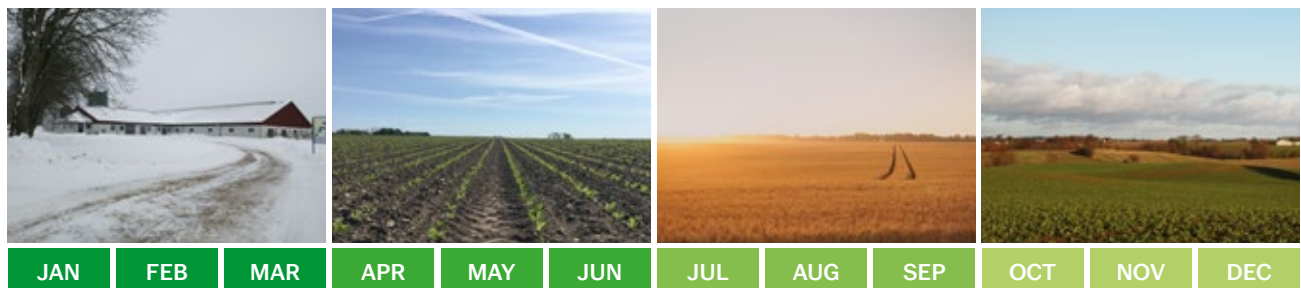
Contributed capital and voting rights

Each member of the Association has one vote, regardless of turnover or size of investment. The members' obligation to invest is based on the turnover value of purchases from and deliveries to the Association. The Board of Directors decides the product areas that will constitute the basis for calculating the obligation to invest. The individual member's obligation to invest is 15 percent of the average value of the turnover with the Association over the last five years. However, the minimum obligation to invest is SEK 10,000. Of the total contributed capital of MSEK 2,664, MSEK 1,318 has been paid in and MSEK 1,346 issued from distributable capital in the Association. Total equity in the Association is MSEK 14,050.

Annual General Meeting

The Annual General Meeting is Lantmännen's supreme decision-making body. The Meeting consists of representatives of members, delegates, who are elected at the district meetings. The districts are the basis of the members' role as owners of the Association. Delegate seats are distributed on the basis of a divisor in proportion to the number of members in a district. The chairmen of the district boards are always delegates. The number of delegates must not be less than 101.

Activities during the members' year 2018



Feb 6 Year-end Report

Feb 21-22 Council of Trustees

Feb 21 Annual Report

Week 11-12 District general meetings

May Training elected representatives

May 7 Annual General Meeting

May 8 Council of Trustees, statutory

May 29 Interim Report, Period 1

Owner dialogue with district boards

Summer meetings

District meetings

Oct-Nov Regional nomination committee run-ups

Oct 3-4 Council of Trustees

Oct 3 Interim Report, Period 2

Nov 29-30 District Board Conference
Fall meetings in the districts and Board's Road Show



and each delegate has one vote at the meeting. The Annual General Meeting has a quorum when more than half of the full number of delegates are in attendance. Each member is entitled to have business considered by the Meeting.

The Annual General Meeting shall be held within six months of the end of the financial year. The Association's Board of Directors, Nomination Committee and auditors are elected at the Annual General Meeting. Other obligatory business to be considered by the Meeting includes adoption of the income statement and statement of financial position, allocation of the Association's profit or coverage of its loss, discharging the Board of Directors and CEO from liability and determination of Directors', auditors' and other elective representatives' fees.

2018 Annual General Meeting

The Annual General Meeting was held on May 7 in Stockholm. Board members of Lantmännen ek för are elected for two-year terms. The terms of office for Ulf Gundemark, Ove Gustafsson, Pauline Lindwall and Thomas Magnusson expired. The Meeting resolved that the Board of Directors of Lantmännen ek för would consist of nine elected members. At the meeting, Ulf Gundemark and Ove Gustafsson were re-elected to the Board. Ulf Gundemark was re-elected in one year. Kerstin Arnemo and Sonat Burman-Olsson were elected to the Board to replace Thomas Magnusson and Pauline Lindwall who both left the Board. The auditors are elected for one year at a time. Gustav Jansson, Anders Åbyhammar and Maude Fyrenius were re-appointed as elected auditors. The accounting firm EY was re-elected as the Association's authorized auditor. The Meeting also passed a resolution on the remuneration of the Board and other elected representatives, including fixed annual remuneration as well as per diem and travel compensation. The Meeting also appointed nine members to the Nomination Committee for the period up to and including the 2019 AGM.

The Meeting approved a contribution dividend totaling MSEK 222 to be distributed between paid-in and issued contributed capital. The Meeting also adopted the Board's proposal for a contribution issue of MSEK 100. In addition to the contribution

dividend and contribution issue, the Board decided to pay MSEK 245 in refunds and supplementary payments.

The Meeting also adopted the Board's proposal for a dividend on subordinated debentures of MSEK 15. The year's dividend was the highest ever for Lantmännen's members.

The total number of appointed delegates was 101, and 98 delegates and deputies were present at the Meeting. All Board members and all elected auditors were present at the Meeting.

Lantmännen's 2019 action package and EGM

In response to the summer's heat and drought, which hit farming hard, the Board presented a package of measures. The package included, among other things, an extra dividend, and an extra discount and supplement on trading with Lantmännen. Learn more on [➔](#) page 17. Implementation of the extra dividend required the approval of an extraordinary general meeting. The Board proposed a per capsulam meeting, which is a meeting held without a physical presence. All 101 delegates approved and signed the extra dividend decision. The Södra Skåne district presented a reservation to be recorded in the minutes.

Council of Trustees

The Association has a Council of Trustees. The chairmen of the district boards serve on the Council of Trustees, as do members of the Group Board. The five largest districts in terms of members are entitled to appoint two persons. In addition, the Board of Directors may appoint additional members. The role of the Council of Trustees is to advise the Board on development issues of a more long-term nature as well as communicate information between the Board and the districts. The Council of Trustees is also charged with the preparation of matters of principle and the nomination of members to the Association's Nomination Committee at the Annual General Meeting.

Council of Trustees in 2018

In addition to the obligatory members as stated above, the Board of Directors appointed two representatives of the local



associations to the Council of Trustees, and the Nomination Committee chairman. Also in attendance at Council of Trustees meetings are the Association's elected auditors. The Council of Trustees had three minuted meetings during the year.

Nomination Committee

The Nomination Committee is tasked with preparing and presenting proposals for the election and remuneration of Board members and auditors, and making recommendations on the remuneration of other elected representatives. According to Lantmännen's articles of association, the Nomination Committee shall consist of 7-9 members, to be elected by the Annual General Meeting. The Nomination Committee elects a chairman from among its members.

Based on the Association's current situation and future direction, the Nomination Committee assesses whether the Board is appropriately composed with regard to collective expertise. This assessment is based in part on an evaluation of the Board's work methods and decision processes performed by an independent party at the request of the Chairman of the Board. Any new recruitment to the Board is conducted according to a specification prepared by the Nomination Committee. During the year, the Nomination Committee worked on diversity and equality issues based on, among other things, Lantmännen's equality and diversity policy.

Nomination Committee 2018

In 2018, the Nomination Committee consisted of nine members: Kjell Eriksson (chairman), Marie-Louise Åhsell, Göran Brynell, Inge Erlandsson, Gunilla Carlsson, Leif Karlsson, Anders Rickardsson, Michael Hübsch and Kristina Glantz Nilsson. Viktoria Josefsson and Kjell Axelsson left the committee at the Annual General Meeting on May 7. The meeting decided that the Nomination Committee for the coming year would consist of nine persons. Gunilla Carlsson and Michael Hübsch were elected as new members. At the statutory meeting after the AGM, Kjell Eriksson was re-elected Chairman and Göran Brynell was elected as new Vice Chairman.



Owner Relations 2018

The Owner Relations Department had eight employees during the year – six member services staff, the editor of Grodden and the member manager. The cost of the department and its total activities, including the year's ownership dialogue, was approximately MSEK 31.2 (32.6) in 2018. The cost for the 20 districts, including the Owner dialogue, was MSEK 11.1, comprising fixed fees of MSEK 3.8 (34 percent) adopted by the AGM and variable fees of MSEK 3.3 (30 percent). The other MSEK 4.0 (36 percent) related to costs of the districts' various activities and travel.

The cost of the Annual General Meeting, which also comes under the department's area of responsibility, was approximately MSEK 2.8. Other activities handled by the department include training of elected representatives, the Council of Trustees, District Board Conference, Nomination Committee and the owners' newsletter "Grodden".

Board of Directors

The overall task of the Board of Directors is to manage the Association's affairs on behalf of its members, in such a way that their economic interests are served in the best possible way. The Board is responsible for the Association's organization and management of its affairs and for ensuring satisfactory control of the Association's accounting, asset management and financial affairs. The Board decides the Group's overall goals, strategic plans and significant policies and monitors their compliance and updating. The Board also decides on acquisitions, divestments and major investments and approves the annual accounts and interim reports. The Board is also tasked with overseeing the President & CEO and regularly assessing the performance of the Group Management. The Board shall ensure that there is an effective system for follow-up and control of the Association's operations and financial position, that external information is characterized by transparency and objectivity, that there is adequate monitoring of compliance with laws and regulations and that the necessary ethical guidelines are in place. During the year, the Board worked on diversity and equality topics



based on, among other things, Lantmännen's equality and diversity policy.

The work of the Board is directed by a work plan that governs the division of work and responsibility between the Board of Directors, the Chairman and the President & CEO. The formal work plan is updated and adopted at least once a year, normally at the statutory meeting of the Board. According to the articles of association, the Board of Directors of Lantmännen shall consist of a minimum of 7 and a maximum of 11 members elected by the AGM. The Board elects a chairman and vice chairman from among its members. The Board has an Audit Committee, a Remuneration Committee and an Owner Committee. The purpose of the committees is to develop and streamline the Board's work as well as prepare business within the respective areas. The committees are advisory to the Board and do not have any decision-making power. Members of the committees are appointed by the Board at the statutory Board meeting.

The work of the Board of Directors in 2018

Nine Board members and three employee representatives were elected at the AGM on May 7, 2018. The Head of the Legal & Compliance corporate function serves as the Board's secretary. The CEO attends Board meetings as rapporteur. None of the elected Board members has an employment-like relationship with Lantmännen. Per Lindahl was elected Chairman of the Board and Hans Wallemyr Vice Chairman. Kerstin Arnemo decided to leave the Board at her own request in October. The composition of the Board is shown in the presentation on pages 178-179.

The Board held 14 meetings during the year. Two of the meetings were by telephone and one was per capsulam. The table shows Board members' attendance at the meetings. All of the Association's auditors attended two of the meetings. The Board also participates in district meetings, fall meetings and more.

Board meetings, attendance 2018

	Feb 5	Feb 21	Apr 24	May 7	May 31	Jun 19-20	Jul 10	Aug 6	Aug 29	Oct 3	Nov 6	Nov 22	Dec 13-14	Dec 21
	☎			SM ¹⁾	☎		Extra Board meeting	Extra Board meeting			Extra Board meeting			Per Capsulam
Per Lindahl	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Kerstin Arnemo ²⁾	-	-	-	●	○	●	●	●	●	●	-	-	-	-
Gunilla Aschan	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Tommy Brunsärn	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Ove Gustafsson	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Ulf Gundemark	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Pauline Lindwall ⁴⁾	●	●	○	-	-	-	-	-	-	-	-	-	-	-
Pär-Johan Lööf	●	○	●	●	●	●	●	●	○	●	●	●	●	●
Sonat Burman-Olsson ²⁾	-	-	-	●	○	●	●	●	●	●	●	●	●	●
Johan Mattsson	●	○	●	●	●	●	●	●	●	●	●	●	●	●
Thomas Magnusson ⁴⁾	●	●	●	-	-	-	-	-	-	-	-	-	-	-
Henrik Wahlberg	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Hans Wallemyr	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Tomas Welander	●	●	○	●	●	●	○	○	●	●	●	●	●	●

● Attended ○ Did not attend

¹⁾ Statutory Board meeting. ²⁾ Newly elected at 2018 AGM.

³⁾ Left on own request 10/16/2018. ⁴⁾ Declined re-election at 2018 AGM.



Audit Committee

The Audit Committee is tasked with preparing materials in matters relating to risk assessment, internal control, financial reporting and auditing. It also serves as a forum for dialogue between different parties, such as external and internal auditors. The Committee also works to ensure appropriate risk management, compliance with established financial reporting and internal control principles and the maintenance of proper relations with external auditors. The Committee also ensures that the independence of external auditors is maintained, evaluates the audit and informs the Nomination Committee of the results. The Group's internal audit unit reports directly to the Audit Committee.

Before the AGM, the Committee consisted of Hans Wallemyr (chairman), Gunilla Aschan and Johan Mattsson. The Committee's composition was unchanged after the 2018 AGM. The Head of Lantmännen's Internal Audit is secretary of the Audit Committee. Members are appointed for one year at a time. In addition to distributing the minutes of Audit Committee meetings to the Board of Directors, the committee chairman gives an oral report on all important issues at the subsequent Board meeting. The committee held three minuted meetings. The table below shows members' attendance.

Audit Committee, attendance and meetings 2018

	Feb 2	May 30	Oct 2
Hans Wallemyr (chairman)	●	●	●
Gunilla Aschan	●	●	●
Johan Mattsson	●	●	●

Remuneration Committee

The Remuneration Committee is tasked with preparing matters and drafting principles related to pay and other terms of employment for Group Management. These principles must be approved by the AGM. The committee prepares and submits decision-support material to the Board of Directors concerning conditions of employment for the President & CEO, and to the President & CEO for the other members of Group Management.

Before the AGM, the committee consisted of Per Lindahl (chairman), Pauline Lindwall and Ulf Gundemark, with President & CEO Per Olof Nyman as rapporteur. After the 2018 AGM, Pauline Lindwall was replaced by Sonat Burman-Olsson. The Group's Senior Vice President Human Resources serves as secretary. Members are appointed for one year at a time. In addition to distributing the minutes of Remuneration Committee meetings to the Board, the committee chairman makes an oral report on all important issues at the subsequent Board meeting.

The committee held four minuted meetings during the year. The table below shows the attendance of the members at the meetings.

Remuneration Committee, attendance and meetings 2018

	Feb 7	Mar 23	Oct 10	Dec 3
Per Lindahl (Chairman)	●	●	●	●
Sonat Burman-Olsson			●	●
Ulf Gundemark	●	●	●	●
Pauline Lindwall	●	●		

Owner Committee

The owner committee is tasked with preparing matters relating to members and the owner organization in the Group. The committee's work is aimed at ensuring that member issues are dealt with in accordance with the Economic Associations Act and the Articles of Association. The committee also works to ensure that the Articles of Association, organization and relationship with members and elected representatives are developed in such a way as to take into account ongoing changes in society and the business environment.

Before the AGM, the committee consisted of Ove Gustafsson (chairman), Henrik Wahlberg and Thomas Magnusson. Following the 2018 AGM, the committee had the following composition: Ove Gustafsson (chairman), Henrik Wahlberg and Kerstin Arnemo, until her departure from the Board. The Group's member manager serves as the secretary of the committee. Members are appointed for one year at a time. In addition to distributing the minutes of Owner Committee



meetings to the Board, the committee chairman gives an oral report on all important issues at the subsequent Board meeting. The committee held seven minuted meetings during the year. The table below shows the attendance of the members at the meetings.

Owner Committee, attendance and meetings 2018

	Feb 2	Apr 4	May 30	Jun 8	Aug 16	Sep 12	Nov 5
Ove Gustafsson (Chairman)	●	●	●	●	●	●	●
Henrik Wahlberg	●	●	●	●	●	●	●
Thomas Magnusson (to 2018 AGM)	●	●					
Kerstin Arnemo (from 2018 AGM)			●	●	●	●	-

President & CEO and Group Management

The President & CEO is appointed by the Board and is responsible for the Association's day-to-day management. The division of work between the Board and the President & CEO is regulated in the Board's work plan. Group Management currently consists of 10 members. The composition of Group Management is shown in the presentation on [pages 180-181](#). Group Management normally meets about 10 times a year and as required.

Internal Audit

The internal audit is an independent unit in the Group, which is engaged in objective assurance and advisory activities. The internal audit team makes systematic and structured assessments to help to increase the efficiency of the Group's risk management, governance and control, as well as its management processes.

The internal audit unit reports material observations and improvement proposals to the Group Board (via the Audit Committee) and to the operating units. It also audits the entire Group and acts as an independent review function for Lantmännen Finans AB in accordance with the requirements

of the Swedish Financial Supervisory Authority. In addition to performing reviews and audits in accordance with the internal audit plan, the unit supports the Group's Board and Management by providing analyses and advice.

In 2018, the internal audit unit identified overall risks in the Group, performed audits of the Sectors and corporate functions and prepared an internal audit plan for 2019. The internal audit unit also participates in various steering groups and committees in order to obtain essential information and serve as a consultation body in the areas of risk management and internal control.

External audit

The auditors are tasked with auditing the annual report, consolidated financial statements, accounting records and administration of the Board and President & CEO. There are four regular auditors. One is authorized and the other three are elected. All auditors are elected by the AGM for one year at a time. The authorized auditor is the accounting firm Ernst & Young AB. The elected auditors are Maude Fyrenius, Gustav Jansson and Anders Åbyhammar.

In addition to their work on the statutory audit, the elected auditors focus on conducting the audit of operations from a member and operational viewpoint.

Board of Directors' report on internal control over financial reporting

The Board has overall responsibility for internal control over financial reporting. The Board has adopted a written work plan that clarifies the responsibilities of the Board and governs the division of work between the Board and its committees. An Audit Committee regularly reports to the Board.

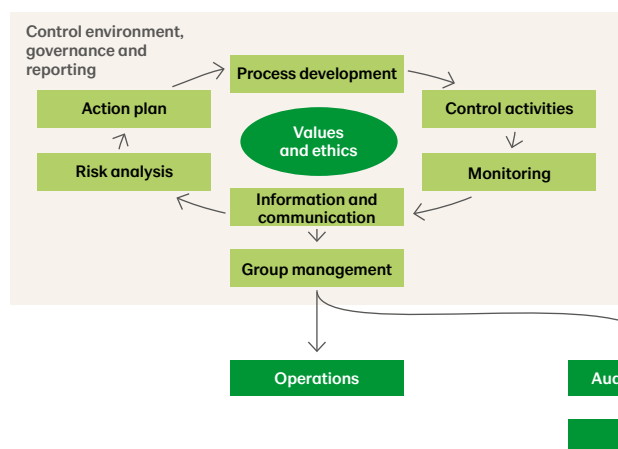
Lantmännen's process for internal control over financial reporting is designed to provide assurance of the reliability of the financial reporting. The process has been prepared in accordance with generally accepted accounting standards and applicable laws and regulations.

Internal control over financial reporting involves the Group Board, the Audit Committee, the President & CEO,

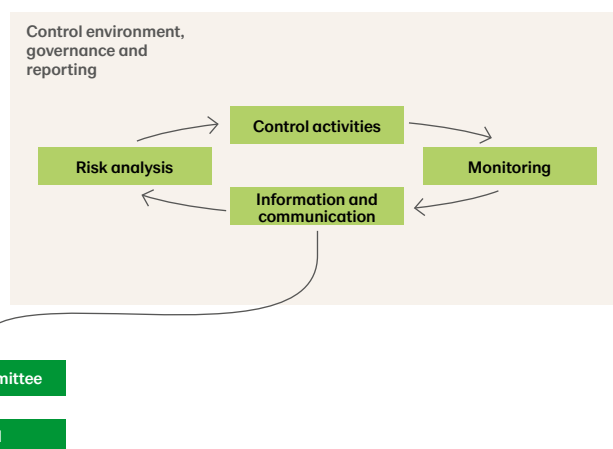
management and other employees. The overall aim of internal control is to protect owners' investments and the Association's assets.

In 2018, internal control work involved in a major project to improve the standard processes in economy and finance at Lantmännen. The aim of the project is to create uniform and more efficient processes with improved internal control.

Preventive internal control



Internal Audit



Below is a description of the main features of internal control.

The control environment constitutes the basis of internal control and is made up of the values and ethics that the Lantmännen Group communicates and applies. This includes the organizational structure, leadership, decision-making channels, responsibility, authority and the expertise possessed by employees.

Risk assessment includes identifying and assessing the risk of material errors in accounting and reporting at the Group and Sector levels, and also at the local level. To support the units, a financial manual has been produced and contains supporting policies and guidelines, including the Code of Conduct, Financial Policy, Anti-Corruption Policy and Policy for Internal Control over Financial Reporting.

Control activities are part of normal control and financial reporting activities at all levels and play an important role in ensuring reliability of financial information.

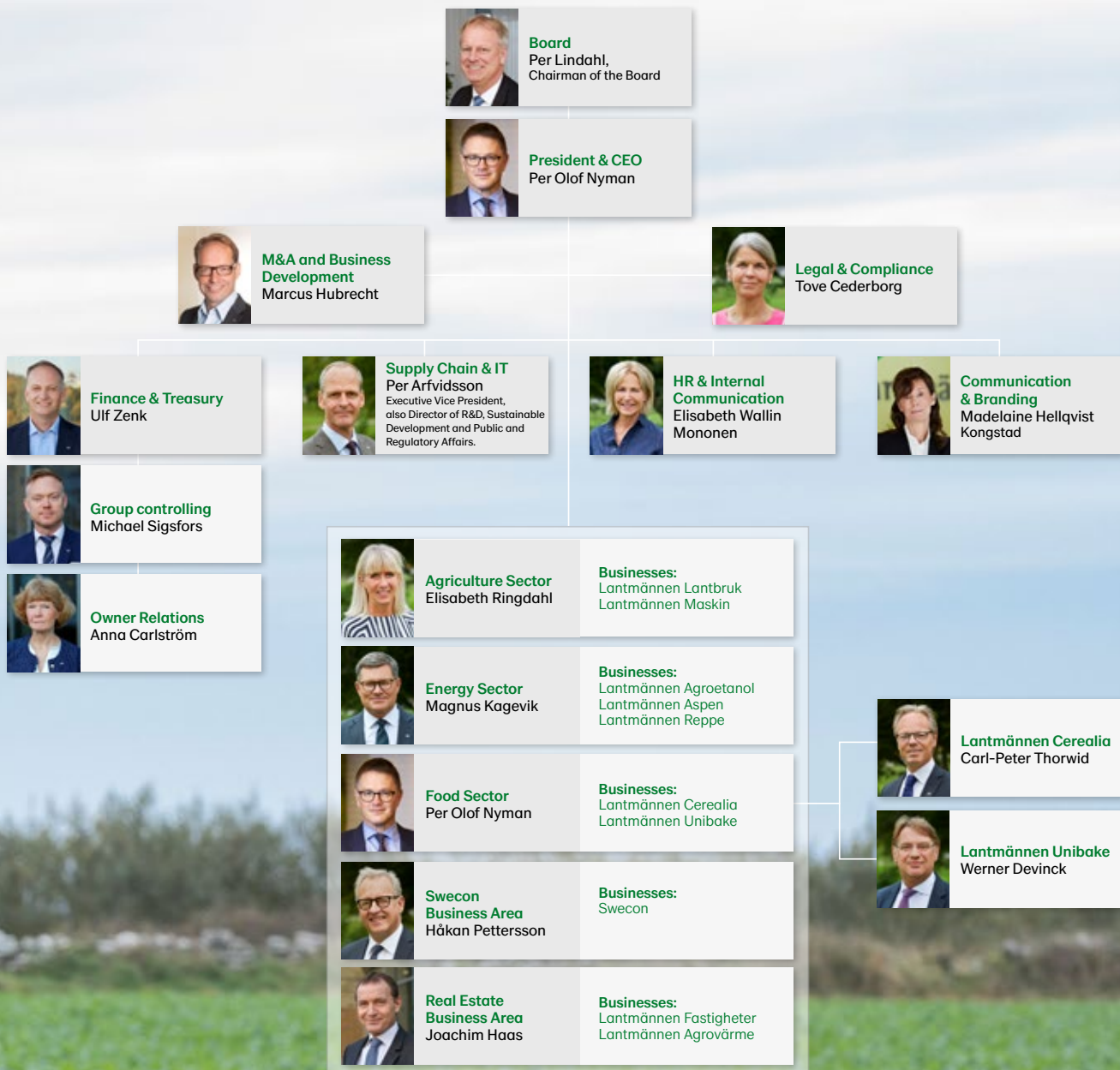
Internal audit conducts regular audits in accordance with the annual audit plan adopted by the Board. The internal audit unit reports material observations and improvement proposals to the Group Board, the Audit Committee and the operating units.

Information and communication is conducted through Lantmännen's financial manual, which contains reporting and accounting handbooks and other guidelines for financial reporting. In addition, there are policies in place for important areas, which define responsibility, authority and procedural guidelines. The policies are available on Lantmännen's intranet. The IC coordinators at the different levels are also responsible for reporting changes and non-conformances in internal control.

Regular monitoring is conducted, in order to ensure the efficiency of internal control over financial reporting. The monitoring process includes analysis of regular financial reports against historical figures, budgets and forecasts as well as monitoring of reported activities. Monitoring takes place at company, business area, Sector and Group levels.

Organization and structure

The Board decides the Group's overall goals, strategic plans and significant policies and monitors their compliance and updating. The President & CEO is appointed by the Board and is responsible for the Association's day-to-day management. Corporate functions are described on the next page.



Our corporate functions

Lantmännen's corporate functions pursue their own key issues and support Group management and the Sectors in Group matters.

Finance & Treasury

Has responsibility for the Group's economic and financial management and reporting. Also includes controlling, strategy, finance, risk management and tax units. Owner relations is also included in the corporate function and is responsible for Lantmännen's member communication. The department works on coordination and support for elected representatives in district boards, nomination committees and communication between elected representatives and members.

R&D – Research and development

Runs Lantmännen's strategic work on research, innovation and early business development. The department also provides administration of Lantmännen's Research Foundation, which funds research within food, agriculture, energy and green materials.

HR & Internal Communication

Has strategic responsibility for Lantmännen accessing the right skills and leadership to enable the Group to achieve its business objectives. This includes strategic and operational responsibility for driving, developing and implementing policies, processes and tools for recruitment, equality & diversity, skills and leadership development, work environment and health. The department also has main responsibility for the Group's employment law, employer issues and compensation & pay. Another area of responsibility is internal communication and internal communication channels.

Sustainable development

Responsible for developing strategies and supporting Lantmännen's businesses with sustainable development expertise, in order to protect and strengthen Lantmännen's brand and contribute to business value in both the short and the long term. The department also has overall responsibility for Lantmännen's Code of Conduct.

Legal & Compliance

Assists Lantmännen's businesses with legal advice from its own or external legal experts and handles all legal issues concerning acquisitions and disposals, intellectual property rights, disputes and major business negotiations. The department also includes the Compliance function, which supports and

facilitates the implementation of monitoring and compliance with anti-corruption and competition laws and the General Data Protection Regulation (GDPR).

Communications & Branding

Responsible for building and developing the Lantmännen brand, thereby enhancing the Group's competitiveness and supporting its business objectives. Responsible for the brand, marketing communication and external communication, media training, PR, community and media contacts and social media. Also responsible for the development of digital channels, and external, market, customer and consumer understanding.

IT

Develops, manages and ensures the operation of stable and cost-effective IT solutions. Runs projects within digitalization to strengthen the Group's competitiveness and support the business goals in line with adopted strategies.

Supply Chain

Initiates, manages and supports change processes within the entire Lantmännen supply chain. The department's work includes the purchase of products and services for the Group, supply chain development between Lantmännen companies, and project and change management within production, planning, logistics and purchasing in order to continue to develop cost leadership in their sectors.

M&A and Business Development

M&A stands for mergers & acquisitions, but also includes divestments. M&A supports all the Group's units in identifying and carrying out activities within the area, and helps with business development projects. Business development may include joint ventures, additional acquisitions, strategic partnerships and licensing arrangements.

Public & regulatory affairs

Monitors, analyzes and engages in active dialogue in political processes in Sweden and the EU that could affect the conditions for Lantmännen's business and strategies. The main focus is agriculture, energy, food and sustainability. The work is conducted in cooperation with other functions and Lantmännen companies, but also to a large extent with external parties such as industry organizations and other companies.



Tommy Brunsärn, Henrik Wahlberg, Sonat Burman-Olsson, Hans Wallemyr, Per Lindahl

Board of Directors

The Board consists of eight 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 8, 2019.

Holdings of subordinated debentures and contribution issues are reported in SEK, as at December 31, 2018.

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: Viking Malt and Fellow of The Royal Swedish Academy of Agriculture and Forestry (KSLA)
Contribution issues: SEK 1,938,184*

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 426,324*

Gunilla Aschan

Linköping
 Born: 1960
 Director since 2015
 Member of Lantmännen
Other functions at Lantmännen: Audit Committee
Education: Agriculture
Main occupation: Farmer
Production: Forestry, crops, beef
Directorships: Hushållningssällskapet Östergötland, Scandi Standard AB (publ) and Fellow of The Royal Swedish Academy of Agriculture and Forestry (KSLA).
Contribution issues: SEK 32,526*
Subordinated debentures: SEK 150,000

Sonat Burman-Olsson

Lidingö
 Born: 1958
 Director since 2018
 Not a member of Lantmännen
Other functions at Lantmännen: Remuneration Committee
Education: M.Sc. (Business and Economics), Executive MBA, Strategic Man Oxford & Harvard
Main occupation: Directorships
Production: -
Directorships: Lindab International AB, iZettle AB and PostNord AB.

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: Nordic Waterproofing (Chairman), Ripasso Energy AB (publ), Nordisk Solar AS, AQ Group AB, OptiGroup AB and GUMACO AB.

Ove Gustafsson

Västra Tunhem
 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
Directorships: Chairman Bondegårde Vindpark AB
Contribution issues: SEK 733,695*

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



Pär-Johan Lööf, Gunilla Aschan, Ulf Gundemark, Johan Mattsson, Tomas Welander, Ove Gustafsson

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 Sweden and Viking Malt AB.
Contribution issues: SEK 493,542

Henrik Wahlberg

Soukolojärvi, Övertorneå Municipality
 Born: 1967
 Director since 2017
 Member of Lantmännen
Other functions at Lantmännen: Owner Committee
Education: Aeronautical engineer, agriculture
Main occupation: Farmer
Production: Milk, beef
Directorships: Sparbanken Nord, Övertorneå Energi AB, Övertorneå Energi Försäljnings AB
Contribution issues: SEK 191,827*

Board Secretary

Tove Cederborg

Head of Legal Affairs
 Born: 1964
 Hired: 2011
Education: LLB, Lund University 1992
Directorships: Pensionsstiftelsen Grodden AB.
Subordinated debentures: SEK 100,000

Employee Representatives

Tommy Brunsärn

Södertälje
 Born: 1959
 Director since 2007
 Union 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
Directorships: Naturbutiken på Öland AB, AviFauna i Sverige AB, Stenhusa Gärd Aktiebolag and Ideella föreningen Odling i Balans med firma Odling i Balans. Vice Chairman The Foundation for Agricultural and Environmental Engineering Research (SJMFF)
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

Auditors

Elected representatives

Maude Fyrenius

Lärbro
 Born: 1973
 Auditor for Lantmännen since 2014
Education: Agrotechnician
Main occupation: Farmer, Consultancy and skills development, Gotland County Administrative Board
Production: Crops, lamb and beef, nature conservation
Contribution issues: SEK 34,839*

Gustav Jansson

Enköping
 Born: 1967
 Auditor for Lantmännen since 2012
Education: Agriculture
Main occupation: Farmer, accounting consultant
Production: Crops, forestry
Contribution issues: SEK 708,707

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 1,137,985

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, Stanley Security

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



Carl-Peter Thorwid, Håkan Pettersson, Tove Cederborg, Werner Devinck, Per Olof Nyman

Group Management

Holdings of subordinated debentures and contribution issues are reported in SEK, as at December 31, 2018.

Per Olof Nyman

President & CEO, Head of Food Sector

Born: 1956

Hired: 2008

Education: M.Sc. (Industrial and Management Engineering)

Linköping Institute of Technology

Directorships: Hauptgenossenschaft Nord AG, HKScan Oyj

and Svensk Kooperation Ekonomisk Förening.

Subordinated debentures: SEK 250,000

Per Arfvidsson

Executive Vice President, Supply Chain, Public and Regulatory Affairs, IT, Sustainable Development and R & D

Born: 1962

Hired: 2011

Education: M.Sc. (Mechanical Engineering, Industrial

Organization & Logistics) Chalmers University of Technology

Directorships: Foodhills AB, Sweden Food Arenas and Lund University.

Werner Devinck

Senior Vice President Lantmännen Unibake

Born: 1958

Hired: 2013

Education: Economist,

University of Leuven, Belgium

Magnus Kagevik

Head of Energy Sector (from March 2018)

Born: 1967

Hired: 2018

Education: M.Sc. (Mechanical Engineering) Linköping

Institute of Technology

Directorships: Scandbio AB, PEMA Sweden AB and SPBI

Service AB.

Håkan Pettersson

Head of Swecon Business Area

Born: 1956

Hired: 2002

Education: M.Sc. (Industrial and Management Engineering),

Linköping

Subordinated debentures: SEK 50,000

Elisabeth Ringdahl

Head of Agriculture Sector

Born: 1965

Hired: 2015

Education: M.Sc. (Business and Economics), Uppsala

University

Directorships: Scandagra Group AB, Scandagra Eesti AS,

Rezekne Dzirnavnies AS, UAB Scandagra and Scandagra

Polska Sp. z o.o.



Elisabeth Ringdahl, Ulf Zenk, Elisabeth Wallin Mononen, Magnus Kagevik, Per Arfvidsson

Carl-Peter Thorwid

Senior Vice President Lantmännen Cerealia

Born: 1964

Hired: 2016

Education: M.Sc. (Industrial and Management Engineering), Linköping

Directorships: Swedish Food Federation. Deputy Board member of HKScan Oyj.

Elisabeth Wallin Mononen

Senior Vice President Human Resources

Born: 1959

Hired: 2005

Education: LLB, Lund University, and MBA, University of Illinois at Chicago

Directorships: Hagabergs Mekaniska Aktiebolag (Deputy)

Ulf Zenk

Senior Vice President & Group CFO

Born: 1963

Hired: 2012

Education: M.Sc. (Business and Economics), Linköping University

Directorships: Viking Malt Oy, Viking Malt AB and Lanthem Samhällsfastigheter AB.

Subordinated debentures: SEK 150,000

Tove Cederborg

Head of Legal Affairs, Group General Counsel

Born: 1964

Hired: 2011

Education: LLB, Lund University

Directorships: Pensionsstiftelsen Grodden.

Subordinated debentures: SEK 100,000

Overview and facts

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Risks and risk management

Risks are inherent in all business activity. Risks can arise from mismanagement or events and decisions that affect Lantmännen's business goals. 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. Each year, an Enterprise Risk Management process is implemented with all business units. Risks and measures are identified and evaluated during the process.

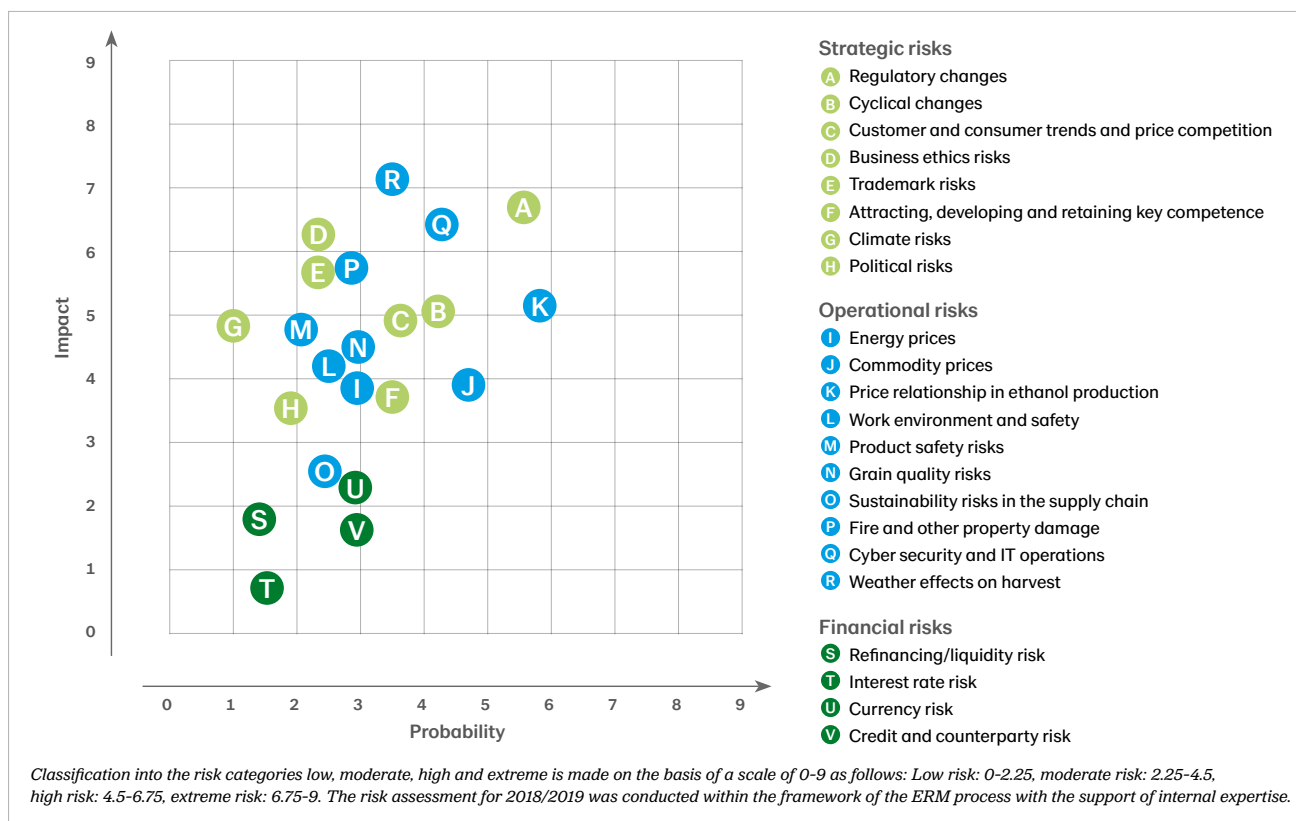
Strategic risks are associated with business development and long-term planning, and Lantmännen's brand. The most significant strategic risks are concerned with adapting the business to economic changes, conducting effective business development and fulfilling Lantmännen's brand promise. Strategic risks are largely dealt with as part of the annual strategy work.

Operational risks are part of the Lantmännen's day-to-day operations, and include risks of handling errors, compliance with laws and regulations, and in financial reporting and internal control. Several operational risks can be managed,

and are often regulated by policies, guidelines and instructions to provide consistent and effective safety. A large number of the operational risks are also managed through insurance. Operational risk management is based on a number of central risk policies, our Code of Conduct and our internal processes and procedures.

Lantmännen is exposed to *financial risks* that could cause fluctuations in earnings, cash flow and items in the statement of financial position. This risk management is described in Lantmännen's financial policy, which is the Group's overall governing document for financial risks. Financial status reporting and compliance with the financial policy are regularly reported to Group Management and the Board. Financial risks are governed by financial and risk policies that are established and evaluated by the Group Board.

Lantmännen's risk analysis



Strategic risks

Regulatory changes

Risk level¹⁾ ● High probability ● High impact

New laws and regulations may restrict Lantmännen's operations or bring higher requirements. Some of Lantmännen's operations are subject to permit, regulation and supervision and are affected by regulatory changes, mainly in Sweden and the EU. One example is the EU's revised Renewable Energy Directive (RED II), which involves some risk of reduced demand for crop-based biofuels during the period 2021-2030 in the EU. However, the risk is lower in Sweden due to higher political ambitions for biofuels, regardless of raw material. **Risk management:** Each Sector and business area monitors regulatory changes and adapts its operations. With its high climate and sustainability performance, Agroetanol is less likely to be adversely affected by the renewable energy directive than other producers of crop-based ethanol and other biofuels. The gradual phasing-in of different residual products as raw materials, which are not classified as crop-based but as "advanced", also reduces the risk. **2018 outcome:** In the energy and agricultural areas, there is an ongoing review of regulations that may have an impact on Lantmännen's operations. The proposal for a revised renewable energy directive was concluded in 2018 and comes into force in 2021 and has not so far affected demand for and prices of ethanol from Agroetanol. The Commission's original proposal was accepted. Lantmännen has devoted a great deal of advocacy work to preserving the customs conditions that are important to for Agroetanol, and in 2018 the government made decisions in line with Lantmännen's position. Brexit is expected to affect Lantmännen's food operations. Political moves from the US and Russia that lead to restrictions on trade may affect parts of the Group's business.

Cyclical changes

Risk level¹⁾ ● Moderate probability ● High impact

Risks of the business being affected by cyclical changes and subsequent reduced demand are significant, even though most operations are in stable industries such as food and energy. The economic situation is considered strong, but with the risk that the cycle's highest levels will come in 2019. **Risk management:** Lantmännen monitors the economic situation, aims for flexibility and adapts the cost situation to economic fluctuations. Action plans are in place for major changes in demand due to a downturn. **2018 outcome:** Lantmännen encountered good economic conditions in the Swedish construction market. The portfolio strategy's cyclical sensitivity has been reduced through acquisitions in non-cyclically-dependent companies: Finnish cattle feed producer Raisio, and French alkylate distributor Marline.

Customer and consumer trends, price competition

Risk level¹⁾ ● Moderate probability ● High impact

Changed customer and consumer behavior presents both opportunities and risks. Consumer and customer expectations are generally higher than what the market delivers. At the same time, consumers and the public are becoming more aware, knowledgeable and critical. The combination of this and more accessible information increases the requirements (and risk) of undergoing scrutiny. **Risk management:** Lantmännen identifies customers' wishes and develops innovative services and products. **2018 outcome:** During the year, market demands for responsible, sustainable products and services continued to increase and many large players are actively working on these values. Lantmännen develops products and services, but there are increasing demands on development rate, content and investment levels. Lantmännen continues to work with in-depth external and intelligence analyzes to lead development.

Business ethics risks

Risk level¹⁾ ● Moderate probability ● High impact

Lantmännen operates in countries and industries with exposure to corruption and problems relating to competition law. **Risk management:** Business ethics is part of Lantmännen's Code of Conduct, and there are also special policies and a business ethics compliance program. The program includes an annual risk analysis, targeted activities to manage risk areas, and systematic monitoring and reporting. **2018 outcome:** Updated training in bribery/corruption and competition law was provided. Risk assessments and integrity checks of relevant counterparties were part of ongoing activities. Group-wide work has been conducted to adapt to the new General Data Protection Regulation (GDPR).

Trademark risks

Risk level¹⁾ ● Moderate probability ● High impact

Lantmännen's brand may be adversely affected if operations are not conducted sustainably from an economic, environmental and social perspective, or current legislation and regulations are not complied with, or Lantmännen fails to live up to its brand promise and the expectations that exist. **Risk management:** Lantmännen works systematically to take responsibility and reduce adverse impacts on people and the environment throughout the value chain from field to fork. We impose requirements for raw materials and suppliers, our processing procedures and the products and services we supply to the market. We actively pursue stakeholder dialogue and strive for honest and transparent reporting and communication of how we work and what results we achieve. **2018 outcome:** Awareness of Lantmännen's brand promise increased with top positions in the Sustainable Brand Index. Lantmännen's brand continues to strengthen its position, thereby increasing the intangible value. We continued to invest in innovation and develop the offering throughout the value chain, and several products were launched to meet customer expectations and market demands.

Attracting and retaining key competence

Risk level¹⁾ ● Moderate probability ● Moderate impact

Shortage of leadership and competence can lead to Lantmännen being unable to implement strategies, develop businesses and fully achieve business goals. **Risk management:** Lantmännen pursues systematic, strategic work with a focus on succession planning and skills supply and on strengthening its employer brand among current and potential employees. **2018 outcome:** We have worked with the platform for assessments in recruitment processes and talent identification. Most development programs have been conducted for leaders and employees with leadership potential. The employer brand has been strengthened through an updated communicative platform and a clarified employee commitment - "Growing together from field to fork".

Climate risks

Risk level¹⁾ ● Low probability ● High impact

Climate change, with more extreme weather conditions, such as drought and extreme precipitation, affects the growing conditions for our most important crops and raw materials. New crops will be grown in new areas, which may present opportunities. In parallel, risks of new plant diseases and pests increase. **Risk management:** Development of cultivation methods, variety breeding and geographical adaptation, and preparedness with increased drying capacity for production disruption in extreme weather, and delivery reliability for sensitive raw materials. It also requires long-term strategic investments in plant breeding to meet a changed climate. **2018 outcome:** Long-term investments in plant breeding in partnership with researchers and the industry were started through the public initiative "SLU Grogrund". Lantmännen's grain handling infrastructure was strengthened. Integration of risk mapping tools for raw and other materials and flood-prone production facilities. Lantmännen's climate strategy was developed.

Political risks

Risk level¹⁾ ● Low probability ● Moderate impact

There are uncertain political situations both globally and in the EU. Decisions on global institutions and trade agreements and unstable relations between larger countries create great global concern, both politically and economically. The EU and leadership of several European countries have weakened and the Union is exposed to both internal and external stress. Brexit and the implementation of the withdrawal from the EU are creating uncertainty regarding trade and the EU's future budget. **2018 outcome:** Lantmännen, agriculture and the food sector received political support during the year, as a result of the drought, crisis preparedness, food strategy and climate. Rhetoric and certain decisions are moving in the right direction, but concrete political decisions are still needed to create good conditions for Swedish agriculture and the food sector.

¹⁾ The risk assessment for 2018/2019 was conducted within the framework of the ERM process with the support of internal expertise.

Operational risks

Energy prices

Risk level¹⁾ ● Moderate probability ● Moderate impact

Lantmännen's consumption, about 868 GWh per year, in the highly volatile electricity and natural gas markets represents a risk. **Risk management:** Lantmännen hedges electricity and gas prices on a falling scale of up to 36 months, depending on the conditions. Lantmännen hedges through active management in the spot and futures markets to reduce price risks. **2018 outcome:** Price hedges were used according to the finance policy's neutral to high volume range. A new hedging strategy was introduced, which meant a higher degree of hedging for 2019.

Commodity prices

Risk level¹⁾ ● High probability ● Moderate impact

Grain and other raw materials represent a large part of Lantmännen's costs. The prices are volatile and driven by changes in harvest size. The price fluctuations are expected to increase with political uncertainty, which so far has resulted in a trade war between the US and China. **Risk management:** Lantmännen works to hedge prices through physical sales and supply agreements and in the financial commodity markets. Trading is regulated in policy documents. **2018 outcome:** The risk policy has been revised under the annual schedule. All commodity risks have been hedged in accordance with current rules and policies. The Larma commodity risk system has been developed according to the needs of the business in order to reflect commodity exposure.

Price relationship in ethanol production

Risk level¹⁾ ● High probability ● High impact

The bioethanol plant in Norrköping is greatly affected by the price relationship between ethanol, feed and grain, and political decisions such as the EU tariff rules. **Risk management:** Lantmännen hedges grain purchasing and the sale of ethanol and feed. Scope for hedging ethanol has improved, but is limited by a lack of liquidity in the futures market. Extensive development aimed at broadening the raw material base and product range is reducing the impact of the price relationship between ethanol, feed and grain. **2018 outcome:** Grain is the base, but the proportion of alternative raw materials has continued to increase.

Work environment and safety

Risk level¹⁾ ● Moderate probability ● Moderate impact

Some facilities have hazardous work environments and activities that could pose a danger or risk to health. **Risk management:** Increased systemization, reporting and monitoring are a priority. Health & safety training is obligatory for all our managers. **2018 outcome:** Lantmännen continued work on the IA system for reporting accidents, incidents and risk observations. In 2018, working methods were also implemented to integrate, e.g., safety inspections and checklists into the IA system for digitalization and streamlining of the process. The system facilitates preventive and strategic work environment and safety efforts. We also made about 50 workplace follow-ups, "Blue inspections".

Sustainability risks in the supply chain

Risk level¹⁾ ● Moderate probability ● Moderate impact

Lantmännen has suppliers in high-risk countries and industries with regard to environment, health & safety, social conditions and corruption. Lantmännen also handles raw materials and products with a risk of non-respect of human rights and with a high impact on ecosystems, such as plant nutrients, plant protection, soy, palm oil, animal raw materials and cocoa. **Risk management:** In the Supplier Code of Conduct, compliance work is regulated throughout the supply chain. For soy and palm oil, there are special strategies to safeguard responsibility. **2018 outcome:** Lantmännen worked on dialogue, monitoring and inspections (audits) of suppliers. The purchasing organizations were trained and risk mapping tools for raw and other materials and suppliers were developed. In Sweden, the Soy Dialogue for responsible soy was further developed.

Product safety risks

Risk level¹⁾ ● Low probability ● High impact

If Lantmännen's products have defects, there are risks to customers and consumers, and to earnings. **Risk management:** Lantmännen conducts extensive quality work and products are regularly assessed from a safety and quality perspective. Product recall insurance protects in the event of a product defect resulting in withdrawal from the market. **2018 outcome:** Product safety and quality work is managed and developed by each Group company. Lantmännen's monitoring process has driven and followed up the work on product safety and quality assurance.

Grain quality risks

Risk level¹⁾ ● Moderate probability ● Moderate impact

Managing risks in the grain value chain from field to fork is key to Lantmännen. Grain quality is affected by several factors and correct handling must be ensured at all stages to meet the quality requirements. Particular risks exist regarding germination capacity of malting barley, sludge fertilization, pesticides and fusarium toxins. To ensure quality, certain grain qualities are cultivated on contract with specific requirements. **Risk management:** Ongoing development of the requirements and handling of grain as a raw material. **2018 outcome:** Premium crops are checked and monitored by third-party audits. Ongoing monitoring of available quantity and quality is conducted.

Fire and other property damage

Risk level¹⁾ ● Moderate probability ● High impact

Property and equipment can be damaged in the event of fire or power failure. Production downtime affects earnings and market position. Withdrawal of products involves costs and damage to reputation. **Risk management:** Lantmännen has Group-wide insurance programs for property and consequential loss and works to limit the risk of incidents. Premium costs are reduced via the Group's own insurance company. **2018 outcome:** Through our own insurance company Dirual AG, loss and damage has been limited due to continued intensive, proactive work with about 50 risk and loss prevention inspections carried out.

Cyber security and IT operations

Risk level¹⁾ ● Moderate probability ● High impact

Information is a necessary asset for the further development of Lantmännen's business. The trend is clear and IT threats are increasing. Incentives are often financial, which means that companies are relevant attack targets, and Lantmännen prioritizes cyber security work. **Risk management:** All information is classified according to protection value. The classification is the basis for the choice of the various process and technology-based protection mechanisms we need and Lantmännen continuously trains all employees in safe handling of information. Specially selected risk areas such as life cycle management of IT systems and processing of personal data according to the GDPR are evaluated and continuously monitored. **2018 outcome:** Lantmännen's business processes were classified to identify the protection value of the information. Basic requirements for IT systems have been communicated according to the information classification results, internally and to suppliers. Risks linked to internal and external threats to Lantmännen's information in IT systems have been assessed, documented and followed up.

Weather effects on harvest

Risk level¹⁾ ● Moderate probability ● Extreme impact

The weather is the largest single factor that affects harvest size and quality, and affects the international grain and commodity prices, which can have severe consequences on profitability throughout the grain value chain. For the last 6 years, Lantmännen has implemented a strategy to increase grain trade outside Sweden in order to supply its own industry and external customers in the event of a weaker Swedish harvest. **2018 outcome:** The summer drought had a major effect on the grain harvest in Sweden and the Baltic Sea region. The Swedish harvest of grain, oilseeds and pulses is estimated at 3.5 million tonnes, compared with the 5-year average of 6.2 million tonnes. Up to July 2019, Sweden needs to import about 800,000 tonnes of grain into the feed industry and ethanol production. Sweden normally exports 1.5 million tonnes per year.

¹⁾ The risk assessment for 2018/2019 was conducted within the framework of the ERM process with the support of internal expertise.

Financial risks

Refinancing/liquidity risk

Risk level¹⁾ ● Low probability ● Low impact

The Group's liquidity requirement (liquidity risk/refinancing risk) must be ensured so that Lantmännen can fulfill all its payment obligations in all market conditions. Local market conditions must be taken into account when establishing credit for local companies. **Risk management:** Refinancing risk is reduced by spreading the maturity structure over different maturities and spreading borrowing among several capital markets and currencies. In accordance with the finance policy, Group Treasury will ensure a liquidity reserve of at least MSEK 1,500 in unused guaranteed credit facilities under Lantmännen's bank agreements. **2018 outcome:** The actual liquidity reserve exceeded MSEK 1,500 in 2018. The Group's borrowing continues to have a good maturity structure spread, as well as in new capital markets or via supranational organizations. In those countries where there have been difficulties with central group accounts, guaranteed credit has been established with local banks.

Interest rate risk

Risk level¹⁾ ● Low probability ● Low impact

Momentary changes to market interest rates in Lantmännen's borrowing currencies may adversely affect both net finance income and cash flow due to the average fixed-rate period in the total external debt portfolio. **Risk management:** Group Treasury has established a fixed-rate period as long as is practically possible in line with the limits stated in the finance policy by combining new fixed-rate loans in SEK, EUR and DKK and converting variable interest rates into existing loan stock at fixed interest rates with interest-rate derivatives. **2018 outcome:** During the year, Lantmännen has repaid fixed-rate loans and converted variable interest rates to fixed interest rates via derivatives so that the fixed-rate period varied between 30 and 36 months in accordance with given risk mandates.

Currency risk

Risk level¹⁾ ● Moderate probability ● Moderate impact

In the course of its operations, Lantmännen is exposed to currency risk, as exchange rate fluctuations affect the Group's earnings and financial position. The Group's currency exposure includes both transaction exposure and translation exposure. The Group's currency risk management is aimed at minimizing the short-term effect of exchange rate fluctuations. **2018 outcome:** Currency risks have been managed according to given policies and exposure has been within given limits. The Group's currency exposure has increased due to expansion outside the Nordic region, mainly eastern Europe. Group Treasury has worked to increasingly borrow in the same currency as that used to pay for the acquired assets. For more detailed info, see note 24.

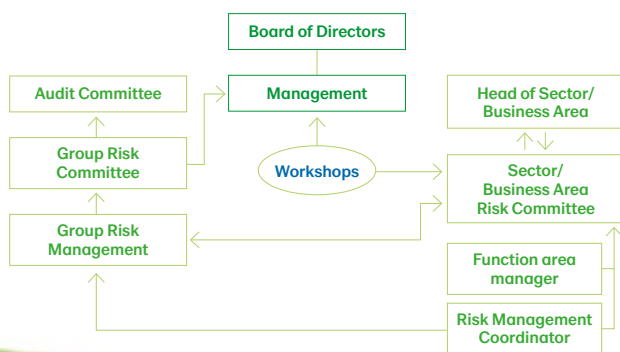
Credit and counterparty risk

Risk level¹⁾ ● Moderate probability ● Low impact

Lantmännen's financial transactions give rise to credit risks associated with financial and commercial counterparties. **Risk management:** Lantmännen works with Nordic and international banks with good credit ratings according to the risk limits decided by the Group Board. Lantmännen has diversified its counterparty risk by increasing the use of banks based outside the Nordic market. Counterparty risk regarding financial institutions is monitored regularly and reported on a monthly basis to the Risk Committee. Credit risk in trade receivables is monitored by the relevant profit centers, as is their compliance with the Group's credit policy. Credit insurance is used in special cases. **2018 outcome:** Counterparty risk is continuously evaluated, with monthly reporting to the Risk Committee.

¹⁾ The risk assessment for 2018/2019 was conducted within the framework of the ERM process with the support of internal expertise.

Lantmännen's risk management process



Lantmännen's Board is responsible to the members for the Company's risk management. Group management regularly reports on risk issues to the Board and its Audit Committee. The ongoing process of controlling risk mandates and policies takes place in the Risk Committee, which ensures compliance with the risk mandates adopted by the Board and reports monthly to the Board's Audit Committee. 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.

Every year, an *Enterprise Risk Management process* is conducted with all business units, during which each unit's risks are identified and evaluated, and risk measures are established through workshops with the management group. The process includes issues within Group Risk Management, Group Compliance, Sustainable Development, Information and IT Security, Health and Safety, and Internal Audit and these functions participate in the work. The Group's risks are aggregated, and the most significant identified risks are communicated to the Risk Committee, Group Management and the Board for ongoing management and monitoring.

The Group's Ten-year overview

Condensed income statements

MSEK	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net sales	43,962	39,686	37,244	35,660	32,666	33,802	36,526	37,896	35,988	34,978
EBITDA	2,806	2,919	2,771	2,573	2,556	2,193	1,698	2,570	2,624	1,884
Depreciation, amortization and impairment	-1,363	-1,242	-1,165	-1,222	-1,103	-2,104	-1,185	-1,366	-1,565	-1,407
Operating income	1,443	1,677	1,606	1,351	1,453	89	513	1,204	1,059	477
Finance income and costs	-193	-156	-149	-105	-111	-4	-182	-337	-237	-373
Income after financial items	1,250	1,521	1,457	1,246	1,342	85	331	867	822	104
Tax, minority	-68	-216	-183	-156	-117	15	-91	-147	-97	78
Net income for the year	1,182	1,305	1,274	1,090	1,225	100	240	720	725	182

Condensed statements of financial position

MSEK	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Property, plant and equipment	10,673	10,030	9,098	7,699	7,178	7,337	8,928	9,258	9,758	10,798
Goodwill	5,350	5,238	4,611	4,424	2,915	2,594	2,554	2,640	2,779	3,030
Other intangible assets	3,451	3,327	2,980	2,782	752	814	875	767	713	748
Other non-current assets	3,233	3,204	2,825	2,780	2,762	2,542	2,151	2,069	2,094	3,581
Total non-current assets	22,707	21,799	19,514	17,685	13,607	13,287	14,508	14,734	15,344	18,157
Inventories	6,943	5,948	5,270	5,545	5,379	5,249	5,946	5,506	5,224	5,646
Other current assets	6,725	5,866	5,933	5,599	5,087	5,170	5,561	5,642	5,572	5,436
Cash and cash equivalents	720	927	1,773	1,252	3,058	2,295	352	739	869	391
Total current assets	14,388	12,741	12,976	12,396	13,524	12,714	11,859	11,887	11,665	11,473
Total assets	37,095	34,540	32,490	30,081	27,131	26,001	26,367	26,621	27,009	29,630
Equity, members of the Parent	15,935	14,859	13,795	12,660	11,859	11,016	10,899	10,906	10,390	10,140
Equity, NCI	92	89	88	21	17	28	33	36	32	85
Total equity	16,027	14,948	13,883	12,681	11,876	11,044	10,932	10,942	10,422	10,225
Non-current liabilities	7,005	5,983	6,219	6,135	3,598	4,939	5,919	5,360	7,320	9,523
Current liabilities	14,063	13,609	12,388	11,265	11,657	10,018	9,516	10,319	9,267	9,882
Total equity and liabilities	37,095	34,540	32,490	30,081	27,131	26,001	26,367	26,621	27,009	29,630
Net debt	8,719	7,274	6,289	6,476	3,674	4,963	7,506	7,186	7,501	9,739
Refund and supplementary payment ^{1) 2)}	156	245	231	188	135	129	120	110	95	1
Extra dividend	-	133	-	-	-	-	-	-	-	-
Contribution dividend, contribution issue ²⁾	463	322	277	243	328	171	168	230	245	163

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

²⁾ According to Board's proposal for 2018.

Continued The Group's Ten-year overview

Key figures	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating margin, %	3.3	4.2	4.3	3.8	4.4	0.3	1.4	3.2	2.9	1.4
Capital turnover rate, times	1.8	1.8	1.8	1.8	2.1	2.0	2.0	2.1	1.9	1.6
Return on equity, %	7.6	9.0	9.6	8.9	10.6	0.9	2.2	6.7	7.0	1.8
Return on operating capital, %	6.0	7.8	8.0	7.5	9.1	0.5	2.8	6.5	5.7	2.2
Equity ratio, %	43.2	43.3	42.7	42.2	43.8	42.5	41.5	41.1	38.6	34.5
Net debt/EBITDA (bank definition)	3.25	2.70	2.53	2.85	2.02	2.62	4.31			
Net debt/equity ratio, times	0.5	0.5	0.5	0.5	0.3	0.4	0.7	0.7	0.7	0.9
Average number of employees	9,940	9,850	9,880	8,911	8,311	9,133	10,249	10,296	10,350	10,552

Excl. items affecting comparability	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating income, MSEK	1,580	1,708	1,697	1,351	851	805	747	1,063	1,223	588
Operating margin, %	3.6	4.3	4.6	3.8	2.6	2.4	2.0	2.8	3.4	1.7
Income after financial items, MSEK	1,387	1,552	1,548	1,246	740	683	565	841	946	215
Net income for the year, MSEK	1,289	1,353	1,457	1,066	595	494	457	634	804	232
Return on equity, %	8.2	9.4	11.0	8.7	5.1	4.4	4.2	5.9	7.8	2.2
Return on operating capital, %	6.6	7.9	8.4	7.5	5.3	4.7	4.1	5.7	6.5	2.8

Condensed statements of cash flows MSEK	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Cash flow from operating activities before changes in working capital	2,268	2,453	2,571	2,159	1,362	1,570	1,358	1,655	2,131	1,138
Cash flow from operating activities	1,023	2,398	3,136	2,167	1,767	2,294	983	1,015	2,157	3,555
Cash flow from investment in/sale of property, plant and equipment and intangible assets, net	-1,626	-2,274	-1,884	-811	-697	-862	-1,163	-160	-684	-1,328
Cash flow from operations	-603	124	1,252	1,356	1,070	1,432	-180	855	1,473	2,227
Cash flow from acquisitions and divestments of operations, net ¹⁾	-333	-852	-357	-4,154	1,065	1,196	0	0	-105	9
Cash flow before financing activities	-824	-703	826	-2,674	2,077	2,450	-222	876	2,692	2,272
Cash flow for the year	-219	-852	489	-1,775	778	1,943	-379	-128	512	131
Cash and cash equivalents at end of year	720	927	1,773	1,252	3,058	2,295	352	739	869	391

¹⁾ 2018 includes acquisition of Raisio's cattle feed business and ThermoSeed Global.

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 Lantmän's 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 Rīgas Dzirnāvnīeks.

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 Pärsbröd in Sweden.

How to read the **Income Statement**

The income statement summarizes the year's finances, showing all income and expenses from the operations contributing to net income for the year.

Consolidated Income Statement

	MSEK	2018	2017
Sales This is where you will find the Company's total sales.	Net sales	43,962	39,686
	Other operating income	279	440
	Changes in inventories of finished goods and work in progress	-301	-535
	Raw materials and consumables	-12,767	-12,186
	Merchandise	-15,583	-12,471
Costs The costs of producing and selling goods and services are shown here.	Employee benefits expense	-6,037	-5,747
	Depreciation, amortization and impairment	-1,363	-1,242
	Other operating expenses	-6,866	-6,422
	Share of income of equity accounted companies	119	154
Operating income This shows whether sales are profitable.	Operating income	1,443	1,677
	Finance income	96	151
	Finance costs	-289	-307
Financial items Income or expenses associated with loans, investments, shares, securities, etc.	Income after financial items	1,250	1,521
	Tax	-68	-216
Income This is also called net income and shows profit after tax.	Net income for the year	1,182	1,305
	Net income for the year attributable to:		
	Members of the economic association	1,176	1,301
	Non-controlling interests	6	4

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.

Consolidated Statement of Comprehensive Income

	MSEK	2018	2017
	Net income for the year	1,182	1,305
	Other comprehensive income		
	<i>Items that will not be reclassified to the income statement</i>		
	Actuarial gains and losses on defined benefit pension plans, net before tax	-30	-1
	Financial assets at fair value through other comprehensive income, net before tax	-69	-
	Tax attributable to items that will not be reclassified	12	0
	Total	-87	-1
	<i>Items that will be reclassified to the income statement</i>		
	Available-for-sale financial assets, net before tax	-	-17
	Cash flow hedges, net before tax	30	-6
	Exchange differences on translation of foreign operations	198	118
	Net gain on hedge of net investment in foreign operations, net before tax	-50	-30
	Tax attributable to items that will be reclassified	15	10
	Total	193	75
	<i>Share of OCI in equity accounted companies</i>		
	Items that will be reclassified to the income statement	83	43
	Total	83	43
	Other comprehensive income, net of tax	189	117
Total comprehensive income This shows the results of the year's operations and remeasurements. The amount increases or reduces the Group's equity.	Total comprehensive income	1,371	1,422
	Total comprehensive income attributable to:		
	Members of the economic association	1,365	1,418
	Non-controlling interests	6	4

How to read the Statement of Financial Position

The statement of financial income provides a picture of existing assets and how they have been financed. The value of total assets is always equal to the value of liabilities, which 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	2018 Dec 31	2017 Dec 31
ASSETS		
Non-current assets		
Property, plant and equipment	10,012	9,387
Investment properties	661	643
Goodwill	5,350	5,238
Other intangible assets	3,451	3,327
Equity accounted holdings	2,299	2,182
Non-current financial assets	629	825
Deferred tax assets	248	170
Other non-current assets	57	27
Total non-current assets	22,707	21,799
Current assets		
Inventories	6,943	5,948
Trade and other receivables	6,668	5,823
Current interest-bearing assets	39	18
Current tax assets	18	25
Cash and cash equivalents	720	927
Total current assets	14,388	12,741
TOTAL ASSETS	37,095	34,540

MSEK	2018 Dec 31	2017 Dec 31
EQUITY AND LIABILITIES		
Equity		
Contributed capital	2,664	2,464
Other contributed capital	3,110	3,010
Reserves	442	230
Retained earnings incl. net income	9,719	9,155
Total equity attributable to members of the economic association	15,935	14,859
Non-controlling interests	92	89
Total equity	16,027	14,948
Non-current liabilities		
Non-current interest-bearing liabilities	5,493	4,523
Provisions for pensions	611	554
Deferred tax liabilities	650	638
Other non-current provisions	208	240
Other non-current liabilities	43	28
Total non-current liabilities	7,005	5,983
Current liabilities		
Current interest-bearing liabilities	4,002	3,841
Trade and other payables	9,280	8,966
Current tax liabilities	103	98
Current provisions	678	704
Total current liabilities	14,063	13,609
TOTAL EQUITY AND LIABILITIES	37,095	34,540

How to read the 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. Financial items and 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	2018	2017
OPERATING ACTIVITIES		
Operating income	1,443	1,677
Adjustment for non-cash items ¹⁾	1,191	1,107
	2,634	2,784
Financial items paid, net	-234	-210
Taxes paid	-132	-121
Cash flow from operating activities before changes in working capital	2,268	2,453
<i>Cash flow from changes in working capital</i>		
Change in inventories	-857	-687
Change in operating receivables	-588	545
Change in operating liabilities	200	87
	-1,245	-55
Cash flow from operating activities	1,023	2,398
INVESTING ACTIVITIES		
Acquisitions of operations (incl. capital contribution)	-373	-1,076
Divestment of operations	40	224
Investment in property, plant & equipment	-1,714	-2,471
Investment in intangible assets	-111	-122
Sale of property, plant & equipment and intangible assets	199	319
Change in financial investments	112	25
Cash flow from investing activities	-1,847	-3,101
Cash flow before financing activities	-824	-703
FINANCING ACTIVITIES		
Change in interest-bearing liabilities including pension provisions	1,108	200
Paid-in contributed capital	161	171
Refunded capital contribution	-61	-75
Dividend paid	-603	-445
Cash flow from financing activities	605	-149
Cash flow for the year	-219	-852
Cash and cash equivalents at beginning of year	927	1,773
Exchange differences in cash and cash equivalents	12	6
Cash and cash equivalents at end of year	720	927

1) MSEK	2018	2017
Adjustment for non-cash items		
Depreciation, amortization and impairment of non-current assets	1,363	1,242
Share of income of equity accounted companies	-58	-117
Capital gains/losses on sale of non-current assets and operations	-45	-108
Other non-cash items	-69	90
Total	1,191	1,107

Glossary

For description of financial performance measures → see page 144

Agenda 2030 ● The UN's 17 sustainable development goals in Agenda 2030 were adopted by the UN countries in September 2015 and are a common vision with goals for achieving sustainable development for all.

Agrodrank ● Protein-rich animal feed produced at Agroetanol in Norrköping.

Audit ● Third-party inspection of suppliers through notified or unannounced visits, with follow-up of requirements in the Supplier Code of Conduct.

B2B ● Business-to-business, non-consumer related sales.

Biodiversity ● Describes the variation between species, within species and habitats found on Earth.

BRC ● British Retail Consortium, a global food safety standard.

CO₂e, carbon dioxide equivalents ● Measurements of greenhouse gas emissions. All emissions, apart from carbon dioxide, are multiplied by a Global Warming Potential (GWP) to allow comparisons for all greenhouse gases.

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.

CSA ● A credit support annex is an agreement that governs how a party with an outstanding debt must provide collateral in the form of cash or securities.

Ecosystem services ● Describes functions in the cycle that nature's ecosystems 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.

Functional food ● Food with documented health benefits.

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.

Global Compact ● UN corporate social responsibility initiative. An international framework of universally accepted principles in the areas of human rights, labor, environment and anti-corruption.

IFRS ● International Financial Reporting Standards. Learn more at ifrs.com

ISDA agreement ● A standardized contract for financial trading.

LCR ● Liquidity coverage ratio, can also be described as the proportion of highly liquid assets that can be used to settle current liabilities.

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

R&D ● Research and Development.

RSPO ● Round Table on Sustainable Palm Oil. International round table process to develop criteria for sustainable palm oil. More about the RSPO certification category Book & Claim, Mass Balance and Segregated can be found at rspo.org

RTRS ● Round Table on Responsible Soy. International round table process to develop criteria for sustainable soy.

Stem-shortening agent ● An agent that reduces the risk of crop lodging. A stem-shortening agent is basically the only crop protection agent that can be sometimes found in detectable residue levels in the grain raw material.

Value added ● EBITDA plus employee benefits expense.

Volatile ● Tending to vary often or widely.



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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.