



Steps towards sustainability 2007





Contents

LANTMÄNNEN'S RESPONSIBILITIES

The CEO's comments	4
The year in brief	6
Responsibility from farmland to table	8
Vision, policy and strategy for sustainable development	10

ARABLE LAND – A VALUABLE RESOURCE

Sustainable crop production	14
Sustainable foods	20
Sustainable energy	26

LANTMÄNNEN'S KEY PARTNERS

Employees	34
Owners	38
Suppliers	39

ABOUT LANTMÄNNEN

The Group in brief	40
Lantmännen's business areas	41
A selection of the Lantmännen brands	42
Contact	43

The CEO's comments

For us at Lantmännen, sustainability issues are all about our day-to-day work of producing safe foods, reducing dependency on fossil energy and making responsible use of the opportunities provided by arable land. This has also been summarised in our vision – “We make the best of our soil and offer all options for a more sound life”.

Lantmännen has a double mission – to contribute to the profitability of its owners' farms and to maximise the yield on its owners' capital in the cooperative association. Sustainable development is a central component in bringing about long-term profitability. “We take responsibility for the entire chain from farmland to table” is also an expression of an aim which means that sustainability work must permeate

right through our operation in everything we do. Our strength is that we are in control of the entire chain, from plant breeding via crop production to food production, which gives us a unique opportunity to influence end results. To make this possible, there has to be a high level of awareness about issues of sustainability within the organisation. This awareness is created in everyday work, but also by the systematic sustainability work which is being carried out within the Group and of which this report forms an important part.

The past year

The past year has been eventful, to say the least, and my first four months in my post as CEO has also been characterised by a corresponding amount of activity. To guarantee our level of profitability and competitive strength, we need to have the courage to make the correct long-term decisions and to implement them, focusing com-

pletely on our customers and owners. For that reason, sustainable development now has its set place within corporate strategy. Work to develop a code of conduct for Lantmännen and reduce the Group's impact on the climate are tasks that should lead to Lantmännen strengthening its position as a responsible participant within all areas of its business.

I want to emphasise that our sustainability work is multi-faceted. I also want to highlight the work that is being carried out in climate-related projects. Carbon footprint labelling work is one example where we are playing an active role. Another is the work to reduce Lantmännen's climatic impact in the transport sphere. A reduction in our dependence on fossil energy is an absolute necessity with regard to global climate problems. Lantmännen's work on the development and production of bio-based energy products, such as fuel (ethanol and biodiesel) and solid biofuels,



is a clear example of Lantmännen's long-term investment in taking steps towards sustainability. We can add to this our general efforts to reduce our energy usage. All of the business areas have plans to make efficiencies in their use of energy and to phase out fossil fuels. We will constantly be following up whether these plans are being adhered to.

Responsible business

Meeting the expectations set by the outside world with regard to Lantmännen's methods of doing business is crucial to our long-term success. The requirements for taking responsibility are becoming increasingly more evident from external interested parties as well as from the Group's own employees. Over the past year, work has commenced on the production of a code of conduct to define Lantmännen's responsibilities.

The code of conduct is all about our

having to take the environment into consideration, having safe, traceable foods, and providing a good working environment and social conditions. The code of conduct also clarifies Lantmännen's views on business ethics, animal husbandry and human rights, to mention just a few areas.

In one of Lantmännen's recently implemented consumer surveys, it also seems that it is particularly within these areas that the consumer has high expectations of Lantmännen. It is assumed that the code of conduct will be adopted early in 2008.

Focus on product development

Our investment within R&D and product development must become even more intensive in order to guarantee a long-term leading position on the market. There needs to be a significant increase in the share of Lantmännen's turnover provided by new products. Fundamentally, the investment should be based on four strong

consumer requirements: healthy-living, enjoyment, convenience and sustainable development. Lantmännen's R&D work should be characterised by a focus on business and should constitute a foundation stone for long-term profitability.

Greater cost-efficiency

Greater cost-efficiency for Lantmännen is primarily a matter of working in a more systematic way, without impairing quality.

Along with other managers, I have the task of ensuring that Lantmännen takes responsibility from farmland to table. On behalf of our owners and along with our employees, we shall continue to build a group with a sustainable brand.



*Per Strömberg
Group President and CEO*



The year in brief

The past year has been characterised by good times and bad. Grain prices are increasing strongly and climate-change is a question that is becoming increasingly relevant. Lantmännen is not without challenges. Here is a summary of the year from a sustainability perspective.

Lantmännen's code of conduct

Work on the code of conduct for Lantmännen and its suppliers started during the year and implementation is to begin during 2008.

During the year, when the Fair Trade Center published a report about unsatisfactory conditions in the tuna industry in Thailand, Lantmännen was criticised for not having a code of conduct while its competitors did. Through Lantmännen Doggy, Lantmännen is the fifth largest importer of tuna in Sweden.

Lantmännen was also criticised for importing Thai chicken and Finnish powdered eggs for various products within Lantmännen Axa Food Service. There is now a decision in principle on giving priority to Swedish raw materials. One pre-

condition is that it has to be competitive.

Consumer survey

During the autumn, an in-depth consumer survey was carried out in Sweden. According to the survey, consumers have positive associations with Lantmännen because of its links with the land and farmers. In all of the groups questioned, people spontaneously say that the environment and health are very important aspects in their choice of foods. The survey is part of the socio-environmental analysis work constantly being carried out. Lantmännen places great emphasis on customer expectations, wishes and requirements.

Carbon footprint labelling of foods

The consumers want to make conscious choices based on a climate perspective. For that reason, Lantmännen is now mapping out the climatic impact of around twenty central products in its range. Lantmännen is also active within the food industry's work of producing a carbon footprint labelling system.

Sustainable logistics

The global climate problems are a reality. Lantmännen has taken a decision on having an objective of reducing by

20 per cent the carbon dioxide emissions from Lantmännen's logistics operation up to 2010. This is equivalent to savings of around 17,000 tonnes of carbon dioxide.

Handling chemicals

During the year, decisions were made about making a collective effort on our method of working concerning the chemicals that are being handled in the business. The new method of working will reduce any risks to people and the environment, and will lower handling costs. This enables action to be taken to phase out hazardous chemical products.

Unique methods of seed treatment

Lantmännen has developed and launched several different sustainable methods of seed treatment. These imply less spraying and better harvests. Cedomon and Cerall contain a soil bacterium that is a natural enemy of the seed-borne diseases to which the plant may be exposed. Another method is Thermosteed in which heat is used instead of chemicals. Use of the new methods is now distinctly on the increase, thanks to the market breakthrough they achieved during 2007. New countries include Germany and Lithuania.



Dinkelmjöl

fullkorn

ger ett fylligt fullkornsbröd med fin arom



An in-depth consumer survey carried out in Sweden shows, among other things, that health and the environment are very important aspects when choosing which foods to buy. Consumers want to make conscious choices based on a climate perspective.



Responsibility from farmland to table

On behalf of its 42,000 owners, Lantmännen has to contribute to the profitability of their farms and to maximise yields on their capital investment. Lantmännen takes responsibility for the entire chain – from farmland to table. Like all undertakings, the balance between these undertakings creates a short-term dynamic. In the long term, these duties go hand in hand since there is a conviction within Lantmännen about the significance of the sustainability issues, from a pure commercial economics point of view.

Opportunities created from operating throughout the chain

Lantmännen's business operation covers everything from plant breeding to finished food or energy products. Common to all operations is the link to arable land. Operating in all areas of the chain, from farmland to table, provides opportunities to control and utilise the collective competence of the entire production segment. This constitutes a basic precondition in our responsibility in relation to customers, which may be described in two parts: Because the whole chain is controlled, the products can be relied on to deliver what they promise with regard to features such as food safety, correct labelling, origin and content. The other part deals with the responsibility to encourage development in a sustainable direction within Lantmännen's business areas. Among other things, this means producing new healthy products and reducing environmental impact in the different parts of the chain.

Defining Lantmännen's responsibilities

The consumer's requirements and expectations of Lantmännen - to take responsibility for its operations and the products being marketed – are continuously becoming stricter. During the year, Lantmännen has been working on charting consumer expectations of the work of taking responsibility from farmland to table, and defining more clearly what that responsibility involves. At a general level, the consumer expects Lantmännen to show commitment and to take a proactive stance on various issues of responsibility. It is expected that Lantmännen has thorough control over its operation and takes responsibility for and exhibits concern for the environment, animals and people. Products are expected to be of high quality and, preferably, organically produced.

The way in which Lantmännen treats its employees, and the requirements that it sets for its suppliers, were issues also highlighted in the surveys.

To define what Lantmännen means by responsibility from farmland to table, the organization has been working on a code of conduct during the year. This defines Lantmännen's general aims and commitments which are encompassed by the maxim "we take responsibility for the entire chain from farmland to table". The plan is to confirm the code of conduct in early 2008 and immediately thereafter start on the implementation work.

Lantmännen's work will never be done

The work of taking responsibility for the entire chain from farmland to table will never be finished. It is a constant endeavour, and the objective is constantly being honed, as expectations in the outside world change and new skills and insights are acquired. With a forward-looking and self-critical business, Lantmännen is able, at an early stage, to highlight any mis-

sions and handle them in a responsible way. Based on the obligation it has made to its owners, Lantmännen takes responsibility for the entire chain – from farmland to table. This report reflects this by providing a description of the good times and bad times encountered in this work.



The work of taking responsibility for the entire chain is a constant endeavour, since the objective is constantly being honed as the expectations of the outside world change.



The code of conduct defines Lantmännen's aims and commitments, which are encompassed by the maxim "we take responsibility for the entire chain from farmland to table".





Vision, policy and strategy for sustainable development

For Lantmännen, the undertaking concerning sustainable development is based on our vision – "We make the best of the soil and offer all options for a sounder life". As a reference, a principal definition of a sustainable business operation is used, against which Lantmännen is able to evaluate its status in various issues.

Policy sustainable development

Lantmännen shall actively contribute to the development of a sustainable society by creating the best possible conditions for a sustainable business. The strategy is to implement actions, step by step, which improve profitability, can be developed, and which guide the business in a sustainable direction, based on four principles for a sustainable society (see below).

Lantmännen's strategy for sustainable development gains shape

Lantmännen's operations have made varying progress in their work on sustainable development. To create a shared platform, sustainability analyses have been carried out in the business areas. The sustainability analyses pick up on the strengths and weaknesses of the business, and on any threats and opportunities in the outside world. An evaluation of the sustainability analysis work showed that this created a feeling of participation and laid the

foundations for shared dialogue within the Group. Some of the corporate areas that will be given priority in future include:

- Developing and introducing Lantmännen's code of conduct, which covers action programmes and monitoring throughout the organisation.
- An increased focus on sustainable development in product development.
- Joint carbon-footprint work relating to energy and transportation.

In the sustainable society...

1...nature is not subject to systematically increasing concentrations of substances from the Earth's crust.

For Lantmännen, this includes reducing its dependency on fossil-based energy in its production processes, in its transportation of raw materials and products, and in its customers' use of machinery and tools for operation and maintenance. It also implies a challenge for Lantmännen to develop products and services that make society's transition to a sustainable energy system easier.

2...nature is not subject to systematically increasing concentrations of substances produced by society.

For Lantmännen, the implications of this include developing its product range in a sustainable direction within areas such as plant protection, developing new crops and influencing its customers' choice of products via information and advice. It also means that product ranges being sold directly to the customer have a good environmental performance.

3...nature is not subject to systematically increasing degradation by physical means.

For Lantmännen, this implies, among other things, guaranteeing sustainable production that contributes to high quality, with biologically diverse farmland and forested areas, and a cultivated landscape that is rich in natural and cultural assets.

4...people are not systematically prevented from satisfying their needs.

For Lantmännen, this includes guaranteeing strict requirements for product safety, good animal husbandry, safe and healthy products and services, a good work environment, and specifying requirements for suppliers concerning social responsibilities and working conditions.

Lantmännen's organisational structure for sustainable development

Sustainable development is being integrated to an increasing extent as a natural part of all activities. Each business area has an employee dedicated to this, to coordinate and guide the sustainability work in line with general corporate objectives. The corporate function for sustainable development initiates and runs the sustainability work and also takes responsibility for the overall coordination and monitoring.

Broad implementation of accreditations

Lantmännen's business operation as regards quality, environment and food safety is of course based on adherence to legislation.

In addition to that, aspirations are high throughout, which has meant that many business areas are not just working systematically in the form of management systems, but have also chosen to gain accreditation for these. Accreditation is a voluntary action but often responds to the requirements that customers and Lantmännen itself sets for the work being carried out.

The table to the right shows the business areas' share of accredited management systems within the fields of environment, quality and food safety. In the current climate, there are no express goals as regards management system accreditation at Group or business area level.



Accredited management systems			
Business area	Environment	Quality	Food safety
Lantmännen Lantbruk			
Svalöf Weibull			Not applicable
Lantmännen Anläggnings- och Lantbruksmaskiner	 	 	Not applicable
Lantmännen Energi			Not applicable
Lantmännen Mills			
Lantmännen Axa			
Lantmännen Unibake			
Lantmännen Kronfågel			
Lantmännen Grangården			Not applicable
Lantmännen Invest*			

*) Lantmännen Doggy holds ISO 14001, ISO 9001 and ISO 22000. Lantmännen Reppe holds ISO 14001 and ISO 9001. Lantmännen SweChick and Lantmännen SweHatch hold ISO 9001.



Arable land – a valuable resource

With the customer in focus, developing and processing agricultural resources in a responsible manner is Lantmännen's business concept. The fact that arable land is an important resource that must be worked in a sustainable manner is becoming increasingly clear in line with increasing demand for the raw materials that are being grown.

Grain growing in value

Recently, raw materials prices have generally been increasing and grain prices are no exception. Grain is traded on a global market controlled by supply and demand. As regards demand, the rapid increase in living standard for many people in China and India has now begun seriously to make its mark. A small part of the reason for the greatly increased demand is due to the growing of crops for biofuel production.

All forecasts indicate that demand for grain is going to continue to increase on a global basis. At the same time, climate researchers are indicating that extreme weather situations are going to become more common in future, which means an increased risk of total or partial loss of harvests. Within the EU, the requirement for ten per cent of the land to be set aside has been abandoned, so there is a certain amount of scope to increase production to meet the increase in demand, for the moment at least.

Arable land – desirable and threatened

The ability of arable land, in the long term and in a sustainable way, to produce plant biomass of an approved quality is the actual definition of the fertility of arable land. Access to water, energy and biodiversity are the basic conditions for a functioning agriculture. For example, 1200 litres of water are required to produce one kilo of grain. At a global level, food production is being threatened by access to fresh water. Other global threats include desertification and short-term methods of cultivation which lead to an impoverishment of biodiversity. Biodiversity is a precondition for high productivity within agriculture since it enables ecosystems to become more stress-tolerant and to enhance its ability to recover from environment-related stresses.

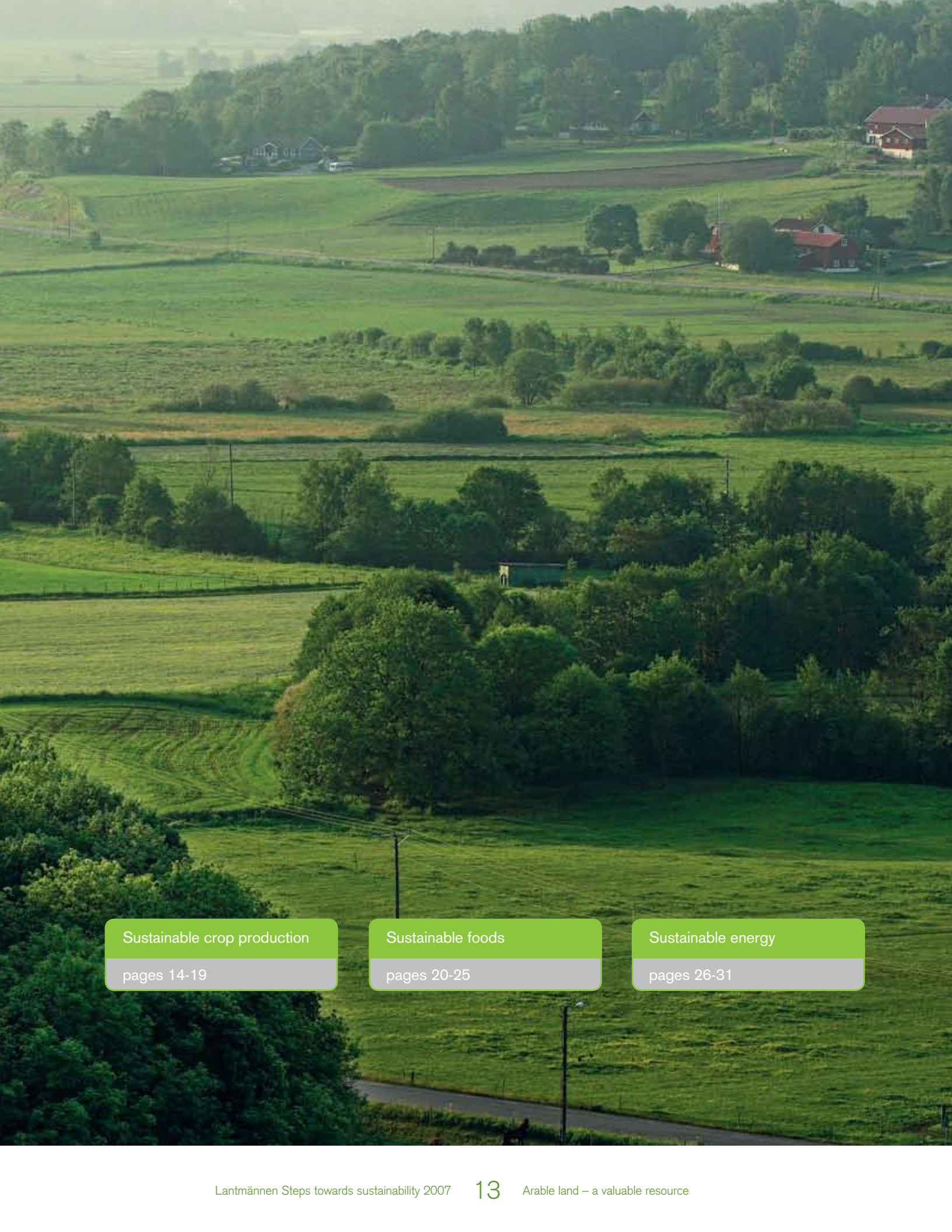
In Sweden, arable land and the products it yields are threatened by environmental disruption in forms such as climate changes, low-level ozone, fall-out from the air in the form of metals and organic ecotoxins. In addition, certain systems of cultivation can compact the soil, reduce the

content of organic matter and impoverish the soil, which can have an impact on the land's long-term productivity. Human settlement is another factor that will have consequences for agricultural production. One estimate states that approximately three per cent of Sweden's total arable land area has been used for urban expansion during the period 1960–2000.

Sustainability in focus

On this basis, it becomes clear that arable land is one of the most important current and future resources for the Earth's population. Cultivating arable land in a sustainable manner while also guaranteeing a sufficiently high level of return is the tough challenge that has to be resolved. Lantmännen and its owners have an exciting, significant and very responsible task to continue working on.

You can read more in this report about the efforts Lantmännen is making to contribute to sustainable development within crop production, foods and energy – the areas that constitute the majority of Group operations.



Sustainable crop production

pages 14-19

Sustainable foods

pages 20-25

Sustainable energy

pages 26-31



Sustainable crop production

Lantmännen is a major player on the markets for both grain and oilseed crops in Sweden. Lantmännen's position as the dominant supplier of seed and production aids provides great opportunities for it to contribute to increased sustainability in Swedish crop production.

Based on Lantmännen's policy for sustainable development, crop production is sustainable when:

- *Crop production does not contribute to a negative impact on the climate.*
- *Plant nutrient substances are recirculated.*
- *Nutrient leaching is no greater than that from surrounding uncultivated land.*
- *Methods of cultivation do not systematically impair biodiversity.*
- *The cultivation methods improve the fertility of the land.*
- *Heavy metals and undesirable organic substances do not accumulate in arable land.*
- *Good terms and conditions of work can be maintained by the growers.*
- *The production method is financially profitable in the long-term.*

Organic and conventional production

In Swedish agriculture, people are working towards the goal of sustainable cultivation within conventional production, via quality concepts such as Svenskt Sigill [the Swedish Seal of Quality] and by converting to organic production. Lantmännen handles products from both conventional and organic production, and is involved in the work of developing forms of cultivation that will increase sustainability both by providing advice to farmers and by

becoming involved in the further development of techniques, methods and regulations for production.

The central tenets of organic production include a ban on chemical plant protection products and mineral fertilisers. Within conventional production, techniques are being developed that will minimise the environmental impact of production, through features such as the carefully controlled use of plant protection products and fertilisers, adapted for specific applications.

Plant protection

In conventional production, apart from biological and mechanical methods of plant protection, chemical pesticides are used against weeds and diseases. The environmental impact of this can be limited by handling the product very securely and only using it when it is really necessary. Within organic production, no use of chemical plant protection products is permitted. Instead, for example, there is a higher degree of mechanical soil cultivation and another type of crop rotation to give the crop the optimum conditions for providing a satisfactory harvest.

Nutrients

In conventional production, both manure and mineral fertilisers plus approved slurry and approved residue products may be used. By drawing up crop production plans, fertiliser can be applied based on the specific needs of the crop. For example, it is also possible, by creating protection zones where no fertiliser is applied, to reduce the risk of leaching to surrounding watercourses. In organic production, no conventional highly soluble artificial fertiliser is permitted – the supply of nutrients is based primarily on manure and biological nitrogen-fixing (growing plants, such as legumes, that are themselves able to fix

nitrogen from the air). Today, opinion is divided as to the scale of nutrient leaching from organic crop production in comparison with that of conventional methods.

Soil fertility

For all growers, there is a natural self-interest in retaining the fertility of the soil. Among other things, this requires replacement of the nutrients removed from the soil by the crop. Growing methods also need to be adapted to the soil type, in order to avoid soil compaction and a reduction in organic matter. Both conventional and organic farmers are working with techniques to retain soil fertility. Measuring the effects of this is a complex matter, however, and there is currently no data available to allow a comprehensive comparison to be made of different growing systems.

Energy

Apart from carbon dioxide emissions from diesel contributing to the greenhouse effect, fossil oil is a limited resource. Sustainable production must therefore be independent of fossil fuels in the long term.

The organic production process's ban on mineral fertilisers, together with its other rules, leads to production usually using less fossil energy than conventional production calculated on the basis of acreage cultivated.

Since the organic system produces lower yields, based on the acreage cultivated, it may still require a higher consumption of fossil fuels per kilo of product. The differences depend both on the crop being grown and on external conditions such as soil type and climate. In certain cases, the differences are marginal but, as a rule, the differences in yield amount to percentages in double figures. This is naturally also an issue of sustainability since cultivatable land is a limited



Within food production, traceability is important. An illustrative example of this would be Lantmännen's supplies of oats to babyfood producers where the raw ingredient, within the Premium concept, can be traced back to individual farms and the field in which the oats were grown.

resource that is needed for production of both foods and the raw materials for energy production.

Reflections

Both conventional and organic production have many challenges left before sustainability has been achieved. Introducing quality systems into conventional crop production gives greater control over the turnover of plant nutrients and the use of plant protection products. This produces benefits in the form of reduced leaching of nutrients and a reduced spread of chemicals that have an impact on the environment. This development has already started.

Organic production has an environmental advantage with its zero-use of chemical plant protection products, but major challenges also remain, including improvements in the control of the flows of plant nutrients when using manures. The organic production process does not use

mineral fertilisers with their high energy load, but produces lower yields per hectare and usually requires more soil cultivation, which means that organic production ought also to become more energy efficient. By working with both forms of crop production, and by their learning from one another, Lantmännen is able to contribute to hastening development since the opportunities for developing sustainable solutions are on the increase.

Lantmännen's work on sustainable crop production

Lantmännen is a major player on the markets for both grain and oilseed crops in Sweden. The Grain Division purchases, classifies, dries, processes and markets products from around 20,000 suppliers. In total they supply around 2.5 million tonnes of grain, of which just over half arrives immediately in conjunction with

harvest. This key role, together with Lantmännen's position as dominant supplier of seed and production aids for crop production in Sweden, provides us with major opportunities for contributing to reducing the impact on the environment for our customers and suppliers also.

Plant varieties and seed

Within Svalöf Weibull, Lantmännen runs an extensive plant breeding operation which influences the opportunities for sustainable development. By developing new plant varieties, it is possible to achieve increased yields, sometimes through improved resistance to disease, while the need for plant protection products might also be reduced. The increased yield means less energy consumption and fewer emissions of greenhouse gases per kilo of product.

Svalöf Weibull has produced a winter wheat that is highly resistant to the disease strawbreaker foot rot which, today, causes extensive declines in harvest volumes, despite the increased use of plant protection products. In the forthcoming oat variety, called Aveny, this business area has also combined high yield with resistance to crown rust, which is the most serious disease affecting oats and can cause major harvest losses. A third example is the new red clover variety, SW Ares, which is better at overwintering and therefore does better in multi-year forage. This means that it can add higher quantities of nitrogen and therefore a better forage yield than other varieties of clover.

Biological treatment methods have a future

Lantmännen Lantbruk is investing widely in biological seed treatment methods, as an alternative to chemical treatments. Results from field trials by Sweden's University of Agricultural Sciences show, for the third consecutive year, that biological

methods give better results than the chemical agents tested. ThermoSeed involves the seed being heat treated with steam, which kills fungi and other pests. Cedomon and Cerall contain a soil bacterium that is a natural enemy of the seed-borne diseases to which the plant may be exposed. During the year, these remedies have been approved in Lithuania and also in Germany, which is a major, important market, and which also has a decision making authority known for its thoroughness. The products are therefore being marketed in a total of ten countries within Europe. The development of these unique methods, which are both also approved for organic production methods, has been promoted by Lantmännen.

Support for farmers' sustainability work

Lantmännen is offering support to farmers in their work on a number of different issues. Often, the products, services and advice that are in line with the sustainability ideal are an endeavour to apply a long-term perspective to cultivate the soil that has minimal impact on the environment. Below are a number of examples of support provided to farmers:

Plant protection advice on the Web

In addition to the traditional advice, farmers are now able to ask questions and obtain advice about issues such as applying fertiliser, plant protection or crop production planning.

Advice and products for reducing nutrient leaching

A crop in the process of growing takes up the nutrients that are constantly being released in the soil, as long as the soil temperature exceeds +4 °C. Lantmännen provides advice about how catch crops can be used to fix nutrients and to reduce the leaching of nutrients into the surrounding environment.

The market for grain is changing pace rapidly. To meet increasingly comprehensive requirements specifications from purchasers, Lantmännen is working on the following concept:

Premium – for buyers with special requirements. Basic requirements for documentation and independent inspections, handling in accordance with the Säkert Spannmål (Safe Grain) system etc. The buyer can also supplement this with further requirements.

Standard – a quality that suits many buyers, with a quality specification customised for an international market and current legislation and public authority requirements.

Organic – grain that is produced in accordance with the rules for organic cultivation. This concept should also fulfil the handling part of the Premium concept.

Lantmännen's range also contains several products for measuring and controlling the balance of plant nutrients on the farm, thereby reducing the amount of nutrient leaching.

Lantmännen offers organic seed

The Lantmännen range includes organic seed for most crops. It also has a wide range of fertilisers and other additives approved for organic production.

New range of animal feed reduces environmental impact

In autumn 2007, Lantmännen launched a new range of mineral feed for cattle. Adhering to the latest research findings and reducing the amount of phosphates in feed contributes to reducing nutrient leaching from manure handling in the production process without impairing the nutritional composition of the feed. A better mineral composition also means a reduction in the heavy metals, zinc and copper, added to the soil. Lantmännen also offers organic feed for dairy, meat and egg production.

Feeding back plant nutrients

Phosphorus is an important and finite nutrient for plants. Via harvesting, foods and the digestion process, phosphorus finally ends up in the sludge at sewage

treatment works. In its environmental targets, the Swedish Parliament has stated that 60 per cent of the phosphorus in sludge should be returned to productive ground by the year 2015 at the latest, with at least half of that going to arable land to complete the cycle.

Actively working to ensure metals and organic contaminants are reduced in the sludge increases the possibilities of being able to use sludge as fertiliser on arable land. The hygienisation (heating) of the sludge is also an important aspect. Lantmännen is of the opinion that it is important to recover plant nutrients and is therefore taking an important active part in several processes and project to move this issue forward. One example of this is ReVAQ, a project being run by Sweden's public water treatment works in collaboration with Sweden's Waste Water Association, organisations within the agriculture and food sectors and the Swedish Society for Nature Conservation.

The project must show whether sludge can be used in a sustainable perspective. A certification system for water treatment plants is in development but the project also seems to be a motivating force for "upstream work" in society; in other words, for improving the quality of the inflowing waste water and therefore also

the plant nutrients from waste fractions.

Genetic technology

Genetic technology is an effective tool in plant breeding and provides opportunities for contributing to sustainable development, for example by developing resistance in plants, which reduces the need for plant protection products.

There are also chances that genetic technology will be able to contribute to providing crops with various positive characteristics that can be beneficial to mankind. At the same time, Lantmännen is also aware of the risks that large-scale production of GMO crops may involve. Lantmännen therefore believes that all use of genetically modified organisms and other genetic technology, like all other new technology, must be preceded in each individual case by an assessment and an evaluation of the benefits and risks that this use implies. Naturally, this also applies in cases where Svalöf Weibull makes use of genetic technology in plant breeding.

Lantmännen's processed feed products in Sweden do not contain any raw ingredients from genetically modified crops. However, genetically modified raw materials may be present in deliveries of raw materials where the customer has not specified a requirement for items to be GMO-free. The requirement for GMO-free status involves an additional cost for the customer. Lantmännen's food products contain no raw materials from genetically modified crops.

Soya and palm oil

Lantmännen operates within the entire food chain – from farmland to table. The majority of raw ingredients used in Lantmännen's food production is locally

grown. Some of the exceptions to this are soya beans and oil palm, which produce important raw materials in several segments of the food chain.

The soya bean is an important raw ingredient for the production of foods, animal feed and fuels. At root, it is a very efficient converter of photo-energy and can also, like other legumes, absorb nitrogen from the air.

Unfortunately, the huge demand has meant that production today is taking place under conditions that damage ecosystems and exploits the workforce in an unjustifiable way. Lantmännen uses soya beans in the production of its animal feeds and, on a small scale, also in food production.

In 2007, Lantmännen adopted a policy on the purchasing and use of soya-based raw ingredients. Among other things, this means that Lantmännen plays an active role as a member of international round table discussions intended to define regulations and accreditation systems for sustainable soya (Round Table Responsible Soy), and chooses suppliers of soya-based products which participate in or support that work. In 2009, the aim is to start work on

purchases of certified "responsible soya" and in 2012 this is to be done in full.

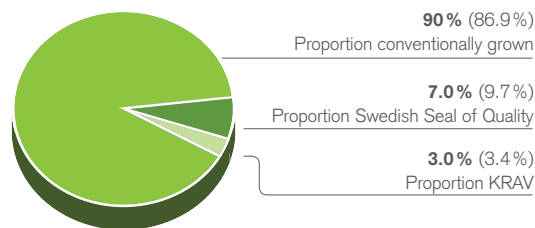
In the same way, *the oil palm* is a very valuable crop in several developing countries but production is also faced with similar challenges to soya production. Lantmännen uses raw materials from oil palms in the production of both animal feed and food for people.

In 2007, Lantmännen also adopted a policy for the purchase and use of raw ingredients based on palm oil. Lantmännen is also working here to promote sustainable production by supporting round table discussions on sustainable production and choosing suppliers who participate in or support these discussions. Once discussions have led to regulations and a certification system, Lantmännen must within two years only use certified oil palm products.

Lantmännen is working actively to find opportunities to replace the imported feed raw ingredients with domestically-grown products. It might be a matter of expanded production of certain existing crops or the introduction of new types, but also the use of products left over from the production of ethanol and rapeseed oil.







Grain grown with eco-requirements, Sweden

Within Lantmännen, a total of 1,876,000 tonnes of grain was weighed in during the year. KRAV defines the criteria for organic grain cultivation in Sweden. The Swedish Seal of Quality guarantees a production system that lives up to specific requirements for quality, environmental responsibility and open countryside. The figures within parentheses indicate comparable estimates from 2006.



Performance indicators – sustainable cultivation

Long-term sustainable crop production is a precondition for long-term profitability. Lantmännen assures that its production methods are sustainable over time by using targets and performance indicators that are appropriate for the purpose. The results provided by the performance indicators give a clear indication of the systematic project work needed to be carried out for the Group as well as for business areas.

Business area	Performance indicator	Results	Outcome*	Analysis
Lantmännen Lantbruk	Proportion alternatively treated seed	2007: 54 % 2006: 42 % 2005: 42 %		In 2007, the biological methods, Cedemon and Cerall, and the ThermoSeed heat treatment, have increased strongly. Thanks to a widespread launch and marketing.
Lantmännen Lantbruk	Cadmium in mineral fertiliser	2007: 6.6 ppm 2006: 5.8 ppm 2005: 4.7 ppm		The level of cadmium in phosphate fertiliser has increased somewhat during the year, primarily due to an increased content of cadmium in the raw materials used for PK fertiliser. However, the levels are still well below the statutory level which is 100 ppm.
Lantmännen Lantbruk	Proportion Swedish Seal of Quality grain	2007: 7.0 % 2006: 9.7 % 2005: 10.1 %		The proportion of Swedish Seal of Quality cereal has decreased. On the other hand, Lantmännen's own customised Premium concept is growing.
Lantmännen Lantbruk	Proportion KRAV grain	2007: 3.0 % 2006: 3.4 % 2005: 3.6 %		The proportion of KRAV grain has decreased. Since KRAV production in Sweden is constant, the decrease is due mainly to an increase in the proportion of direct purchases for farms keeping organic livestock.
Lantmännen Lantbruk	Source Feed raw ingredients	2007: 57 % 2006: 54 % 2005: 55 %		The proportion of Swedish raw ingredients for animal feed has increased. In 2007, the market for raw ingredients underwent a major change, from being a surplus market to a deficit market. That has meant that prices for almost all raw ingredients have risen markedly. The increase in prices for non-European raw ingredients, such as soya and palm expellers, have been particularly steep. This had led to Swedish raw ingredients becoming better value for money.
Lantmännen Lantbruk	Proportion Organic	2007: 3.0 % 2006: 2.6 %		Over the past year, sales of organic products have increased. The greatest increase has been in feed for dairy cows. The organic feed still constitutes a minor volume in relation to conventional products.

**) A change of at least 3 percentage points is required for the outcome arrow to indicate a change.*



Sustainable foods

Consumers are giving increasing priority to safe, healthy and eco-friendly foods. Consumers need information if they are to make conscious choices. Good information is available for healthy foods. “Climate smart” foods are another matter, since the climatic impact of food is not included in the current labelling systems. The food chain bears a large responsibility since participants in the chain, on a global basis, are responsible for around 25 per cent of carbon dioxide emissions.

Based on Lantmännen’s policy for sustainable development, food is sustainable when:

- Consumption does not contribute to impaired health.
- Raw ingredients in foods come from sustainable forms of crop production.
- Transportation within the food chain is sustainable.
- Manufacture and sales of foods lead to a reduced impact on the environment.
- Good working conditions can be maintained in the work involved in producing and selling foods.
- Participants in the food chain are financially profitable in the long term.

Carbon footprint labelled foods

Many people want to make choices that are good for the climate. Based on a private individual’s typical everyday energy consumption, we are able to purchase “green electricity” or “eco-cars”. But we do not currently have the opportunity of choosing simply those foods that have less impact on the climate. Both the government and consumer are currently demanding that a carbon footprint labelling system for foods should be developed in order to make it possible to make conscious choices.

Lantmännen’s carbon footprint labelling work

Over the past year, Lantmännen has been participating actively in the carbon footprint labelling work being carried out by KRAV and the Swedish Seal of Quality. As a consultative body in this work, Lantmännen has been making a constructive contribution to the process and has also chosen, in 2008, to become actively involved in the project’s steering group. In addition, work has been initiated on charting climate performance by means of life cycle analyses of 20 central Lantmännen products in ranges such as flour products, rolled oats, pasta and bread. The work is

being led by a working group comprising Lantmännen Unibake’s fresh bread business in Sweden and Lantmännen Lantbruk, Lantmännen Kronfågel, Lantmännen Food R&D and Lantmännen’s corporate function for sustainable development.

Everyone can make a contribution

All participants in the chain, from primary producers to final consumer, can make a contribution and have a responsibility for ensuring that the food sector becomes sustainable in the long term. Each one of us can contribute by buying food when it is in season, purchasing locally produced foods, but also by not driving the car to the shops.

Food safety

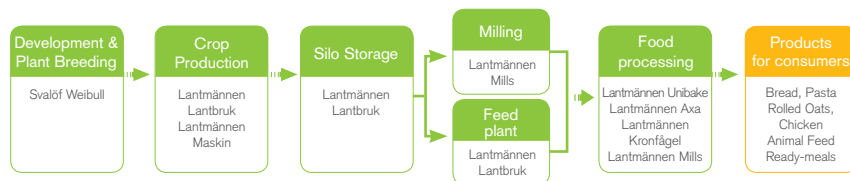
Lantmännen’s business is subject to regulations based on the foundations laid down in the EU “Food Law”, regulation (EC) no. 178/2002. According to the food law, everyone handling foods on a professional basis must have a system for checking and controlling the risks that exist concerning food hygiene. Sweden’s National Food Administration recommends a self-monitoring programme based on HACCP, Hazard Analysis Critical Control Point. Safe food for the end consumer is the goal, and to achieve this the entire chain is to be safeguarded “from farmland to table”. The Group’s businesses work in a preventive way to eliminate hygiene health hazards by means of inspection, control and traceability. A number of different recognised international standards have been in use for a long time, see page 11.

Traceability and quality assurance start at farm-level

Having business operations that cover

Lantmännen’s roles in the food chain

The figure gives a description of Lantmännen’s various roles and the duties of the business areas within the food chain. The figure is valid, above all, for the business in Sweden.



everything from plant breeding, contract growing, intermediate goods, mills for food production, and sales gives Lantmännen unique opportunities to safeguard and guarantee quality. The work on quality and hygiene starts right at farm level. If the quality of a product is poor, it is important to be able to trace the fault. Opportunities for traceability down to farm level are particularly valuable and, if circumstances permit, are implemented when specified by the customers. Good examples of this may be taken from chicken and flour products.

From a food safety perspective, there is a comprehensive systematic inspection

process for guaranteeing foods that are free from allergens and foreign bodies (such as soil, stones, micro-organisms, metallic objects and mould). The various risks are minimised by measures such as raw material analyses, screening, metal detectors, heat treatment and X-rays, particular supplier requirements and third-party verifications. Lantmännen also works in accordance with industry guidelines for allergies and other hypersensitivities in the food industry and retail trade.

Food safety through monitoring
Salmonella is constantly present in the

environment around us and is spread via carriers such as feed raw ingredients, rodents and birds. Lantmännen is careful to adhere to public authority requirements and to ensure that a voluntary, extended self-monitoring procedure is carried out. Altogether, this constitutes solid protection, since Swedish legislation is among the strictest in the world as regards zero tolerance of salmonella in animal feed and human foods. That means that all feed products must be free of all types of salmonella. To manage this, for example, feed components are checked and processed by heat treating the products at 75°C for 30 seconds to minimise the risk of salmonella being conveyed further in the chain.

Healthy animals – healthy people

The rearing process operated by Lantmännen Kronfågel and Lantmännen Danpo adheres to animal welfare requirements that are among the strictest in the world. Lantmännen Kronfågel works to ensure the ethically correct handling of live animals in compliance with its animal welfare programme. Among other things, this means:

- Chickens are free to roam about the shed on floors covered with straw or wood shavings.
- The birds are protected against infection by live wild birds, and are never exposed to rain, cold or excessive heat.
- Great emphasis is placed on the birds being transported in a humane way.
- Good bird husbandry, meticulous checking in all areas and careful handling are the foundation of this work.



Most of the Lantmännen Kronfågel and Lantmännen Danpo production facilities have been accredited in accordance with the internationally recognised and very comprehensive standard for food safety and quality – the BRC Global Standard. Their rearing process adheres to animal welfare requirements that are among the strictest in the world.

Since 2002, most of the Lantmännen Kronfågel and Lantmännen Danpo production facilities have been accredited in accordance with the internationally recognised and comprehensive standard for food safety and quality – the BRC Global Standard.

Healthy-eating and organic foods

Eating a healthy, varied diet is on the agenda for all consumers, regardless of age. Almost 70 per cent of Sweden's population regard this as important. The figures rise a little with increasing age, but the fact that interest in healthy food is so great, even among young people, shows the significance of good food.

For a long time, Lantmännen has held a prominent position in food research. The way food with a low glycaemic index can keep blood sugar levels even, and the way wholegrain bread or wholegrain pasta can counteract common diseases, are just two examples of where Lantmännen has been doing research.

A selection of this type of research is presented in "Innovationsboken" [the Innovation Book] (downloadable from www.lantmannen.com). For example, several scientific studies show that Lantmännen-developed SPC flakes have a beneficial effect on gastric and digestive problems, perhaps most especially stomach troubles experienced by people travelling abroad. This type of treatment also suits people with certain chronic inflammatory bowel diseases.

Another good example of food research is Svalöf Weibull's involvement in crop production trials together with Lantmännen Food R&D. Here, a clinical study is being run with specially proc-

essed rye that has been shown to have a positive effect on the bacteria responsible for stomach ulcers, *Helicobacter Pylori*.

Food trends and Lantmännen's food sales

The strong trend towards healthy, wholesome food is continuing therefore, and consumption of nutritious breakfast cereals and muesli, wholegrain pasta and rolled oats is growing. According to the latest surveys, the benefits of wholegrain are already taken for granted, while the glycaemic index (GI) will continue to be a growth trend for some time to come. In future, we can expect increased focus on products containing specific dietary fibres which have different health benefits. Another trend that goes hand-in-hand with food quality is consideration for the environment. Just over half of all Swedish consumers currently buy organic foods regularly.

Lantmännen Axa's concentration on developing new products within the segment of healthy-eating and organic food will be continuing. The potential is huge, since the organic range has been kept back in preference for Axa's concentration on its healthy-eating range. Interest in food with preventive health properties is increasing, however, and focus is going to be aimed at developing new products which harmonise with consumer needs and lifestyles.

Kornkammeret in Denmark – market leader

In Denmark, Lantmännen's organic brand, Kornkammeret, has been very successful in meeting the strong Danish trend towards organic products and, during the year, has become market leader in organic flour. Kornkammeret also markets organic

muesli, bread and ready-made bread mixes. Sales of organic products have virtually exploded in Denmark. In 2007, sales increased by 25 per cent within the flour and breakfast cereal category. Almost 50 per cent of Danes say that they actively seek out organic products, and 63 per cent consider organic products to be much healthier than non-organic. Kornkammeret rolled oats and muesli represent an impressive 49 per cent of sales of organic breakfast cereals in Denmark in competition with 22 other organic brands.



Kornkammeret rolled oats and muesli represent an impressive 49 per cent of sales of organic breakfast cereals in Denmark in competition with 22 other organic brands.

Performance indicators – sustainable foods

The raw material is an important parameter in developing food production in a sustainable direction. Lantmännen needs to guarantee that, over time, its production methods are sustainable by using targets and performance indicators that are appropriate for the purpose. The performance indicators for foods are partly demand-controlled and indicate a positive trend. Here, too, there is a clear need for systematic project work for the Group as well as the business areas.

Business area	Performance indicator	Results	Outcome*	Analysis
Lantmännen Mills	Environmentally-adapted grain raw material**	2007: 25 % 2006: 25 % 2005: 28 %	→	In summary, the unchanged level of environmentally-adapted grain raw material is a result of an increase in Denmark and a decrease in Sweden. Norwegian volumes have not been included due to the relocation of this production.
Lantmännen Unibake***	Environmentally-adapted flour raw material**	2007: 31 % 2006: 24 % 2005: 38 %	↗	The positive result may be related to increased sales of organic products in Denmark and Sweden.

*) A change of at least 3 percentage points is required for the outcome arrow to indicate a change.

**) The proportion of environmentally-adapted grain/flour raw materials is defined here as raw material approved in compliance with the Swedish Seal of Quality, KRAV, Ökologiskt Statskontrollerat and Natur+ concepts.

***) In 2006, Lantmännen Axa's fresh bread business was transferred to Lantmännen Unibake.



On the Norwegian market, Lantmännen sells flours and mixes under the Regal brand.



Gooh! was designated best chain of the year within the Swedish retail trade. Gooh! is Lantmännen's ready-meals store chain.

The jury justified the award by stating that "the company is breaking innovative ground".

OBS!
AVLÄGSNA DENNA ETIKETT FÖRE
UPPVARMNING.
TILLAGNINGSSINSTRUKTION UNDER.



*Operakällarens
klassiker*

**FISKGRYTA
I SAFFRANSSÅS**
MED PALSTERNACKA OCH POTATIS

Stefano Catenacci
STEFANO CATENACCI
KÖKSCHEF, OPERAKÄLLAREN

gooh!

400 g



Sustainable energy

Globally, the food chain from farm-land to table – represents around 25 per cent of the emissions that are having an impact on the climate. For that reason, the climate issue is very important to anyone involved in the industry. By Nordic standards, Lantmännen is a major player with business operations throughout the chain, thereby having a particular responsibility for the climate issue. Lantmännen's products within the renewable energy field are examples of its endeavours to take responsibility for the climate.

Based on Lantmännen's policy for sustainable development, energy is sustainable when:

- *The raw material for the energy is renewable.*
- *The use of energy is efficient.*
- *The production of the raw material or the production of energy uses resources efficiently and does not lead to a negative impact on the climate.*
- *The production of the raw material or the production of energy does not lead to any increase in the concentrations of heavy metals and undesirable organic compounds in the natural world.*
- *The production of the raw material or the production of energy does not harm people or the environment.*
- *Energy production is financially profitable in the long term while good working conditions and good work environments can also be maintained.*

Lantmännen's work on reducing its impact on the climate can be summarised within four principal areas:

- Logistics
- Use of energy
- Bioenergy products
- Food products
(read more under Sustainable Foods)

Even today, Lantmännen is able to show good examples of climate action, principally as regards the use of energy and logistics. Lantmännen's greatest production of renewable energy contributes to reducing society's dependence on fossil fuels. As regards improving the climatic performance of the food products, not as much progress has been made yet, but the first steps were taken during 2007.

GreenLine – sustainable logistics

Lantmännen's work on developing its logistics in a sustainable direction goes under the name of GreenLine and is intended to take responsibility for Lantmännen's transportation becoming more environmentally-friendly, more economical and safer – while the drivers also have an improved work environment. The GreenLine work was initiated in 2007 as a Swedish pilot project covering a partial flow of bulk truck transports. The goal for the pilot project was to reduce carbon dioxide emissions by 730 tonnes. Lantmännen's overall goal is to broaden the scope of GreenLine to cover all transports by 2009 and to reduce carbon dioxide emissions by 20 per cent up to 2010, which is equivalent to 17,000 tonnes.

The route to the goal and vision

GreenLine is made up of the Lorry Transports and Rail Transports subprojects. For those transports carried out by lorry, carbon dioxide emissions are being reduced by applying more environmentally-aware methods of driving (EcoDriving) and using more environmentally-friendly fuel. Apart from this, Lantmännen is reviewing order placement and alternative delivery dates in order to optimise transport frequency and maximise the load carried. To improve traffic safety, when it is procuring transport services, Lantmännen promotes

the increased use of belts and requires its suppliers to have a breath alcohol interlock device fitted. Transport assignments must of course be carried out in a lawful manner with regard to driving/rest periods and speed limits and – in addition to the road safety aspect – also contribute to a good working environment for the drivers. Moving transports away from the roads and onto rail brings with it major environmental and road safety benefits. For that reason, great efforts have gone into finding profitable solutions for transports by rail. In 2007, all of Lantmännen's transport agreements were cancelled and new ones procured. "QIII Quality in procurement for road transport" allows requirements to be included which cover quality, work environment and the natural environment. QIII is an independent voluntary association, owned by LO [the Swedish Trades Union Confederation] and the NTF [Sweden's National Society for Road Safety], and financed by the Folksam, Länsförsäkringar and Trygg-Hansa insurance companies, and Vägverket [Sweden's National Roads Administration]. QIII assists, reviews and assesses purchasers of heavy road transports to ensure they include in their purchasing procedures the criteria that produce a better working environment within the transportation chain, improved road safety within the road transport system, and reduced environmental loading within heavy road traffic. To provide transportation vendors with an incentive to make improvements

Lantmännen is one of Sweden's five largest purchasers of transport services and is responsible for one per cent of all lorry transports that take place in Sweden every year. In terms of weight, this means around 9 million tonnes of freight.

in their sustainability work, Lantmännen will be signing longer-term contracts with those that already fulfil the requirements and shorter-term contracts with those that still have some way to go but which are still aiming to make improvements.

Climate certificate – a good beginning

For the second year running, Lantmännen Mills in Sweden has been awarded Green Cargo's climate certificate. The citation reads as follows: "For its work on controlling the impact on the climate of its own transports, Green Cargo's Climate Certificate is now being awarded to food producer, Lantmännen Mills". To receive Green Cargo's Climate Certificate, emissions from transports must not exceed ten gram of carbon dioxide per tonne-kilometre. To reach this limit, the majority of transports must be carried out by rail, using trains that are run on electricity from renewable sources. Lantmännen Mills is one of a total of around 20 companies that were awarded 2007 climate certificates.

Lantmännen's energy work

Today, Lantmännen is highly dependent on energy within its business operations. In 2007, an energy policy was adopted in which Lantmännen undertakes to apply a systematic, long-term approach to its work towards sustainable use of energy. This means that each business area must make more efficient use of energy and to phase

out fossil fuels. The goal is clearly marked out: Lantmännen's energy use must decrease by three per cent in 2008 and a further two per cent in 2009-2010. The Programme for Energy Efficiency (PFE) can be given as an example of this. The purpose of PFE is to increase efficiencies in electricity usage within companies where consumption is high. Another example would be using products left over from production as biofuel. In Järna and Moss, for example, trash and oat husks are used, and a project is also underway that intends using feathers and returned bread as fuel for in-house production.

Bioenergy products

Lantmännen Energi is a business area comprising eight companies that develop, produce and market bio-based energy products, such as fuel (ethanol and biodiesel) and solid biofuels (pellets, powder, biomass logs, briquettes and salix chips). The operation also covers environmentally-adapted lubricants and environmentally-adapted petrol, plus heat production for district heating networks.

Here is a concise description of parts of the operation, as examples of the development of sustainable energy usage:

- Pellet, powder, briquette, biomass log and salix sales are handled by Lantmännen Agroenergi. Sweden is one of the most highly developed markets in the world for wood pellets and biofuel, which dominates in Swedish district heating systems.
- Lantmännen Agrovärme operates 28 heating plants for producing and distributing heating in southern and central Sweden. In the facilities, the amount of biofuel used is 93 per cent.
- Under the Agrol brand, Lantmännen Energi manufactures and markets lubricants. Most of the product range has been environmentally-adapted.

- Lantmännen Aspen is a market-leading distributor of alkylate petrol (generally called eco-petrol) in Sweden as well as in 14 other European countries. Eco-petrol is used in items such as lawnmowers, power saws, scooters and boat engines.
- Lantmännen Agroetanol's business concept is to efficiently process grain into ethanol for the fuel market. The steam and electricity required for production comes from renewable sources. This means that the operation has a good energy yield and reduces emissions of fossil carbon dioxide.

That's why Lantmännen believes in ethanol

Lantmännen Agroetanol is Sweden's leading producer of fuel ethanol. Lantmännen's collective ethanol production is estimated in 2009 to be 210 million litres based on 550,000 tonnes of grain. Work is underway to find other potential raw materials, in particular sugarbeet, to reduce sensitivity to increased grain prices.

Society must find sustainable energy solutions and that is something that has to be done now. All sustainable solutions are needed. It is important to get started on production and not to limit development by waiting on what finally turns out to be the best technology. Lantmännen does not want to allow the best to become the enemy of the good. Producing ethanol from grain is an interim solution, which is available today. As a by-product, today, 45,000 tonnes of animal feed is obtained, making it possible to refrain from importing 27,000 tonnes of soya protein. With a quadrupling of ethanol production, the potential for replacing soya also increases on a corresponding scale. The most important argument for Lantmännen's investment in ethanol and also RME (rape methyl ester) is that it meets a proportion of today's huge demand for biofuels. In this

Accredited management systems

Parts of Lantmännen Lantbruk, Lantmännen Unibake, Lantmännen Energi and Lantmännen Reppe have been accredited in accordance with the Swedish standard for energy management systems (SS 627750) which is an important stage in the Programme for Energy Efficiency (PFE).

way, the market gets started, providing a foundation for continued technology development and production optimisation.

Reduced impact on the climate

Grain-based ethanol is produced in a system in which, apart from the end product of fuel ethanol, a number of other useful by-products are also produced – straw, draff and surplus heat. The energy efficiency throughout the production system is dependent on how well these by-products are utilised. Calculations made by Lund University show that the production of grain-ethanol, including by-products in the form of straw, draff and surplus heat, produces an energy yield ratio of 1:5. That means that Lantmännen can extract five times more energy than it inserts into the production chain. The draff and waste heat is used efficiently in the production system, while there still remains a potential for improvement for the straw. As regards climatic impact, Lantmännen's ethanol is reducing the volume of greenhouse gases by 80 per cent in comparison with petrol, since renewable energy is used to power the ethanol plant.

The raw materials markets for energy and food are coming together

“Is using agricultural crops and arable land for energy production a good development?” is a question being asked more and more. The issue is complex and, in the public debate, it is often answered in terms that are much too black-and-white. The facts are that the former grain surplus has rapidly turned into a deficit due to a very strong increase in demand while the volumes available have diminished due to what was a worse than usual harvest. The increased demand is being driven primarily by the positive trend in living standards for many people in countries

such as China and India, which is resulting in their consumption of food becoming increasingly like that to which we have become accustomed in the developed world. That means a greater proportion of meat and dairy products, which in turn is giving rise to a greater demand for grain for animal feed.

Only a small proportion of the increase in demand is due to increased energy-crop production on arable land. In Europe, for example, only 1 per cent of the land is being used for energy production. Considerably greater agricultural acreages within the EU and other regions of the world are lying fallow or are being used inefficiently. For example, in 2007, Sweden had three times as much land lying fallow as the basic acreage required for the grain used at the extended ethanol plant in Norrköping. The issue of energy or food on our farmland is relevant, however, and will definitely be pertinent in future too. However, it is

important that the public debate is based on the facts. One thing is certain: the demand for the raw ingredients that our owners are growing is making arable land more valuable.

The preconditions for long-term ethanol production – stable conditions

The Swedish government has signalled that they want to scrap the duty on imported ethanol. That would have a counter-productive effect on long-term investment decisions for the future. Lantmännen considers it important to have domestic production of biofuels in order to build up skills and infrastructure. It is therefore necessary for the political majority to guarantee secure, stable conditions for current production. This is to make possible the development of cost-effective technologies that are able to utilise biological raw materials that are more difficult to process, such as cellulose and manure.



Lantmännen Agroetanol is Sweden's leading producer of fuel ethanol. Lantmännen's collective ethanol production is estimated in 2009 to be 210 million litres based on 550,000 tonnes of grain.

Performance indicators – sustainable energy

Efficient use of energy is a precondition for both profitability and sustainable development. Lantmännen intends to be a motivating force and pioneer in the transition to sustainable energy usage through energy efficiencies and the use of renewable fuels throughout the chain from farmland to table.

The business areas and divisions that are working systematically on energy efficiencies are now showing distinct efficiency gains. Lantmännen Lantbruk's crop production division has reduced energy usage in seed production by 14 per cent since 2005, and

Lantmännen Reppe has improved energy efficiency by ten per cent during the same period.

Lantmännen Axa's fresh bread operation has reduced its energy consumption by nine per cent since 2006.

Business area	Performance indicator	Results	Outcome*	Analysis
Lantmännen Lantbruk	Transport efficiency bulk feed	2007: 1.18 tonnes/10 km 2006: 1.14 tonnes/10 km 2005: 1.22 tonnes/10 km		The positive outcome is mainly due to an increased rate of transporting return loads. Another contributory factor is that animal feed has not been moved around to any major extent.
Lantmännen Lantbruk	Energy efficiency seed facilities	2007: 72 kWh/tonne 2006: 80 kWh/tonne 2005: 84 kWh/tonne		The positive outcome of the energy efficiencies is due to a major focus on energy use and increased energy awareness at the facilities. New automatic control systems have made it easier to optimise production and have thereby contributed to a reduction in energy use.
Lantmännen Lantbruk	Energy efficiency – feed production	Not stated.		Energy consumption per tonne produced has reduced somewhat during 2007 as compared to 2006, but by no more than 3 percentage points. The reduction is due primarily to the energy efficiencies implemented.
Lantmännen Mills	Energy efficiency in the milling operation	2007: 0.21 MWh/tonne 2006: 0.21 MWh/tonne 2005: 0.18 MWh/tonne		During the year, the energy efficiency work has led to a positive outcome. This effect is not evident in the outcome since the volume of the more energy-hungry packaged products has increased, at the expense of the bulk goods.
Lantmännen Mills	CO ₂ emissions – production	2007: 11.8 kg/tonne 2006: 9.4 kg/tonne 2005: 16 kg/tonne		The deterioration is due partly to increased volumes of packaged products, which require more energy than bulk goods, and partly to a new collective factor for calculating carbon dioxide emissions from electricity in the Nordic countries.

*) A change of at least 3 percentage units is required for the outcome arrow to indicate a change.



An increasing number of consumers are discovering the advantages of alkylate petrol, also known as eco-petrol. Admittedly, alkylate petrol is not renewable energy, but it is the cleanest petroleum product there is, and it is kind to people and the environment. Aspen's eco-petrol is particularly beneficial in older engines.

Business area	Performance indicator	Results	Outcome*	Analysis
Lantmännen Unibake	Energy efficiency	2007: 0.97 MWh/tonne 2006: 0.97 MWh/tonne 2005: 1.02 MWh/tonne	→	Energy efficiency has improved without exception within Lantmännen Unibake and mainly within the fresh bread business in Sweden, which has improved its energy efficiency by 9 %. The reason for these improvements not being evident from the total figures is linked to mergers and acquisitions of new businesses in countries such as Russia and Belgium.
Lantmännen Unibake**	CO ₂ emissions – production	2007: 171 kg/tonne 2006: 188 kg/tonne 2005: 197 kg/tonne	↗	In line with the energy efficiencies made within the fresh bread business, carbon dioxide emissions have also diminished. The frozen bread business is at the same level as in previous years.
Lantmännen Unibake	CO ₂ emissions – via transportation	2007: 67.8 kg/tonne 2006: 70.3 kg/tonne 2005: 88.4 kg/tonne	↗	Route optimisation and higher load fill levels have, despite higher volumes in 2007, led to reduced carbon dioxide emissions. The positive result derives principally from the fresh and frozen bread operations in Sweden and the fresh bread operation in Denmark.
Lantmännen Doggy	Energy efficiency	2007: 0.53 MWh/tonne 2006: 0.49 MWh/tonne 2005: 0.50 MWh/tonne	↘	The poorer results are due to an increased proportion of products in tetra-packs, which requires more energy, but has meant less use of tinned goods and transportation.
Lantmännen Reppe	Energy efficiency	2007: 1.8 MWh/tonne 2006: 1.8 MWh/tonne 2005: 2.0 MWh/tonne	→	Energy consumption per volume produced is dependent on the product mixture of starch syrup, wheat gluten flour and agricultural alcohol. Volumes of the various products produced were approximately the same in 2007 as they were in 2006.

***) In 2006, Lantmännen Axá's fresh bread business was transferred to Lantmännen Unibake.



Lantmännen's key partners

Competent employees, active ownership and committed suppliers are preconditions for a successful business operation. The following pages contain a description of the work to develop Lantmännen into a sustainable employer that focuses on issues such as manager development and diversity. There is also a description of the owners and their dividends from Lantmännen. Finally, there is a description of Lantmännen's purchasing operation and the need for a code of conduct, not just for Lantmännen's own employees but also in relation to suppliers.

Employees

pages 34-37

Owners

page 38

Suppliers

page 39





Employees

Questions of good ethical and high moral standards, social responsibility and work/life balance are becoming increasingly important social issues and for the people who choose Lantmännen as their employer. Work environment, leadership and development of the employees of the future are a few of the areas that have been in focus over the past year.

Work environment for health

Lantmännen's investment in work environment and health must contribute to creating good working conditions for its employees. In line with Lantmännen's vision "We make the best of our soil and offer all options for a more sound life", Lantmännen is working to create the options for a more sound life for its employees. "A more sound life" is also the name of the health promotion work that is being run under the key words of Eat-Exercise-Live-Work.

In 2007, "The Year of Health within Lantmännen", the Work Environment & Health department made various efforts to raise the issue of health. On the topic of "Health-promoting management", seminars and training courses were held for Lantmännen managers. Keep-fit work has commenced via around 75 keep-fit motivators who are working in the Group's business areas.

Lantmännen is also developing its efforts

on work environment. A foundation for this introductory work has been laid in outline by the Swedish operation. Instruction guides have been produced, which are intended to play a supporting role in the business area's own systematic work environment effort. Examples of these introductory guides are "The manager's role and responsibility for work environment", "Coordination committee for work environment issues" and "Managing occupational injury cases". Altogether, Lantmännen is creating the conditions for a working climate that encourages development and provides a high level of well-being.

Investment in competence for improved management

Lantmännen's work to safeguard a good overview of management resources and talents continued during 2007. The goal for 2008 is for 50 per cent of the managers within the business area management teams to have internal deputies and for mobility between different business areas to double. If the goal is to be achieved, it is important to provide opportunities to gain insights into employee duties and to provide good conditions for personal development within different parts of the Group. Lantmännen's different businesses lay down good foundations for this.

Work on improving the standard of management within the Group operates on the basis of shared values that are given expression in the "Guiding Principles of Management". During the year, a five-day manager training course was held, involving around 250 delegates from

Scandinavia and Germany. Lantmännen is also involved in focused work to increase the number of employee appraisal interviews held and the quality of these.

Employees of the future

To safeguard the strategic supply of talent it requires, Lantmännen is constantly working on strengthening and developing its "employer brand". The systematic "Employer branding" work started in spring 2006, and has been generating positive outcomes and increased attention, externally as well as internally within the Group. On an annual basis, Lantmännen takes part in various events, such as the universities' careers fairs, in order to meet prospective employees.

Lantmännen's first trainee programme ended during the year, with 17 new employees taking up different posts within the Group. To attract and retain the talents that already exist within the Group, during the year Lantmännen started up an international manager development programme called "Grow". The programme will last one year and is aimed at young, well educated and highly motivated employees who have a great potential to become future managers within Lantmännen.

Questions concerning high ethical and moral standards, social responsibility and work/life balance are becoming increasingly important social issues. This applies generally to students and in particular to those who are prioritising Lantmännen as a possible employer. Questions relating to sustainable development are very common when Lantmännen meets students at careers fairs.

A further acknowledgement of the work being carried out is Lantmännen's rapid advancement in the 2007 Corporate barometer and Carrier barometer surveys. These surveys are carried out by Universum Communications and measure students' or young academics' expectations of their future working lives and careers. The surveys show that knowledge of and interest in Lantmännen is growing among both economists and technologists.

Systematic work on diversity and equality

Lantmännen's basic view and aim is that all employees should be given equal conditions for development within the Group. This is expressed in its diversity policy together with its associated guidelines. One goal is for at least two of the under-represented sex to be represented on the management team for each business area by 2009.

The goal has now been fulfilled to a

level of around 80 per cent, which is an increase in comparison with the previous year. To guarantee active, target-oriented work within the business areas, monitoring will be carried out in the form of personnel statistics, absence due to sickness, charting the sexes, plans for equal treatment and employee surveys. Lantmännen is constantly developing its in-house processes for recruitment, staffing and manager development with the purpose of increasing diversity.



Performance indicators - employees

A successful project for employee and organisational development is based, among other things, on the use of goals and performance indicators that are suitable for the purpose. Measuring how management is doing and how motivated the employees are produced good foundations for target-oriented project work.

Leadership

A clear improvement in the management index is seen in the survey carried out in 2007. The average for the whole Group increased from 63 to 66. There is still a wide distribution between the various business areas (between 61 and 78). The improvement activities initiated during 2007, involving activities such as manager training courses and individual plans for managers with the lowest index, will continue during 2008.

Employee appraisal interviews

There has been a great increase in the proportion of employee appraisal and development interviews held. From 53 per cent in the previous survey to 63 per cent in the 2007 survey. In all business areas, the proportion of interviews has increased but there are variations in the proportion of interviews carried out. The quality of employee appraisal/development interviews is good according to employees, with an average of 3.8 (on a 5-level scale). On the whole, the outcome is the same in all business areas.

Motivated workforce

As in the 2006 survey, the MMI is at a level of 63. Many of the business areas are close to this average. For most business areas, the MMI has not changed to any great extent, but has involved one or two index units. This value is too low and, in future years, the managers' priority will be to focus on getting their subordinates involved and motivating them.

Sick-leave

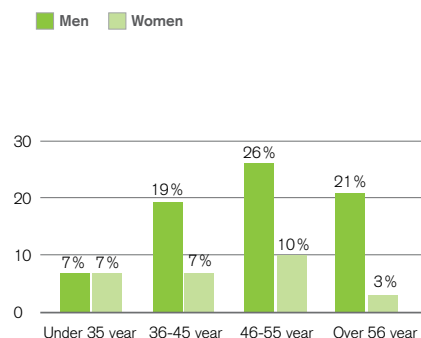
Absence due to sickness is at a level of 4.8 per cent for all Lantmännen employees. 2007 is the first year this has been compiled for all employees.

Sex and age distribution in the management teams

Age distribution varies naturally within the Group and so the business areas and shared functions have their own targets for maintaining or improving their age structure.

Since 2006, the Group's goals have been for each business area management team in 2009 to have at least two members from the under-represented sex. The goal has now been fulfilled to approximately 80 per cent, which is an increase in comparison with the previous year.

Women are under-represented in most business areas. In the youngest age group, however, there are equal numbers of women and men. The challenge lies in making use of this potential.



Owners

Lantmännen is owned by farmers whose families predominantly have been cultivating the soil for generations. Taking a long-term perspective is a precondition for future generations being able to follow in their footsteps. This is something the farmer carries along into his or her owner role in Lantmännen.

The Group – a cooperative association

The Group's parent company is Svenska Lantmännen ekonomisk förening, a cooperative association, owned by 42,000 farmers in Sweden. The owners, in other words the members of the association, run farms or food production businesses.

The term "cooperative association" means that each member has a vote at the district meetings to which all members are invited every year. The association's business is regulated both by the regulations on which the members decide and also Sweden's Cooperative Associations Act [Föreningslagen].

The task

Lantmännen has a double mission – to

contribute to the profitability of its owners' farms and to maximise the yield on its owners' capital in the cooperative association. This is done partly by providing its members with seed for sowing, fertiliser, plant protection and animal feed, and also to receive, store and sell the crops grown by the farmers. The yield on the owners' capital is created by Lantmännen processing raw ingredients from the farmland to foods, animal feed and energy.

Distributing profits to the owners

Discounts are calculated on the feed and crop production items the members buy from the association. Final price adjustment is calculated on crop produce sold to the association. Discounts and final price adjustment form part of the members' share of the association's profits. The size of the discount or final price adjustment depends on two factors. The scale of the association's profits during an individual year and the member's business turnover with the association. The level of the discount and final price adjustment is determined by the association's Board. Lantmännen's members also contribute risk capital in the form of investment deposits. The deposits

are owned by the members but the association has the money at its disposal during a person's membership.

Governance of Lantmännen

Lantmännen's Board of Directors and Managing Director endeavour to ensure that the company satisfies, in the optimum way, the requirements specified for the company by its owners, employees and other interested parties. A cooperative association code exists, using the "Swedish Code of Corporate Governance" as a model. In the same way as the "Swedish Code of Corporate Governance", the aim of the cooperative association code is to create good preconditions for an active and responsible owner role and a well-considered balance between owners, Board and Managing Director. Another aim is to contribute to a clear division of responsibilities between the association's organs of management and control, and to create the greatest possible level of transparency in relation to owners, the market and the rest of society. The Cooperative Associations Act also aims to promote the practical application of the Cooperative Associations Act principles concerning members participating in the administration of their association. The Board's duties also include continuously evaluating the corporate board and exercising control over the MD and ensuring that efficient systems exist for monitoring and controlling the association's business and financial status. Other duties include guaranteeing that the external information is characterised by openness and professionalism, and that satisfactory checks are carried out to ensure that legislation and regulations are adhered to and that necessary ethical guidelines are established.



Suppliers

Lantmännen's suppliers operate in different countries, where culture, legislation and business traditions are different. This means that Lantmännen must be clear in its communications concerning expectations and requirements regarding environment, working conditions and ethics.

Lantmännen's purchasing operation

Lantmännen is a major international group which operates in 19 countries and has a turnover of SEK 36 billion.

In total, purchases made are worth around SEK 15 billion. Grain represents approximately SEK 2.5 billion of that figure. Lantmännen Doggy and Lantmännen Granngården are examples of business areas that have suppliers based in countries outside Scandinavia. However, there are several international businesses which trade locally, which in itself means trade outside Scandinavia. Internationalisation requires controls and tools that take into account differences in business operations, culture, legislation and business traditions.

Lantmännen Granngården has had a code of conduct for some time. The work of implementing this has been introduced with measures including supplier inspections. Lantmännen Granngården's recently acquired experience has allowed a corporate code of conduct now to be developed. The code must be applied within the Group and by all suppliers.

In need of a code of conduct

During the year, the Fair Trade Center published a report about the unsatisfactory state of affairs in the tuna industry in

Thailand. Through Lantmännen Doggy, Lantmännen is the fifth largest importer of tuna in Sweden and has been criticised for not having a code of conduct in relation to its suppliers. Over the past year, a debate has been taking place concerning Lantmännen Axa's importation of Thai chicken. The discussion was primarily about whether the chicken ought to have been not imported but bought from Lantmännen Kronfågel. This ended up with the need for a code of conduct and decisions being made to prioritise Swedish raw ingredients whenever possible. Both of these cases emphasise the need for a code of conduct.

Code of conduct taking shape

Lantmännen's business deals must support and respect internationally declared human rights.

Lantmännen must work to ensure that all employees are treated justly, equally and with respect. Lantmännen's suppliers are expected to act in the same way towards their employees and environment. The expectations include Lantmännen's views on the freedom of association, forced labour, child labour, discrimination, health and safety. In the environmental field, the suppliers will be expected to reduce emissions to the air, soil and water, and to endeavour to improve knowledge about and control over their impact on the environment. With regard to GMOs, the precautionary principle will be the guiding factor in all assessments. Lantmännen's food products do not contain any raw materials from genetically modified crops and that requirement will apply also to Lantmännen's suppliers. Without exception, there is also an expectation that suppliers should be working actively to reduce their envi-

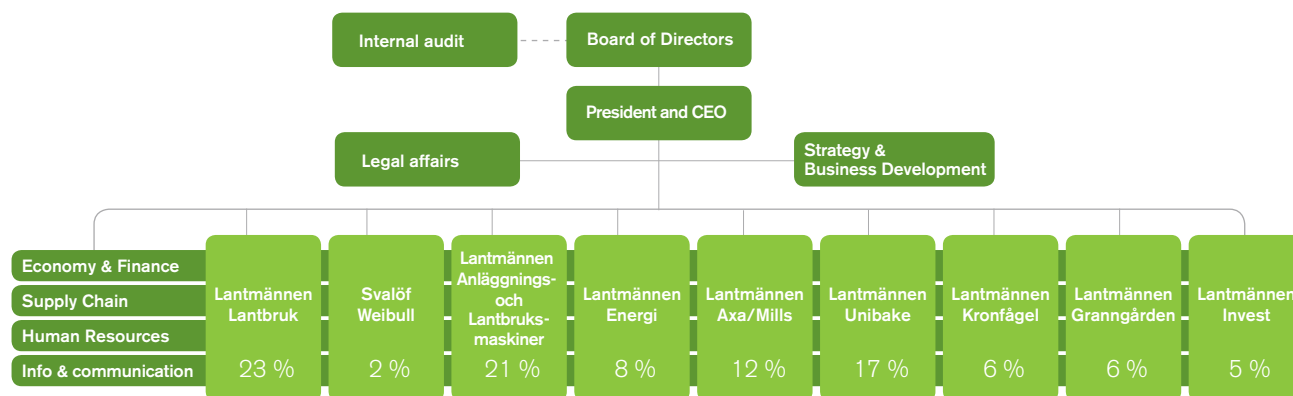
ronmental impact, by applying measures such as more efficient use of energy and an increased proportion of renewable energy.

Supplier relations – a prioritised area

Lantmännen's code of conduct is aimed at all employees within the Group, and at suppliers and other collaborative partners. From a risk-based perspective, supplier relations will become a prioritised area within Lantmännen's continued work on the code of conduct. The code in its entirety will start being implemented during 2008.



The Group in brief



A new organizational structure applies from 1 February 2008. Lantmännen Axa and Lantmännen Mills are being merged into one business area, Lantmännen Axa/Mills. The percentages indicate the proportion of the Group turnover.

Sales by market

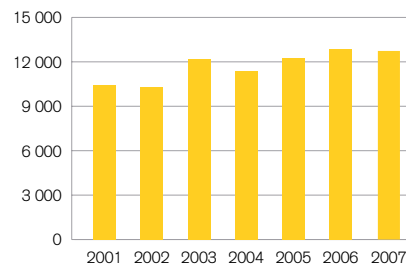
MSEK	2007	2006
Sweden	21,876	20,668
Denmark	4,875	4,120
Norway	2,570	2,286
Germany	2,691	2,203
United Kingdom	764	558
Baltic countries	740	429
Belgium	563	328
Poland	346	255
Rest of Europe	1,225	1,138
Rest of world	339	271
Total	35,989	32,256

Key figures

	2007	2006
Net sales (MSEK)	35,989	32,256
Average no. employees	12,830	12,833
Return on capital employed, %	7	5

Employees in the Group

Number



Net sales, MSEK

Including internal Group sales

Lantmännen Lantbruk	Svalöf Weibull	Lantmännen Anläggnings- och Lantbruksmaskiner	Lantmännen Energi	Lantmännen Mills	Lantmännen Axa	Lantmännen Unibake	Lantmännen Kronfågel	Lantmännen Granngården	Lantmännen Invest
9,096	921	8,456	3,089	2,922	1,684	6,751	2,507	2,401	2,105

Lantmännen's business areas



Lantmännen Lantbruk is oriented towards farmers, both grain growers and livestock producers, through purchases of grain and sales of feed and products for crop production. Grain is sold to customers in Sweden and abroad.

Svalöf Weibull consists of two units. SW Seed is involved in plant breeding and the production of seed on an international market, primarily northern and central Europe. Weibull Trädgård is the largest horticultural company in the Nordic area, positioned strongly on the Swedish and Danish markets.

Lantmännen Anläggnings- och Lantbruksmaskiner consists of two units. Both work on sales and servicing of machinery: Lantmännen Maskin to the agricultural market in Scandinavia and Swecon to the construction industry in Sweden, Baltic and central Germany.



Lantmännen Energi develops, manufactures and markets energy products. The operation is run within four principal areas: biofuel for vehicles, solid biofuel, heating, machinery and the environment. Lantmännen Energi is also responsible for the Group's electricity procurement and becomes involved when energy efficiencies are being made.

Lantmännen Mills is the leading producer and supplier of flour and grain products in Scandinavia with production plants in Sweden, Denmark, Norway and Latvia. It has strategically important partners in Finland and Germany.



Lantmännen Axa develops, produces and markets consumer products, based primarily on grain. Its most important markets are in Sweden, Norway and Denmark. Production and sales also take place in Ukraine and Latvia.

Lantmännen Unibake is Europe's largest producer of frozen bakery products and the largest producer of fresh bread in Scandinavia. There are production units in Sweden, Denmark, Norway, Germany, Belgium and Russia, and sales units in Spain, the USA, Korea, Japan, Finland and the Baltic States.



Lantmännen Kronfågel is the largest chicken producer in the Nordic region with strong market positions in Sweden and Denmark, where the production units are located. Production consists of fresh, frozen and processed chicken products.

Lantmännen Grangården operates a retail business oriented towards products for Agriculture & Forestry, Pets and Gardening, House & Home and Outdoor Living. Through its wholly-owned subsidiary, Lantmännen Nordpost, it runs an e-commerce and mail order sales operation.

Lantmännen Invest covers companies that originate in various research projects as well as companies that do not belong directly within any of the other business areas, but which operate businesses that can be related to farmland and its utilisation.

A selection of the Lantmännen brands



Contact



Lantmännen

S:t Göransgatan 160 A
Box 30192, 104 25 Stockholm, Sweden
Tel: +46 8 657 42 00
Fax: +46 8 618 90 12
info@lantmannen.com
www.lantmannen.com

Claes Johansson

Head of Sustainable Development
claes.johansson@lantmannen.com
Tel: +46 8 657 43 83

Maria Carty

Coordinator Sustainable Development
maria.carty@lantmannen.com
Tel: +46 8 657 43 67

Madelaine Hellqvist Jonason

Head of Market Communication
and Brand
madelaine.hellqvist@lantmannen.com
Tel: +46 8 657 42 25

Eva Emrin

Media Manager
eva.emrin@lantmannen.com
Tel: +46 8 657 42 34

