

We make farming thrive



Lantmännen Annual Review 2016



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Lantmännen's Annual General Meeting

The Annual General Meeting will be held at Hilton Stockholm Slussen, Guldgränd 8, Stockholm, on Thursday, May 4, 2017

Financial Reporting

Interim 1st four months • June 2, 2017
Interim 2nd four months • October 5, 2017

Listen to us!

You can also listen to selected parts of Lantmännen's Annual Report including Sustainability Report on a computer or mobile. Learn more at lantmannen.com/lyssna2016 (available in Swedish)

Sustainability Report

Lantmännen reports in accordance with the Global Reporting Initiative guidelines for sustainability reporting, GRI G4. Learn more at lantmannen.com/gri

Distribution & Ordering

The Annual Review, which is a summary of Lantmännen's Annual Report including Sustainability Report, will be distributed to anyone requesting a copy, and can be downloaded from lantmannen.com/financialinformation or ordered by calling +46 10 556 00 00.


Lantmännen's complete Annual Report including Sustainability Report can be downloaded from lantmannen.com/financialinformation or ordered by calling +46 10 556 00 00.

Lantmännen's interim reports can be downloaded from lantmannen.com/financialinformation

All reports are available in Swedish and English.

Views and comments

If you have any views or comments on the Annual Review please forward them to therese.schwarz@lantmannen.com

A photograph of a breakfast meal. In the foreground, a white bowl is filled with golden-brown granola, including oats, almonds, and dried fruit. To the left, a tall glass is filled with white milk. In the background, there are several green limes and a bunch of yellow lemons on a white surface. A silver spoon is visible on the right side of the frame.

Lantmännen creates value from farmland resources in an innovative and responsible manner. Throughout the value chain from field to fork, we work to take responsibility for the impacts of the operations on people and the environment, and to continue developing businesses that contribute to sustainable development.

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

Lantmännen 2016

Net sales for the Group amounted to MSEK 37,244 (35,660), an increase of 4 percent. Adjusted for acquired and divested operations, net sales were 1 percent higher. Currency effects had a marginal effect on net sales for the year.

Operating income was MSEK 1,606 (1,351) and adjusted for items affecting comparability MSEK 1,697 (1,351).

Income after financial items totaled MSEK 1,457 (1,246) and adjusted for items affecting comparability MSEK 1,548 (1,246).

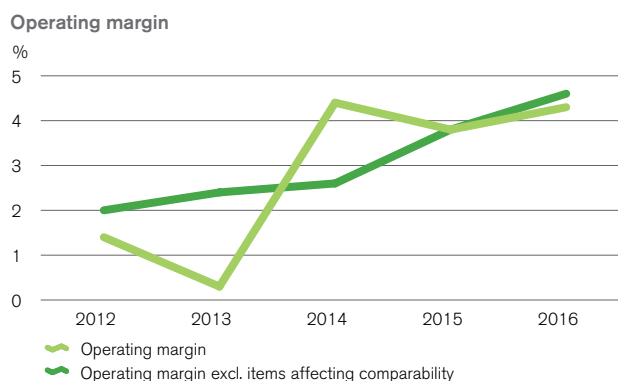
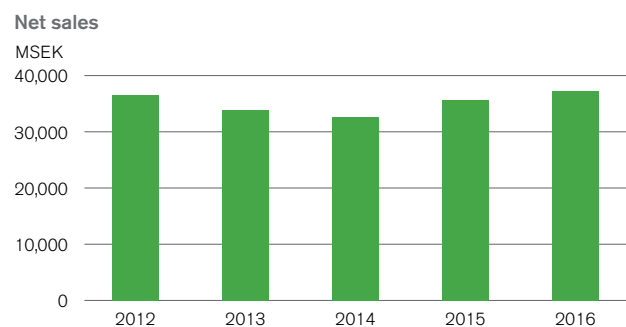
Net income after tax amounted to MSEK 1,274 (1,090).

Cash flow from operating activities for the year was MSEK 3,136 (2,167). Cash flow from investing activities was MSEK -2,310 (-4 841). Investments in non-current assets totaled MSEK 2,333 (1,256). Total cash flow including financing activities was MSEK 489 (-1,775).

Dividend The Board has decided to increase the refund and final price adjustment on trade with Lantmännen Lantbruk Sweden by 0.5 percent to 2.5 (2.0). The Board has also decided to pay a refund of 0.5 (0.5) percent on purchases from the Machinery Sector's Swedish operations. The total refund and final price adjustment is estimated at MSEK 232 (188).

The Board proposes that the AGM adopt a contribution dividend of SEK 9 per SEK 100 of contributed capital or 9 (9) percent, totaling MSEK 207 (193), and a contribution issue of MSEK 70 (50). In total, the proposed contribution dividend and contribution issue amount to 12 (11) percent of the association's contributed capital. The total dividend to the owners is therefore expected to be MSEK 509 (431). The Board also proposes that the AGM adopt a 7.25 (6.5) percent dividend on subordinated debentures, totaling MSEK 18 (16).

Lantmännen has introduced the new European guidelines from ESMA (European Securities and Markets Authority) on the reporting of alternative performance measures. The purpose of APMs is to facilitate the analysis of business results and position not directly derived from the financial reports. Description of financial performance measures can be found on [▶ page 65](#)



“ Our strong position throughout the value chain from field to fork means that Lantmännen can create the conditions for competitive and thriving Swedish farming.

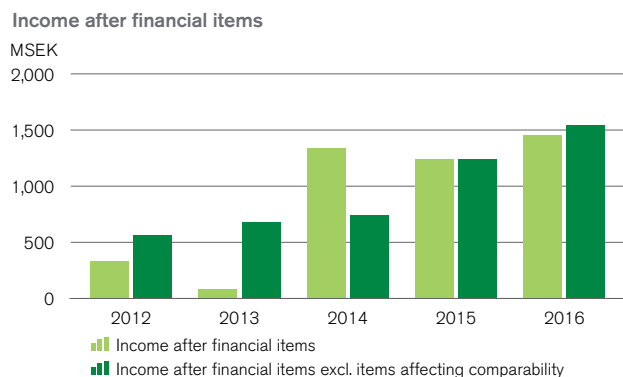
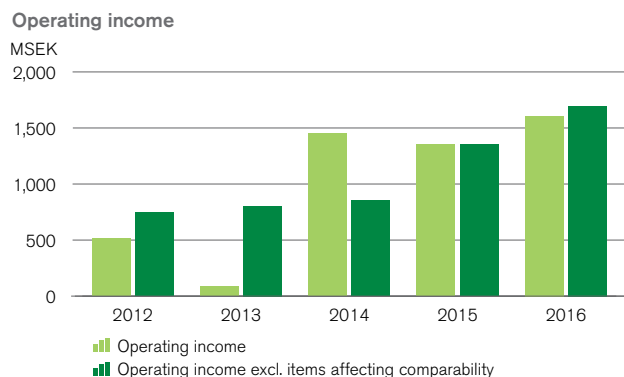
Lantmännen's key figures	2016	2015
Net sales, MSEK	37,244	35,660
Operating income, MSEK	1,606	1,351
Operating margin, %	4.3	3.8
Income after financial items, MSEK	1,457	1,246
Net income for the year, MSEK	1,274	1,090
Cash flow before financing activities, MSEK	826	-2,674
Return on equity, %	9.6	8.9
Return on operating capital, %	8.0	7.5
Total assets, MSEK	32,490	30,081
Equity ratio, %	42.7	42.2
Investments in non-current assets, MSEK	2,333	1,256
Net debt, MSEK	6,289	6,476
Interest coverage ratio, times	5.6	6.9
Net debt/EBITDA (bank definition)	2.53	2.85
Number of members	25,159	27,032
Average number of employees	9,880	8,911
of which women, %	30	27
Total CO ₂ emissions, thousand tonnes	273	239
CO ₂ emissions, tonnes per MSEK value added	32.8	31.6
CO ₂ emissions, tonnes per MSEK net sales	7.3	6.7
Total sick leave, %	4.8	4.4

Key figures excl. items affecting comparability	2016	2015
Operating income, MSEK	1,697	1,351
Operating margin, %	4.6	3.8
Income after financial items, MSEK	1,548	1,246
Net income for the year, MSEK	1,457	1,066
Return on equity, %	11.0	8.7
Return on operating capital, %	8.4	7.5

Description of financial performance measures  see page 65.



Sales by market, MSEK	2016	2015
Sweden	17,089	16,201
Germany	4,497	3,885
Denmark	3,392	3,373
Norway	2,975	3,035
Finland	1,998	1,565
United Kingdom	1,585	1,636
Baltic region	886	598
Netherlands	884	1,055
Spain	530	592
Belgium	450	439
France	430	569
Poland	390	427
Russia	329	299
Switzerland	158	308
Rest of Europe	595	528
United States	864	933
Rest of world	192	217
Total	37,244	35,660

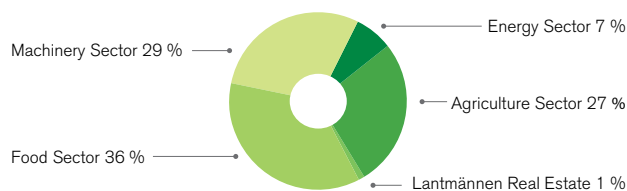


Lantmännen's structure and business

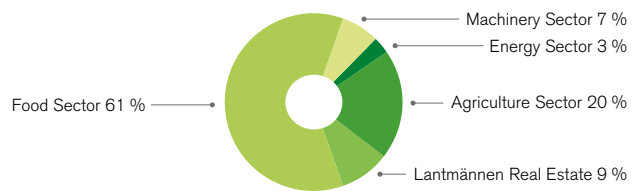
Lantmännen is an agricultural cooperative and Northern Europe's leader in agriculture, machinery, bioenergy and food products. Owned by 25,000 Swedish farmers, we have 10,000 employees, operations in over 20 countries and an annual turnover of SEK 37 billion. With grain as our basis, we create value from farmland resources to make farming thrive. Some of our best-known food brands are AXA, Bonjour, Kungsörnen, GoGreen, Gooh!, FINN CRISP and Schulstad.

Our company is founded on knowledge and values built up through generations of owners. Having research, development and operations throughout the value chain means that we can take responsibility together – from field to fork.

Percentage of the Group's sales 2016

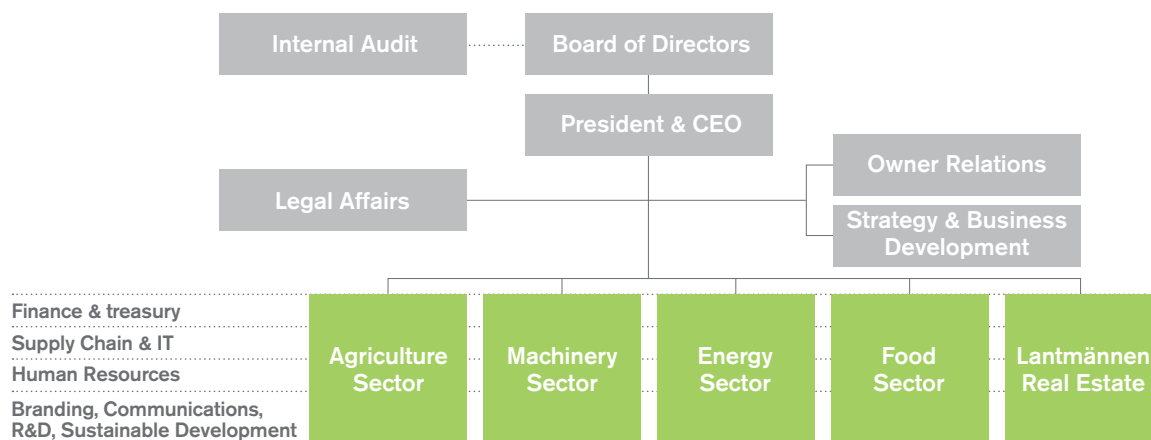


Percentage of the Group's operative capital 2016



Organization

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





Together we take responsibility from field to fork



Elisabeth Ringdahl
Head of Agriculture Sector

Agriculture Sector [▶ page 32](#)

The Agriculture Sector, which constitutes Lantmännen's core business, develops and markets products and services to promote strong, competitive farming. The Sector is based in Sweden, but is also active in the international market. The Agriculture Sector is responsible for Lantmännen's ownership interests in *HaGe Kiel*, *Scandagra Group* and *Scandagra Polska*. A majority holding in the technical services company *Dataväxt* was acquired during the year.



27 % of
the Group's
sales



Håkan Pettersson
Head of Machinery Sector

Machinery Sector [▶ page 37](#)

The Machinery Sector comprises *Lantmännen Maskin*, *Swecon* and *Agro Oil*. Lantmännen Maskin imports, markets and sells agricultural machinery, equipment, spare parts and services in Scandinavia. Swecon markets and sells Volvo Construction Equipment in Sweden, Estonia, Latvia, Lithuania and Germany. Agro Oil markets and sells lubricants and chemical maintenance products in Sweden, Norway, Denmark and Estonia under the Agrol brand.



29 % of
the Group's
sales



Carl von Schantz
Head of Energy Sector

Energy Sector [▶ page 43](#)

The Energy Sector, one of Sweden's largest producers of bioenergy products, manufactures and markets sustainable ethanol, protein feed, renewable carbon dioxide, glucose syrup, starch products, alkylate petrol, vodka and gluten. The Sector's business areas are *Lantmännen Agroetanol*, *Lantmännen Aspen* and *Lantmännen Reppe*. The Energy Sector is also responsible for Lantmännen's ownership interests in the partly-owned company *Scandbio*.



7 % of
the Group's
sales



Per Olof Nyman
President and CEO
Head of Food Sector

Food Sector [▶ page 47](#)

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 Baltic Sea region, but has a presence in about 20 countries. The Sector's business areas are *Lantmännen Cerealia* and *Lantmännen Unibake*. The Sector is also responsible for Lantmännen's ownership interests in the partly-owned company *Viking Malt*.



36 % of
the Group's
sales



Joachim Haas
Head of
Lantmännen Real Estate

Lantmännen Real Estate [▶ page 54](#)

Lantmännen Real Estate is one of Sweden's major property companies with 150 investment properties in about 80 locations. Premises are rented out both externally and internally. Operations are conducted at market conditions and include commercial premises such as offices, stores, workshops and warehouses. The Sector also includes *Lantmännen Agrovärme*, which produces and sells ready heat and district heating.



1 % of
the Group's
sales

Lantmännen's annual overview

Lantmännen stands on a very stable platform, both operationally and financially, which creates security ahead of new initiatives and opportunities for continuing the long-term development of our businesses.

The good results for 2016 are clear evidence that Lantmännen has the right strategy, strong expertise and committed employees and owners.

Per Olof Nyman
President & CEO, Lantmännen

Good quality in the year's harvest

The total Swedish harvest of grain, oilseeds and pulses for 2016 exceeded the five-year average and Lantmännen's harvest forecast in July.

It was generally a good harvest season, with consistent quality. The high quality establishes a solid basis for Swedish industry and its export business.



World-unique pasta innovation!

February 2016 saw the launch of Kungsörnen's bean pasta – a world-unique innovation on the pasta shelves. The bean pasta is made with 30 percent Öland beans, bringing higher protein content and more fiber while still retaining the pasta's flexibility and taste. Both the development team at Lantmännen and the farmers who grow the beans were instrumental in the launch.



Focus on oats during Chinese visit



In late April, Sweden and Lantmännen were visited by a Chinese delegation that came to examine Swedish control of food safety for oats from field to fork. The purpose of the visit was to prepare for approval of oat exports from Sweden to China.

Exports of grain and grain products is an area we want to continue developing. At Lantmännen Cerealia, exports of processed oat products to China have begun, and we worked to increase these volumes during 2016.

Lantmännen is developing the strategy for our already large organic businesses



Research and development

Lantmännen has a long tradition of research and development. We invest in both our own and external research projects to promote new knowledge. In 2016, we invested approximately MSEK 200 in different research and innovation projects, ranging from product and process development to strategic Group-wide research projects. The investments are mainly in the grain value chain from field to fork.



New feed for organic pig production

Lantmännen's feed development is conducted with the aim of strengthening Swedish agriculture's competitiveness. Lantmännen's feed range is continuously renewed in response to developments in research, market needs and preferences. Lantmännen has advanced its position and launched a new feed range that provides even better conditions for Swedish organic pig production.



LM² Gathering all digital services in one portal

Borgeby Fältdagar saw the launch of "LM² – the tool for entrepreneurs of the earth", which is an exciting initiative to develop Lantmännen's digital offering to Swedish farmers. The new portal was used by test pilots for a period, and opens for existing and new customers in the first quarter of 2017. The portal services are also designed for different mobile devices.

Blue and pink bales and tractors support cancer research



Lantmännen and Trioplast followed up the success of 2015 in support of breast cancer research and extended the initiative to also support prostate cancer research. In 2016, we raised SEK 227,880 and Lantmännen Maskin's pink tractor initiative generated SEK 110,000 for the Breast Cancer Foundation. Lantmännen also supports cancer research in partnership with Valtra.

Events in brief



Per Olof Nyman, Bengt-Olov Gunnarsson and Sven-Erik Bucht at the AGM.



LM² was launched at Borgeby Fältdagar 2016.

Period 1 January – April

- ▶ Kalmar Lantmän's machinery business was acquired in January. The acquisition included inventories, equipment and about 40 employees. The business has an annual turnover of approximately MSEK 160.
- ▶ A number of industrial properties in Uppsala where Lantmännen Lantbruk and Lantmännen Cerealia operate were divested in March. Some of Lantmännen's operations in the properties will continue for another few years.
- ▶ An updated version of Lantmännen's Code of Conduct was adopted by Group Management. The Code is included in all supplier contracts and lays down clear requirements in terms of environmental, social and ethical responsibility
- ▶ Lantmännen and the Danish agricultural company DLG strengthened their cooperation by establishing a jointly-owned company for international operations, Lantmännen DLG International (LDI), with Lantmännen and DLG each owning 50 percent.
- ▶ Lantmännen's partly-owned company HaGe Kiel in Germany acquired all of the remaining shares in Roth Agrarhandel GmbH, making it the sole shareholder of the company.
- ▶ In April 2016, Lantmännen Lantbruk opened a sales office in the Kalmar region, and a new facility is being built in 2017 to bring together the entire operations.
- ▶ In the Sustainable Brand Index survey for 2016, Lantmännen placed second in the food category and tenth overall.

Period 2 May – August

- ▶ Pauline Lindwall was elected to the Board at the Annual General Meeting in May, replacing Helle Kruse Nielsen who did not seek re-election. At the meeting, Ulf Gundemark, Thomas Magnusson and Björn Wallin were re-elected to the Board. At the statutory Board meeting, Bengt-Olov Gunnarsson was re-elected Chairman and Per Lindahl Vice Chairman.
- ▶ LM², the tool for entrepreneurs of the earth, was launched at Borgeby Fältdagar, which attracted record numbers, with 22,100 visitors and 391 exhibitors. The launch continued with demo displays at Brunby Lantbrukardagar.
- ▶ Lantmännen's partly-owned company Viking Malt completed its acquisition of Carlsberg's malting business in May.
- ▶ Lantmännen Lantbruk was presented with the Municipality of Eslöv and Skånska Dagbladet's environmental award for the ThermoSeed sustainable seed treatment method, which is produced in Eslöv.
- ▶ Lantmännen was awarded a grant from Vinnova to develop a mycoprotein to serve as a climate-smart vegetable protein alternative.
- ▶ Lantmännen Lantbruk launched a new feed for organic pig production.
- ▶ A new public and regulatory affairs corporate function was introduced at Group level, for the purpose of coordinating and strengthening participation in the social discussions that are most relevant to Lantmännen and our owners.



Lena Åsheim and Bengt-Olov Gunnarson shake hands on Swedish livestock production.



Durum wheat cultivation on Gotland.

Period 3 September – December

- ▶ Lantmännen acquired a 50.1 percent holding in the technical services company Dataväxt, with the aim of jointly driving digital development in agriculture.
- ▶ Lantmännen Unibake acquired a hamburger bun bakery in Bucharest, Romania.
- ▶ Lantmännen BioAgri, a leader in biological crop protection in the Baltic Sea region, entered into a strategic partnership with the Dutch company Koppert.
- ▶ Lantmännen's Claes Johansson was named Sweden's best Sustainability Director in 2016 by "Aktuell Hållbarhet".
- ▶ Kungsörnen launched the climate-friendly *Friendlier rye*, produced using the Climate & Nature cultivation method, which gives a lower carbon footprint.
- ▶ In October, Lantmännen Unibake began deliveries from the rebuilt bakery in Londerzeel, Belgium.
- ▶ Elisabeth Ringdahl took over as Head of the Agriculture Sector, after having been Acting Head of the Sector.
- ▶ A seminar was held for female elected representatives in Lantmännen, with the aim of broadening skills, increasing diversity and engaging more female elected representatives.
- ▶ Lantmännen's membership increased to a total of 20 districts with the addition of Kalmar-Öland.
- ▶ Lantmännen acquired a shareholding with high voting power in HKScan from "Sveriges Djurbönder". Through the transaction, the associations strengthen the total Swedish farmer influence in the company.

2017 After year-end

- ▶ Kungsörnen has launched Penne, Fusilli and Spaghetti based on 100 percent high-quality durum wheat from Gotland, which is being cultivated on a large scale in Sweden for the first time.
- ▶ Lantmännen's company with importing responsibility for Claas in Denmark has been divested.
- ▶ Lantmännen has initiated the Växthuset business development program for its owners. Eight different projects have been approved and will be included in the program.
- ▶ The baguette bakery Anderson Bakery (PS Bageri AB) in Huddinge, Sweden, has been acquired. The company has a turnover of MSEK 75 and 30 employees. The transaction will be completed in March 2017.
- ▶ Joachim Haas took over as the new Head of Lantmännen Real Estate.



Chairman's comments

Some years, the outside world makes its presence felt more than others. 2016 was such a year. If we are talking about politics, the US election and Brexit were obviously among the most important events. Turning to agriculture, it can be said that both the world market for dairy products and the relatively large stocks of grain have affected us farmers in Sweden. During the year, Lantmännen has developed into an increasingly important partner for Swedish agricultural entrepreneurs. With the array of expertise, breadth and strength we have in our Group, Lantmännen contributes towards thriving and internationally competitive farming.

A question I was asked during the year was what enables Lantmännen to develop so positively. I think the question is both challenging and interesting. For me and the Board, the strategy work has been very important. Clarity in what we want for Lantmännen, where we want to go and how we get there has contributed to a strong focus in the work. The strategy is based on the grain value chain, but we have a breadth in our activities that makes us less sensitive. From Fendt to feed and FINN CRISP.



I am both pleased with and proud of the financial development in all Sectors in 2016 – this strengthens Swedish farming and helps us on the path towards the goal of becoming a leading player in the grain value chain in the Baltic Sea region.

While gearing up the Group and developing Lantmännen, there is also a healthy caution when expanding and making acquisitions. But there is one factor that is crucial – at the spring meeting, we celebrated the 15th anniversary of Lantmännen's establishment. The aim of the merger was increased efficiency, reduced costs and increased expertise. And could it be that we are only really seeing the effects of the merger now? In an international market, with strong consolidation within our areas of operation, there should be no underestimation of the value of economies of scale and strong finances in order to be competitive.


And competitive we have been! I am both pleased with and proud of the financial development in all Sectors in 2016 – this strengthens Swedish farming and helps us on the path towards the goal of becoming a leading player in the grain value chain in the Baltic Sea region.

The positive developments in the Agriculture Sector continued throughout the year. In a market affected by increasingly intense competition, we have increased our confidence among Swedish farmers through a sharper customer focus, a stronger local presence and well implemented efficiency measures. On the feed side, we have had several successful launches, and the increased interest in grain cultivation in northern Sweden can definitely be linked to Lantmännen's initiatives. One launch I would like to mention is our digital tool LM², which has every possibility to simplify the farmer's daily life and business. Only a company like Lantmännen, with its entire breadth, can offer such a comprehensive digital offering!

The Machinery Sector has presented significantly better results this year, despite the turbulent market for agricultural machinery. The major changes in progress at suppliers and dealers in Sweden definitely strengthen our strategy to offer more brands and establish a strong presence throughout the country. I believe that Lantmännen Maskin's forward-looking investment in a parts warehouse in Malmö will definitely benefit Swedish agriculture for a long time. Swecon has contributed again with good results. Construction machinery is an important business for Lantmännen, particularly now that many large construction projects have been started.

Developments in the Energy Sector have been very good, particularly due to the opportunities for Lantmännen Agroetanol to export "value-added ethanol". Our work in the area of long-term and positive political conditions for ethanol production, both within the EU and Sweden, is very important here. In the discussion on a fossil-free vehicle fleet by 2030 and an increased focus on sustainable solutions, politics seems to have got lost in a maze of ignorance and disinterest.

We are also seeing a positive trend in the area of food. The acquisition of Vaasan expands our product portfolio and enables us to benefit from our development work in both oats and rye, while in the malting barley area, we see many interesting opportunities through our partly-owned company Viking Malt. Within Lantmännen Cerealia, the new bean pasta has attracted keen interest. It is really pleasing that we can now seriously show how product development can benefit



“ **The total refund and final price adjustment for the year is estimated at MSEK 232** ”

agriculture on several levels, both on the individual farm and through increasing results in industry. “Friendlier wheat”, “Friendlier rye” and the early work on durum pasta from Gotland are examples of how we create added value from grain.

I began by describing how I see agriculture’s dependence on the outside world and the role Lantmännen can play in Swedish farming’s competitiveness. Lantmännen’s participation in the Scandagra companies, Viking Malt and the Vaasan acquisition have meant that we are seriously active in the grain value chain around the Baltic Sea. Operating internationally can be a challenge for a company so deeply rooted in the Swedish soil as we are, but trade in both grain and finished products is a prerequisite for optimizing the supply chain and ultimately the profitability of a company like Lantmännen. In the end, it is about owner value, with a significant portion of our dividends to Swedish farming coming from good earnings in our international food and industrial activities. We strengthen the Swedish operations by being strong internationally.

2016 was a very good year for Lantmännen, with all Sectors contributing to the strong results. The Board has therefore decided to increase the refund and final price adjustment to 2.5 percent on trade with Lantmännen Lantbruk and retain a refund of 0.5 percent for the machinery operations. The Board also proposes that the AGM adopt a contribution dividend of SEK 9 per SEK 100 of contributed capital or 9 percent and a contribution issue of MSEK 70.

In more and more contexts, Lantmännen is becoming a natural representative of Swedish farming and the food industry. Our combination of a long-term approach, a processing industry that links origin and responsibility, and the natural connection to sustainable development has proved

highly successful. At the same time, we must constantly develop our work as a responsible company. With this in mind, we have, among other things, updated our supplier code of conduct and continued the process of rolling out our compliance program throughout the Group during the year.

It has been my privilege to be active in Lantmännen for many years, but rarely have I encountered so much confidence in the future as now. Both the AGM and the District Board Conference were marked by pride and confidence in both the individual company and Lantmännen’s opportunities. It is therefore particularly pleasing to discuss Lantmännen’s long-term strategy and focus out there in the districts through the new ownership dialogue that delegates decided on at the meeting. Another pleasing event is that we formed a new district, Kalmar-Öland, during fall. In this way, there is now an owner organization throughout the country that can act as a regional interface with the farmers together with Lantmännen Lantbruk and Lantmännen Maskin. The acquisition of HK Scan shares with high voting power and Lantmännen’s focus on an organic strategy are other important events during the year.

I would like to conclude by thanking all employees of Lantmännen for your dedicated work during 2016. I also want to thank our President and CEO Per Olof Nyman, who has the ability to combine inspirational leadership with a clear picture of how we can develop our business. Competent, responsible and committed employees and managers are one of our most important resources for the future.

Klockrike, February 2017

Bengt-Olov Gunnarson
Chairman, Lantmännen

President's overview

2016 has been a successful year for Lantmännen and a strong continuation of the positive development from the previous year. Lantmännen's income after net financial items, adjusted for items affecting comparability, is MSEK 1,548, the highest Lantmännen has ever achieved.

Virtually all businesses have developed positively during the year, and work on our long-term strategy has continued with good results. We have strengthened our market positions in the majority of our businesses, including in the highly competitive Swedish agricultural market, which is particularly pleasing. We have also conducted a number of important acquisitions that further strengthen our position and create new business opportunities, notably in the bakery sector in Europe.



All of the work during the year has left us standing on a very stable platform, both operationally and financially, which creates security ahead of new initiatives and opportunities for continuing the long-term development of our businesses.

How our Sectors performed

The Agriculture Sector's operating income has continued to show very positive development during 2016. I am particularly pleased with the strong improvement in operating income for the Sector's Swedish operations, which has laid the foundation for this year's historically high refund and final price adjustment.

Within the Machinery Sector, solid work has been carried out to prepare the organization for the new and expanded cooperation agreement with AGCO. The Swedish machine market on the agricultural side is still challenging, but despite this, Lantmännen Maskin has maintained strong momentum in its operations. Swecon has developed strongly in all markets during the year, and we have achieved a market share of more than 50 percent in Volvo heavy machinery in Sweden.

Successful exports of our climate-friendly ethanol to Germany and second-generation ethanol to various countries in Europe have contributed strongly to a good year for Lantmännen Agroetanol in terms of earnings. A provision of MSEK 300 has been made in the financial statements, in connection with the European Commission's ongoing investigation of Lantmännen Agroetanol and two other ethanol producers for alleged infringement of EU competition law. Lantmännen is cooperating fully with the European Commission.

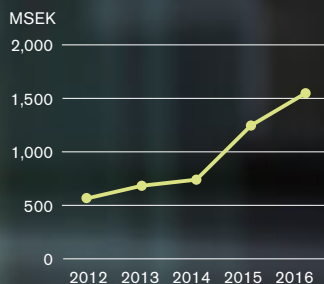
Lantmännen Reppe and Lantmännen Aspen have also advanced their positions and further improved their earnings. The earnings trend within the Food Sector has remained good during the year – mainly due to continued earnings improvements within Lantmännen Unibake and the successful integration of Vaasan's operations into Lantmännen Unibake and Lantmännen Cerealia. Our partly-owned company Viking Malt has also shown positive development during the year, particularly thanks to the acquisition of Carlsberg's malting business.

Strategy 2020 and initiatives for Swedish farming

During the year, we have continued the implementation of Strategy 2020, which is, and has been, an important factor in bringing the Company to the strong and profitable position we are in today. But, of course, our strategic work also extends beyond 2020. There are already a number of other development initiatives and focus areas that will be of great importance to Lantmännen in both the short and long term. Among other things, our work in the grain value chain during the year has resulted in an even stronger base for our grain industries, which has been achieved by, for example, better planning and coordination and lower costs of internal transport. Our strong position throughout the value chain from field to fork means that we can develop profitable and sustainable businesses – and create the conditions to make Swedish farming thrive.

I have participated in a number of meetings with our owners during the year, both in a formal context, such as district and general meetings, and a more discussion-oriented context, such as the fall district board conference

“**Lantmännen’s result of MSEK 1,548 is the highest Lantmännen ever achieved**”



and owners’ meetings. These are very valuable opportunities to obtain rewarding feedback and contributions to our work and our strategic direction, and one issue that often arises in discussions is, of course, Lantmännen’s future development.

Among our launches during the year was the LM² initiative, which is aimed at strengthening the competitiveness of Swedish farming with the help of digital tools. There are great benefits to be gained for agricultural companies, by, for example, smarter data management and simpler and faster processes. During the year, we stepped up our investments in plant breeding, which is also an important part of our future strategy. Within the framework of the company CropTailor, the investment in oat breeding continues with undiminished momentum, and the rapidly increasing demand for Swedish green protein represents great potential for Swedish farming and the food industry. Cultivation of pulses, notably field beans, in Sweden, has the potential to multiply.

Although Lantmännen currently has a strong financial position, we do not have unlimited resources and it remains an important part of our work to prioritize and focus on the right things. Maintaining our strong position in the Swedish

agricultural market is of the highest priority, and we will keep working to strengthen our customer focus, increase our efficiency and get closer to Swedish farmers. When competition intensifies, Lantmännen must stand strong as the farmer’s best business partner – and in the future too.

The good results for 2016 are clear evidence that Lantmännen is a company with the right strategy, strong expertise and committed employees and owners. We are well placed for the future, and I have strong confidence that we have opportunities to continue the positive development. I would like to thank all employees, owners, suppliers, customers and partners for their productive cooperation during the year and I look forward to continuing to build an even stronger Lantmännen together during 2017.

Stockholm, February 2017

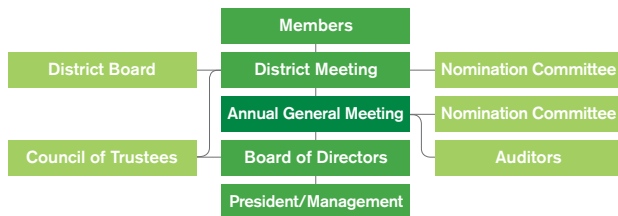
Per Olof Nyman
President & CEO, Lantmännen

Farmer-owned and governed

The cooperative form of enterprise is becoming increasingly interesting. A long-term approach, participation, better financing and raising of capital offer new opportunities. Lantmännen is an agricultural cooperative rooted in Swedish farming and owned by 25,000 farmers around the country. Involvement and corporate governance through the districts, owner meetings, council of trustees and inter-groups are important ways of utilizing the strength of the cooperative form of enterprise.

New district organization

The districts are an important link between the members and the company, and represent the basis for the members' influence and ownership role.



Each district has a board that works both locally and on cross-cutting issues for Lantmännen. The district structure was changed in connection with the district meetings. Lantmännen currently has 20 districts, following the Board's decision to form a new district, Kalmar-Öland, during fall. The nomination committees had an important role in ensuring both continuity and renewal in connection with the new district division during the year. In order to involve more young farmers, we began work with five regional Future Groups during the year. The goal is to increase knowledge and interest in Lantmännen.

Council of Trustees

Lantmännen's council of trustees is there to provide support for the Board in its management of the association and to work for the positive development of Lantmännen. During the year, we began the process of drawing up new work plans for the elected auditors, district nomination committee and Group nomination committee in order to make the work transparent and clarify the information.

Annual General Meeting

Lantmännen's 2016 Annual General Meeting was held on May 12 in Stockholm. The meeting dealt with several motions. The motions on digital votes, an organic strategy for Lantmännen and the desire to start a new owner dialogue on strategy and future issues were supported by the Board and met with a positive response from the Meeting. Minister for Rural Affairs Sven-Erik Bucht participated in a question and answer session. The Grodden scholarship was awarded to ten prominent farmers

connected with Lantmännen. A new member, Pauline Lindwall, was elected to Lantmännen's Group Board. At the Statutory Board meeting, Bengt-Olov Gunnarson was re-elected as Chairman and Per Lindahl as Vice Chairman.

District Board Conference

The District Board Conference was held on November 9-10 with focus on digitization and social media. There was a presentation and demo of LM² and the financial grain trade. There were also short presentations by farmer bloggers, district boards on Facebook and on Lantmännen's digital presence. An outline of the topic areas and implementation of the Owner dialogue was presented and a project to increase the proportion of female elected representatives was introduced.

Increased owner involvement

To increase the owners' involvement, a number of inter-groups have been established. The groups, with elected representatives, work on different areas, ranging from training to credit issues. One inter-group is a reference group for the work on Lantmännen's organic strategy, while another deals with digital issues, such as LM², and contributes to the development of the upcoming new online cash service. A seminar for female elected representatives was held in November, with the aim of broadening skills, increasing diversity and engaging more female elected representatives.



2016 Annual General Meeting

Following a motion at the AGM, work on an Ownership dialogue was initiated during the year. The topic areas are Strategy and Internationalization, Capital supply, Corporate governance and Agribusiness.

The dividend makes a difference

Lantmännen's assignment is to contribute to the profitability of its owners' farms and optimize the return on their capital in the association. Lantmännen has distributed more than SEK 4 billion to its owners since it was established in 2001. Calculations show that for a grain farm, Lantmännen's dividend for 2015 represented a contribution of SEK 400 SEK/ha and for a dairy farm about 6 öre per kilo of milk.

Owner value

Where are earnings created?

Lantmännen consists of farming operations and extensive commercial and processing activities including mills, bakeries and machinery trade.

Most of the earnings are generated in the processing activities. Here, we can clearly see the benefits of value-adding processing activities, which not only provide a market for members' grain, but also generate significant added value. The generated earnings are distributed to the members according to the dividend policy.

Refunds and final price adjustments are based on earnings from contribution-based agriculture operations. Contribution dividends and contribution issues are primarily based on earnings achieved in the processing and industrial activities: food, energy, property and parts of machinery.



Trading in contribution issues gives our members the opportunity for active ownership

Dividend policy

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

How are earnings distributed?



Refunds and final price adjustments are paid in proportion to the members' business with the agriculture operations.

The Board has decided to pay a dividend in the form of a refund and final price adjustment of 2.5 (2) percent on trade with Lantmännen Lantbruk Sweden. The Board has also decided to pay a refund of 0.5 (0.5) percent on members' purchases from

the Machinery Sector's Swedish operations. The total refund and final price adjustment is estimated at MSEK 232 (188).

The Board proposes that the AGM adopt a contribution dividend of SEK 9 per SEK 100 of contributed capital or 9 (9) percent, totaling MSEK 207 (193), and a contribution issue of MSEK 70 (50). Contribution dividends are paid in proportion to members' paid-in and issued contributions. Contribution issues mean that part of the collectively-owned unrestricted capital is transferred to members' individual contributed capital. The contribution issue is distributed as follows: paid-in and issued contributions 75 percent and contribution-based trade with Lantmännen 25 percent.

In addition, a 7.25 (6.5) percent dividend on subordinated debentures, totaling MSEK 18 (16) is proposed, based on the conditions in the subordinated debenture offer.



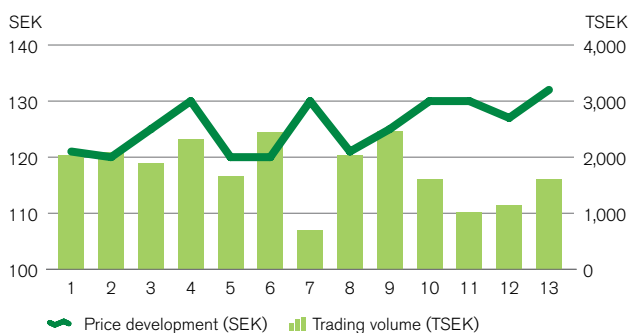
Contributed capital – paid-in and issued

Lantmännen's members invest capital through their contributions in the association. Contributed capital amounted to MSEK 2,299 (2,146) at the end of 2016 and consisted of paid-in contributions of MSEK 1,101 (986) and issued contributions of MSEK 1,198 (1,160).

Owning Lantmännen – Trading in contribution issues

Members of Lantmännen have been able to buy and sell their contribution issues since 2009. This trading, which is exclusively between members, provides opportunities for more active ownership. Contribution issues carry the same entitlement to contribution dividends and new contribution issues as paid-in contributions. There were 13 trading sessions in 2016. Work to facilitate and simplify trade was carried out during the year. An Issues School, which explains the trade and answers frequently asked questions, has been published in the Grodden magazine and on Lantmännen's website. The total turnover in 2016 was MSEK 23 (19) and the transaction price varied between 120 and 132 percent of the nominal value. For the full year 2016, demand for contribution issues was greater than supply.

Contribution issues – trading and price trend



Member contributions

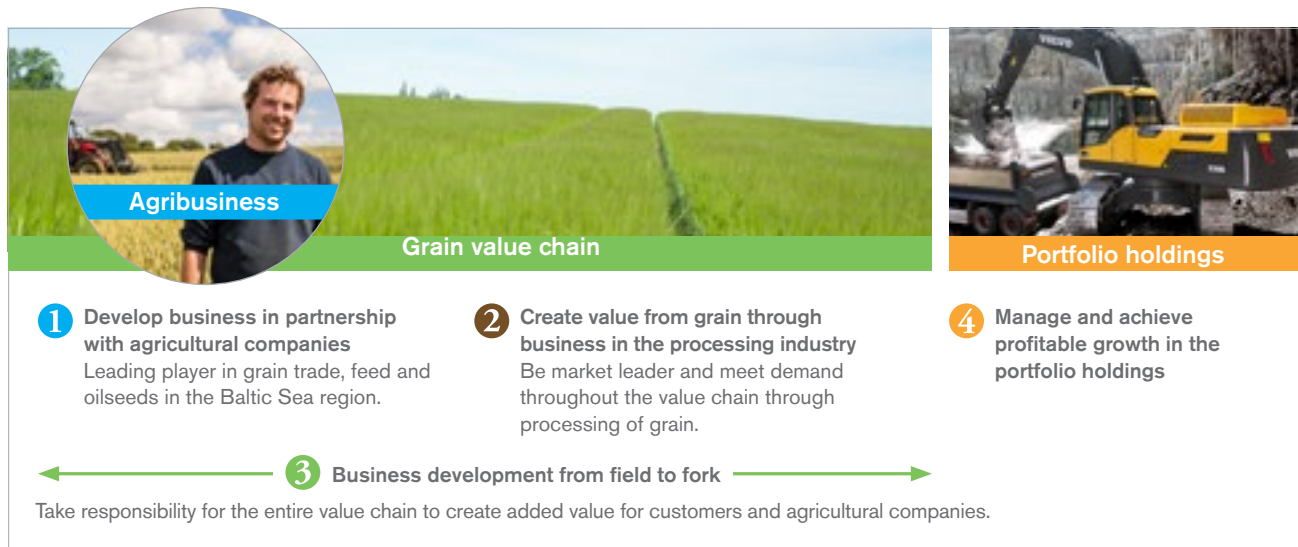
MSEK	2016	2015	2014	2013	2012
Member contributions:					
Paid-in	1,101	986	931	829	753
Issued	1,198	1,160	1,046	1,074	1,016
Total	2,299	2,146	1,977	1,903	1,769

Dividend ¹ , MSEK	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Refund, final price adjustment	232	188	135	129	120	110	95	1	122	83
Contribution dividend ²	207	193	178	171	88	78	68	63	57	50
Contribution issue ²	70	50	150	-	80	152	177	100	110	151
Total	509	431	463	300	288	340	340	164	289	284
Contribution dividend and contribution issue as % of contributed capital	12 %	11 %	17 %	9 %	9 %	15 %	18 %	13 %	14 %	20 %

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

² Pursuant to the Board of Directors' proposal for 2016.

Lantmännen's Group strategy



Focus

Strategy 2020 clarifies Lantmännen's goals for the coming years. The strategy consists of four parts, which together make Lantmännen the leading player in the grain value chain in the Baltic Sea region. A large part of the strategy is business development with a focus on the agricultural company, an important element of which is to develop the use of new technology, digitization and new services in order to facilitate and improve the efficiency of work on the individual farm. Lantmännen is well on the way toward the goals defined for Strategy 2020, particularly as a result of a coordinated grain business for the entire Group, new cultivation methods, acquisitions and product development. In Strategy 2020, Lantmännen's goals for the coming years are summarized in *seven project streams*:

Lantmännen's grain strategy

The focus on the grain value chain permeates all Lantmännen's operations and with Strategy 2020, this focus has increased further. Lantmännen prioritizes sustainable growth for our grain value chains, an improved grain infrastructure, guaranteed quality throughout the value chain and the development of cultivation concepts.

Business development with the agricultural company at the center

Lantmännen works for profitable growth in production in Sweden by working with agricultural companies to develop new offerings for effective exploitation of agricultural land.

Brand position from field to fork

The credibility associated with the Lantmännen brand strengthens both the product brands and all our businesses. The focus is on continued investment in the Lantmännen brand and development of our position by completing the brand with relevant content in, for example, marketing and product development.

Innovation that supports Strategy 2020

Research and development is important in creating added value from grain, generating new business and reaching new markets. It also creates a more innovative corporate culture and a stronger business relationship with agricultural enterprises.

Development of portfolio strategy, new markets and market channels

The portfolio strategy is developed by measures such as additional investments in Swecon.

Skills, leadership, organizational efficiency

Skills and leadership are fundamental aspects for Lantmännen to achieve its goals. The focus is on creating an efficient organization with the best leadership and the right skills to develop the company.

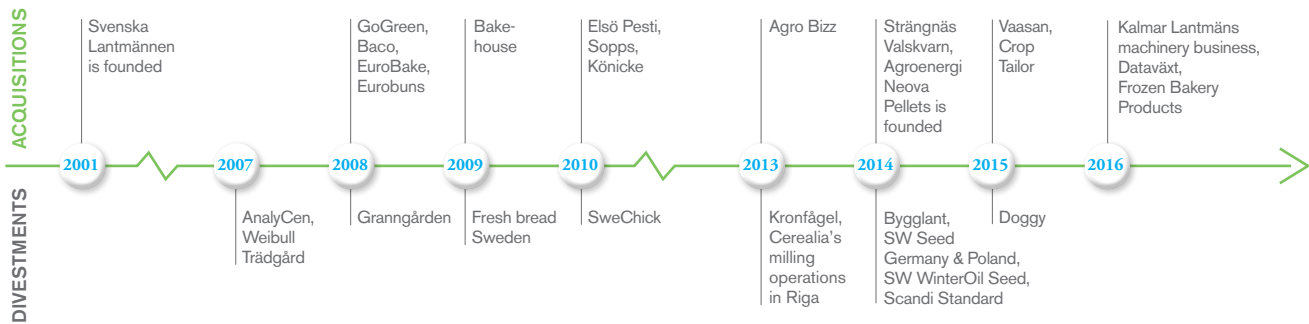
Strategy and ownership dialogue on the Lantmännen of tomorrow

Decisions on a new ownership dialogue were made at the 2016 AGM. Preparations were continued during fall, and the project's formal kick-off will coincide with the district meetings in 2017. The intention and aim is to anchor and above all further develop Strategy 2020 in close dialogue with members.

Objective for 2020 Lantmännen as leader from field to fork in the Baltic Sea region



Lantmännen's major acquisitions, divestments and ownership interests



Activities to achieve the goals of Strategy 2020

Lantmännen is continuously developing its portfolio strategy to maintain the position as a leading player in the grain value chain in the Baltic Sea region

- ▶ During the year, Lantmännen has purchased shares in the technical services company Dataväxt, and acquired Kalmar Lantmän's machinery operations. The acquisitions during the year have further strengthened Lantmännen's strategic position.
- ▶ New cultivation methods, innovations, feed development and business development make it possible to create more added value from grain and reach new markets. This year, the sustainable cultivation concept *Friendlier wheat* has been expanded to also include *Friendlier rye*. To meet the strong consumer demand for organic food, a *Group-wide organic strategy* is being further developed in order to profitably strengthen the organic value chain. The goal of the organic initiatives in Lantmännen's agricultural and food business is to double the traded amount of organic grain.
- ▶ Lantmännen has initiated work to strengthen the grain position in the Baltic Sea region through the jointly owned company LDI (Lantmännen DLG International), a cooperation with the Danish agricultural group DLG.
- ▶ A new climate strategy is being developed and Lantmännen is one of the players driving progress towards a fossil-free society.
- ▶ Lantmännen's practical work in the area of digitization has resulted in the LM² digital initiative. New digital applications and services connected to LM² will be launched in the next few years, but digitization will also appear in other areas of the grain value chain.

Our assignment: Lantmännen's assignment is to contribute to the profitability of members' farms and optimize the return on their capital in the association

Our mission: We make farming thrive.

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

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

Our brand promise: Together we take responsibility from field to fork.

Our values: Openness, a holistic view and drive.



Lantmännen's profitable growth

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

Increased requirements on brands

The world is increasingly interconnected and transparent. Customers are better informed and have higher demands than ever before. When they make their choices, it is no longer only the traditional drivers such as price, quality and availability that are the decisive factors. Sustainability, responsibility and wellbeing are emerging drivers that grow in importance for consumers as they make their purchasing decisions..

Lantmännen matches drivers and trends

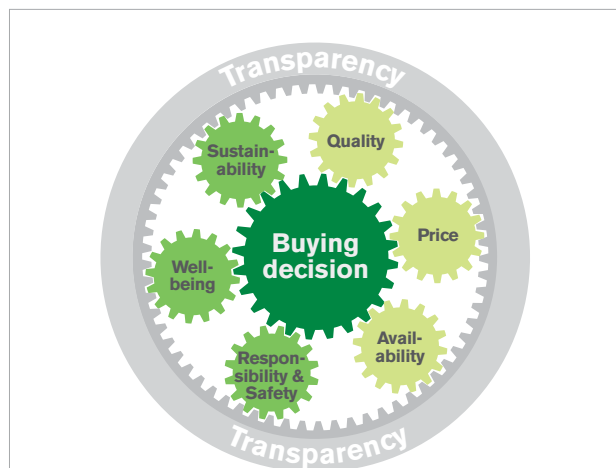
Lantmännen continuously builds up trust in relation to origin, our owners, farmers and the responsibility from field to fork. Our surveys show increasing knowledge and interest for the values we stand for.

Our brand emblem, *Grodden (the sprout)*, on our products, is a guarantee of everything we stand for – and reflects our ambition to be a leading player throughout the grain value chain. A good example is Kungörnen's bean pasta, made with 30 percent beans from Öland. The cultivation area will be extended considerably next season. A more climate-friendly flour from Kungörnen and Lantmännen Agroetanol's exports of sustainably produced ethanol have also been successful. Lantmännen has a strong brand, well positioned among consumer drivers, which

gives us unique opportunities and strengths. We have strengthened our position, not only in direct contact with consumers, but in all of our businesses.



Our trust and brand strengthen Lantmännen as a company of the future. Responsibility for origin and traceability is key, and local produce shows a growing trend.



New emerging drivers

New drivers in consumers' buying decisions, such as sustainability, responsibility and wellbeing, are emerging and require companies to be transparent. The new does not replace the old, but are added or integrated. Surveys in Sweden show that over 70 percent of consumers discuss and reflect on "Sustainability", and only 10 percent are completely uninterested. (Source: Sustainable Brand Index 2016)

Business-to-Business customers are looking for partners with a good reputation, high credibility and distinct values. One such example is Lantmännen Agroetanol's cooperation with Scania on Etha, a brand new concept for reducing greenhouse gas emissions. Many companies are proud of their cooperation with Lantmännen and are keen to show that their products have content from us.

We see increased interest among potential employees and a higher ranking for Lantmännen as a workplace.

Top ranking in Sustainable Brand Index

For many years, Lantmännen has topped the rankings in the Sustainable Brand Index, which measures consumers' experience of companies' sustainability positions. In 2016, we placed second in the food category. This is an excellent position, considering that there has been a virtual explosion of communication in this area. It also shows that our position and our values are desirable, which means that we must constantly develop our brand, communication and our initiatives throughout the grain value chain from field to fork. Learn more at sb-index.com



Second place in the food category

Market and mega trends

Lantmännen is affected by a number of mega trends, both in Sweden and globally, which have a major impact on our operations. Continuous strategic work is in progress in order to meet the development and secure a strategic position for the future.

Varying growth in Lantmännen's main markets

Weaker global growth is the external factor that has the greatest impact on Lantmännen's main markets in the short and medium term. Slower global demand for food and raw materials, combined with an increased rate of production from the world's agricultural companies, leads to lower prices, with increased competition as a result. This is most noticeable in the sector for agricultural machinery, where manufacturers and dealers are competing for an increasingly small market. Growth in Lantmännen's main markets does not follow the same patterns. Sweden and Germany develop strongly, while the Norwegian economy is affected by oil price trends and the UK is in an uncertain situation due to the Brexit process.

Growing middle class in Asia and Africa

The long-term trend of a growing global middle class remains and is the primary driver of increased demand for food in the longer term. It is mainly Asia and Africa's large populations and emerging economies that are driving long-term demand for agricultural commodities and food. The expectation is that many of the emerging economies will increasingly import their food.

Volatile price trends for agricultural commodities

Demand for agricultural commodities is rising, but supply varies and as the last year was marked by record harvests and large stocks, there was still an oversupply in 2016. Annual consumption growth in the period up to 2020 is expected to be 1 percent, which is a sharp decline from the previous five-year period's growth of 2 percent. Price growth for agricultural commodities is also dampened, due to lower global growth. Population growth is the driving force behind increased food consumption, with annual growth forecasts of 1.2 percent. Secondary trends, diverging from the overall trend, may arise due to factors such as the uncertain global situation and currency fluctuations, which could lead to volatile prices.

Demography

Demand in Sweden is becoming increasingly diversified as a result of urbanization, population growth and an increased population with a foreign background. By 2050, it is expected that more than one-fifth of the world's population will be over



Lantmännen develops and conducts both conventional and organic farming. ”

60, and also healthier and financially stronger, which will affect demand for food. Urbanization is a strong trend throughout the world and is also continuing in Sweden, mainly in large cities and the 20 largest municipalities outside the metropolitan areas. This has major effects, particularly on what products and services are in demand.

Consumer trends

An increased consumer focus on *health, sustainability, responsibility, origin* and *wellbeing* leads to higher demand for environmental and climate-profiled food. Swedish organic food sales increased by 23 percent during the first half of 2016. Demand has resulted in a shortage in several segments, such as beef, eggs and some dairy products, chicken, fruit and vegetables.

The emerging drivers in the areas of *responsibility, origin* and *sustainability* are also distinguished by the same uncompromising attitude, and while they do not replace consumers' demands for taste and quality when making their buying decisions, they are becoming an important addition to the top of the requirements list.

“ Population growth is the driving force behind increasing food consumption

The protein shift towards *green protein sources* is a great opportunity for Swedish farming, in both crop and livestock production. The trend brings increased interest in Swedish-produced protein from both the plant and animal kingdoms, including legumes, dairy products and high-quality meat.

Climate change

In 2015, the climate agreement was signed in Paris, with 195 nations agreeing to keep the global temperature increase well below 2°C. Through the agreement, climate change has gained a definite place on the international political agenda. Effects of the climate issue can be seen in demand for our climate-efficient ethanol in the export market, and the good reception for *Friendlier wheat* from customers and consumers. Consumer behavior prompted by the issue of climate change has continued to develop in 2016 and is expected to become even stronger.

Digitization for farming, customers and consumers

Technological progress and digitization are changing the face of farming and will be vital to future business as farming becomes more efficient. Lantmännen is in a unique position to develop digitization throughout the value chain from field to fork.

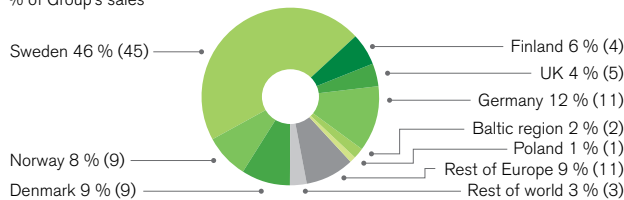
Opportunities for Swedish farming

- ▶ Lantmännen's position from field to fork, combined with increased digitization, represents a unique platform to create a winning value chain – both locally and globally.
- ▶ Productivity in Swedish farming and the food industry is developing thanks to digitization and new tools etc.
- ▶ Population and economic growth, particularly in Asia and Africa, offers scope to enter new markets.
- ▶ Consumers' increased interest in food and sustainability presents opportunities for Swedish farming. There is scope for creating added value in the food chain, while farms can obtain better prices for their produce. Increased demand for vegetable protein, e.g. from pulses, allows for increased profitability from growing these crops.



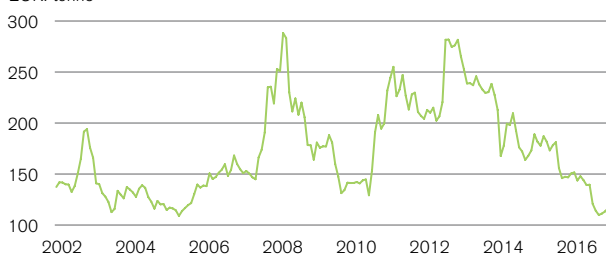
Lantmännen's markets

% of Group's sales



Price development, MATIF wheat

EUR/tonne

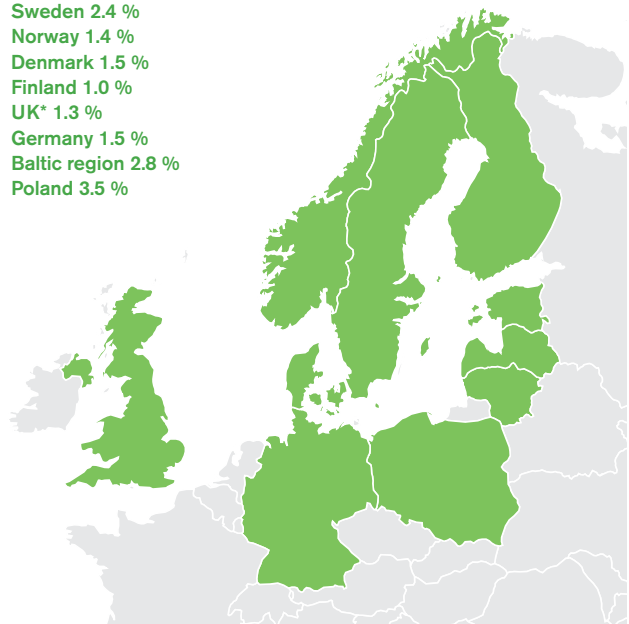


Source: Worldbank

The long price trend remains negative with falling commodity prices, but oil prices began a short-term positive price trend in 2016 and interest rates have started to strengthen. However, grain and oilseeds are still stuck in a negative price trend, even in the short term, where weather problems can bring temporary price rises.

Forecast GDP growth in 2017

- Sweden 2.4 %
- Norway 1.4 %
- Denmark 1.5 %
- Finland 1.0 %
- UK* 1.3 %
- Germany 1.5 %
- Baltic region 2.8 %
- Poland 3.5 %



* Impact of Brexit remains to be assessed.

Target and target monitoring

The financial plan is based on the Group's operating activities, proposed investment programs and the synergies and effects of intra-Group programs. Each business has its current business plan as financial objectives. The long-term objectives for the Group and businesses also include non-financial areas.

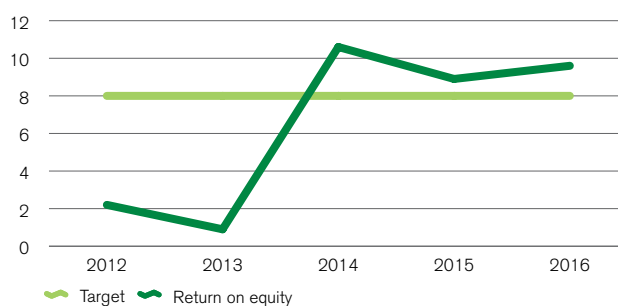
Return on equity

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

2016 outcome

Return on equity was 9.6 (8.9) percent in 2016. The average return on equity over the last five years was 6.8 percent.

Target 8.0 % Outcome 9.6 %



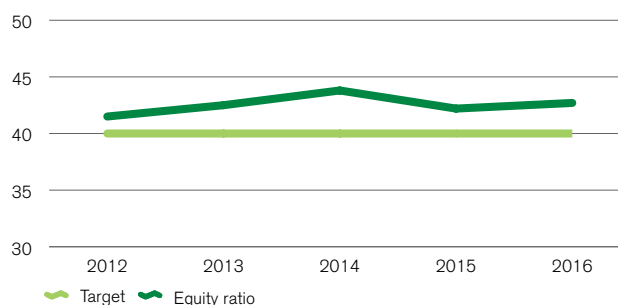
Equity ratio

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.

2016 outcome

The equity ratio was 42.7 (42.2) percent at December 31, 2016. Since 2008, the equity ratio has improved from 32.5 to 42.7 percent.

Target 40 % Outcome 42.7 %



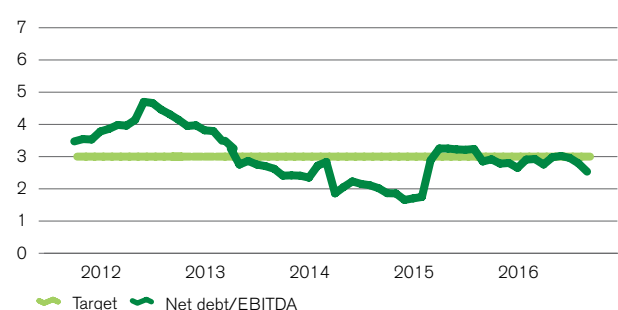
Net debt*/EBITDA*

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

2016 outcome

The present net debt/EBITDA ratio is 2.53. The ratio has been below 3.0 for the last four years.

Target < 3.0 Outcome 2.53



* According to bank definition.

Description of financial performance measures, see [page 65](#).



“Lantmännen’s objective is to maintain and develop our strong position in all markets where we have a presence.”

Climate target

The Group’s target is for a 40 percent reduction in carbon dioxide emissions from its own operations (energy and transport) between 2009 and 2020, calculated as tonnes of CO₂ per MSEK value added.

2016 outcome

Emissions increased in 2016 as a result of acquisitions and increased activity in Finland and Eastern Europe. Emissions also increased slightly in relative terms. Continuing conversion from fossil fuels and a transition to green electricity in Finland and other places is expected to reduce the emissions figures for 2017. Compared with the base year 2009, emissions in relation to value added have fallen by 36 percent.

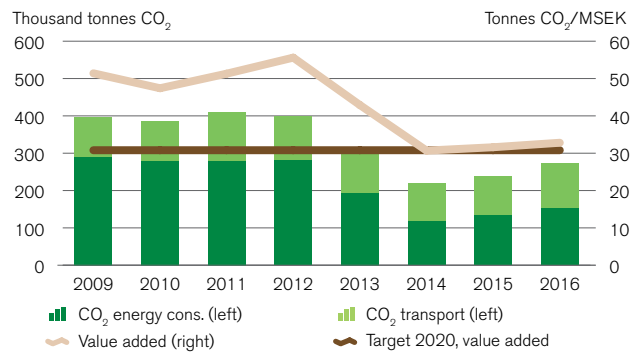
Employee target

Our employees’ job satisfaction and motivation, and good leadership are very important to Lantmännen’s success. The target for job satisfaction and management is 70.

Outcome

In the most recent employee survey in 2015, the job satisfaction result was 68 and the overall management index result was 72, which is a strong result. The next survey is in 2017.

Target –40 % Outcome –36 %



Target 70 Outcomes 68 and 72



Our responsibility – from field to fork

Lantmännen's business concept is to create value from farmland resources in an innovative and responsible manner. Throughout the chain from field to fork, we work to take responsibility for our human, animal and environmental impacts, and to continue developing profitable businesses that contribute in a sustainable direction.

Our responsibility covers a broad spectrum of areas – from cultivation and purchasing of raw materials, and processing activities to the sale and consumption of the products we offer.

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

Governance and approach

Our responsibility is defined in *Lantmännen's Code of Conduct*, which applies to all employees in the organization. There is clear governance for most areas, with a systematic approach, goals and monitoring in place, while for other areas the work is still under development. Responsibility and sustainable business development are integrated into strategic business planning and firmly established in both Group management and the Board.



Dialogue with owners, customers, authorities and other stakeholders is key to developing our work and influencing the society on important issues.

Lantmännen's CSR committee with representatives from Group management has overall responsibility for implementation and monitoring, and for decision preparation on policies for the Code of Conduct. Common basic requirements for systematic work on risk management and responsibility apply to each business area. With effect from 2017, these requirements will be monitored as part of the regular business monitoring.

Lantmännen's supplier code of conduct lays down clear guidelines in terms of environment, social responsibility and business ethics. The code is included in all contracts and all suppliers with an annual purchase volume over MSEK 1 or in a high-risk category are required to be approved based on a self-assessment. In 2016, 83 (80) percent of the purchasing volume met these criteria.



Our contribution to Agenda 2030

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

Lantmännen supports the Agenda 2030 objectives and has analyzed what they mean to our responsibility and our role, and to what extent the relevant goals are embraced in our existing work. Five of the goals are directly linked to Lantmännen's mission and business:



- 2 Zero hunger
- 7 Affordable and clean energy
- 12 Responsible consumption and production
- 13 Climate action
- 15 Life on land

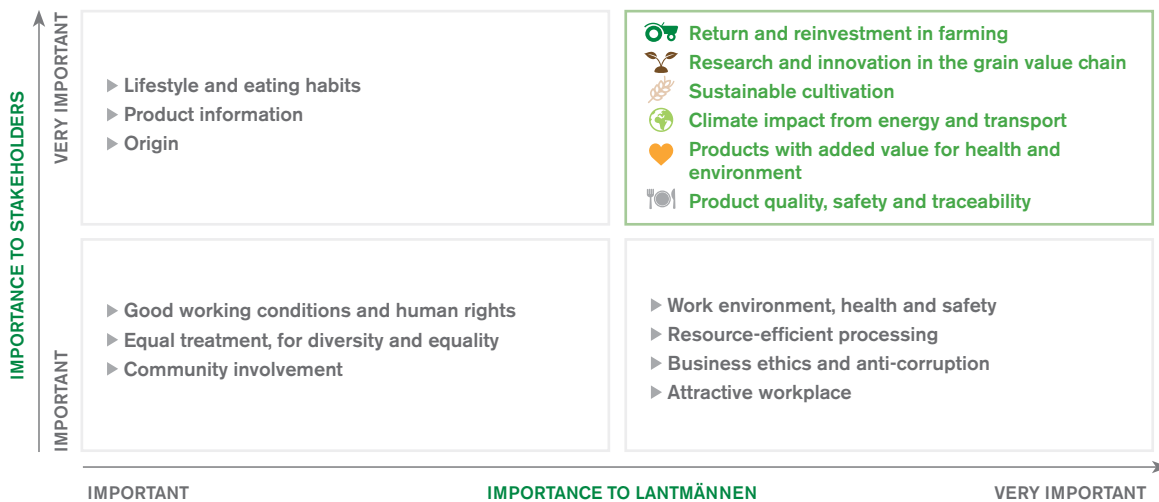
Several other goals are significant to our impact and responsibility, and are well integrated into Lantmännen's Code of Conduct. Learn more about the UN goals in their entirety at

un.org/sustainabledevelopment

Materiality analysis

The materiality analysis was conducted by experts at Lantmännen, and has been endorsed and updated internally. The starting point is Lantmännen's strategies, work and knowledge in the area of impacts of operations, external and market trends, and results from stakeholder dialogue.

Our key issues based on impact on people, the environment and long-term profitability



Implementing and compiling a materiality analysis is also part of our commitment to meet the GRI criteria for sustainability reporting.

Return and reinvestment in farming

Lantmännen's mission is to make farming thrive. The cooperative ownership model is central to economic stability and endurance. The operating surplus gives value in the form of return and investment in research and development.

Research and innovation in the grain value chain

Our knowledge and operations in every stage represent opportunities to contribute to profitable and sustainable development for the entire grain sector. We invest in research in areas such as plant breeding, biological crop protection, biomaterials, health and eating habits.

Sustainable cultivation

Environmental impacts from cultivation concern climate impact, land use, water, plant nutrients and crop protection and impacts on biodiversity. For certain imported commodities, there are also social risks associated with working conditions and human rights. We work for the development of more sustainable forms of cultivation and have high requirements in our sourcing of raw materials.

Climate impact from energy and transport

A large part of the climate impact for Lantmännen's products is in the cultivation stage, but our own 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.

Products with added value for health and environment

Developing new profitable products with environmental performance at the forefront, or other sought-after health and environment-promoting properties is an important part of Lantmännen's business development. To date, our work on innovation and product development has resulted in several successful examples.

Product quality, safety and traceability

Lantmännen has knowledge and unique conditions to ensure control and traceability for our products throughout the chain. The green sprout emblem on food from Lantmännen is our guarantee of responsibly produced food.

▶ Other important issues

There are several issues that are crucial to a long-term successful Lantmännen. Being an attractive workplace with a good work environment, ensuring good business ethics and utilizing raw materials and resources in the best manner is a high priority from an internal perspective. For our customers and consumers, issues of lifestyle, product content and origin are high on the agenda.

Our responsibility with profitable added values

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

Lantmännen's knowledge and proximity to cultivation provides unique opportunities to contribute to more sustainable production and create profitable added values for health and the environment. Sustainable business development includes both investments in long-term research and innovative product development. Development work is conducted together with our owners, customers, researchers and other partners.

Focus on the cultivation stage

It is in the cultivation stage in the field that a large part of the value of our products is created. This is also where a considerable proportion of the total environmental impacts occur. The challenges are land use, biodiversity, climate impacts and use of plant nutrients and crop protection.

Lantmännen contributes to more sustainable forms of cultivation through advisory services offered to farmers and further

development of technology and methods. We also work on plant breeding and non-chemical seed treatment. With farmers and customers, we are developing new grain concepts with specified added values, such as climate performance and traceability.

Focus on both conventional and organic

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

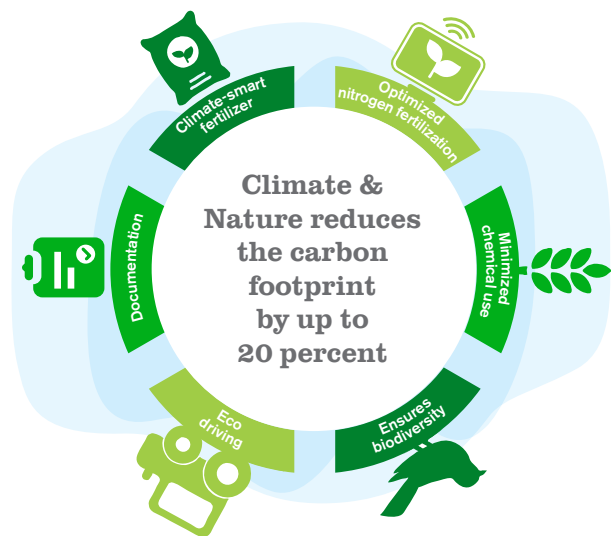
Climate & Nature cultivation method

In 2015, Lantmännen launched *Climate & Nature*, a cultivation method for grain. The concept is important as it reduces the environmental impact of conventional cultivation, which currently



Climate-smart mycoprotein

One of our development projects concerns the fungus that we experiment with to increase the yield of ethanol from grain. As the fungus is edible, we are currently investigating the possibility of commercializing it as climate-smart protein food. It is a long process to the finished product, but a grant to continue the development has been awarded by the government agency Vinnova.



Climate & Nature covers a large number of criteria, from sowing to harvest and transport, that reduce environmental impacts. In 2016, about 80 farmers were using the method, with a harvest of about 80,000 tonnes.

“ We are running two Växthus sessions in 2017 – one for employees and entrepreneurs, and one for Lantmännen’s owners.

represents about 90 percent of the market. With Climate & Nature, we can offer customers a more sustainable flour, while farmers are paid more for the added value of their grain.

Friendlier wheat & Friendlier rye

All wheat flour from Kungsörnen is *Friendlier wheat*, produced using the Climate & Nature cultivation method. *Friendlier rye* was also launched in stores in 2016. The aim is to continue to expand the offering as demand grows and we can secure higher volumes from contracted growers.



Research & innovation in the grain value chain

Every year, Lantmännen invests approximately MSEK 200 in internal and external research and innovation. Development projects close to the businesses are run by each business area, while strategic research projects are coordinated at Group level. Lantmännen’s own research foundation distributed MSEK 20.6 to various external research projects in 2016. Investments are made in all parts of the grain value chain – from plant breeding and cultivation to product development and consumption.

An important area is sustainable intensification of farming, with research projects on topics such as precision farming and perennial grain crops. An analytical instrument for quality assurance of gain (Cgrain.se) was launched in 2016. Increasing the value of by-products and developing new biomaterials such as renewable plastic and prebiotic fiber are examples of current initiatives for reduced dependence on fossil fuels and increased resource efficiency.

Lantmännen Växthus

We are keen to tap into the entrepreneurship of our employees and we work on open innovation with entrepreneurs and start-ups. Employees and owners with innovative business ideas can apply to our Växthus development program.

More about Lantmännen’s research foundation and our innovation work can be found at lantmannen.com

Increased focus on Lantmännen’s organic value chain

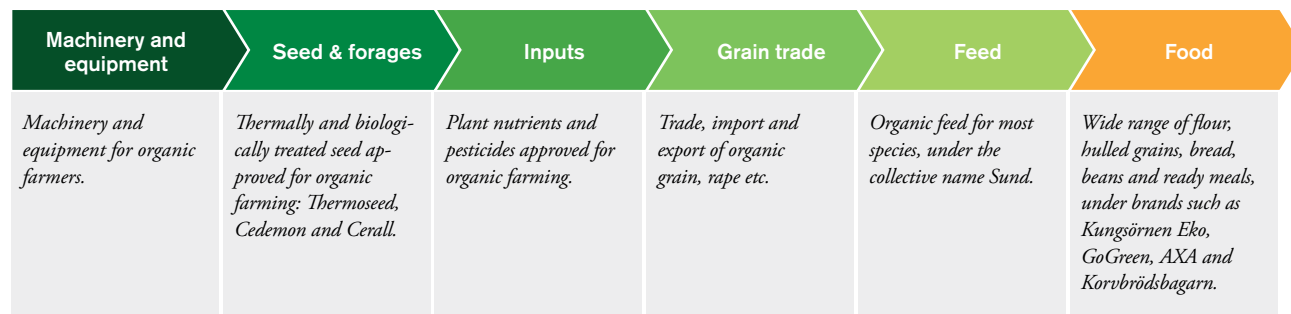
Based on strong market growth and increased demand, Lantmännen has developed a new organic strategy, with the following overall objective:

“
Lantmännen will take leadership in developing and driving the organic market in all parts of the value chain.

We will strengthen our organic business in response to the high consumer demand that exists. By developing the organic value chain, we contribute to the long-term viability of farming and stronger competitiveness for Swedish farmers.

Major player in the organic market

Lantmännen is an important player in the organic market, particularly as a supplier of inputs for organic farmers. The organic business has a total turnover of over SEK 1 billion throughout the value chain.



Next step in climate work

Climate change is an important external factor and is higher on the social agenda than ever before. Lantmännen's climate strategy is to continue to reduce our own impact, equip the organization and businesses for tomorrow's conditions and contribute to more climate-friendly food and energy production.

The food industry accounts for a considerable proportion of the world's greenhouse emissions. To slow down climate change and ensure productive agriculture in the future, the carbon footprint needs to be reduced at every stage *from field to fork*. As a food producer and agricultural cooperative, Lantmännen has both the responsibility and opportunity to contribute in the right direction.

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The strategy consists of several stages, the first of which will focus on fossil-free production, transport and continued energy efficiency.

New climate strategy with high ambition level

After our previous emissions reduction climate target for 2020 was achieved as early as 2015, Lantmännen started the process of developing a new climate strategy in 2016. The strategy consists

of three different parts: to continue reducing the impact of our own operations, to develop sustainable businesses together with other stakeholders in our value chain, and to adapt to climate change which affects growing conditions and other areas.

Concerning the transition from fossil to renewable fuels in production, much has already been done. Phasing out the remaining fossil fuel oil, introducing renewable electricity at all facilities and continuing energy efficiency are important parts of the work ahead.

Transport represents a larger and more complex challenge. Here we need to work further on identifying the impact and the potential to reduce emissions by measures such as more far-reaching requirements, and collaboration with our transporters.

Lantmännen's climate strategy will also include investments and measures to reduce the carbon footprint in other parts of the value chain. Development of sustainable cultivation methods, product development and dialogue with customers and consumers are a few examples. We are also continuing work on risk analysis related to how climate change and water shortages could affect supply of raw materials in our business, for example.



Lantmännen is one of the member companies in the Haga Initiative climate network. The purpose of the network is to demonstrate the profitability of active climate responsibility, to work to reduce the business sector's climate impacts and to push for a more proactive climate policy. Learn more at hagainitiativet.se



Together with 60 other companies and organizations, Lantmännen is a member of the 2030-Sekretariatet network, which works for reduced transport emissions and increased use of sustainable biofuels. Learn more at 2030-sekretariatet.se



Lantmännen Agroetanol's cooperation with Scania has resulted in Etha, a brand new concept for sustainable truck transport.

Active dialogue and advocacy

Dialogue and cooperation between politicians, industry and interest groups is becoming increasingly important in resolving common complex challenges and helping to progress in the right direction. Lantmännen participates in the debate and engages in active advocacy on several major issues.

As a responsible and proactive player, Lantmännen contributes to positive social development, which promotes our businesses and strategies at the same time. Dialogue, innovative collaboration and active influencing of relevant stakeholders and decision-makers are a prerequisite for success.

Lantmännen initiates and conducts stakeholder dialogues on all areas and issues that are considered business critical. These include issues where we must keep in step with the market in order to take responsibility and issues where we want to take the lead but are not able to move forward on our own. As a competent and constructive partner of decision-makers, we can create good conditions for Swedish farming and contribute to sustainable development.

Presence in public and regulatory affairs

In 2016, a new public and regulatory affairs corporate function was introduced at Group level for the purpose of coordinating and strengthening the presence in the social discussions that are most relevant to Lantmännen and our owners.

Sustainable Food Chain

Lantmännen is one of the actors behind the Swedish Sustainable Food Chain industry initiative, launched in 2015. The background is the food sector's complex environmental and health



Claes Johansson, Sven-Erik Bucht, Helena Jonsson and Bengt-Olov Gunnarson.

Almedalen week and EAT Forum

During the year, Lantmännen participated in several forums on the theme of sustainable cultivation and sustainable food production. During the Almedalen week in Visby, seminars were organized with LRF, Haga Initiative and SPBI. For the third year, Lantmännen was a partner in the EAT forum held in June in Stockholm. Learn more at eatforum.org

challenges, which require broad cooperation. Learn more about the sustainable food chain at hallbarlivsmedelskedja.se and stakeholder dialogue at lantmannen.com

Important social arenas

The issues identified as most important for Lantmännen to monitor or pursue are summarized in three areas, with sustainable development as the overall theme. Dialogue on each issue is conducted with several players and through participation in forums and networks.

Examples of current issues in 2016

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



Organizations and networks in which Lantmännen conducts active dialogue

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

Our employees

Lantmännen works with a long-term approach to develop leaders and employees, to increase diversity and equality and to create safer, better and more engaging workplaces. Retaining and further developing skills and leadership within Lantmännen and attracting new employees are prerequisites for achieving our goals.

The right skills and leadership

Lantmännen endeavors to be an attractive employer with a professional recruitment process, internal development programs and good internal mobility, which are key to accessing the right skills and leadership to achieve our goals. In 2016, Lantmännen continued the focus on leadership and skills development, with measures including a leadership training program for all managers and two international one-year programs, GAP and GROW, designed for leaders with the potential to take a further career step as a leader within the Lantmännen organization.



A professional recruitment process, internal development programs and good internal mobility are key to accessing the right skills and leaders.

Development of the internal mentoring program has continued and there are now more mentoring pairs in the program than previously. All employees are required to have performance appraisals with their immediate supervisor. The

appraisal focuses on individual performance in relation to defined targets. The appraisal also includes an assessment of attitude and behavior in relation to Lantmännen's values of openness, a holistic view and drive. An individual skills development plan is drawn up for each employee.

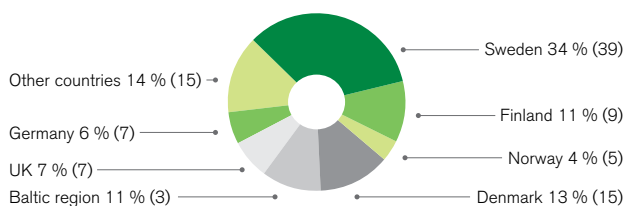
To secure skills and leadership in the Group, it is important to provide sufficient challenge and development for employees, to develop younger leaders and to increase internal mobility. The proportion of young managers increased during the year, and internal candidates accounted for 44 percent of managerial recruitment. The goal is for at least one in two managers to be recruited internally by 2020.

Lantmännen works on long-term initiatives to further improve equality and strengthen international experience. Targets and action plans were established in all Sectors and business areas during the year, and gender distribution has improved in all management groups.

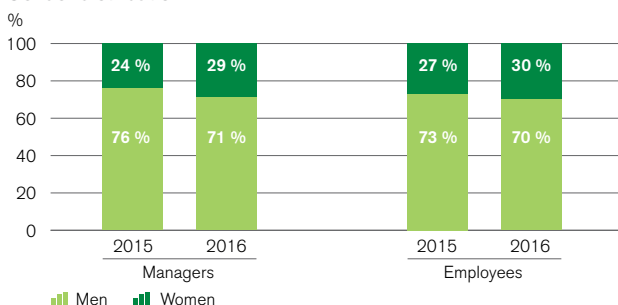
An attractive employer

Lantmännen works to be an attractive employer to both present and potential employees, and our position was strengthened in surveys conducted by external talent networks. Lantmännen climbed 16 places in the rankings for civil engineers' choice of "ideal employer", while in the corresponding rankings for economists, Lantmännen climbed 30 places. Both surveys were aimed at young professionals.

Employees – Geographic distribution



Gender distribution



“Lantmännen works systematically to identify and address risks in the work environment by regularly monitoring the work environment of all the businesses

A new trainee program started during the year and nine trainees will spend 15 months working on projects in Lantmännen's businesses and strategic international assignments while also attending training in change management, business development and leadership.

Effective strategic work

A new development program for project managers has been established, aimed at ensuring that strategic development projects are conducted even more effectively. The program focuses on increasing knowledge of Lantmännen's project methods, improving the efficiency of projects and attracting skilled project managers.

Safe work environment and proactive health work

Lantmännen works systematically to identify and address risks in the work environment by regularly and systematically monitoring the work environment of all our businesses. Monitoring also includes about 50 annual loss prevention inspections on site at Lantmännen's production facilities. Work environment training courses are held regularly in all of the businesses. Lantmännen's crisis management work has been revised and updated, particularly with regard to procedures, processes and crisis organizations, both locally and centrally within Lantmännen. The aim is to be able to respond rapidly and in the best way if a crisis should occur.

Implementation of web-based system support for reporting,

follow-up and monitoring of accidents, risks and incidents continued. The reporting system is now available in virtually all of Lantmännen's facilities. As a result of systematic work environment efforts, the injury rate fell, while an increased focus was placed on qualitative incident reporting.

Lantmännen sees proactive health and wellness initiatives as important to a sustainable work environment. Based on the results of conducted employee surveys, continuous efforts are devoted to identifying areas for improvement and to improving health aspects, in particular with regard to the psychosocial work environment and workload.

In most operations, sick leave has fallen or is at the same level as in 2015. However, sick leave has increased in some parts of the Food Sector.

Whistleblowing in a web-based reporting system

A whistleblowing procedure is in place, which gives all employees a safe and simple way of reporting malpractice or anything that is contrary to the law or Lantmännen's Code of Conduct, guidelines or policies. Employees in Lantmännen's businesses can anonymously, and in their own language, report observations and concerns in a web-based system.

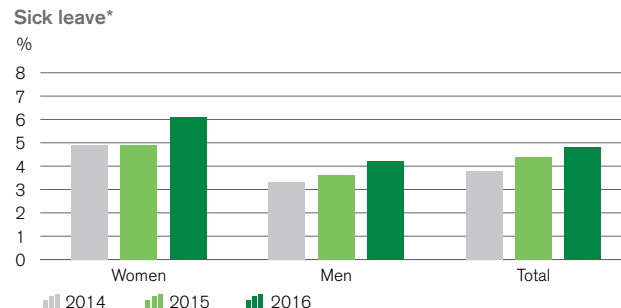
A total of 12 reports from six different countries were recorded in 2016. All cases were dealt with by Lantmännen's Whistleblowing committee and investigations were made. Six of the reports led to labor law measures or penalties.

Our employees, accidents and incidents	2016	2015
Number of fatalities due to work-related injuries	0	0
Number of accidents ¹	239	202
Injury rate ²	14.5	15.2
Number of reported incidents ³	3,072	1,686
Number of incidents per accident (lost-time)	12.9	8.3

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.



*2015 excluding Vaasan



**The Agriculture Sector
constitutes Lantmännen's
core business for strong,
competitive farming**

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Lantmännen Lantbruk offers a wide range of products for livestock and crop production.

Agriculture Sector

The Agriculture Sector constitutes Lantmännen's core business and offers products and services to promote strong, competitive farming. The Sector is based in Sweden, but is also active in the international market. The Agriculture Sector accounts for 27 percent of Lantmännen's sales.

The Agriculture Sector is based in Sweden and with its international ownership interests also has a strong position in the Baltic Sea region. 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*. See [page 58](#).

Lantmännen Lantbruk offers a wide range of products for livestock and crop production, and is a major player in the grain market. The Agriculture Sector conducts trade in grain, oilseeds and pulses with farmers, grain traders and industry around the Baltic Sea and globally.

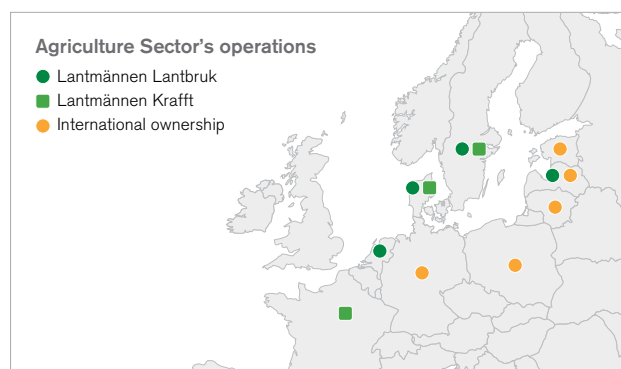
In 2016, intensive efforts were devoted to creating a new digital portal, LM², for our owners. The portal is a tool that provides an overview and provides smart, digital services that enable farmers to take advantage of existing data and use it in their daily work. The tool is also adapted for use on mobile devices. As part of the digital focus, Lantmännen acquired a majority in the technical services company *Dataväxt*.

Market and business environment

Once again, the world's grain stocks were filled. Despite increased consumption, closing stocks over the last four years have increased from 69 days of consumption to the present 91 days. For rapeseed, the situation is reversed, with closing stocks declining from 38 days of consumption to 29. These changes have had a corresponding effect on prices – for example, the price of MATIF wheat has fallen by 6 percent, while MATIF rapeseed has risen by 7 percent during 2016. In the area of livestock, the milk situation has stabilized a little, but remains serious and more settlement price increases are required to create balance in the sector.

Outlook for 2017

The Agriculture Sector's overall strategic direction is focused on being a leading agribusiness player in the Baltic Sea region, with Sweden as its base. This will be achieved through business development with agricultural entrepreneurs at the center, and by strengthening existing business, generating growth around the Baltic Sea and creating the conditions for long-term profitable agricultural business.



Agriculture Sector's brands



**Nötfor
Piggfor**

**Pullfor
Protect**

Agriculture Sector, Key figures	2016	2015
Net sales, MSEK ¹	10,767	10,907
Operating income, MSEK	318	192
Operating margin, %	3.0	1.8
Return on operating capital, %	7.8	4.6
Investments in non-current assets, MSEK	82	91
Average number of employees	766	818
of which women, %	30	29
Women in executive management, %	22	33
CO ₂ emissions, thousand tonnes	62	63
Total sick leave, %	3.3	3.1

¹ Including intra-Group sales

Excl. items affecting comparability	2016	2015
Operating income, MSEK	318	237
Operating margin, %	3.0	2.2
Return on operating capital, %	7.8	5.7

Agriculture Sector

Lantmännen Lantbruk Sweden

Lantmännen Lantbruk offers a wide range of products for livestock and crop production. The products are marketed under the strong brands Nötfor, Piggfor, Pullfor, Fårfor, Renfor, Protect and SW. Lantmännen Lantbruk is a major participant in the grain market and purchases grain, oilseed, pulses and forages, which are sold on to Swedish and international industry. Through product and business development, Lantmännen Lantbruk works to strengthen Swedish farming.

The positive developments in the Agriculture Sector continued in 2016. The largest improvement in earnings is in the Swedish operations. The improvement is due to the major structural changes, and improved processes, control and efficiency in recent years. The focus in recent years on having the best sales force in the country has produced results, and our competent sales team has a good reputation in the market, which has resulted in increased market shares in all business segments.

Lantmännen Lantbruk worked intensively on the development of a new digital portal, LM², during the year. Taking advantage of the opportunities offered by digitization is a key part of Lantmännen Lantbruk's strategy. The tool will gather together existing services and a number of innovative new services in one common portal to increase usability and focus on the farmer's needs. It includes both agribusiness and machinery business, but also financial services and information to owners and elected representatives. By taking advantage of available data from the market and from the farm, referred to as *big data*, and transforming it into *smart data*, LM² enables better,

fact-based decisions for increased competitiveness in the user's own farming activities. At the same time, LM² is designed to give the farmer simplified access to relevant, personalized information, simplified administration and a closer relationship with Lantmännen as a strategic business partner.

Grain

Lantmännen Lantbruk buys and sells grain, oilseeds and pulses. The volume in 2016 was about 2.9 million tonnes. About half the quantity went to Lantmännen's own industries. Swedish grain exports are estimated to be 1.5 million tonnes for the 2016 harvest year, with Lantmännen accounting for a significant proportion of this. There is considerable interest in Swedish export grain, as the harvests in France and the Baltic region were lower than normal. Lantmännen Lantbruk's most important markets for grain exports are wheat to the Mediterranean, malting barley to Germany and the Benelux countries and oats to Germany, Benelux and the United States.

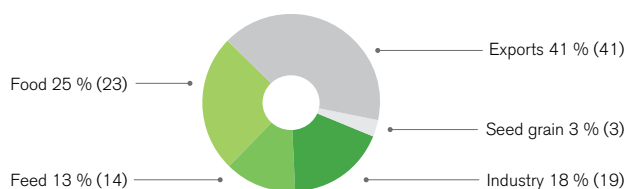
Conditions for spring sowing in 2016 were good, and

Lantmännen Lantbruk Sweden, Key figures	2016	2015
Net sales, MSEK ¹	10,587	10,798
Operating income, MSEK	225	96
Operating margin, %	2.1	0.9
Return on operating capital, %	8.2	3.2
Investments in non-current assets, MSEK	81	90
Average number of employees	734	789
of which women, %	29	29

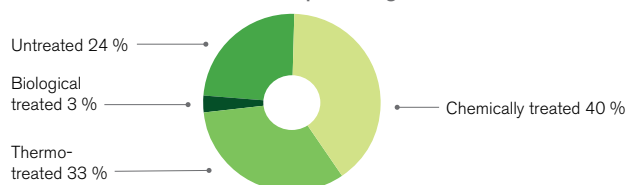
¹ Including intra-Group sales

Excl. items affecting comparability	2016	2015
Operating income, MSEK	225	141
Operating margin, %	2.1	1.3
Return on operating capital, %	8.2	4.7

Use of total volume of sold grain



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





the spring-sown acreage was large. The weather during the harvest period was good and created favorable conditions for fall sowing. Acreage of winter oilseeds increased in 2016 and Lantmännen's rapeseed varieties were sought after. The Board of Agriculture's forecast shows that the Swedish harvest amounted to 5.9 million tonnes of grain and oilseeds, which is above the five-year average. The 2016 harvest started early, but several rain interruptions resulted in a prolonged harvest period. Lantmännen received a total of 1.57 million tonnes during the harvest period and the grain reception progressed well in most places. Before the 2016 harvest, new grain receiving facilities opened in Umeå and Säffle, and in Karlstad, replacing Skattkärr. The grain volumes received at the new facilities exceeded forecasts. In the Kalmar area, reception also exceeded expectations with incoming volumes of 12,000 tonnes of grain and oilseeds.

Swedish consumption of grain and oilseeds is at a stable level. Consumption of organic products is increasing both in Sweden and in the export market. Prices for organic products have developed better than for conventional crops, and organic wheat is being imported to cope with Swedish supply.

Animal feed

After a long period of low settlement prices for milk, prices took an upward turn in the second half of 2016. The economic problems in the dairy industry are still serious, and more settlement price increases are required to create balance in the industry. Pig farming developed positively, with settlement price in Sweden significantly higher than in the rest of Europe. The industry's information about Swedish meat's added values has produced positive results in the market. Investments are being made in the broiler industry and the market is in growth. The market for egg production stagnated a little.

Lantmännen Lantbruk develops and offers a comprehensive range of feed for livestock production, and the feed business showed positive growth during 2016. Feed development is successful and during the year, Lantmännen Lantbruk launched new feed for cattle, pigs and poultry, adapted to today's genetics and production, as well as a new feed range for organic milk, meat, eggs and slaughter pig production.

The new feed ranges have been well received in the market, with good production for our customers, which has resulted in increased market shares.

The focus during the year has been to be at the forefront of feed development, to ensure cost-effective, safe purchases and optimizations, and to have a skilled and committed sales organization. The efficiency work in progress in Lantmännen Lantbruk's production organization has resulted in significantly lower costs.



The new feed range has increased productivity and profitability for our customers and given us increased market shares.

Seed & Forages

Under the SW brand, Lantmännen Lantbruk breeds and markets seed in the areas of seed grain, oilseed and grass seed. Lantmännen Lantbruk works to develop new varieties of a high quality and offers a wide range of seeds. As the only player in the market, Lantmännen Lantbruk can offer germinating capacity tested spring seed that has extra vigor and provides the best conditions for good crop establishment. Lantmännen's ThermoSeed is a unique method of seed treatment without additives and contributes to more sustainable farming.

The range of fall and spring seed was further strengthened during 2016. *Festival* (winter wheat for organic cultivation), *Linus* (winter wheat) and *Brioni* (whisky malting barley) are new varieties with properties suited to Swedish conditions. *RGT Planet* malting barley, *Dragoon* feed barley and the new, high-yielding *Tored* meadow fescue and *Rachel* timothy were launched for 2017 spring sowing.

Despite the large volumes of seed handled at the seed facilities during the year, sales, production and deliveries proceeded well.

“

The joint campaign by Lantmännen and Trioplast has adorned Sweden's fields with pink and blue bales, contributing to continued support for cancer research.

Merchandise

Lantmännen Lantbruk markets a wide range of products for crop production and feed conservation. The range includes fertilizer, lime, pesticides, silage agents, salt, stretch film and net. Demand for fertilizer was strong during summer 2016. An early spring with good weather conditions was replaced by a dry summer and fall, resulting in lower fungicide sales than during a normal year. The summer heat resulted in a higher incidence of insect attacks which meant more insecticide sales than in the previous year. Development for specialty products remained positive. Sales of stretch film were in line with the previous year, despite generally lower harvest yields. The pink and blue bale campaign generated a very positive response and media attention.

Lantmännen Krafft

Lantmännen Krafft is Sweden's largest horse feed supplier and a well-known brand. The products are available in about ten countries in addition to Sweden. Lantmännen Krafft has 20 employees and its head office is in Malmö.

Growth showed a slightly upward trend in 2016 in a market with an increasing number of national and international players. The Krafft brand was relaunched at the end of the year. The packaging, logo and marketing communications were given a thorough update, with the aim of making the brand even more accessible in the export market.

Lantmännen Lantbruk – international operations


Lantmännen Agro

Lantmännen Agro's main task is the purchase of grain in Denmark. Because of the lower price level of grain during the year, farmers were cautious about sales. This drove up domestic prices, which remained at a higher level than export prices in smaller tonnages, and affected Lantmännen Agro's volumes negatively. On the other hand, fertilizer sales performed well, with rising volumes.

Lantmännen SW Seed BV

Lantmännen SW Seed BV conducts plant breeding of triticale and potato at the processing station in Emmeloord, Netherlands. In 2016, major market progress was made and the company performed well. License revenues were increased for both breeding programs, and the company's own potato variety, Fontane, is now the largest in the market.





**The Machinery Sector
conducts Lantmännen's
operations in agricultural
machinery, construction
machinery and lubricants**

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The expanded cooperation with AGCO means that Lantmännen Maskin focuses its operations in Sweden.

Machinery Sector

The Machinery Sector's operations comprise three business areas: Lantmännen Maskin, which specializes in agricultural machinery, Swecon, which operates in construction machinery, and Agro Oil, which develops and sells lubricants. The Sector accounts for 29 percent of Lantmännen's sales.

The Machinery Sector's companies continue to focus on the development of servicing and services such as service contracts, machinery insurance, financing, parts and accessories, and driver training. Swecon and Volvo CE work together to improve customer value with digital technology. There is also a similar partnership between Lantmännen Maskin and the agricultural equipment manufacturer AGCO, which includes LM². The planning and implementation of a new strategy for agricultural machinery was intensified during the year, bringing major changes to the Machinery Sector and employees as we leave the import operations in Norway and Denmark to concentrate on Swedish customers and the AGCO partnership. In Sweden, the focus was on integrating AGCO's central warehouse into the Malmö warehouse. Fendt's combines were added to the product offering. Our work to staff workshops with technicians was intensified during 2016. Together with external suppliers, we have implemented technician training and have started a collaboration with training for new arrivals in early 2017.

Global markets for construction and agricultural machinery remained weak in 2016, which dampened profitability. It is expected to take two more years before the trend turns upward, although the markets in Germany and Sweden are already showing an increase. Increased price competition and a weaker Swedish

currency had a negative effect on the margins for imported machinery. Lantmännen Maskin is successfully defending its position in tractors and combines, and increased its sales of equipment.

Swecon's markets for construction machinery increased significantly during the year, with the exception of the Baltic countries.

Agro Oil's operations were affected by longer servicing intervals, but this was offset by higher volumes as a result of strong sales through Lantmännen Maskin and Swecon in Sweden.

Outlook for 2017

The global construction machinery market shows an upward trend. Growth in Swecon's major markets, Germany and Sweden, is 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, but from low levels. The order situation at the beginning of 2017 was very good. As a result of changes to distribution systems and product ranges, we expect a continuation of the intense competition, and some turbulence. Volumes for our Swedish agricultural machinery market are expected to be unchanged. Lantmännen Maskin stands strong with a clear direction, a broad product portfolio, a well-functioning central parts warehouse and a comprehensive service network.



Machinery Sector's brands



Lantmännen
Maskin



Machinery Sector, Key figures	2016	2015
Net sales, MSEK ¹	11,343	10,323
Operating income, MSEK	316	255
Operating margin, %	2.8	2.5
Return on operating capital, %	17.8	14.0
Investments in non-current assets, MSEK	324	328
Average number of employees	1,951	1,869
of which women, %	10	10
Women in executive management, %	20	15
CO ₂ emissions, thousand tonnes	112	-
Total sick leave, %	3.4	3.5

¹ Including intra-Group sales

Excl. items affecting comparability	2016	2015
Operating income, MSEK	316	255
Operating margin, %	2.8	2.5
Return on operating capital, %	17.8	14.0

Machinery Sector

Lantmännen Maskin

Lantmännen Maskin represents a broad product portfolio with strong brands such as Valtra and Fendt. Lantmännen Maskin imports, markets and sells agricultural machinery, spare parts and services.

Operations

Sweden

Lantmännen Maskin's customers participated in the development of LM², the tool for entrepreneurs of the earth, during the year. The LM² digital tool brings together the user's machinery and equipment, with related instruction manuals and films. LM² offers the user the facility to book servicing and also offers quick access to spare parts via e-commerce. Machinery brands are gradually connected to LM² services.

The global market for agricultural machinery showed reduced volumes, putting manufacturers under pressure, while the Swedish market was affected by a restructuring which saw several competitors changing importer and introducing their own sales channels. The number of farmers decreased and several segments of the agricultural industry showed reduced profitability. The acquisition of Kalmar Lantmän's machinery operations involved a series of activities to integrate the operations into Lantmännen Maskin. Our new agreement with Kuhn, one of the world's leading agricultural equipment manufacturers, has proceeded very well.

We will also, as planned, take over the imports and marketing support for the Massey Ferguson brand in the first half

“

The launch of Fendt's combines in 2016 was well received.

of 2017 in the framework of our partnership with AGCO. Lantmännen Maskin's presence and offering in the Swedish market is improving even more.

An expanded product portfolio, with a focus on construction customers, was introduced and has increased our sales. The aspiration to always be *close to the customer* resulted in the opening of a new facility in Grödinge during the year. To improve efficiency and create a safe and healthy work environment, the facilities in Umeå and Bollnäs were rebuilt and made more effective.

AGCO's central warehouse in Copenhagen was moved to Lantmännen Maskin's warehouse in Malmö. Stocked spare parts increased by almost 50 percent and a new warehouse management system was introduced. Sales personnel and managers underwent a training program on Fendt combines. All local managers were trained in the new work environment rules, and our new system for reporting and monitoring.



AGCO is a leading agricultural solutions company, headquartered in the United States. The expanded partnership means that Lantmännen will focus its agricultural machinery business on the Swedish market and AGCO's brands.

Norway

The Valtra import business was transferred to the AGCO company Eik Maskiner in 2016. We terminated our imports of Claas machines, and our import company was closed, with excess personnel laid off. During the year, we signed an agreement of intent for BRI to take over 50 percent of the shares in our dealership Akershus Traktor. BRI is a stable and recognized player in the Norwegian agricultural machinery sector and the agreement brings us a close operative partner with good development potential.

Denmark

In accordance with our new strategy, the import company for Valtra was transferred to AGCO at the mid-year point, which also meant that our employees changed employer. LMB, the importer of Claas machines, was sold on January 1, 2017 and all employees were included in the sale.

Business environment

Agricultural companies in Scandinavia are being affected by weak profitability, which stems from the unrest in Russia and Eastern Europe, low global market prices for milk and grain, and changed EU subsidies. Farmers have shown little willingness to invest, mainly due to the situation of pressure for milk producers during the year. The weak krona trend means a continuation of rising costs and the total market for tractors is declining with continuing weak growth in Europe.



The agreement with KUHN, one of the world's leading agricultural equipment manufacturers, has been very positively received by our customers.

Market

Sweden

It has been a turbulent year, marked by changes in the industry. The unique market situation brought with it highly favorable introductory offers, attractive interest campaigns and dealer-registered tractors. The market for tractors in 2017 is expected to be more modest than in 2016.

Norway

The total market for tractors declined slightly, but is considered stable. Market shares for both Valtra and Claas increased in 2016, while the Norwegian combine market recovered, which had a positive effect on sales.

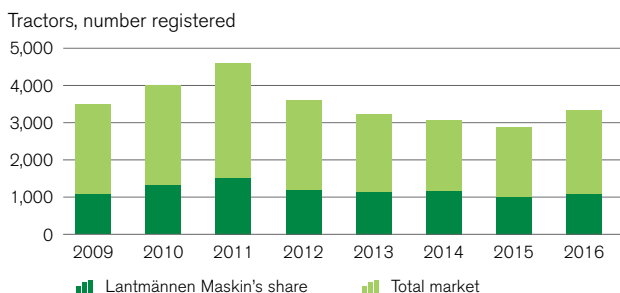
Denmark

Demand for tractors and agricultural machinery in Denmark fell and the total market for tractors in the country declined by 16 percent in 2016, but our market position was stable.

Lantmännen Maskin Sweden, Key figures	2016	2015
Net sales, MSEK ¹	3,362	3,137
Operating income, MSEK	-10	-10
Operating margin, %	-0.3	-0.3
Return on operating capital, %	-1.0	-1.2
Investments in non-current assets, MSEK	23	8
Average number of employees	799	749
of which women, %	8	9

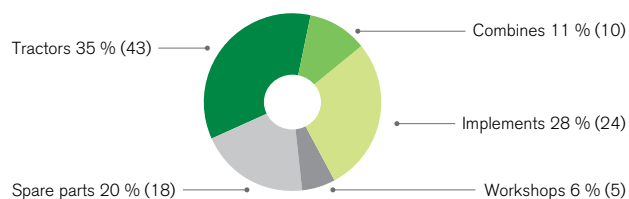
¹ Including intra-Group sales

Total market for tractors in Sweden

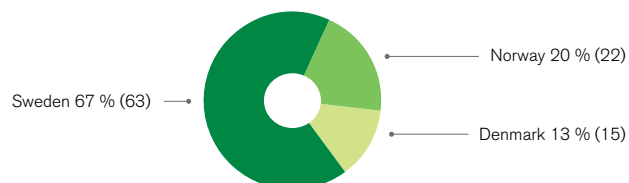


Excl. items affecting comparability	2016	2015
Operating income, MSEK	-10	-10
Operating margin, %	-0.3	-0.3
Return on operating capital, %	-1.0	-1.2

Sales by product category in Scandinavia



Sales by market



Machinery Sector

Swecon

Swecon is a dealer and partner of Volvo Construction Equipment and engages in marketing, sales and servicing in Sweden, Germany, Estonia, Latvia and Lithuania. Swecon's product range consists of wheel loaders, dumpers, excavators and road construction equipment.

Operations

Sweden

Swecon increased its market shares during 2016 and showed good growth. The large infrastructure projects that have been announced, notably in the Gothenburg and Stockholm regions, have created a long-term need for machinery, servicing and spare parts. There is clear customer demand for higher availability and we are adapting our operations to around-the-clock servicing. Our new business of dismantling old machinery and marketing used spare parts is in full operation and showing strong results. The concentration of equipment work for new machines into a separate workshop in Eskilstuna gave faster turnaround times and increased quality. We therefore opened the same service in Jönköping and Staffanstorp in 2016.

There is keen interest in our customer training, and our product offering is unique and creates an opportunity to connect our customers more closely to Swecon. We are working

with Volvo CE to develop digital services and customer offerings. During the year, we introduced the IA System, a work environment information system that enables us to work more efficiently and proactively on our work environment.

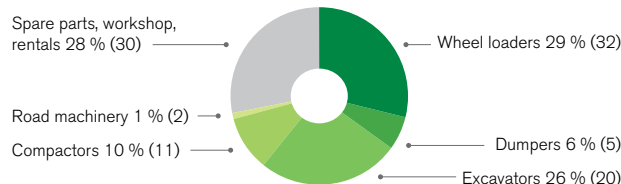
Baltic region

With a cost-effective structure and well established servicing operations, Swecon's three Baltic companies are showing good results. The establishment of a separate rental fleet is aimed at creating a better market offering, as the trend of low investment propensity means that purchases are normally preceded by a short-term rental period. A newly constructed plant was opened in Riga, with increased capacity and capability to service larger machines. The construction also resulted in an improved work environment for our employees. To get closer and provide better service to our customers in Tallinn, a new plant has been designed and construction will begin during the year.

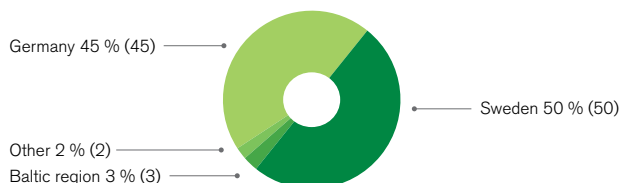
Swecon, Key figures	2016	2015
Nett sales, MSEK ¹	6,639	5,693
Average number of employees	995	956
of which women, %	11	11

¹ Including intra-Group sales

Sales by product category



Swecon, sales by market



Germany

New digital solutions improved our internal work and customer offering in 2016. We developed a web environment for spare parts and leasing activities, and developed our facilities for efficient and safe servicing in a healthy work environment, with new lifting devices and procedures for handling oils and fats.

During the year, we established a plant in Hannover and started another new establishment in Hamburg.

The IA System for monitoring the work environment was implemented, with the aim of preventing accidents and ill health. Operations were streamlined using the LEAN methodology and employees were trained in process management.



Swecon's field service is an important part of our offering.

Business environment

The global market for construction machinery is showing a decline. Exceptions are areas with major infrastructure projects and high utilization of machinery, where we note good market conditions. These areas include Sweden, Germany, Norway and the UK. Volvo CE is investing in new product programs, with both unmanned and electric-powered machines for the future.

Market

Sweden

More large-scale infrastructure projects than expected have been started in Stockholm and Gothenburg. We have seen a positive market trend and gained market shares.

Baltic region

The markets have declined as a result of the Russian embargo, the weak Finnish economy and projects not started due to lack of funding. However, Swecon has increased its market shares. We see a growing market with leasing as an alternative to purchasing. The forest industry remains strong, generating increased sales of machines and servicing.

Germany

Germany is showing a significant market recovery in all product segments, particularly compact equipment. Leasing operations are increasing and overall, we are gaining market shares in both new machinery and leasing operations.

Machinery Sector Agro Oil

With the Agrol brand, Agro Oil is a major supplier of lubricants to the professional market. Products are sold through internal and external distributors.



Agro Oil offers a customized and comprehensive range of products for agricultural, forestry and construction customers. Several of the products are proprietary and have unique features. An important component of product development is to minimize customers' impact on the environment, either directly with eco-friendly products, or indirectly with products that extend the service life or reduce the fuel consumption of the machinery.

Agro Oil, Key figures	2016	2015
Net sales, MSEK ¹	185	195
Average numbers of employees	11	11
of which women, %	12	14

¹ Including intra-Group sales.

Most of the products are produced by Petrolia AB, which is jointly owned by Lantmännen, OKQ8 and OK-föreningar. Agrol lubricants are sold in Sweden, Norway, Denmark and Estonia.

The City of Stockholm has decided to build homes on the land on which Petrolia's present facility stands. Work is in progress to wind up our operations there and change to another production facility.

In a declining market, Agro Oil continues to gain market shares. This has been achieved through excellent cooperation between the sales channels of Lantmännen Maskin and Swecon in particular. A new management team is in place, with a focus on increased sales and product development.

The Energy Sector is Sweden's largest producer of bioenergy products

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Exports of our climate-friendly ethanol to Germany and second-generation ethanol to several countries in Europe have contributed to strong earnings.

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, renewable carbon dioxide, glucose syrup, starch products, alkylate petrol, vodka and gluten. The Sector is responsible for Lantmännen's ownership interests in the partly-owned company Scandbio.

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

Business environment and market

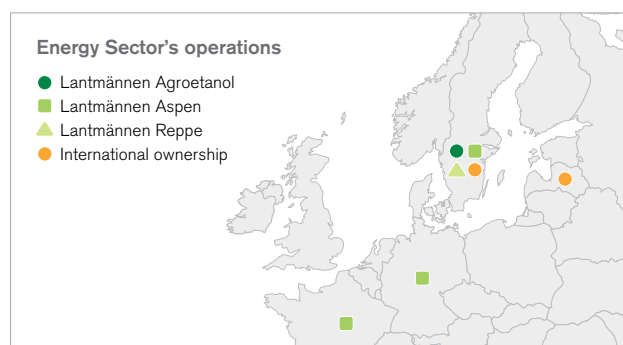
Bioenergy is Sweden's most widely used type of energy, accounting for about a third of the country's energy consumption. The transport sector is dependent on fossil energy, and sustainable transport is a key challenge in reducing carbon dioxide emissions. The Energy Sector produces ethanol with world-leading carbon efficiency. Sweden is the first EU country

to have achieved the target of ten percent renewable energy in the transport sector by 2020. Sweden also has targets of a fossil-free vehicle fleet by 2030 and zero net emissions of greenhouse gases by 2050.

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

Outlook for 2017

Lantmännen Agroetanol's market conditions continue to improve and demand for ethanol with high climate performance in Germany is expected to persist. Work continues on complementing the raw material base with alternative raw materials in addition to grain. Prospects for continuing growth are considered good for Lantmännen Reppe and Lantmännen Aspen.



Energy Sector's brands



Energy Sector, Key figures	2016	2015
Net sales, MSEK ¹	2,698	2,874
Operating income, MSEK	4	218
Operating margin, %	0.1	7.6
Return on operating capital, %	0.4	19.2
Investments in non-current assets, MSEK	48	54
Average number of employees	234	228
of which women, %	26	25
Women in executive management, %	14	14
CO ₂ emissions, thousand tonnes	20	22
Total sick leave, %	2.2	2.2

¹ Including intra-Group sales

Excl. items affecting comparability	2016	2015
Operating income, MSEK	304	218
Operating margin, %	11.3	7.6
Return on operating capital, %	31.4	19.2

Energy Sector

Lantmännen Agroetanol

Lantmännen Agroetanol is a large-scale biorefinery which processes the main base raw material grain into renewable alternatives to fossil or other non-sustainable products. Lantmännen Agroetanol processes grain and starchy waste products into ethanol for the fuel market and technical products, and protein products for the feed market.

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

The company is the Nordic region's largest producer of sustainable ethanol. The annual production capacity of the Händelö facility in Norrköping is 230,000 m³ of ethanol, 200,000 tonnes of protein-rich animal feed under the product name Agrodank and about 90,000 tonnes of carbon dioxide. The product portfolio has continued to be differentiated in 2016 and the volume of alternative raw materials is increasing. The overall differentiation has created significant added value for Lantmännen Agroetanol, which is the explanation for the strong profitability improvement in 2016. Lantmännen Agroetanol's ethanol is among the most sustainable in the world, with reductions in greenhouse gas emissions of more than 90 percent compared with petrol. During the year, more than half of Lantmännen Agroetanol's production was exported to Germany, where the market for sustainable ethanol has been favorable. In Germany, climate instruments are creating demand for biofuels with high climate performance. Lantmännen Agroetanol's development projects for new products and

markets, such as Etha, ethanol-based fuel for adapted diesel engines in partnership with Scania, and climate-smart mycoprotein for use as food, are continuing with full momentum. The alternative raw materials contribute positively to profitability by reducing commodity price risks and give us a differentiated ethanol product that can be sold in value-added markets.

The ethanol market in Europe has been affected by high volatility, with sharp fluctuations in listed prices in 2016. Agroetanol's ability to create added value on top of these listings has been crucial to the good growth in profitability. The feed market has been strong, with good demand for our feed product Agrodank. There is continuing uncertainty about future policy instruments for biofuels in Sweden, Germany and other EU countries, and towards the end of 2016, the European Commission tabled a proposal that was negative to all crop-based fuels.

A provision of MSEK 300 has been made in the financial statements, in connection with the European Commission's ongoing investigation of Lantmännen Agroetanol and two other ethanol producers for alleged infringement of EU competition law. Learn more at agroetanol.se/en

Lantmännen Agroetanol, Key figures	2016	2015
Net sales, MSEK ¹	1,676	1,879
Operating income, MSEK	157	105
Average number of employees	95	89
of which women, %	26	22

¹ Including intra-Group sales

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The feed market is strong, with good demand for Lantmännen Agroetanol's feed product Agrodank.



Energy Sector

Lantmännen Aspen

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

Alkylate petrol is used in petrol-driven engines, such as lawn mowers, chainsaws and boats. Focusing on people, machinery and the environment, Lantmännen Aspen has evolved into the market leader in large parts of Europe and in Canada. The company showed good growth during the year and a particularly strong summer period contributed to strong earnings.

During the year, a cooperation agreement was signed with the French-German company Global Bioenergies, an initiative for using renewable raw materials in the production of alkylate petrol, thereby reducing emissions of climate-affecting greenhouse gases. Development of a new product Aspen D, designed for smaller diesel machines, was also completed during the year. Learn more at en.aspen.se



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Studies show that alkylate is up to 99 percent cleaner than conventional petrol.

Lantmännen Aspen, Key figures	2016	2015
Net sales, MSEK ¹	557	557
Average number of employees of which women, %	57 29	58 30

¹ Including intra-Group sales.

Energy Sector

Lantmännen Reppe

Lantmännen Reppe creates value by processing wheat into glucose syrup, wheat gluten, vodka, starch products and animal feed.

Lantmännen Reppe, one of Sweden's oldest companies, supplies products for use in the food industry, with customers in the bakery, confectionery and ice-cream industries. The products are also widely used in the paper industry and in the biotechnology area. The company has one of the Nordic region's largest distilleries, which produces fine spirits and high-quality vodka for the beverage industry

Development work in all product segments has resulted in both new customers and new applications, some of these in the growing packing and packaging industry where wheat-based starch products are in demand.

Continued strong demand for Lantmännen Reppe's products is leading to investments in increased capacity. Sustainability work is progressing, and more than half of Lantmännen Reppe's products are transported with biofuels.

Learn more at repe.se/en

Lantmännen Reppe, Key figures	2016	2015
Net sales, MSEK ¹	466	439
Average number of employees of which women, %	78 24	77 23

¹ Including intra-Group sales.

**The Food Sector
develops, processes
and markets products
such as flour, pasta,
bread and ready meals**

.....
Dough is a living product that changes
in relation to flour quality, temperature
and humidity.



**Good food from
Lantmännen**



The Food Sector

The Food Sector develops, processes and markets flour, breakfast foods, pasta, frozen and fresh bread, crispbread and ready-to-eat dishes. The Sector has its base in the Baltic Sea region, but has a presence in about 20 countries. The Sector accounts for 36 percent of the Group's sales.

The Food Sector comprises two business areas: *Lantmännen Cerealia* and *Lantmännen Unibake*. Production takes place at 49 facilities, and the Sector has many strong brands, including AXA, Bonjour, Kungsörnen, Schulstad, Amo, Regal, FINN CRISP, GoGreen, Goo!, Hatting and Korvbrödsbagarn. The Sector is also responsible for Lantmännen's ownership interests in the partly-owned company *Viking Malt*. In May, Viking Malt acquired the company Danish Malting Group from Carlsberg. The acquisition has strengthened Viking Malt's position as one of the leading malting companies in Europe.

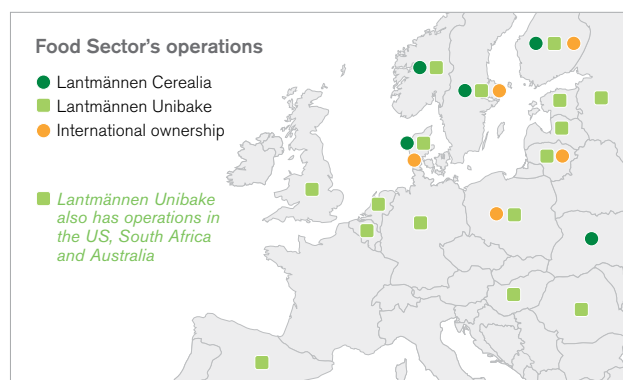
Business environment and market

Swedish fast-moving consumer goods (FMCG) growth slowed a little during the year, while prices increased slightly. Digitization of Sweden's retail sector is accelerating and the digital food sector is one of the fastest-growing segments. Consumer demand is becoming increasingly polarized.

While demand for discount products is increasing, consumers are looking for other products with a high level of perceived quality, for which customers are also prepared to pay more. These may be products with perceived health benefits, such as products with no added sugar, and gluten-free and organic products, as well as exclusive variants and products with an artisanal appearance.

Competition remains intense in all the Sector's markets, from both private labels and other suppliers' brands.

Organic spelt roll with ham, avocado, yellow pepper and lettuce.



Sales by market	2016	2015
Nordic countries	64 %	64 %
Rest of Europe	29 %	29 %
Rest of the world	7 %	7 %

Food Sector, Key figures	2016	2015
Net sales, MSEK ¹	14,048	13,073
Operating income, MSEK	1,058	692
Operating margin, %	7.5	5.3
Return on operating capital, %	8.4	6.7
Investments in non-current assets, MSEK	1,439	473
Average number of employees	6,610	5,687
of which women, %	35	30
Women in executive management, %	12	13
CO ₂ emissions, thousand tonnes	178	147
Total sick leave, % ²	5.7	4.7

¹ Including intra-Group sales. ² Exclusive Vaasan 2015.

Excl. items affecting comparability	2016	2015
Operating income, MSEK	849	733
Operating margin, %	6.0	5.6
Return on operating capital, %	6.7	7.1

The Food Sector

Lantmännen Cerealia



Lantmännen Cerealia develops, produces and markets grain-based products such as flour, flour mixes, hulled grains, muesli, pasta and pancakes, as well as ready-to-eat meals, crispbread, plant-based drinks, beans and lentils. Operations are conducted in Sweden, Norway, Denmark, Finland and Ukraine.

Lantmännen Cerealia's products are sold to Nordic consumers through food retail stores under well-known brands, and to many of the largest bakeries, foodservice in the Nordic region through the large business-to-business (B2B) and Food service operations.



Lantmännen Cerealia continues to develop through innovation and business and product development, with a focus on health and sustainability.

Business environment

Clear consumer trends in food in the Nordic region are *health, sustainability, responsibility, origin* and *wellbeing*. The market is affected by tight margins and by the fact that the discount segment and chains' own brands continue to gain shares in food retail. However, there is keen interest in quality and premium

products, and both the oat and ready meal categories are growing in the Nordic markets.

Competition has intensified in Sweden, and the larger food chains are demanding when sourcing products. Despite a record harvest in 2015, the low availability of high-quality wheat with satisfactory protein levels was a challenge during some of 2016.

Market and market performance

Lantmännen Cerealia offers healthy, sustainable products of high quality and conducts its operations in the following categories: *Breakfast, Crisp, Baking, Cooking (Pasta and GoGreen products)* and *Ready-to-Eat*, with a product range that is sold through food retail outlets, and within B2B and Food service.

Market growth is good in all categories apart from Crisp, where the downward trend in the Finnish domestic market and exports, particularly to Russia, continue to be a challenge. The launch of a wide range of FINN CRISP crispbread in Sweden in the second half of 2016 was well received in the market.

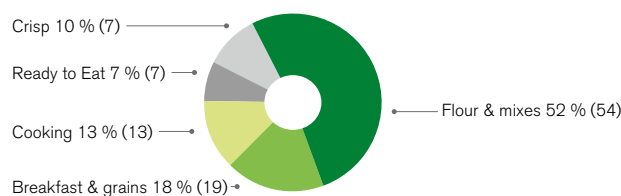
Customers and consumers are increasingly demanding change and renewal, which means that innovation and product and business development are essential for Lantmännen Cerealia.

Lantmännen Cerealia, Key figures	2016	2015 ²
Net sales, MSEK ¹	4,077	3,956
Average number of employees	1,178	1,248
of which women, %	41	41

¹ Including intra-Group sales

² Including Vaasan from June 1, 2015.

Lantmännen Cerealia
Sales by product category



Lantmännen Cerealia's brands



AXA has developed its range with products such as granola with no added sugar, muesli varieties and a protein-enriched oat product. Kungsörnen bean pasta was launched in Sweden in the beginning of the year, and sales exceeded the forecast so strongly that the Swedish-grown beans had to be temporarily replaced with French beans in one of the pasta varieties. The bean pasta was also launched in Norway towards the end of 2016.

The launch of vegetarian ready meals from GoGreen was successful. The dishes are produced in Järna, where Lantmännen Cerealia has also completed the installation of a flexible new production line for two-compartment meals.

Starting points for innovation and product development work are good profitability, health, sustainability, and improved climate and environmental performance. Kungsörnen's flour made from *Friendlyer wheat*, produced using Lantmännen's Climate & Nature cultivation concept, which has a 20 percent lower carbon footprint, was supplemented in the fall with flour made from *Friendlyer rye* based on the same cultivation concept.

The food service market is growing, and in 2016, Lantmännen Cerealia discontinued virtually all of its external sales assignments to focus instead on the sale of its own products such as pancakes, flour and pasta. Operations are developing stably.

Within the B2B business, Lantmännen Cerealia is delivering according to plan, despite strong price pressure and competition. The ability to deliver flour of high and consistent quality is appreciated by B2B customers.

Operations in Ukraine were adversely affected by lower export volumes, mainly to Russia. However, Lantmännen Cerealia managed to balance the negative impact by means of initiatives in the domestic market and sales in new export markets.

FINN CRISP, which is the largest brand in the export business, remains stable, apart from in Russia, where currency effects are a challenge. During the year, an adapted range of breakfast products was also produced for export to China.

Work on resource efficiency and structure

Efforts to improve resource efficiency and develop healthy food that is climate and environmentally friendly are in constant progress. The products' origin is important and is communicated clearly on the packaging. The products are mainly produced at Lantmännen Cerealia's own facilities in Sweden, Norway, Denmark, Finland and Ukraine.

In order to create a flour and mix business with long-term profitability, it was decided to close the cake and bread mix facility in Odense in 2016.

Work has begun on the mill in Strängnäs, which will replace the Uppsala mill in 2017. In connection with the transfer of production, the range of flour and mix products is being optimized and the offering of bag items in the Swedish and Danish markets is being harmonized.

It has been decided to close the facility in Ockelbo and relocate pancake production to Laholm. This means that pancake production is now completely consolidated at the Laholm facility, where all production capacity and expertise is gathered.

Parts of the Finnish bakery group Vaasan were successfully integrated into Lantmännen Cerealia in 2016.

Cerealia's ready meals factory in Järna has been certified under BRC, *British Retail Consortium*, and all of the factories in Sweden obtained good results in the SMETA audits, *Sedex Members Ethical Trade Audit*, which were conducted during the year.

Outlook for 2017

Lantmännen Cerealia continues to develop through innovation and business and product development, with a focus on health and sustainability. Several new product launches are planned for 2017, in line with Lantmännen Cerealia's ambition to make farming thrive by making a positive difference within food.



The Food Sector

Lantmännen Unibake



Lantmännen Unibake is Europe's second-largest bakery group, with 36 bakeries in 15 countries, and has a long history of successful concepts and high-quality products. Lantmännen Unibake offers frozen and fresh bakery products to food retail and food service outlets in more than 60 countries.

The market for fresh bread has grown during the year, particularly in Denmark, Poland and Lithuania. Lantmännen Unibake shows growth in all relevant markets, especially in growth markets such as Central and Eastern Europe, Russia and the United States.

Product development and innovation, in cooperation with customers and based on changing consumer needs and behavior, is becoming increasingly important in maintaining and strengthening the role as a leading player in the bakery industry. In combination with continuous efforts to improve the efficiency and productivity of production and distribution, this has contributed to increased profitability and continuing growth for both Lantmännen Unibake and its customers.

Trends in the market

Lantmännen Unibake focuses on developing industry trends, such as individualization with *"the My Way"*, "premiumization", Nordic food and the increasing focus on environment and health.



Strong local entrepreneurship with a clear global structure is key to Lantmännen Unibake's success.

The trends are driving development of products where low cost is important, but also, conversely, high-quality products. Perceived health benefits, such as gluten-free bread and products with different types of seeds and a higher proportion of whole grains, are also a major trend.

Urbanization and single-person households are affecting the bakery market, with increased demand for food-to-go and bake-off products.

Lantmännen Unibake, Key figures	2016	2015 ²
Net sales, MSEK ¹	10,313	9,231
Average number of employees	5,433	5,971
of which women, %	41	43

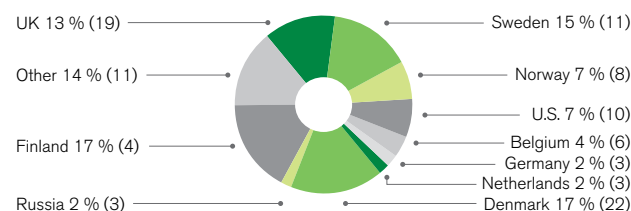
¹ Including intra-Group sales

² Including Vaasan from June 1, 2015.

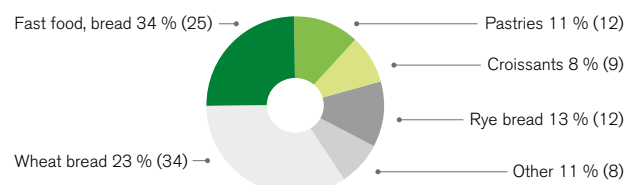
Lantmännen Unibake's brands



Lantmännen Unibake Sales by market



Lantmännen Unibake Sales by product category





Burgers have become fashionable and are appearing everywhere – from prestigious meat restaurants to trendy inner city kitchens.

The trends also include treats and luxuries in everyday life, with Danish pastries, croissants and cakes now having a natural place.

“

Urbanization and single-person households are affecting the bakery market, with increased demand for food-to-go and bake-off products.



Bread that gives customers added value

Lantmännen Unibake is a major producer of burger buns, with most of the large companies in the fast food industry among its customers. In order to differentiate itself and increase sales, the fast food industry constantly seeks new products, flavors and unique seasonal variations.

The new Bistro Brioche burger bun, launched in Sweden in March, meets demand from consumers who value food quality, both in terms of raw materials and production.

Lantmännen Unibake has developed colored burger buns

in partnership with a global customer. These include black burger buns, naturally colored with vegetarian charcoal from coconut shells, and red buns, with the color obtained from tomatoes, red peppers, beetroot and chilli.

The Swedish high quality dough Pane Bianco Monti was launched during the year. This enables customers to shape the bread themselves and obtain a final result of high quality with a rustic and unique appearance.

Other new items that were well received include the Finnish *Magic of Grain* fresh bread with a high proportion



Unibake has
36
bakeries in
15 countries

of fiber, the Danish *True Dogs* hot dog bun concept and *Rågbitar* fresh bread launched in the Swedish market during fall.

In the Danish pastry category, Lantmännen Unibake presented several new arrivals with a modern twist on classic favorites in 2016, with the aim of evoking positive food memories among consumers.

Hatting's gluten-free pita bread took the Most Innovative Product award in 2016, when hundreds of retailers gathered in Paris for the Wabel Frozen Summit – a trade fair for suppliers and retailers of frozen products.

Development of operations in Eastern Europe

A bakery specializing in burger buns was acquired in Bucharest, Romania, in 2016. The acquisition is part of Lantmännen Unibake's strategy to establish itself in new markets. The acquisition also provides a platform for further expansion in Eastern Europe together with local and global customers.

Research and sustainability in bread production

Lantmännen Unibake works actively to extend the shelf life of fresh bread, which brings quality benefits and reduces bread waste. Work is also in progress on clean room technology and enzymes to reduce the number of additives and improve consistency and durability.

Lantmännen Unibake constantly analyzes the environmental impact and all carbon dioxide emissions for the entire production process, and has invested in a new process that uses water vapor to improve fermentation and reduce energy consumption.

“

Improved efficiency and productivity have contributed to Lantmännen Unibake's increased profitability and continuing growth.

Digitization brings new opportunities

Surveys show that 90 percent of all purchases are preceded by digital searches and that buyers have completed 60 percent of the purchasing process before they make contact with the supplier.

This gives Lantmännen Unibake a great opportunity to attract new customers, and build and maintain the loyalty of existing customers, by presenting its range and concepts in different channels with the right digital content and format.

With the help of a new IT platform, Lantmännen Unibake is working on a common solution to standardize, present and share product information, with the aim of obtaining better interaction with customers' e-commerce solutions.

Lantmännen Real Estate manages commercial premises, such as offices, shops, workshops and warehouses

.....
Lantmännen Real Estate has installed Uppsala's largest solar PV system to date.



Lantmännen Real Estate

Lantmännen Real Estate manages the Group's properties in Sweden and is one of Sweden's major property companies with 150 investment properties in about 80 locations. The total managed surface area is approximately 1,300,000 m², with Lantmännen's Grodden pension fund accounting for about one-tenth of this. Just over half of the rental income comes from external tenants.

Lantmännen Real Estate's assignment is to provide Lantmännen with appropriate premises and optimize external revenue. Operations are conducted at market conditions. Lantmännen Real Estate works to concentrate the property portfolio on a number of strategic locations in Sweden. This means that properties that do not fit in the company's management strategy or have limited development potential are sold. Premises are rented out both externally and internally with the strategy of increasing the proportion of external rental income, which was achieved in 2015 and 2016.

A number of property transactions were conducted in 2016. These included the sale of our last remaining property in Eskilstuna and the closed-down conference facility in Smedsmora. The last plot of development land in Almby, Örebro, and all our production properties in Uppsala were sold.

Lantmännen Real Estate works continuously on development. In 2016, the City of Malmö adopted our plan for the construction of a food supermarket and a care home in Tygelsjö. Conditional lease agreements have been signed for the food supermarket and care home, for 14 and 15 years respectively. We will be building a large office property in Malmö and are developing a plan for the construction of about a hundred apartments. Construction of a retail building is scheduled to start in Falkenberg during 2017, for which a preliminary lease agreement with a retailer has been drawn up.

Lantmännen Agrovärme

Lantmännen Agrovärme is part of Lantmännen Real Estate and supplies district heating and ready heat (i.e., locally produced and delivered hot water) to ten or so small towns in central and southern Sweden. Earnings for heating operations for 2016 were better than in the previous year as a result of continued cost-awareness, well implemented fuel purchases and a favorable weather situation. Lantmännen Agrovärme's district heating had 100 percent security of supply during the year, giving customers security in their choice of heating. Lantmännen Agrovärme's district heating is certified under Reko fjärrvärme, a quality label that provides security in the choice of heating.

Market developments

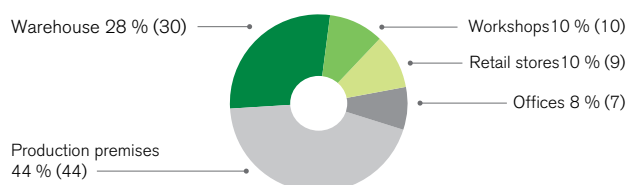
Market rents in Sweden continued to rise in 2016, but with reduced demand for premises, the upward trend is expected to come to a halt in 2017. Land prices continued to increase in 2016, mainly for attractive locations where housing demand is high. Land with local development plans is in demand, as this type of project has short lead times and low risk.

Lantmännen Real Estate, Key figures	2016	2015
Net sales, MSEK ¹	455	454
Operating income, MSEK	281	314
Return on operating capital, %	16.2	20.1
Investments in non-current assets, MSEK	383	299
Average number of employees	39	39
of which women, %	32	29
Women in executive management, %	14	14
CO ₂ emissions, thousand tonnes	11	-
Total sick leave, %	0,9	4,5

¹ Including intra-Group sales

Key figures excluding property sales	2016	2015
Operating income, MSEK	188	187
Return on operating capital, %	10.9	12.0

Lantmännen Real Estate, surface distribution





Lantmännen's international ownership

Strong international cooperation

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

Lantmännen and the Danish agricultural company DLG (Dansk Landbrugs Grovvarereselskab) strengthened and expanded the existing agricultural cooperation by establishing a new jointly-owned company for international operations, Lantmännen DLG International (LDI). Lantmännen and DLG each own 50 percent of the new company. The purpose of the new company is both 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 by concentrating efforts in the joint company.

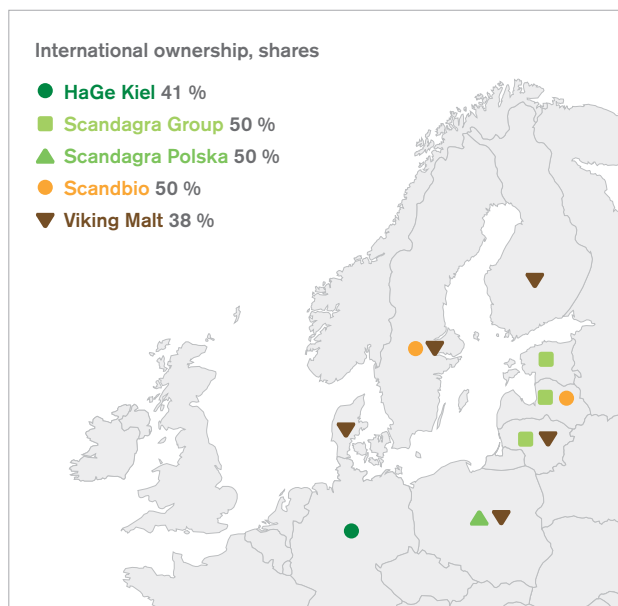
Lantmännen's partly-owned company HaGe Kiel in Germany acquired all of the remaining shares in Roth Agrarhandel GmbH during the year, making it the sole shareholder of the company. The acquisition gives HaGe Kiel further scope for increasing efficiency in its operations and for its customers.

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As our market becomes more and more global, international partnership is increasingly important.

Roth Agrarhandel GmbH is one of Germany's leading private agricultural companies in the areas of inputs and grain.

Lantmännen's partly-owned company Viking Malt acquired Danish Malting Group (DMG) from Carlsberg in May. DMG has one malting plant in Denmark and two in Poland, a turnover of approximately MDKK 700 and 88 employees.



Part of Agriculture Sector



HaGe Kiel

Hauptgenossenschaft Nord AG (HaGe Kiel) has an annual turnover of approximately SEK 21 billion and about 1,700 employees. Lantmännen owns 41 percent of HaGe Kiel, while DLG owns 54 percent. Operations include grain trading and the sale of farm inputs and the business is part of the Agriculture Sector.

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

Part of Agriculture Sector



Scandagra Group

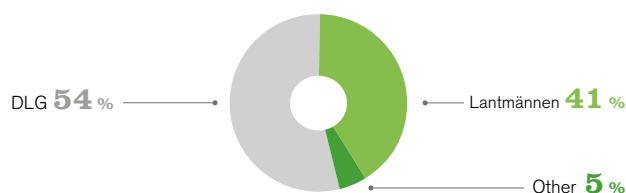
Scandagra Group AB operates in the three Baltic countries. The Group has an annual turnover of approximately SEK 2.4 billion and about 300 employees. The company, which is jointly owned (50-50) by Lantmännen and DLG, is part of the Agriculture Sector. The operations are conducted through three sales companies – Scandagra Eesti, Scandagra Lietuva and Scandagra Latvia. 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.

Scandagra Polska

Scandagra Polska, which is a merchant of grain and other inputs in the Polish agricultural market, has an annual turnover of approximately SEK 1.3 billion and about 160 employees. The company, which is jointly owned (50-50) by Lantmännen and DLG, is part of the Agriculture Sector. Scandagra Polska is one of many traders in the large and diversified Polish market.



Ownership HaGe Kiel



Ownership Scandagra Group and Scandagra Polska



Part of Energy Sector



Scandbio (formerly Agroenergi Neova Pellets)

Scandbio is the largest wood fuel company in Sweden and sells 100 percent renewable energy in the form of pellets, briquettes, biomass logs and powder. The products are manufactured by using residues from the forestry and sawmill industry. The company has an annual turnover of approximately SEK 900 million and about 130 employees. Scandbio has a strong position in the Swedish market and in the Baltic Sea region.

The company was established in 2014 when Lantmännen Agroenergi and Neova merged their pellet operations. The company is jointly owned (50-50) by Lantmännen and Neova, and is part of the Energy Sector.

Part of Food Sector



Viking Malt

Viking Malt is refiner of grain, and supplies about 600,000 tonnes of malt annually to breweries and distilleries in Northern Europe, and to selected customers around the world. Viking Malt produces malt in Finland, Sweden, Denmark, Poland and Lithuania. The company has strengthened its position as one of the leading malting players in Europe with the acquisition of Danish Malting Group (DMG) from Carlsberg in May 2016.

The company has an annual turnover of approximately SEK 1.8 billion and about 240 employees. Lantmännen owns 38 percent of the company, with the remainder being owned by the Finnish company Polttimo. Viking Malt is part of the Food Sector.



Ownership Scandbio



Ownership Viking Malt





Pär-Johan Lööf, Hans Wallemyr, Tommy Brunsärn, Björn Wallin, Gunilla Aschan, Ulf Gundemark

Board of Directors

The Board consists of nine members and three employee representatives. Board members of Lantmännen ek för are elected for two-year terms. The Annual General Meeting will be held on May 4, 2017.

Holdings of subordinated debentures and contribution issues are reported in SEK, as at December 31, 2016.

Bengt-Olov Gunnarson *Chairman*

Klockrike
 Born: 1951
 Director since 2005, Chairman since 2012
 Member of Lantmännen
Other functions at Lantmännen: Remuneration Committee
Education: Agricultural and Rural Management, Swedish University of Agricultural Sciences
Main occupation: Farmer
Directorships: Viking Malt Oy, Hauptgenossenschaft Nord AG and AB Göta Kanal Bolag.
Production: Crops, forestry and wind power
Contribution issues: SEK 452,470*
Subordinated debentures: SEK 50,000

Per Lindahl *Vice Chairman*

Kristianstad
 Born: 1964
 Director since 2011
 Member of Lantmännen
Other functions at Lantmännen: Owner Committee, Lantmännen Research Foundation
Education: Agriculture
Main occupation: Farmer
Production: Crops (potatoes and grain), broiler breeding, egg production, machinery workshop
Directorships: Hushållningssällskapet Skåne (Chairman), Hushållningssällskapet Kompetensutveckling i Syd AB, Fellow of The Royal Swedish Academy of Agriculture and Forestry (KSLA).
Contribution issues: SEK 1,245,202*

Gunilla Aschan

Linköping
 Born: 1960
 Director since 2015
 Member of Lantmännen
Other functions at Lantmännen: Audit Committee
Education: Agriculture
Main occupation: Jord & Skog (Responsible for Sweden), Nordea Bank AB, farmer
Production: Forestry, crops, beef
Other directorships: Hushållningssällskapet Östergötland and Föreningen Jordägare i Östergötland-Södermanland (Chairman).
Contribution issues: SEK 25,425*
Subordinated debentures: SEK 150,000

Ulf Gundemark

Stockholm, Dalarö
 Born: 1951
 Director since 2012
 Not a member of Lantmännen
Other functions at Lantmännen: Remuneration Committee
Education: M.Sc. (Engineering) Chalmers University of Technology
Main occupation: Directorships
Directorships: Ripasso Energy AB, Nordic Waterproofing (Chairman), Constructor Group AS, Nordisk Solar AS, AQ Group AB, Papyrus Holding AB, Scandi Standard AB (publ) and GUMACO AB.

Pauline Lindwall

Zurich
 Born: 1961
 Director since 2016
 Not a member of Lantmännen
Other functions at Lantmännen: Remuneration Committee
Education: M.Sc. (Business and Economics)
Main occupation: Directorships
Other directorships: Duni AB and Celesio AG (Germany).

Thomas Magnusson

Tävelsås
 Born: 1950
 Director since 2005
 Member of Lantmännen
Other functions at Lantmännen: Owner Committee
Education: Agriculture
Main occupation: Farmer
Production: Milk, beef
Directorships: Swedish Beef Producers' Association, President COGECA.
Contribution issues: SEK 37,915



Bengt-Olov Gunnarson, Tomas Welander, Pauline Lindwall, Per Lindahl, Thomas Magnusson, Johan Mattsson

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 Regionbanksstyrelse för Södra Sverige and Biogas Ystad Österlen ek för.
Contribution issues: SEK 404,263

Hans Wallemyr

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 365,559*

Björn Wallin

Vattholma
 Born: 1964
 Director since 2008
 Member of Lantmännen
Other functions at Lantmännen: Owner Committee
Education: M.Sc. (Agricultural Economics and Management), Swedish University of Agricultural Sciences
Main occupation: Farmer
Production: Crops
Other directorships: Beobachter (observer), Hauptgenossenschaft Nord AG.
Contribution issues: SEK 164,046

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
Other directorships: Naturbutiken på Öland AB, AviFauna i Sverige AB, Stenhusa Gärd Aktiebolag and Ideella föreningen Odling i Balans with the company 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: Servicing technician, Swecon
Other directorships: Employee representative, Swecon Anläggningsmaskiner AB.

Board Secretary

Tove Cederborg

Senior Vice President Legal Affairs & Compliance
 Born: 1964
 Hired: 2011
Education: LLB, Lund University 1992
Subordinated debentures: SEK 100,000

Auditors

Elected representatives

Maude Fyrenius

Lärbro
 Born: 1973
 Auditor for Lantmännen since 2014
Education: Agrotechnician
Main occupation: Farmer
Production: Crops, lamb and beef, nature conservation
Contribution issues: SEK 23,356*

Gustav Jansson

Enköping
 Born: 1967
 Auditor for Lantmännen since 2012
Education: Agriculture
Main occupation: Farmer, accounting consultant
Production: Crops, forestry
Contribution issues: SEK 650,373

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 663,025

Authorized Public Accountant

Anders Kriström

EY, Stockholm
 Born: 1974
 Auditor since 1999
 Auditor for Lantmännen since 2015
Other directorships: Adecco, Canal Digital, HL Display, Husqvarna, Stanley Security.

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



Elisabeth Ringdahl, Håkan Pettersson, Per Arvidsson, Tove Cederborg, Per Olof Nyman

Group Management

Holdings of subordinated debentures and contribution issues are reported in SEK, as at December 31, 2016.

Per Olof Nyman

President & CEO
 Head of Food Sector
 Born: 1956
 Hired: 2008
 Education: M.Sc. (Industrial and Management Engineering), Linköping
 Directorships: Hauptgenossenschaft Nord AG and LRF Konsult Aktiebolag
 Subordinated debentures: SEK 250,000

Elisabeth Ringdahl

Senior Vice President & Head of Agriculture Sector
 Born: 1965
 Hired: 2015
 Education: M.Sc. (Business and Economics)

Per Arvidsson

Executive Vice President Operations
 Responsible for: Public and Regulatory Affairs, Sustainable Development, IT and R&D
 Born: 1962
 Hired: 2011
 Education: M.Sc. (Mechanical Engineering, Industrial Organization & Logistics) Chalmers University of Technology

Werner Devinck

Senior Vice President Lantmännen Unibake
 Born: 1958
 Hired: 2013
 Education: Economist, University of Leuven, Belgium

Håkan Pettersson

Senior Vice President & Head of Machinery Sector
 Born: 1956
 Hired: 2002
 Education: M.Sc. (Industrial and Management Engineering), Linköping
 Subordinated debentures: SEK 50,000



Carl von Schantz, Elisabeth Wallin Mononen, Werner Devinck, Ulf Zenk, Krister Zackari

Carl von Schantz

Senior Vice President &
Head of Energy Sector
Born: 1973
Hired: 2011
Education: MBA, Kellogg School of Management; BA,
Northwestern University
Directorships: Mackmyra
Svensk Whisky AB, Scandbio AB and SPBI
Service AB
Subordinated debentures: SEK 200,000

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)

Krister Zackari

Senior Vice President Lantmännen Cerealia
Born: 1963
Hired: 2014
Education: MBA (Business and Economics), Stockholm
School of Economics
Directorships: DLF Service AB and Li Service AB

Ulf Zenk

Senior Vice President & CFO
Born: 1963
Hired: 2012
Education: M.Sc. (Business and Economics), Linköping
University
Directorships: Viking Malt Oy and Sparbanken Skåne AB
(publ)
Subordinated debentures: SEK 150,000

Tove Cederborg

Senior Vice President Legal Affairs & Compliance
Born: 1964
Hired: 2011
Education: LLB, Lund University
Subordinated debentures: SEK 100,000

Risk management

Risks are inherent in all business activity. Risks can arise from mismanagement or events and decisions outside Lantmännen's control. Continuous business intelligence and internal and external dialogue with stakeholders are crucial to risk identification.

Risks are identified, assessed and reported annually as part of Lantmännen's strategy and business planning process. Risk management is established as an ERM process.

A Risk Committee ensures compliance with the Group Board's adopted risk mandates, and reports to the Board's Audit Committee on a monthly basis.

The business managers are responsible for implementing risk management in the daily operations, while risk identification and continuity planning are an important part of every manager's responsibility.



Identifying and managing risks is an integral part of strategic planning and operational management and control.

Strategic risks are associated with business development and long-term planning, and Lantmännen's brand. The main strategic risks include external risks, notably changes in the economy, trends, competition, climate and overall brand positioning, as well as political decisions and regulatory changes in Lantmännen's markets.

Operational risks are a part of the Sectors' day-to-day operations, and include risks of handling errors that compromise quality and safety, risks associated with compliance with laws and regulations, and risks in the areas of financial reporting and internal control.

Lantmännen is exposed to *financial risks* that could cause fluctuations in earnings, cash flow and items in the statement of financial position. The central treasury function is responsible for financing, control of risk, liquidity planning, payment solutions and capital efficiency projects.

Lantmännen's Code of Conduct

The Code of Conduct applies to Lantmännen's entire operations and all employees are trained in the Code. The Code also applies to Board members and elected representatives in the owner organization, and in applicable parts to suppliers and partners. All employees can report deviations from the Code through a whistleblower system.

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 also has a risk-based *due diligence process* for managing sustainability risks, with particular focus on corruption in relation to counterparties.

Compliance and monitoring

Lantmännen's Business ethics compliance program includes regular risk assessments, communication, control and monitoring, and in-depth business ethics training. Lantmännen's Group Compliance function reports regularly to the Group Board and Group Management on compliance and identified risks.

Lantmännen's Business ethics compliance program



The 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.

Health, work environment and safety program

Lantmännen sees proactive health and wellness initiatives as important to sustainable performance. Health screening and health monitoring are carried out continuously, providing a basis for continuing efforts at individual and group level.

A safe work environment is a high priority and Lantmännen works continuously to identify and address risks in this area. Monitoring is conducted throughout the organization, with annual reporting to Group management. Constant improvements in work environment and safety training at the facilities, and loss prevention inspections have resulted in a significant improvement in the safety level and employees' safe behavior.

Description of financial performance measures



Performance measure	Description	Reason for use
Adjusted income	Adjusted income is income net of items affecting comparability.	An adjustment to exclude items affecting comparability.
Average equity/operating capital	Average capital is computed on the closing balance of each month in the accounting period, i.e. twelve periods for the full year. All average capital ratios are calculated in this way.	Ensures accurate calculation of return on equity and operating capital.
Capital turnover rate	Net sales divided by average operating capital.	Shows the efficiency of the use of operating capital.
Cash flow from operating activities	Net income for the period adjusted for items that are not cash inflows or outflows but accounting costs, such as depreciation and capital gains/losses. Adjustments are also made for financial items and income taxes paid, and changes in inventories, operating receivables and operating liabilities.	Shows cash flow from operations that can be used for investments and acquisitions.
EBITDA according to bank definition	Income before financial income and costs, tax, depreciation and impairment and profit share from associated companies, on a rolling 12 month basis, adjusted for acquired and divested companies.	To calculate the key ratio Net debt according to bank definition/ EBITDA according to bank definition.
Equity ratio	Equity divided by total assets.	Shows what proportion of the assets that are financed by the owners.
Interest coverage ratio	Interest coverage ratio is calculated as income after financial items plus finance costs divided by finance costs.	Shows the ability to cover interest expenses.
Investments in non-current assets	Total of the period's investments in property, plant & equipment and intangible assets.	The size of the investments made to maintain existing capacity and to achieve expansion and growth.
Items affecting comparability	The Group's income can be inflated or reduced by certain items that affect comparability. These are one-time items not directly related to the planned future operations and outside the range of MSEK +/-30.	Accounting for items that have been adjusted due to specific events that otherwise affect comparability between different periods. Provides a better understanding of the operating activities.
Liquidity reserve	Cash and cash equivalents and loans granted under the provisions in the existing loan agreements.	Shows the available borrowing capacity based on the current loan agreements.
Net debt	Net debt comprises of interest-bearing liabilities, including pension liabilities and accrued net interest, less financial assets.	To show the net of interest-bearing assets and interest-bearing liabilities.
Net debt according to bank definition	Net debt comprises of interest-bearing liabilities minus subordinated debentures, less cash and cash equivalents.	To calculate the key ratio Net debt according to bank definition/ EBITDA according to 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 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 that is used in the operations.
Operating income	Operating income consists of net sales and other operating income less operating expenses.	Shows the result of operating activities.
Operating margin	The operating margin is calculated as operating income as a percentage of net sales for the period.	Shows value creation in the operations.
Return on equity	Return on equity is 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 operating income for the period divided by average operating capital.	Measures the return on the capital tied up in the business.

The Group's Financial Overview

Condensed income statements	IFRS								Swedish GAAP		
	2016	2015	2014	2013	2012	2011	2010	2009	2009	2008	2007
MSEK											
Net sales	37,244	35,660	32,666	33,802	36,526	37,896	35,988	34,978	34,950	42,592	35,769
EBITDA	2,771	2,573	2,556	2,193	1,698	2,570	2,624	1,884	1,855	3,046	2,172
Depreciation, amortization and impairment	-1,165	-1,222	-1,103	-2,104	-1,185	-1,366	-1,565	-1,407	-1,550	-1,910	-1,302
Operating income	1,606	1,351	1,453	89	513	1,204	1,059	477	305	1 136	870
Finance income and costs	-149	-105	-111	-4	-182	-337	-237	-373	-370	-434	-48
Income after financial items	1,457	1,246	1,342	85	331	867	822	104	-65	702	822
Refund, final price adjustment ¹⁾	-	-	-	-	-	-	-	-	-1	-122	-83
Tax, minority ²⁾	-183	-156	-117	15	-91	-147	-97	78	-7	-22	-151
Net income for the year	1,274	1,090	1,225	100	240	720	725	182	-73	558	588

¹⁾ Under IFRS, refund/final price adjustment is recognized in the same way as dividends.

²⁾ Includes adjustment for minority share before transition to IFRS.

Condensed statements of financial position	IFRS								Swedish GAAP		
	2016	2015	2014	2013	2012	2011	2010	2009	2009	2008	2007
MSEK											
Property, plant and equipment	9,098	7,699	7,178	7,337	8,928	9,258	9,758	10,798	10,667	10,974	8,915
Goodwill	4,611	4,424	2,915	2,594	2,554	2,640	2,779	3,030	3,078	3,386	2,510
Other intangible assets	2,980	2,782	752	814	875	767	713	748	391	459	444
Other non-current assets	2,825	2,780	2,762	2,542	2,151	2,069	2,094	3,581	3,313	3,140	2,324
Total non-current assets	19,514	17,685	13,607	13,287	14,508	14,734	15,344	18,157	17,449	17,959	14,193
Inventories	5,270	5,545	5,379	5,249	5,946	5,506	5,224	5,646	5,646	7,059	6,303
Other current assets	5,933	5,599	5,087	5,170	5,561	5,642	5,572	5,436	5,411	7,266	7,797
Cash and cash equivalents	1,773	1,252	3,058	2,295	352	739	869	391	385	269	450
Total current assets	12,976	12,396	13,524	12,714	11,859	11,887	11,665	11,473	11,442	14,594	14,550
Total assets	32,490	30,081	27,131	26,001	26,367	26,621	27,009	29,630	28,891	32,553	28,743
Equity, members of the Parent	13,795	12,660	11,859	11,016	10,899	10,906	10,390	10,140	10,148	10,528	9,483
Equity, NCI	88	21	17	28	33	36	32	85	69	56	289
Total equity	13,883	12,681	11,876	11,044	10,932	10,942	10,422	10,225	-	-	-
Provisions ¹⁾	-	-	-	-	-	-	-	-	2,206	2,371	2,952
Non-current liabilities	6,219	6,135	3,598	4,939	5,919	5,360	7,320	9,523	6,951	8,220	5,379
Current liabilities	12,388	11,265	11,657	10,018	9,516	10,319	9,267	9,882	9,517	11,378	10,640
Total equity and liabilities	32,490	30,081	27,131	26,001	26,367	26,621	27,009	29,630	28,891	32,553	28,743
Net debt	6,289	6,476	3,674	4,963	7,506	7,186	7,501	9,739	9,289	11,654	8,413
Contribution dividend, contribution issue ²⁾	277	243	328	171	168	230	245	163	163	167	201
Refund and final price adjustment ^{3) 4)}	232	188	135	129	120	110	95	1	-	-	-

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

²⁾ According to Board's proposal for 2016.

³⁾ Under IFRS, refund/final price adjustment is recognized as a dividend in the Group.

⁴⁾ Reported amounts may include adjustments compared with previous years' proposals.

Lantmännen began reporting under IFRS (International Financial Reporting Standards) in 2010. Comparative figures for the years 2007-2008 have not been restated, in accordance with IFRS rules. 2009 is presented partly according to IFRS and partly according to the accounting policies for that year. A more detailed description of the effects of the transition to IFRS on the 2009 income statement and balance sheet can be found in Lantmännen's 2010 Annual Report.

The Group's Key figures

Key figures	IFRS								Swedish GAAP		
	2016	2015	2014	2013	2012	2011	2010	2009	2009	2008	2007
Operating margin, %	4.3	3.8	4.4	0.3	1.4	3.2	2.9	1.4	0.9	2.6	2.4
Capital turnover rate, times	1.8	1.8	2.1	2.0	2.0	2.1	1.9	1.6	1.7	2.1	2.0
Return on equity, %	9.6	8.9	10.6	0.9	2.2	6.7	7.0	1.8	-0.7	6.8	7.3
Return on operating capital, %	8.0	7.5	9.1	0.5	2.8	6.5	5.7	2.2	1.4	5.6	5.3
Equity ratio, %	42.7	42.2	43.8	42.5	41.5	41.1	38.6	34.5	35.4	32.5	34.0
Net debt/EBITDA (bank definition)	2.53	2.85	2.02	2.62	4.31						
Net debt/equity ratio, times	0.5	0.5	0.3	0.4	0.7	0.7	0.7	0.9	0.9	1.1	0.9
Average number of employees	9,880	8,911	8,311	9,133	10,249	10,296	10,350	10,552	10,552	12,671	12,830

Excl. items affecting comparability	IFRS								Swedish GAAP		
	2016	2015	2014	2013	2012	2011	2010	2009	2009	2008	2007
Operating income, MSEK	1,697	1,351	851	805	747	1,063	1,223	588	588	1,032	718
Operating margin, %	4.6	3.8	2.6	2.4	2.0	2.8	3.4	1.7	1.7	2.4	2.0
Income after financial items, MSEK	1,548	1,246	740	683	565	841	946	215	215	622	470
Net income for the year, MSEK	1,457	1,066	595	494	457	634	804	232			
Return on equity, %	11.0	8.7	5.1	4.4	4.2	5.9	7.8	2.2			
Return on operating capital, %	8.4	7.5	5.3	4.7	4.1	5.7	6.5	2.8			

Condensed statements of cash flows MSEK	IFRS								Swedish GAAP		
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	
Cash flow from operating activities before changes in working capital	2,571	2,159	1,362	1,570	1,358	1,655	2,131	1,138	1,153	1,454	
Cash flow from changes in working capital	565	8	405	724	-375	-640	26	2,417	-730	-1,235	
Cash flow from investments in property, plant and equipment and intangible assets, net	-1,884	-811	-697	-862	-1,163	-160	-684	-1,328	-2,284	-2,112	
Cash flow from operations	1,252	1,356	1,070	1,432	-180	855	1,473	2,227	-1,861	-1,893	
Cash flow from acquisitions and divestments of operations, net ¹⁾	-357	-4,154	1,065	1,196	0	0	-105	9	-1,060	423	
Cash flow before financing activities	826	-2,674	2,077	2,450	-222	876	2,692	2,272	-2,776	-1,103	
Cash flow for the year	489	-1,775	778	1,943	-379	-128	512	131	-233	-400	
Cash and cash equivalents at end of year	1,773	1,252	3,058	2,295	352	739	869	391	269	484	

¹⁾ 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 Rigas Dzirnavnicks.

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

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

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

2007 includes acquisition of the minority in Kronfågel and divestment of Analycen.

Consolidated Income Statement

The income statement summarizes the year's finances, showing all income and expenses from operations contributing to net income for the year.

Consolidated income statement

Sales

This is where you will find the Company's total sales.

Expenses

The costs of producing and selling goods and services are shown here.

Operating income

This shows whether sales are profitable.

Financial items

Income or expenses associated with loans, investments, shares, securities, etc.

Income

This is also called net income and shows profit after tax.

MSEK	2016	2015
Net sales	37,244	35,660
Other operating income	800	796
Changes in inventories of finished goods and work in progress	-300	57
Raw materials and consumables	-11,104	-11,384
Merchandise	-11,874	-11,508
Employee benefits expense	-5,578	-5,169
Depreciation, amortization and impairment	-1,165	-1,222
Other operating expenses	-6,515	-5,982
Share of income of equity accounted companies	98	103
Operating income	1,606	1,351
Finance income	165	106
Finance costs	-314	-211
Income after financial items	1,457	1,246
Taxes	-183	-156
Net income for the year	1,274	1,090
Net income for the year attributable to:		
Members of the economic association	1,273	1,088
Non-controlling interests	1	2

The statement of comprehensive income is based on net income for the year, plus all other items affecting equity, other than changes resulting from transactions with members of the association in their capacity as owners. The latter are summarized under Other comprehensive income.

Consolidated statement of comprehensive

Other comprehensive income

OCI shows the fair value remeasurement of balance sheet items and exchange gains and losses. These count as income/expense and are part of the Group's comprehensive income for the year. OCI is added to equity and is included in the amount that can be distributed to owners.

Total comprehensive income

This shows the results of the year's operations and remeasurements. The amount increases or reduces the Group's equity.

MSEK	2016	2015
Net income for the year	1,274	1,090
Other comprehensive income		
<i>Items that will not be reclassified to the income statement</i>		
Actuarial gains and losses on defined benefit pension plans	-162	211
Tax on actuarial gains and losses	36	-46
Total	-126	165
<i>Items that will be reclassified to the income statement</i>		
Available-for-sale financial assets, net of tax	81	13
Cash flow hedges, net of tax	22	62
Exchange differences on translation of foreign operations	193	-189
Net gain on hedge of net investment in foreign operations, net of tax	-68	56
Tax attributable to items that will be reclassified	2	-34
Total	230	-92
<i>Share of OCI in equity accounted companies</i>		
Items that will be reclassified to the income statement	51	-12
Total	51	-12
Other comprehensive income, net of tax	155	61
Total comprehensive income	1,429	1,151
Total comprehensive income attributable to:		
Members of the economic association	1,428	1,149
Non-controlling interests	1	2

Consolidated Statement of Financial Position

The statement of financial income provides a picture of existing assets and how they have been financed. The value of total assets is always equal to the value of the liabilities. Liabilities consist of liabilities to owners, equity and other liabilities.

Non-current assets

Non-current assets are assets that are used or owned for more than one year and contribute to the company's value growth. This is where we find the value of tangible assets (factories, other property, machinery, equipment, etc.) and intangible assets (non-physical assets, e.g. goodwill, purchased trademarks and patents). Goodwill is the portion of the purchase price of a subsidiary that cannot be attributed to other assets and mainly reflects anticipated synergies and staff skills. Non-current assets is also where we find the value of our share in the equity of joint ventures and associates (20-50 percent ownership) under Equity accounted holdings.

Current assets

Current assets are assets held for sale or used in the business. These are assets that are consumed in a short time and can readily be converted to cash. This is where we find the value of goods still in stock, and our receivables from customers for products and services sold but not yet paid for. Cash and cash equivalents, mainly bank deposits, are reported under current assets.

Equity

Equity shows the existing net assets (assets – liabilities) belonging to the owners and on which they expect a return. Lantmännen's overall financial goal is to provide a long-term return of 8 percent on this equity over a business cycle and with the present business portfolio. The result used to calculate the return is "Net income for the year" in the consolidated income statement. Member contributions, both paid-in and issued, are an important component of equity. Other capital is amounts earned over the years in the parent association and Lantmännen companies; this is not distributed to members but is used as financing for assets that will generate future earnings.

Liabilities

Liabilities are divided into non-current and current liabilities, which is a way of denoting the length of time before they are due for settlement.

Consolidated statement of financial position

MSEK	2016 31 dec	2015 31 dec
ASSETS		
Non-current assets		
Property, plant and equipment	8,240	7,113
Investment properties	858	586
Goodwill	4,611	4,424
Other intangible assets	2,980	2,782
Equity accounted holdings	1,896	1,690
Surplus in funded pension plans	-	14
Non-current financial assets	770	697
Deferred tax assets	136	371
Other non-current assets	23	8
Total non-current assets	19,514	17,685
Current assets		
Inventories	5,270	5,545
Trade and other receivables	5,727	5,407
Current interest-bearing assets	176	174
Current tax assets	30	18
Cash and cash equivalents	1,773	1,252
Total current assets	12,976	12,396
TOTAL ASSETS	32,490	30,081
EQUITY AND LIABILITIES		
Equity		
Member contributions	2,299	2,146
Other contributed capital	2,895	2,775
Reserves	112	-169
Retained earnings	8,489	7,908
Total equity attributable to members of the economic association	13,795	12,660
Non-controlling interests	88	21
Total equity	13,883	12,681
Non-current liabilities		
Non-current interest-bearing liabilities	4,991	4,897
Provisions for pensions	519	360
Deferred tax liabilities	437	612
Other non-current provisions	247	227
Other non-current liabilities	25	39
Total non-current liabilities	6,219	6,135
Current liabilities		
Current interest-bearing liabilities	3,373	3,230
Trade and other payables	8,199	7,608
Current tax liabilities	89	73
Current provisions	727	354
Total current liabilities	12,388	11,265
TOTAL EQUITY AND LIABILITIES	32,490	30,081

Consolidated Statement of Cash Flows

Operating activities

Operating activities are net income for the year plus non-cash items, i.e. items that are not cash inflows or outflows but accounting costs. For example, depreciation and capital losses reduce earnings but do not involve a payment. Financial items and taxes paid during the year are also deducted. Adjustments are also made for changes in inventories, current receivables (mainly trade receivables) and current liabilities (mainly trade payables).

Investing activities

Investing activities show cash outflows for various investments and inflows from sales of operations, non-current assets or financial investments. Unlike the income statement, this shows the full year's payments for an investment – e.g., a company acquisition is not a cost in the income statement, and an asset's cost is divided using depreciation, based on the asset's estimated useful life.

Financing activities

Financing activities show how activities and investments are funded if cash flow from operating activities is insufficient. They also show payments (e.g., dividends to owners or loan repayments) to the parties funding the activities.

MSEK	2016	2015
OPERATING ACTIVITIES		
Operating income	1,606	1,351
Adjustment for non-cash items ¹⁾	1,302	983
	2,908	2,334
Financial items paid, net	-205	-76
Taxes paid	-132	-99
Cash flow from operating activities before changes in working capital	2,571	2,159
<i>Cash flow from changes in working capital</i>		
Change in inventories	416	-151
Change in operating receivables	-195	-318
Change in operating liabilities	344	477
	565	8
Cash flow from operating activities	3,136	2,167
INVESTING ACTIVITIES		
Acquisition of operations	-404	-4,381
Divestment of operations	47	227
Investment in property, plant & equipment	-2,228	-1,216
Investment in intangible assets	-105	-40
Sale of property, plant & equipment and intangible assets	449	445
Change in financial investments	-69	124
Cash flow from investing activities	-2,310	-4,841
Cash flow before financing activities	826	-2,674
FINANCING ACTIVITIES		
Change in loans	-57	1 194
Paid-in contributed capital	153	123
Refunded capital contribution	-50	-104
Dividend paid	-383	-314
Cash flow from financing activities	-337	899
Cash flow for the year	489	-1,775
Cash and cash equivalents at beginning of year	1,252	3,058
Exchange gains/losses	32	-31
Cash and cash equivalents at end of year	1,773	1,252

MSEK	2016	2015
¹⁾ Adjustment for non-cash items		
Depreciation, amortization and impairment of non-current assets	1,165	1,222
Share of income of joint ventures/associates	-63	-86
Capital gains/losses on sale of non-current assets and operations	-23	-190
Other items	223	37
Total	1,302	983

Consolidated Statement of Changes in Equity

MSEK	Member contributions	Other contributed capital	Reserves	Retained earnings	Total Lantmännen's owners	Non-controlling interests	Total equity
Opening balance, January 1, 2015	1,977	2,625	-65	7,322	11,859	17	11,876
Net income for the year	-	-	-	1,088	1,088	2	1,090
Other comprehensive income, net of tax	-	-	-104	165	61	-	61
Total comprehensive income	-	-	-104	1,253	1,149	2	1,151
Distributions to owners	150	150	-	-667	-367	-	-367
Contributed capital paid in by members	123	-	-	-	123	-	123
Contributed capital paid out to members	-104	-	-	-	-104	-	-104
Acquisition of NCI in CropTailor AB etc.	-	-	-	-	-	2	2
Closing balance, December 31, 2015	2,146	2,775	-169	7,908	12,660	21	12,681
Changes due to amended accounting policies in associates	-	-	-	66	66	-	66
Opening balance, January 1, 2016	2,146	2,775	-169	7,974	12,726	21	12,747
Net income for the year	-	-	-	1,273	1,273	1	1,274
Other comprehensive income, net of tax	-	-	281	-126	155	-	155
Total comprehensive income	-	-	281	1,147	1,428	1	1,429
Distributions to owners	50	120	-	-595	-425	-2	-427
Contributed capital paid in by members	153	-	-	-	153	-	153
Contributed capital paid out to members	-50	-	-	-	-50	-	-50
Associates' acquisition of NCI in subsidiaries, acquisition of Dataväxt with NCI, etc.	-	-	-	-37	-37	68	31
Closing balance, December 31, 2016	2,299	2,895	112	8,489	13,795	88	13,883

Equity attributable to members of the economic association, MSEK	2016	2015
Contributed capital, paid in	1,101	986
Contributed capital, issued	1,198	1,160
Other equity	11,496	10,514
Total equity attributable to members of the economic association	13,795	12,660

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 40 percent or more.

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.

Glossary

Agrodrank ▶ Protein-rich animal feed produced at Agroetanol in Norrköping.

B2B ▶ Business-to-business, non-consumer related sales.

BRC ▶ British Retail Consortium, a global food safety standard.

Code of Conduct ▶ Guidelines on ethical and responsible business operations for companies and organizations.

ERM process ▶ Enterprise Risk Management, a structured and proactive risk management process.

Germinating capacity test ▶ The germination capacity of the seed is tested in real soil under more authentic conditions than traditional tests. In this way, weaker batches can be removed.

Global Compact ▶ UN corporate social responsibility initiative. An international framework of universally accepted principles in the areas of human rights, labor, environment and anti-corruption.

GRI ▶ Global Reporting Initiative. Provides guidelines for sustainability reporting that can be used by organizations to report environmental, social and economic aspects of their business, products and services.

IFRS ▶ International Financial Reporting Standards. Learn more at ifrs.com

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

R&D ▶ Research and development.

SMETA ▶ Sedex Members Ethical Trade Audit, the world's most widely used system for ethical audits, developed by the Sedex Associate Auditor Group (AAG).

Value added ▶ EBITDA plus employee benefits expense.

Volatile ▶ Tending to vary often or widely.



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Design & Production: Wildeco

Photos: Johan Olsson, Lantmännen's image bank, Adobe Stock photos,
Page 9: Durum wheat on Gotland: Ylva Bergman

Printing: Printed by: TMG Sthlm. TMG Sthlm is ISO 9001- and 14001-certified.

Paper: Scandia 2000 – produced in Lessebo Bruk in Sweden. This paper has one of the very lowest carbon footprints in Europe. This applies to every stage of the production chain – from the felling of a tree to the departure of the finished product from the factory gate (vida.se). All carbon emissions involved in the production of this paper have been climate-compensated.



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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.