

A scenic landscape at sunset. The sun is low on the horizon, casting a warm, golden glow over the scene. A row of trees stands in the middle ground, silhouetted against the bright sky. The foreground is a field of tall grass, and a dirt path or road curves through it. The overall mood is peaceful and serene.

# 2018

**Lantmännen Annual Review**



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## Lantmännen's Annual General Meeting

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

### Listen to us!

Listen to selected parts of Lantmännen's Annual Report with Sustainability Report on a computer or mobile. *(Available in Swedish)*

➔ [lantmannen.com/lyssna2018](http://lantmannen.com/lyssna2018)

## Distribution & Ordering

Lantmännen's financial reports can be downloaded from ➔ [lantmannen.com/financial-information](http://lantmannen.com/financial-information) or ordered by calling +46 10-556 00 00. The reports are available in Swedish and English.

## Financial Reporting

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

## Sustainability Report

Lantmännen reports in accordance with the Global Reporting Initiative guidelines for sustainability reporting. The statutory sustainability report can be found in Lantmännen's Annual Report with Sustainability Report 2018, and can be downloaded from ➔ [lantmannen.com/financial-information](http://lantmannen.com/financial-information) or ordered by calling +46 10-556 00 00.

**Lantmännen is a farmers' cooperative and Northern Europe's leader in agriculture, machinery, bioenergy and food products. Owned by 25,000 Swedish farmers, we have 10,000 employees, operations in over 20 countries and an annual turnover of SEK 45 billion.**



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



# Lantmännen in figures

## Net sales

**MSEK 43,962**

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

## Operating income

**MSEK 1,443**

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

## Income after financial items

**MSEK 1,250**

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

## Income after tax

**MSEK 1,182**

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

## Cash flow

**MSEK 1,023**

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

## Proposed dividend to members

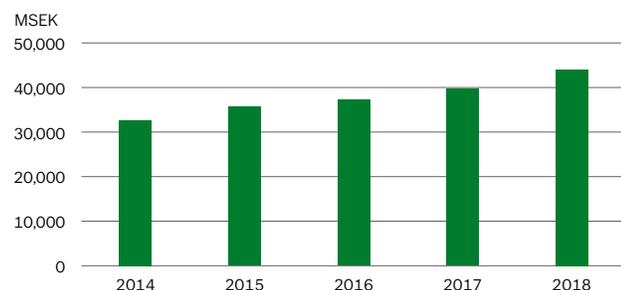
**MSEK 619**

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

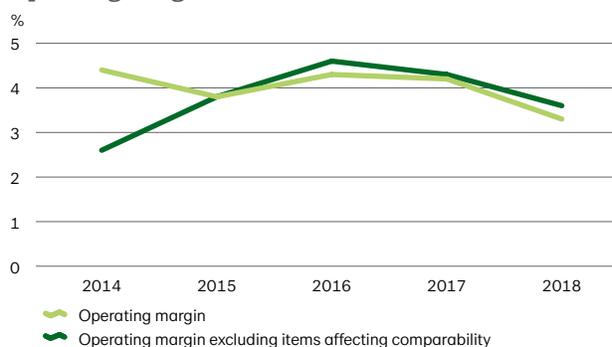
The Board proposes a contribution dividend of 8 (9) percent of the contributions' nominal value, totaling MSEK 213 (222), and a contribution issue of MSEK 250 (100). In total, the proposed contribution dividend and contribution issue amount to 17 (13) percent of the association's contributed capital.

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

## Net sales



## Operating margin



# Key figures



## Lantmännen's key figures

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

<sup>1)</sup> Refers to 2017, as survey is conducted every two years.

## Excl. items affecting comparability

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

## Sales by market, MSEK

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

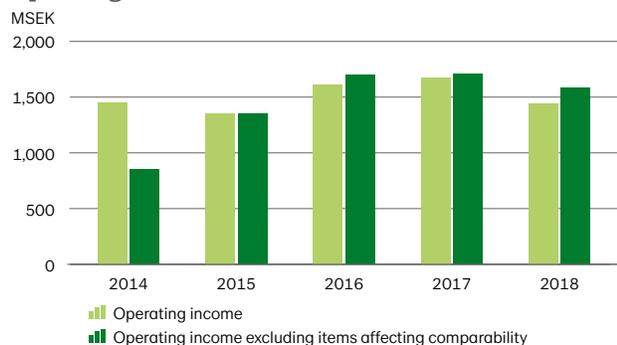
## Distribution of the Group's sales



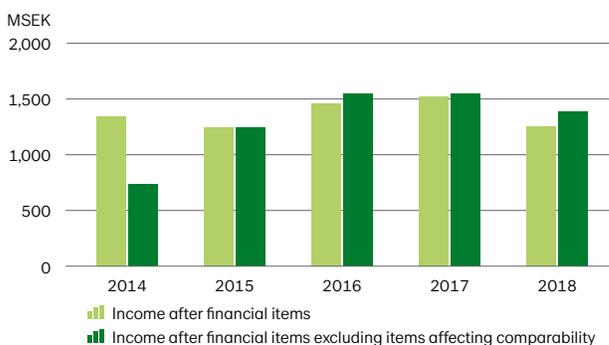
## Alternative performance measures

Lantmännen reports alternative performance measures in accordance with the European guidelines from ESMA (European Securities and Markets Authority). The purpose of APMs is to facilitate the analysis of business results and position not directly derived from the financial reports. Definitions and explanations of alternative performance measures can be found on page 75, under the heading "Description of financial performance measures".

## Operating income



## Income after financial items



# Business overview



## Agriculture Sector

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



Learn more [→](#) on page 34



## Energy Sector

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



Learn more [→](#) on page 42



## Food Sector

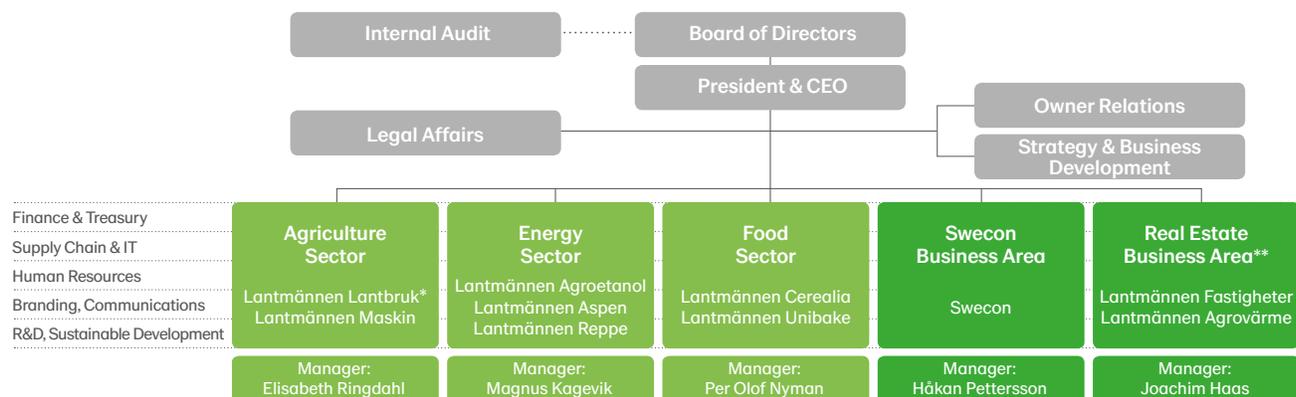
The Food Sector develops, produces and markets products such as flour, breakfast foods, pasta, frozen and fresh bread, crispbread and ready-to-eat meals. The Sector has its base in the Nordic countries but has a presence in about 20 countries. The Sector has two businesses: Lantmännen Cerealia and Lantmännen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



Learn more [→](#) on page 46

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

# Lantmännen's organization



\* Lantmännen Lantbruk Sweden and international operations.

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



## Swecon Business Area

Swecon is a partner of Volvo Construction Equipment and a dealer in machinery for the construction and civil engineering industry in Sweden, Germany, Estonia, Latvia and Lithuania. The Swecon Business Area offers a complete range of construction machinery, equipment, spare parts, servicing and support. The product range consists of wheel loaders, excavators, dumpers, rigid haulers and road construction equipment.



Learn more → on page 54



## Real Estate Business Area

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



Learn more → on page 58

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

# Overview of the year's events



## From the President

### Lantmännen is developing well!

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

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

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

Per Olof Nyman  
President & CEO, Lantmännen

## Lantmännen's 2018 harvest forecast:

### Lowest harvest since the late 50s



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

## Lantmännen's action package

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

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

**MSEK  
TOTAL 220**

## ED95 bioethanol fuel in heavy goods transport

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



## Sweden's most sustainable food brand



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

## Lantmännen on the way to doubling organic grain trade

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

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



## NordBau construction exhibition

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

## Lantmännen awarded official credit rating from Moody's

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

## Lantmännen Unibake bakes and delivers



**1,500 tonnes** of bread per day

## We are now reversing the trend for the Swedish skylark

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



## Major investment in livestock and crop production

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



## Lantmännen introduces optical quality control of grain

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

## Lantmännen and CropTailor crack the oat genetic code

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



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

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



*Kristina Gustafsson, Feed Manager, Lantmännen*

## Research – increased funding

**MSEK 25** for research foundation

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

## Lantmännen now part of SLU's doctoral program

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

## ThermoSeed Global acquired for increased focus on sustainable seed

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



## New positions at Lantmännen

### New Lantmännen Board member

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

### Magnus Kagevik, new Head of the Energy Sector

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

### Bengt Alestig, new CEO of Lantmännen Maskin

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



## Lantmännen acquires cattle feed business from Finnish company Raisio

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

The cattle feed business has been renamed Lantmännen Feed.



## Gooh in collaboration with Agrikultur restaurant



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

## 2019 After the turn of the year

### First place in Inter Business Index 2019

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

### Lantmännen Unibake acquires Australian bakery

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



# Chairman's comments



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

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

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

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

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

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



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

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

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

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

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

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

Kristianstad, February 2019

Per Lindahl  
*Chairman, Lantmännen*

# President's overview

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

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

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



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

## How our Sectors and Business Areas performed

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

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

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

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

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

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

### Updated strategy towards 2030

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

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

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

### Challenges in the short term – opportunities in the longer term

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

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

Stockholm, February 2019

Per Olof Nyman  
*President & CEO, Lantmännen*



# Lantmännen's business model

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

## Farmers' cooperative

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

## Business partner for agriculture

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

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



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

## Value from farmland

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

## Research and innovation

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

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

# More than an ordinary company

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

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

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

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

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

## District organization

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

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

## Council of Trustees

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

## District Board Conference

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

## Lantmännens AGM and EGM

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



# The dividend makes a difference

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

## Where are earnings created?

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

## Dividend policy

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

## Contributed capital

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

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

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

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



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

**Refund** – calculated on purchases from Lantmännen Lantbruk Sweden and Lantmännen Maskin's and Swecon's Swedish operations.

**Supplementary payment** – calculated on sales to Lantmännen Lantbruk Sweden.

**Contribution dividend** – dividend (interest) on contributed and issued capital.

**Contribution issue** – some of the profit, mainly from Lantmännen's industrial operations, is distributed among the members by transferring collective capital to individual capital.

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

### Contributed capital – paid-in and issued

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

### How earnings are distributed

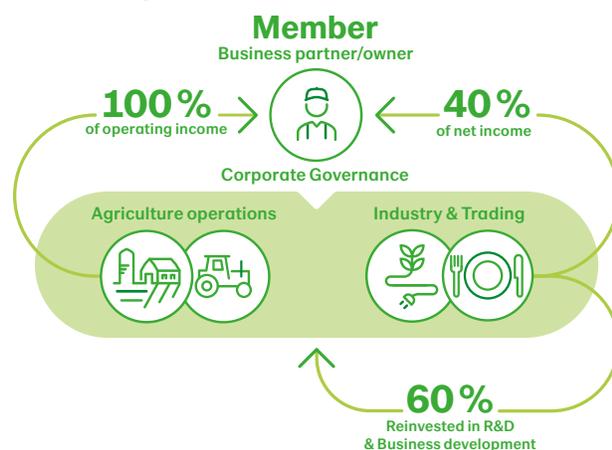
Refunds and supplementary payments are distributed in proportion to members' business with the agriculture operations.

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

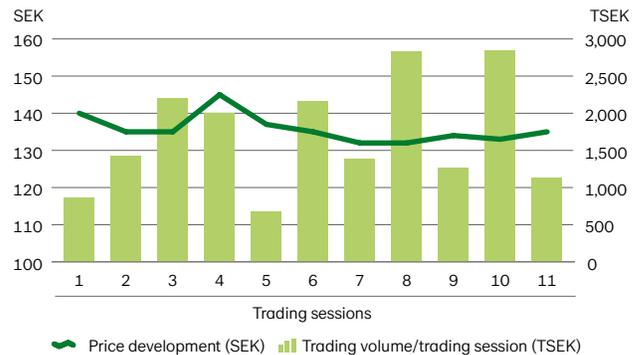
The Board proposes that the Annual General Meeting adopt a contribution dividend of 8 (9) percent of the contributions' nominal value, totaling MSEK 213 (222), and a contribution issue of MSEK 250 (100). Contribution dividends are paid in proportion to members' paid-in and issued contributions. Contribution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

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

### How earnings are distributed



### Contribution issues – trading and price trend



### Trading in contribution issues

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

### Lantmännen's action package

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

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

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

# Market and trends

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



## Megatrends

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

### Sales and growth in Lantmännen's main markets

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

### High global growth forecast

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

### External Conditions

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

### Volatile price trend on the commodity exchange

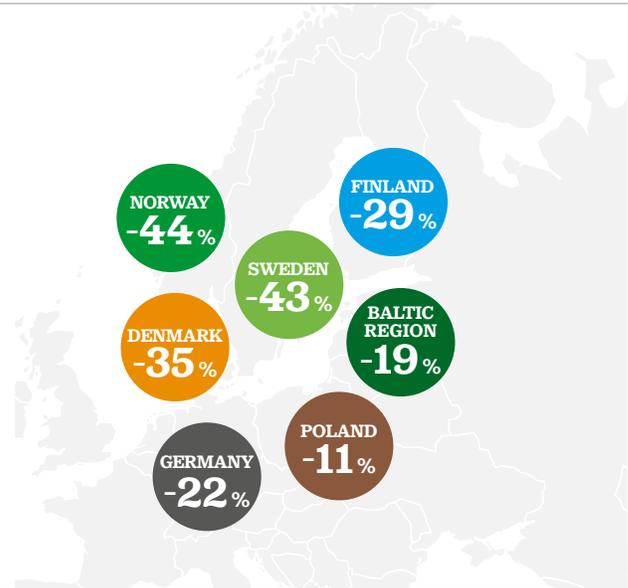


“ Lantmännen creates a unique position together with agricultural companies

Drought effect on grain harvest

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

Source: Stratégie Grains, November 2018



The summer drought dominates the grain market

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

Food trends in the Nordic market

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



Conclusions and opportunities

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

# Our strategy

– with the agricultural company at the center

FIELD TO FORK  
2030



Agribusiness



Grain value chain



Portfolio holdings

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

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

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

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

### Significant growth opportunities in all businesses

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

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

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

### National cooperation projects and initiatives

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

# “ Lantmännen makes farming thrive

## Brand position from field to fork

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

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

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

### Grain strategy

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

### Feed and livestock strategy

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

### Our digital agriculture – LM<sup>2</sup>

LM<sup>2</sup> is Lantmännen's digital tool for more productive and profitable Swedish farming.

### Functional food

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

### Exports from field to fork

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

### Our assignment

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

### Our mission

We make farming thrive.

### Our vision

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

### Our business concept

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

### Our brand promise

Together we take responsibility from field to fork.

### Our values

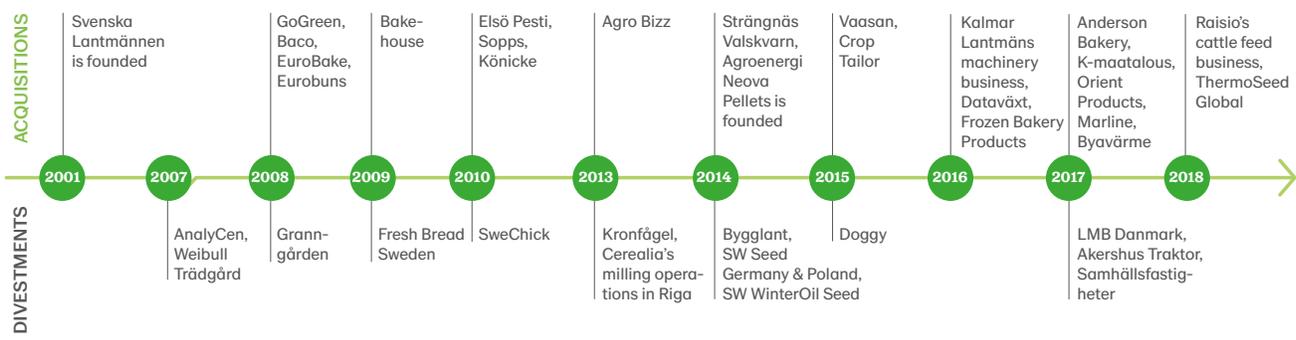
Openness, a holistic view and drive.

### Our employee promise

Growing together from field to fork.



## Lantmännen's major acquisitions, divestments and ownership interests



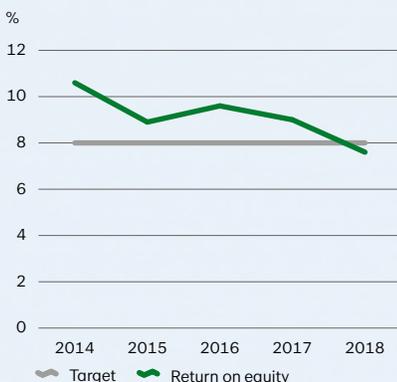
# Our financial targets

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

## Return on equity

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

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



## Equity ratio

Equity divided by total assets.

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



## Net debt\*/EBITDA\*

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

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



## Outcome **7,6 %**

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

Description of financial performance measures  
→ see page 75.

## Outcome **43.2 %**

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

## Outcome **3.25**

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

\* According to Bank definition



# Our sustainability targets

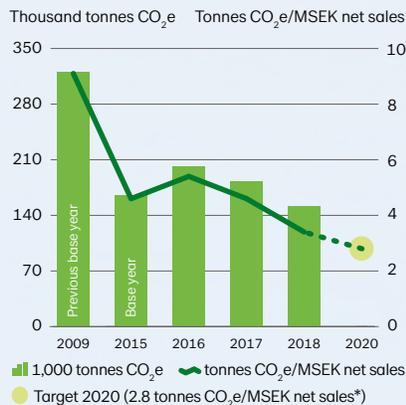


Lantmännen has Group-wide targets for climate, employees and management.

## Climate

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

The Group's target **40%**  
The Group's target is to reduce climate emissions from its operations by 40 percent in the period 2015-2020, calculated as CO<sub>2</sub>e tonnes per MSEK net sales.



Outcome **26%**

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

\* Adjusted from Lantmännen Annual Report 2017.

## Employee index

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

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



Outcome **70**

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

## Leadership index

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

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



Outcome **74**

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



# Lantmännen's sustainability strategy

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

## Sustainability ambition based on the cooperative model

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

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

## Four focus areas

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

### Sustainable cultivation

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



### Sustainable products

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



## 4 focus areas

### Safe and resource-efficient production

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



### Responsibility in the supply chain

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



# Climate work towards 2030

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

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

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

## Impacts in the cultivation stage

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

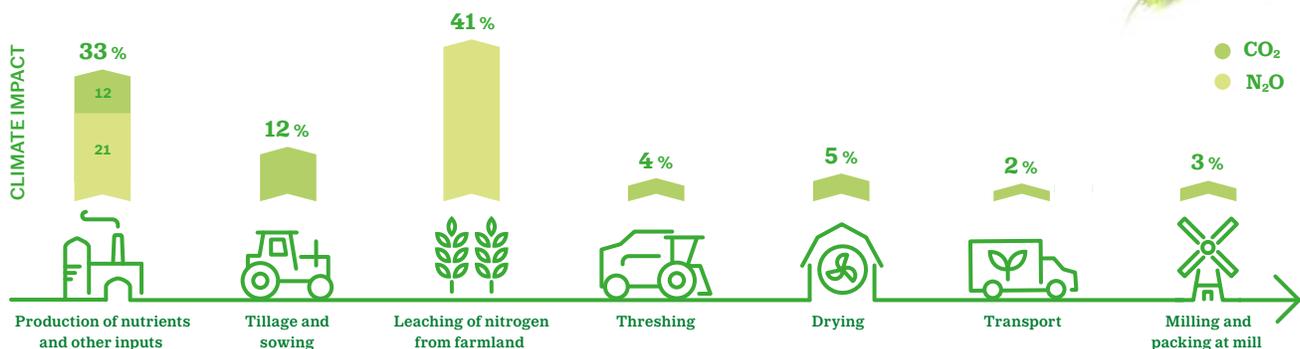
During the year, we intensified our work on identifying potential to further reduce agriculture's climate and environmental impacts in the short and long term.

## Target 40 percent reduction in emissions by 2020

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

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

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



In wheat flour production, 85-90 percent of the total climate impact arises in the cultivation stage, from production of plant nutrients, agricultural activities with fossil fuels, and leaching from the soil. The illustration shows the share of the climate impact in CO<sub>2</sub>e, sub-divided into fossil carbon dioxide (CO<sub>2</sub>) and nitrous oxide (N<sub>2</sub>O). Source: Lantmännen's internal data.

# Sustainability for profitable business

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

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



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



## Value is created in the field

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

Lantmännen works for more sustainable forms of cultivation through advisory services to farmers and development of technology and methods. The LM<sup>2</sup> digital platform is an important part of this development. We also work on plant breeding and non-chemical seed treatment. We work together with farmers and customers to develop new grain concepts with specified added values, such as climate performance and biodiversity.

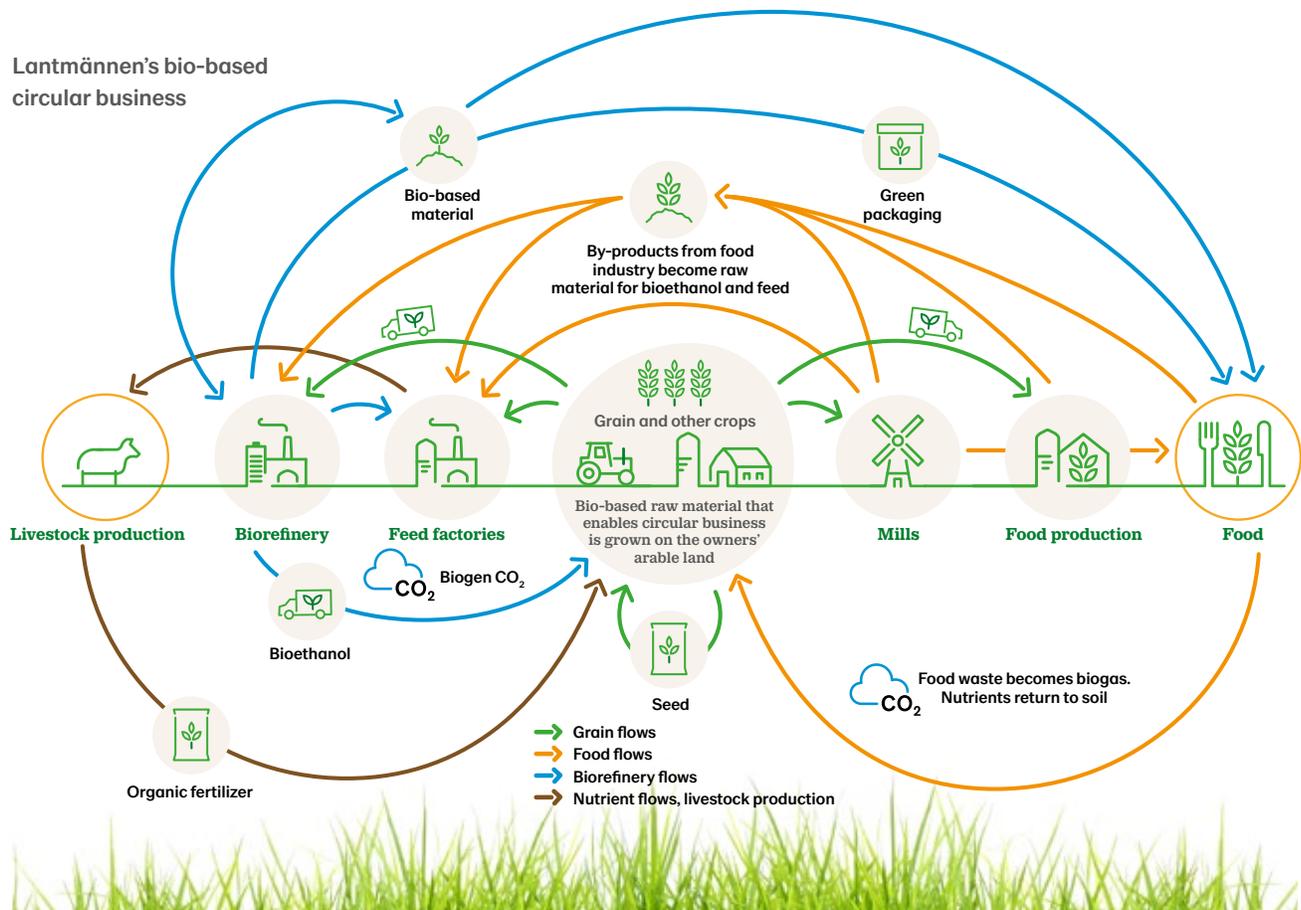
## Focus on sustainable cultivation

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

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

## Climate & Nature cultivation method

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



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

### Feed with improved climate performance

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

### Ethanol from food waste

Lantmännen Agroetanol has developed a bio-based circular business, where grain is processed into ethanol with a low climate impact, animal feed and carbonic acid. Agroetanol's feed raw material is produced from the wheat protein and is an important locally produced source of protein that replaces imported soy. The released carbon dioxide is captured and converted into carbonic acid to replace fossil-produced carbonic acid. The energy in the process is renewable and Lantmännen Agroetanol is working for fossil-free transport from 2030.

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

### Food for health and the environment

Lantmännen works to ensure more sustainable food consumption by developing products and ranges and spreading knowledge and inspiration. Lantmännen conducts research into health effects of eating habits, carbohydrates and fiber. Increased whole grain content, and less salt, sugar and saturated fat are easy ways to improve health, which Lantmännen is working for.

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

# R&D for future demand

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

## Active role in partnership and research initiatives

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

## New industrial doctoral students fill knowledge gaps

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



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

## Plant breeding for sustainable cultivation with growth

Locally adapted variety development is required to enable farms to deliver increased and sustainable production, with less dependence on crop protection and increased biodiversity. With modern technology, we develop new varieties, which are tested over several years to obtain robust plants that can withstand climate change. Plant breeding increases productivity, cultivation security and farm profitability. It can also lead to new values, such as specialty oils, different starch quality and different baking qualities in wheat.

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

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

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



## New findings on broccoli and diabetes

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

## Lantmännen Research Foundation

In 2018, a funding increase from MSEK 15 to MSEK 25 per year was adopted for research through the Lantmännen Research Foundation. Investments are made in all parts of the grain value chain, from plant breeding and cultivation to healthy products.



## Lantmännen Växthus

The Växthus development program receives innovative business ideas from employees, members, entrepreneurs and startups. During 2018, Växthus focused on technology in agriculture and the food industry, which are referred to as Agtech and Foodtech. The latest session was carried out together with Foodhills in Bjuv and Ideon Agro Food, focusing on upscaling of innovation.



# Active dialogue and cooperation

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

Lantmännen drives the dialogue in issues that are important to our business and social development, for example, where we want to increase our influence but are unable to move forward on our own. Dialogue takes place both in industry initiatives and by being a competent and constructive partner of decision-makers. This creates a solid basis for Lantmännen and our members to contribute to sustainable development.



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

## Important regulatory issues during the year

Lantmännen is pursuing specific industry policy issues that have a major bearing on our business. One of these is an EU renewable energy directive proposing a limit on crop-based biofuels. Another issue is the reduction obligation for fuels in Sweden, where Lantmännen is working to create good conditions for domestic production of biofuels and a market for bioenergy without unjustified restrictive regulations. Since 2016, we have participated in the Government's collaboration group for a circular and bio-based economy.

## Other industry initiatives and cooperation forums

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

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

## Strategy for competitive food chain

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

## Current dialogue topics

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

### Examples of current topics in 2018

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



### Active dialogue in organizations and networks

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

# Our employees

Lantmännen works with a long-term approach to attract and develop leaders and employees, to increase diversity and equality and to create safer, better and more engaging workplaces. To meet the demands of the outside world and customers, it is crucial to be able to attract and develop committed and driven employees.

## Attractive employer with committed employees

Annual performance appraisals are held between managers and employees, focusing on individual performance in relation to defined targets and conduct in relation to our values. An important aspect is the employee's short and long-term development plan. In 2018, work was carried out to further strengthen this area and create more continuous dialogue between manager and employee during the year.

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

For the fifth consecutive year, Lantmännen has been nominated by the talent network 4Potentials as "Sweden's Talent Company of the Year", an award given to the company that is best at attracting, recruiting, developing and retaining talented employees. In the latest ranking by Universum, which measures the attractiveness of hundreds of companies in Sweden and globally, Lantmännen strengthened its position among economics and engineering students, and showed stable development in the *Young Professionals* category.

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



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

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

## Our employees – Geographic distribution



## Gender distribution



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

### Our skills and leadership

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

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

### Explore

for employees at the start of their career

### Grow

for new leaders

### Accelerate

for senior leaders



Internal mobility within the Group has increased and 48 percent of all managerial recruitments in 2018 were filled with internal candidates. The goal is for at least one in two managers to be recruited internally by 2020. Lantmännen works in a long-term framework to improve equality and strengthen the international perspective. All Sectors and Business Areas have defined targets and action plans.

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

### Safe work environment

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

A web-based tool for reporting, investigation and follow-up of accidents, incidents and risk observations is available in the organization. The injury rate continued to fall in 2018 and the number of reported incidents per accident has increased slightly, taking it above the target.

Based on the results of the employee survey in 2017, continuous efforts are devoted to identifying areas for improvement and to improving health aspects, particularly for the psychosocial work environment and workload. However, sick leave has increased slightly in 2018 compared with the previous year.

Lantmännen has established a whistleblowing procedure, which gives all employees a safe and simple way of reporting malpractice or anything that is contrary to the law or Lantmännen's Code of Conduct, guidelines or policies. Lantmännen employees can anonymously, and in their own language, report observations and concerns in a web-based system. A total of 15 reports from four different countries were recorded in 2018. All cases were dealt with by Lantmännen's Whistleblowing Committee and investigations have been made. After the Whistleblowing Committee's comments, a number of reports have resulted in termination of employment, strengthened leadership, briefing and training of managers and improved local procedures.

### Our employees, accidents and incidents

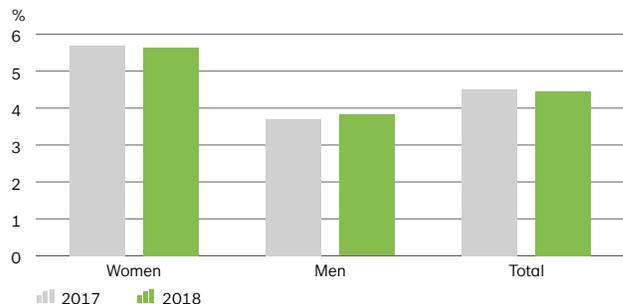
	2018	2017
No. of fatalities due to work-related injuries	0	0
Number of accidents <sup>1)</sup>	227	231
Injury rate <sup>2)</sup>	13.4	13.9
Number of reported incidents <sup>3)</sup>	2,896	2,869
Number of incidents per accident (lost-time)	12.8	12.4

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

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

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

### Sick leave







# Our Sectors and Business Areas

<b>Agriculture Sector</b>	<b>34</b>
<b>Energy Sector</b>	<b>42</b>
<b>Food Sector</b>	<b>46</b>
<b>Swecon Business Area</b>	<b>54</b>
<b>Real Estate Business Area</b>	<b>58</b>
<b>International ownership</b>	<b>60</b>

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

# Agriculture Sector

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

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



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

The Agriculture Sector is based in Sweden and has a strong position in the Baltic Sea region through international wholly and partly owned companies. The Sector includes *Lantmännen Lantbruk Sweden*, *Lantmännen Maskin*, *Lantmännen Krafft*, *Lantmännen Agro Oy*, *Lantmännen Feed Oy*, *Lantmännen Agro A/S* and *Lantmännen SW Seed BV*. The Agriculture Sector is responsible for Lantmännen's ownership interests in the German group *HaGe Kiel*, *Scandagra Group* in the Baltic region and *Scandagra Polska* in Poland. See → page 62.

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

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

## Market and business environment

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

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

## Key sustainability issues

Lantmännen works to promote sustainable agriculture, energy-efficient and safe machinery, resource-efficient production and low-impact transport, safe work environments, and responsible sourcing and business relationships. Lantmännen Lantbruk is working towards the goal for all production facilities to be fossil-free by 2025. Emissions have been reduced by about 16,000 tonnes of CO<sub>2</sub> equivalents since 2015, corresponding to 76 percent in relation to sales.

## Outlook for 2019

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

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

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

<sup>2)</sup> New organization from 2018.

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

## Agriculture Sector's brands



# Lantmännen Lantbruk Sweden

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

Lantmännen Lantbruk Sweden showed positive development, notably in the feed business where market shares are increasing. The business was significantly affected by the drought and the low harvests, with a negative effect on the result. The development of Lantmännen's LM<sup>2</sup> digital portal continued with the launch of the new Grain prices service and the LM<sup>2</sup> Finance financial portal, while services from our subsidiary Dataväxt were also integrated. The collaboration on digital agricultural services with Felleskjøpet of Norway was expanded.

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

## Grain

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

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

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

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

Farmers' interest in financial trading in LM<sup>2</sup> increased during the year. One factor that has affected interest is the increasingly volatile market. ►►

## Lantmännen Lantbruk Sweden, key figures

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

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

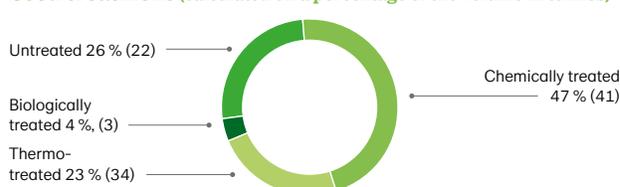
## Excl. items affecting comparability

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

## Use of total volume of sold grain



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





“

**The transition to LM<sup>2</sup> has been successful and is key to providing an integrated digital offering to farmers.**



Crossbred wheat varieties in SW Seed Svalöv's greenhouses



“

## Lantmännen Lantbruk has a comprehensive feed range.

### Feed

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

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

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

### Seed & Forages

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

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

### Merchandise

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

### Lantmännen Krafft

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



## Agriculture Sector

### Lantmännen Lantbruk Finland

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

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

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

#### Key figures, Finland

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

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

“

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

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

## Agriculture Sector

### Rest of world

#### Lantmännen Agro A/S

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

#### Lantmännen SW Seed BV

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



# Lantmännen Maskin

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

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

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



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

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

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

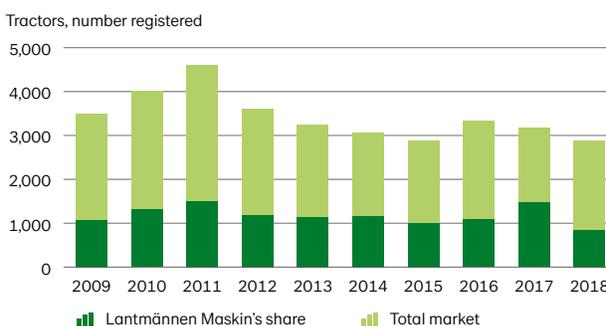
The recruitment of mechanics into the agricultural industry remains challenging.

## Market and business environment

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

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

## Total market for tractors in Sweden





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

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

# Energy Sector

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The Energy Sector is Sweden's largest producer of bioenergy products and accounts for 7 percent of the Group's sales. The Sector's companies manufacture and market sustainable ethanol, protein feed, carbon dioxide, starch products, alkylate petrol, vodka, gluten, lubricants and chemical products.

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



## Energy Sector

# We produce ethanol with world-leading climate efficiency

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

### Business environment and market

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

sector's emissions, and the proportion of ethanol may be raised from the current five percent to ten percent in Sweden. Increased use of the ethanol fuel ED95 is an effective way of reducing emissions and the fossil dependence of heavy vehicles. Demand for the Agrodrank feed product continues to rise and demand for Lantmännen Reppe's wheat starch in the paper and packaging industries is increasing. Lantmännen Aspen's alkylate petrol continues to take market share from conventional petrol in the small engine segment.

### Key sustainability issues

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

### Outlook for 2019

Lantmännen Agroetanol's ethanol with a high climate performance has been in demand for a number of years, notably in Germany, but we are now seeing increased interest in Sweden. Competition in the ethanol market in Europe is likely to become tougher. Work continues on complementing the raw material base with alternative raw materials in addition to grain. Prospects for continuing growth are considered good for Lantmännen Reppe and Lantmännen Aspen.

### Energy Sector, Key figures

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

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

### Excl. items affecting comparability

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

### Energy Sector's brands



# Lantmännen Agroetanol

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

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

Lantmännen Agroetanol is the largest producer of sustainable ethanol in the Nordic region. Lantmännen Agroetanol's ethanol is among the most sustainable in the world, with reductions in greenhouse gas emissions of more than 90 percent compared with petrol. The annual production capacity of the Händelö facility in Norrköping is 230,000 m<sup>3</sup> of ethanol, 200,000 tonnes of protein-rich feed under the product name Agrodrank and about 90,000 tonnes of carbon dioxide that can be processed into carbonic acid. Differentiation of the product portfolio has continued in 2018 and the broadening of the raw material base also continues. The market was unfavorable in 2018, with very low ethanol prices during January–September and rising grain prices during October–December, driven by the weak harvest result. As a result of high grain and protein prices, the price of feed has been higher than in previous years. Lantmännen Agroetanol's profitability was therefore under strong pressure during the year.

During the year, more than half of Lantmännen Agroetanol's production was exported to Germany, where the market for

climate-efficient ethanol has been favorable. In Germany, climate instruments are creating demand for biofuels with high climate performance. Lantmännen Agroetanol's development projects for new products and markets are continuing with full momentum and include Etha, ED95 ethanol-based fuel for adapted diesel engines in partnership with Scania and others. Development of the recycling business with waste products from the food industry creates a circular economy and contributes to Lantmännen Agroetanol's profitability. A new facility was opened in Finland during the year, where food waste is collected and transported to Norrköping for further processing.

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

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

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



Lantmännen Agroetanol in Norrköping

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

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

## Lantmännen Aspen

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



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

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

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

Learn more at [→ aspen.se](https://www.aspen.se) and [agrol.se](https://www.agrol.se)

### Lantmännen Aspen, key figures

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

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

## Lantmännen Reppe

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



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

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

Learn more at [→ lantmannenreppe.se](https://www.lantmannenreppe.se)

### Lantmännen Reppe, key figures

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

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

# Food Sector



Good food from  
Lantmännens

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

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

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





# Our food is responsibly produced

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

## Market and business environment

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

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

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

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

## Key sustainability issues

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

## Outlook for 2019

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

## Food Sector, Key figures

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

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

## Excl. items affecting comparability

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

## Sales by market

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



# Lantmännen Cerealia

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

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

### Business environment

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

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

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

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

### Market and market performance

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

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

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

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

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

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

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

### Lantmännen Cerealia's brands





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





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

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

#### **Product launches**

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

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

#### **Outlook for 2019**

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

# Lantmännen Unibake

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

### Profitable strategy and balance between markets

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

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

### Challenges during the year

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

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



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

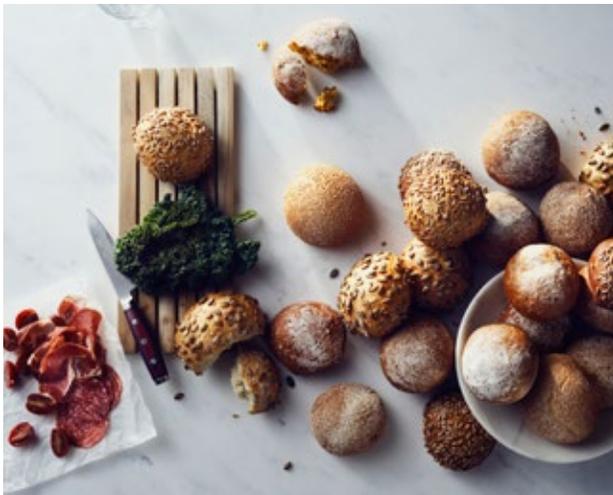
### Lantmännen Unibake, key figures

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

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

### Lantmännen Unibake's brands





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

### Well equipped for the future

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

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

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

### Strong foundation for continued growth

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

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

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

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

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

### Outlook for 2019

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



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



# Swecon Business Area

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Swecon is a partner of Volvo Construction Equipment and a dealer in machinery for the construction and civil engineering industry in Sweden, Germany, Estonia, Latvia and Lithuania. Swecon offers a broad range of construction machinery, equipment, spare parts, servicing and support. The Business Area accounts for 18 percent of the Group's sales.

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



# Swecon has developed well and has a positive market situation

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

## Business environment and market

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

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

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

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

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

about the customer's machines and enables servicing booking and spare parts purchasing via Swecon's e-commerce. More services in the areas of machinery, servicing, support and finance will be built into the portal in the future. The service is based on the same technical platform as LM<sup>2</sup>.

## Key sustainability issues

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

## Outlook for 2019

The global construction machinery market is showing a stable trend. Swecon's major markets, Germany and Sweden, are expected to be stable with a high level of activity due to investments in infrastructure. The Baltic countries are also expected to show positive growth. The challenge continues to be maintaining and gaining market shares, and developing and retaining employees to meet customer requirements. Swecon will continue to focus on digitalization and the

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

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

<sup>2)</sup> New organization from 2018.

<sup>3)</sup> Swecon is not covered by the measurement of carbon dioxide emissions, see page 162 in Lantmännen's Annual Report & Sustainability Report 2018.

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

## Swecon Business Area's brands





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

## Operations

### Sweden

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



### **Swecon supports schools in training mechanics and service technicians.**

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

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

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

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

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

### Germany

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

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

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

### Baltic region

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

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

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

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

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



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



# Real Estate Business Area

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

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



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

Lantmännen Real Estate manages about 150 properties in 80 locations, with a total surface area of about 1,200,000 m<sup>2</sup>, one-tenth of which is owned by Lantmännen's Grodden pension fund. About half of the rental income comes from external tenants. The property portfolio is largely concentrated on locations where Lantmännen has its own operations in Sweden, and properties that do not fit in the company's management strategy or have limited development opportunities are sold.

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

A number of property transactions were conducted in 2018, including the acquisition of four properties in Finland. The properties are production facilities that are leased to Lantmännen Lantbruk and were part of the transaction with the Finnish company Raisio.

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

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

## Market developments

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

## Lantmännen Agrovärme

Lantmännen Agrovärme supplies district heating and ready heat, i.e. locally produced and delivered hot water, to 14 small towns in central and southern Sweden. Lantmännen Agrovärme's district heating has almost 100 percent security of supply to customers, which is far above the average and gives peace of mind. The heating operations' earnings for 2018 were in line with the previous year as a result of continued cost-awareness and well implemented fuel purchases.

## Key sustainability issues

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

## Outlook for 2019

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

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

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

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

## Real Estate Business Area, surface distribution





# Lantmännen's international ownership

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

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

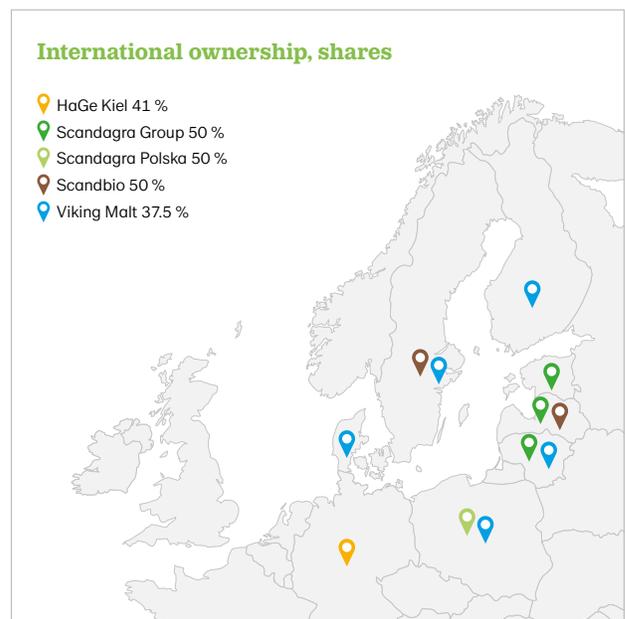


# International ownership creates value for Lantmännen



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

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





### Holdings HaGe Kiel



### HaGe Kiel Part of the Agriculture Sector

Hauptgenossenschaft Nord (HaGe Kiel) has an annual turnover of approximately EUR 2 billion and about 1,550 employees. Lantmännen owns 41 percent of HaGe Kiel, while DLG owns 54 percent. Operations include grain trading and the sale of inputs in the agricultural market. HaGe Kiel has well developed logistics chains and port terminals located in Hamburg, Kiel and Rostock which supply the market with grain and oilseeds, both locally and internationally. HaGe Kiel engages in grain trading, sales of inputs for agriculture and the manufacture and sale of feed. Lantmännen's share of income is included in the Agriculture Sector.

### Holdings Scandagra Group and Scandagra Polska



### Scandagra Group Part of the Agriculture Sector

Scandagra Group operates in the Baltic region. The Group has an annual turnover of just over EUR 300 million and about 350 employees. The company is jointly owned (50-50) by Lantmännen and DLG. The operations are conducted through three sales companies – Scandagra Eesti, Scandagra Latvia and Scandagra Lietuva. The sales companies engage in the sale of crop production inputs and the purchase and sale of grain. Scandagra Eesti also has a feed plant with a production capacity of just over 100,000 tonnes. Lantmännen's share of income is included in the Agriculture Sector.

### Scandagra Polska Part of the Agriculture Sector

Scandagra Polska, a merchant of grain and other inputs in the Polish agricultural market, has an annual turnover of just over PLN 400 million (approximately EUR 100 million) and about 120 employees. The company is jointly owned (50-50) by Lantmännen and DLG. Scandagra Polska is one of many traders in the large and fragmented Polish market. Lantmännen's share of income is included in the Agriculture Sector.



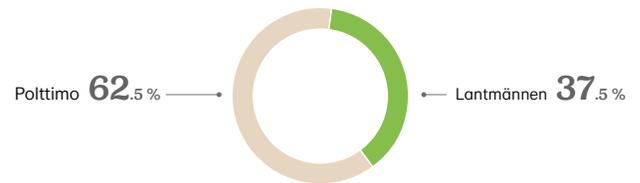
### Holdings Scandbio



### Scandbio Part of the Energy Sector

Scandbio is the largest solid processed wood fuel company in Sweden and sells 100 percent renewable energy in the form of heat pellets, wood powder, briquettes, biomass logs and bedding pellets. The products are manufactured by using residues from the sawmill industry. The company has an annual turnover of approximately SEK 1 billion and about 160 employees. Scandbio has a strong position in the Swedish market and in the Baltic Sea region. Lantmännen and Neova each own 50 percent of the company. Lantmännen's share of income is included in the Energy Sector.

### Holdings Viking Malt



### Viking Malt Part of the Food Sector

Viking Malt refines grain and supplies about 600,000 tonnes of malt annually to breweries and distilleries in northern Europe, and a number of customers around the world. Viking Malt produces malt in Finland, Sweden, Denmark, Poland and Lithuania. The company has an annual turnover of just over EUR 200 million and about 240 employees. Lantmännen owns 37.5 percent of the company, with the remainder being owned by the Finnish company Polttimo. Lantmännen's share of income is included in the Food Sector.



Tommy Brunsärn, Henrik Wahlberg, Sonat Burman-Olsson, Hans Wallemyr, Per Lindahl

## Board of Directors

The Board consists of eight members and three employee representatives. Board members of Lantmännen ek för are elected for two-year terms. The Annual General Meeting will be held on May 8, 2019.

Holdings of subordinated debentures and contribution issues are reported in SEK, as at December 31, 2018.

### Per Lindahl *Chairman*

Kristianstad  
 Born: 1964  
 Director since 2011  
 Member of Lantmännen  
*Other functions at Lantmännen:* Remuneration Committee, Lantmännen Research Foundation  
*Education:* Agriculture  
*Main occupation:* Farmer  
*Production:* Crops (potatoes and grain), broiler breeding, egg production, machinery workshop  
*Directorships:* Viking Malt and Fellow of The Royal Swedish Academy of Agriculture and Forestry (KSLA)  
*Contribution issues:* SEK 1,938,184\*

### Hans Wallemyr *Vice Chairman*

Falköping  
 Born: 1956  
 Director since 2007  
 Member of Lantmännen  
*Other functions at Lantmännen:* Audit Committee, Lantmännen Research Foundation  
*Education:* Agriculture  
*Main occupation:* Farmer  
*Production:* Wind power, potatoes, forestry, breeding/training showjumpers and dressage horses  
*Directorships:* Källebergs Vind AB (Chairman), Åsle Vind AB and Scandbio AB  
*Contribution issues:* SEK 426,324\*

### Gunilla Aschan

Linköping  
 Born: 1960  
 Director since 2015  
 Member of Lantmännen  
*Other functions at Lantmännen:* Audit Committee  
*Education:* Agriculture  
*Main occupation:* Farmer  
*Production:* Forestry, crops, beef  
*Directorships:* Hushållningssällskapet Östergötland, Scandi Standard AB (publ) and Fellow of The Royal Swedish Academy of Agriculture and Forestry (KSLA).  
*Contribution issues:* SEK 32,526\*  
*Subordinated debentures:* SEK 150,000

### Sonat Burman-Olsson

Lidingö  
 Born: 1958  
 Director since 2018  
 Not a member of Lantmännen  
*Other functions at Lantmännen:* Remuneration Committee  
*Education:* M.Sc. (Business and Economics), Executive MBA, Strategic Man Oxford & Harvard  
*Main occupation:* Directorships  
*Production:* -  
*Directorships:* Lindab International AB, iZettle AB and PostNord AB.

### Ulf Gundemark

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

### Ove Gustafsson

Västra Tunhem  
 Born: 1957  
 Director since 2017  
 Member of Lantmännen  
*Other functions at Lantmännen:* Owner Committee  
*Education:* Agricultural and Rural Management  
*Main occupation:* Farmer  
*Production:* Beef, grain  
*Directorships:* Chairman Bondegårde Vindpark AB  
*Contribution issues:* SEK 733,695\*

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



Pär-Johan Lööf, Gunilla Aschan, Ulf Gundemark, Johan Mattsson, Tomas Welander, Ove Gustafsson

### Johan Mattsson

Skåne, Tranås  
 Born: 1960  
 Director since 2015  
 Member of Lantmännen  
*Other functions at Lantmännen:* Audit Committee  
*Education:* M.Sc. (Business and Economics)  
*Directorships:* Chairman of Båretofta AB, Swedpig AB and Handelsbanken's Skog och Lantbruksstyrelse, Director of Handelsbanken's Regional Board for South-east Sweden and Viking Malt AB.  
*Contribution issues:* SEK 493,542

### Henrik Wahlberg

Soukolojärvi, Övertorneå Municipality  
 Born: 1967  
 Director since 2017  
 Member of Lantmännen  
*Other functions at Lantmännen:* Owner Committee  
*Education:* Aeronautical engineer, agriculture  
*Main occupation:* Farmer  
*Production:* Milk, beef  
*Directorships:* Sparbanken Nord, Övertorneå Energi AB, Övertorneå Energi Försäljnings AB  
*Contribution issues:* SEK 191,827\*

### Board Secretary

#### Tove Cederborg

Head of Legal Affairs  
 Born: 1964  
 Hired: 2011  
*Education:* LLB, Lund University 1992  
*Directorships:* Pensionsstiftelsen Grodden AB.  
*Subordinated debentures:* SEK 100,000

### Employee Representatives

#### Tommy Brunsärn

Södertälje  
 Born: 1959  
 Director since 2007  
 Union representative  
*Main occupation:* Lead Buyer MRO/Capex

#### Pär-Johan Lööf

Uppsala  
 Born: 1966  
 Director since 2013  
 Staff representative The Union for Professionals  
*Education:* Agriculture  
*Main occupation:* Innovation Project Manager  
 Lantmännen R&D  
*Directorships:* Naturbutiken på Öland AB, AviFauna i Sverige AB, Stenhusa Gärd Aktiebolag and Ideella föreningen Odling i Balans med firma Odling i Balans. Vice Chairman The Foundation for Agricultural and Environmental Engineering Research (SJMF)  
*Subordinated debentures:* SEK 100,000

#### Tomas Welander

Gothenburg  
 Born: 1961  
 Director since 2012  
 IF Metall representative  
*Main occupation:* Service technician, Swecon  
*Other directorships:* Employee representative, Swecon  
 Anläggningmaskiner AB

### Auditors

#### Elected representatives

#### Maude Fyrenius

Lärbro  
 Born: 1973  
 Auditor for Lantmännen since 2014  
*Education:* Agrotechnician  
*Main occupation:* Farmer, Consultancy and skills development, Gotland County Administrative Board  
*Production:* Crops, lamb and beef, nature conservation  
*Contribution issues:* SEK 34,839\*

#### Gustav Jansson

Enköping  
 Born: 1967  
 Auditor for Lantmännen since 2012  
*Education:* Agriculture  
*Main occupation:* Farmer, accounting consultant  
*Production:* Crops, forestry  
*Contribution issues:* SEK 708,707

#### Anders Åbyhammar

Fellingsbro  
 Born: 1956  
 Auditor for Lantmännen since 2005  
*Education:* Agricultural and Rural Management  
*Main occupation:* Farmer, accounting consultant, LRF Konsult  
*Production:* Crops, forestry, lambs, electricity/hydropower  
*Contribution issues:* SEK 1,137,985

#### Authorized Public Accountant

#### Anders Kriström

Ernst & Young AB, Stockholm  
 Born: 1974  
 Auditor since 1999  
 Auditor for Lantmännen since 2015  
*Other directorships:* Adecco, Canal Digital, HL Display, Stanley Security

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



Carl-Peter Thorwid, Håkan Pettersson, Tove Cederborg, Werner Devinck, Per Olof Nyman

## Group Management

Holdings of subordinated debentures and contribution issues are reported in SEK, as at December 31, 2018.

### Per Olof Nyman

President & CEO, Head of Food Sector

Born: 1956

Hired: 2008

Education: M.Sc. (Industrial and Management Engineering)

Linköping Institute of Technology

Directorships: Hauptgenossenschaft Nord AG, HKScan Oyj

and Svensk Kooperation Ekonomisk Förening.

Subordinated debentures: SEK 250,000

### Per Arfvidsson

Executive Vice President, Supply Chain, Public and Regulatory Affairs, IT, Sustainable Development and R & D

Born: 1962

Hired: 2011

Education: M.Sc. (Mechanical Engineering, Industrial

Organization & Logistics) Chalmers University of Technology

Directorships: Foodhills AB, Sweden Food Arenas and Lund University.

### Werner Devinck

Senior Vice President Lantmännen Unibake

Born: 1958

Hired: 2013

Education: Economist,

University of Leuven, Belgium

### Magnus Kagevik

Head of Energy Sector (from March 2018)

Born: 1967

Hired: 2018

Education: M.Sc. (Mechanical Engineering) Linköping

Institute of Technology

Directorships: Scandbio AB, PEMA Sweden AB and SPBI

Service AB.

### Håkan Pettersson

Head of Swecon Business Area

Born: 1956

Hired: 2002

Education: M.Sc. (Industrial and Management Engineering),

Linköping

Subordinated debentures: SEK 50,000

### Elisabeth Ringdahl

Head of Agriculture Sector

Born: 1965

Hired: 2015

Education: M.Sc. (Business and Economics), Uppsala

University

Directorships: Scandagra Group AB, Scandagra Eesti AS,

Rezekne Dzirnavnies AS, UAB Scandagra and Scandagra

Polska Sp. z o.o.



Elisabeth Ringdahl, Ulf Zenk, Elisabeth Wallin Mononen, Magnus Kagevik, Per Arfvidsson

**Carl-Peter Thorwid**

Senior Vice President Lantmännen Cerealia

*Born:* 1964

*Hired:* 2016

*Education:* M.Sc. (Industrial and Management Engineering), Linköping

*Directorships:* Swedish Food Federation. Deputy Board member of HKScan Oyj.

**Elisabeth Wallin Mononen**

Senior Vice President Human Resources

*Born:* 1959

*Hired:* 2005

*Education:* LLB, Lund University, and MBA, University of Illinois at Chicago

*Directorships:* Hagabergs Mekaniska Aktiebolag (Deputy)

**Ulf Zenk**

Senior Vice President & Group CFO

*Born:* 1963

*Hired:* 2012

*Education:* M.Sc. (Business and Economics), Linköping University

*Directorships:* Viking Malt Oy, Viking Malt AB and Lanthem Samhällsfastigheter AB.

*Subordinated debentures:* SEK 150,000

**Tove Cederborg**

Head of Legal Affairs, Group General Counsel

*Born:* 1964

*Hired:* 2011

*Education:* LLB, Lund University

*Directorships:* Pensionsstiftelsen Grodden.

*Subordinated debentures:* SEK 100,000

# Risks and risk management

Risks are inherent in all business activity. Risks can arise from mismanagement or events and decisions that affect Lantmännen's business goals. Identifying and managing risks is an integral part of strategic planning and operational management and control.

*Strategic risks* are associated with business development and long-term planning, and Lantmännen's brand. The most significant strategic risks are concerned with adapting the business to economic changes, conducting effective business development and fulfilling Lantmännen's brand promise.

*Operational risks* are part of the Lantmännen's day-to-day operations, and include risks of handling errors, compliance with laws and regulations, and in financial reporting and internal control. Several operational risks can be managed, and are often regulated by policies, guidelines and instructions to provide consistent and effective safety. Many operational risks are also managed through insurance. Operational risk management is based on a number of central risk policies, our Code of Conduct and our internal processes and procedures.

Lantmännen is exposed to *financial risks* that could cause fluctuations in earnings, cash flow and items in the statement of financial position. This risk management is described in Lantmännen's financial policy, which is the Group's overall governing document for financial risks. Financial status reporting and compliance with the financial policy are regularly reported to Group Management and the Board. Financial risks are governed by financial and risk policies that are established and evaluated by the Group Board.



## Lantmännen's risk management process



Lantmännen's Board is responsible to the members for the Company's risk management. Group management regularly reports on risk issues to the Board and its Audit Committee. The ongoing process of controlling risk mandates and policies takes place in the Risk Committee, which ensures compliance with the risk mandates adopted by the Board and reports monthly to the Board's Audit Committee. The business managers are responsible for implementing risk management in the daily operations, while risk identification and continuity planning are an important part of every manager's responsibility.

Every year, an *Enterprise Risk Management process* is conducted with all business units, during which each unit's risks are identified and evaluated, and risk measures are established through workshops with the management group.

# The Group's Ten-year overview

## Condensed income statements

MSEK	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net sales	43,962	39,686	37,244	35,660	32,666	33,802	36,526	37,896	35,988	34,978
EBITDA	2,806	2,919	2,771	2,573	2,556	2,193	1,698	2,570	2,624	1,884
Depreciation, amortization and impairment	-1,363	-1,242	-1,165	-1,222	-1,103	-2,104	-1,185	-1,366	-1,565	-1,407
Operating income	1,443	1,677	1,606	1,351	1,453	89	513	1,204	1,059	477
Finance income and costs	-193	-156	-149	-105	-111	-4	-182	-337	-237	-373
Income after financial items	1,250	1,521	1,457	1,246	1,342	85	331	867	822	104
Tax, minority	-68	-216	-183	-156	-117	15	-91	-147	-97	78
Net income for the year	1,182	1,305	1,274	1,090	1,225	100	240	720	725	182

## Condensed statements of financial position

MSEK	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Property, plant and equipment	10,673	10,030	9,098	7,699	7,178	7,337	8,928	9,258	9,758	10,798
Goodwill	5,350	5,238	4,611	4,424	2,915	2,594	2,554	2,640	2,779	3,030
Other intangible assets	3,451	3,327	2,980	2,782	752	814	875	767	713	748
Other non-current assets	3,233	3,204	2,825	2,780	2,762	2,542	2,151	2,069	2,094	3,581
<b>Total non-current assets</b>	<b>22,707</b>	<b>21,799</b>	<b>19,514</b>	<b>17,685</b>	<b>13,607</b>	<b>13,287</b>	<b>14,508</b>	<b>14,734</b>	<b>15,344</b>	<b>18,157</b>
Inventories	6,943	5,948	5,270	5,545	5,379	5,249	5,946	5,506	5,224	5,646
Other current assets	6,725	5,866	5,933	5,599	5,087	5,170	5,561	5,642	5,572	5,436
Cash and cash equivalents	720	927	1,773	1,252	3,058	2,295	352	739	869	391
<b>Total current assets</b>	<b>14,388</b>	<b>12,741</b>	<b>12,976</b>	<b>12,396</b>	<b>13,524</b>	<b>12,714</b>	<b>11,859</b>	<b>11,887</b>	<b>11,665</b>	<b>11,473</b>
<b>Total assets</b>	<b>37,095</b>	<b>34,540</b>	<b>32,490</b>	<b>30,081</b>	<b>27,131</b>	<b>26,001</b>	<b>26,367</b>	<b>26,621</b>	<b>27,009</b>	<b>29,630</b>
Equity, members of the Parent	15,935	14,859	13,795	12,660	11,859	11,016	10,899	10,906	10,390	10,140
Equity, NCI	92	89	88	21	17	28	33	36	32	85
<b>Total equity</b>	<b>16,027</b>	<b>14,948</b>	<b>13,883</b>	<b>12,681</b>	<b>11,876</b>	<b>11,044</b>	<b>10,932</b>	<b>10,942</b>	<b>10,422</b>	<b>10,225</b>
Non-current liabilities	7,005	5,983	6,219	6,135	3,598	4,939	5,919	5,360	7,320	9,523
Current liabilities	14,063	13,609	12,388	11,265	11,657	10,018	9,516	10,319	9,267	9,882
<b>Total equity and liabilities</b>	<b>37,095</b>	<b>34,540</b>	<b>32,490</b>	<b>30,081</b>	<b>27,131</b>	<b>26,001</b>	<b>26,367</b>	<b>26,621</b>	<b>27,009</b>	<b>29,630</b>
Net debt	8,719	7,274	6,289	6,476	3,674	4,963	7,506	7,186	7,501	9,739
Refund and supplementary payment <sup>1) 2)</sup>	156	245	231	188	135	129	120	110	95	1
Extra dividend	-	133	-	-	-	-	-	-	-	-
Contribution dividend, contribution issue <sup>2)</sup>	463	322	277	243	328	171	168	230	245	163

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

<sup>2)</sup> According to Board's proposal for 2018.

# Continued The Group's Ten-year overview

Key figures	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating margin, %	3.3	4.2	4.3	3.8	4.4	0.3	1.4	3.2	2.9	1.4
Capital turnover rate, times	1.8	1.8	1.8	1.8	2.1	2.0	2.0	2.1	1.9	1.6
Return on equity, %	7.6	9.0	9.6	8.9	10.6	0.9	2.2	6.7	7.0	1.8
Return on operating capital, %	6.0	7.8	8.0	7.5	9.1	0.5	2.8	6.5	5.7	2.2
Equity ratio, %	43.2	43.3	42.7	42.2	43.8	42.5	41.5	41.1	38.6	34.5
Net debt/EBITDA (bank definition)	3.25	2.70	2.53	2.85	2.02	2.62	4.31			
Net debt/equity ratio, times	0.5	0.5	0.5	0.5	0.3	0.4	0.7	0.7	0.7	0.9
Average number of employees	9,940	9,850	9,880	8,911	8,311	9,133	10,249	10,296	10,350	10,552

Excl. items affecting comparability	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating income, MSEK	1,580	1,708	1,697	1,351	851	805	747	1,063	1,223	588
Operating margin, %	3.6	4.3	4.6	3.8	2.6	2.4	2.0	2.8	3.4	1.7
Income after financial items, MSEK	1,387	1,552	1,548	1,246	740	683	565	841	946	215
Net income for the year, MSEK	1,289	1,353	1,457	1,066	595	494	457	634	804	232
Return on equity, %	8.2	9.4	11.0	8.7	5.1	4.4	4.2	5.9	7.8	2.2
Return on operating capital, %	6.6	7.9	8.4	7.5	5.3	4.7	4.1	5.7	6.5	2.8

Condensed statements of cash flows MSEK	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Cash flow from operating activities before changes in working capital	2,268	2,453	2,571	2,159	1,362	1,570	1,358	1,655	2,131	1,138
Cash flow from operating activities	1,023	2,398	3,136	2,167	1,767	2,294	983	1,015	2,157	3,555
Cash flow from investment in/sale of property, plant and equipment and intangible assets, net	-1,626	-2,274	-1,884	-811	-697	-862	-1,163	-160	-684	-1,328
Cash flow from operations	-603	124	1,252	1,356	1,070	1,432	-180	855	1,473	2,227
Cash flow from acquisitions and divestments of operations, net <sup>1)</sup>	-333	-852	-357	-4,154	1,065	1,196	0	0	-105	9
Cash flow before financing activities	-824	-703	826	-2,674	2,077	2,450	-222	876	2,692	2,272
Cash flow for the year	-219	-852	489	-1,775	778	1,943	-379	-128	512	131
Cash and cash equivalents at end of year	720	927	1,773	1,252	3,058	2,295	352	739	869	391

<sup>1)</sup> 2018 includes acquisition of Raisio's cattle feed business and ThermoSeed Global.

2017 includes acquisition of Anderson Bakery, K-maatalous, Orient Products and Marline and divestment of LMB Danmark and 50 percent of Akershus Traktor.

2016 includes acquisitions of Kalmar Lantmän's machinery business, DataVäxt and Frozen Bakery Products.

2015 includes acquisition of Vaasan and sale of Lantmännen Doggy.

2014 includes acquisition of Strängnäs Valskvarn, sale of shares in Scandi Standard and divestment of Lantmännen Lantbruk's German and Polish plant breeding and seed operations (SW Seed Poland, SW Seed Germany, SW Winter Oil Seed).

2013 includes acquisition of 46 percent of Scandi Standard and divestment of Kronfågel Group and Rīgas Dzirnāvnīeks.

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

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

# How to read the **Income Statement**

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

## Consolidated Income Statement

	MSEK	2018	2017
<b>Sales</b>	<b>Net sales</b>	43,962	39,686
This is where you will find the Company's total sales.	Other operating income	279	440
	Changes in inventories of finished goods and work in progress	-301	-535
	Raw materials and consumables	-12,767	-12,186
	Merchandise	-15,583	-12,471
<b>Costs</b>	Employee benefits expense	-6,037	-5,747
The costs of producing and selling goods and services are shown here.	Depreciation, amortization and impairment	-1,363	-1,242
	Other operating expenses	-6,866	-6,422
	Share of income of equity accounted companies	119	154
<b>Operating income</b>	<b>Operating income</b>	1,443	1,677
This shows whether sales are profitable.	Finance income	96	151
	Finance costs	-289	-307
<b>Financial items</b>	<b>Income after financial items</b>	1,250	1,521
Income or expenses associated with loans, investments, shares, securities, etc.	Tax	-68	-216
<b>Income</b>	<b>Net income for the year</b>	1,182	1,305
This is also called net income and shows profit after tax.	<b>Net income for the year attributable to:</b>		
	Members of the economic association	1,176	1,301
	Non-controlling interests	6	4

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

## Consolidated Statement of Comprehensive Income

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

# How to read the Statement of Financial Position

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

## Non-current assets

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

## Current assets

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

## Equity

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

## Liabilities

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

## Consolidated Statement of Financial Position

MSEK	2018 Dec 31	2017 Dec 31
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	10,012	9,387
Investment properties	661	643
Goodwill	5,350	5,238
Other intangible assets	3,451	3,327
Equity accounted holdings	2,299	2,182
Non-current financial assets	629	825
Deferred tax assets	248	170
Other non-current assets	57	27
<b>Total non-current assets</b>	<b>22,707</b>	<b>21,799</b>
<b>Current assets</b>		
Inventories	6,943	5,948
Trade and other receivables	6,668	5,823
Current interest-bearing assets	39	18
Current tax assets	18	25
Cash and cash equivalents	720	927
<b>Total current assets</b>	<b>14,388</b>	<b>12,741</b>
<b>TOTAL ASSETS</b>	<b>37,095</b>	<b>34,540</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Contributed capital	2,664	2,464
Other contributed capital	3,110	3,010
Reserves	442	230
Retained earnings incl. net income	9,719	9,155
<b>Total equity attributable to members of the economic association</b>	<b>15,935</b>	<b>14,859</b>
Non-controlling interests	92	89
<b>Total equity</b>	<b>16,027</b>	<b>14,948</b>
<b>Non-current liabilities</b>		
Non-current interest-bearing liabilities	5,493	4,523
Provisions for pensions	611	554
Deferred tax liabilities	650	638
Other non-current provisions	208	240
Other non-current liabilities	43	28
<b>Total non-current liabilities</b>	<b>7,005</b>	<b>5,983</b>
<b>Current liabilities</b>		
Current interest-bearing liabilities	4,002	3,841
Trade and other payables	9,280	8,966
Current tax liabilities	103	98
Current provisions	678	704
<b>Total current liabilities</b>	<b>14,063</b>	<b>13,609</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>37,095</b>	<b>34,540</b>

# How to read the Statement of Cash Flows

## Operating activities

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

## Investing activities

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

## Financing activities

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

## Consolidated Statement of Cash Flows

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

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

# Consolidated Statement of Changes in Equity

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

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

# Description of financial performance measures

Key figures	Description	Reason for use
Adjusted income	Adjusted income is income net of items affecting comparability.	An adjustment to exclude items affecting comparability.
Average equity/operating capital	Average capital is computed on the closing balance of each month in the accounting period, i.e. twelve periods for the full year. All average capital ratios are calculated in this way.	Ensures accurate calculation of return on equity and operating capital.
Capital turnover rate	Net sales divided by average operating capital.	Shows the efficiency of the use of operating capital.
Cash flow from operating activities	Net income for the period adjusted for items that are not cash inflows or outflows but accounting costs, such as depreciation and capital gains/losses. Adjustments are also made for financial items and income taxes paid, and changes in inventories, operating receivables and operating liabilities.	Shows cash flow from operations that can be used for investments and acquisitions.
EBITDA according to bank definition.	Operating income, excluding income from associates, and excluding depreciation, amortization and impairment. Operating income is also adjusted for acquired and divested companies, and refers to the last 12 months.	To calculate the key ratio Net debt according to bank definition/EBITDA according to bank definition.
Equity ratio	Equity divided by total assets.	Shows the proportion of the assets that are financed by the owners.
Interest coverage ratio	Interest coverage ratio is calculated as income after financial items plus interest expenses divided by interest expenses .	Shows the ability to cover interest expenses.
Items affecting comparability	The Group's income can be inflated or reduced by certain items that affect comparability. These are one-time items not directly related to the planned future operations and outside the range of MSEK +/-30.	Accounting for items that have been adjusted due to specific events that otherwise affect comparability between different periods. Provides a better understanding of the operating activities.
Investments in non-current assets	Total of the period's investments in property, plant & equipment and intangible assets.	The size of the investments made to maintain existing capacity and to achieve expansion and growth.
Liquidity reserve	Cash and cash equivalents and loans granted under the provisions in the existing loan agreements.	Shows the available borrowing capacity based on the current loan agreements.
Net debt	Net debt comprises interest-bearing liabilities, including pension liabilities and accrued interest, less financial assets.	Shows the net of interest-bearing assets and interest-bearing liabilities.
Net debt according to bank definition	Net debt according to bank definition is based on net debt, but it is calculated as the effect of no financial assets being included, except cash and cash equivalents and certain listed (liquid) shares, and less subordinated debentures.	To calculate the key ratio Net debt according to bank definition/EBITDA according to bank definition.
Net debt according to bank definition/EBITDA according to bank definition.	Net debt according to bank definition divided by EBITDA according to bank definition.	Indicates how fast a company can repay its debt (expressed in years).
Net debt/equity ratio	Net debt divided by equity.	Shows financial risk and is therefore used to view the level of debt funding.
Net financial income	Net financial income is finance income less finance costs.	Shows the net result of the company's financial operations.
Operating capital	Operating capital is calculated as non-interest-bearing assets minus non-interest-bearing liabilities. Tax assets and tax liabilities are not included in operating capital's assets and liabilities.	Shows how much capital is used in the operations.
Operating income	Operating income consists of net sales and other operating income less operating expenses.	Shows the result of operating activities.
Operating margin	The operating margin is operating income as a percentage of net sales for the period.	Shows the profitability of the operations.
Return on equity	Return on equity is calculated as annualized net income for the period divided by average equity.	Shows owners the return on their invested capital.
Return on operating capital	Return on operating capital is calculated as annualized operating income for the period divided by average operating capital.	Measures the return on the capital used in the business.

# Glossary

For description of financial performance measures → see page 75

**Agenda 2030** ● The UN's 17 sustainable development goals in Agenda 2030 were adopted by the UN countries in September 2015 and are a common vision with goals for achieving sustainable development for all.

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

**Audit** ● Third-party inspection of suppliers through notified or unannounced visits, with follow-up of requirements in the Supplier Code of Conduct.

**B2B** ● Business-to-business, non-consumer related sales.

**Biodiversity** ● Describes the variation between species, within species and habitats found on Earth.

**BRC** ● British Retail Consortium, a global food safety standard.

**CO<sub>2</sub>e, carbon dioxide equivalents** ● Measurements of greenhouse gas emissions. All emissions, apart from carbon dioxide, are multiplied by a Global Warming Potential (GWP) to allow comparisons for all greenhouse gases.

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

**CSR** ● Corporate Social Responsibility. Also describes companies' efforts to integrate social and environmental considerations into their business.

**CSA** ● A credit support annex is an agreement that governs how a party with an outstanding debt must provide collateral in the form of cash or securities.

**Ecosystem services** ● Describes functions in the cycle that nature's ecosystems contribute to – e.g. air and water purification, crop pollination, bacteria and worms that make the soil fertile.

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

**Functional food** ● Food with documented health benefits.

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

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

**IFRS** ● International Financial Reporting Standards. Learn more at [ifrs.com](http://ifrs.com)

**ISDA agreement** ● A standardized contract for financial trading.

**LCR** ● Liquidity coverage ratio, can also be described as the proportion of highly liquid assets that can be used to settle current liabilities.

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

**R&D** ● Research and Development.

**RSPO** ● Round Table on Sustainable Palm Oil. International round table process to develop criteria for sustainable palm oil. More about the RSPO certification category Book & Claim, Mass Balance and Segregated can be found at [rspo.org](http://rspo.org)

**RTRS** ● Round Table on Responsible Soy. International round table process to develop criteria for sustainable soy.

**Stem-shortening agent** ● An agent that reduces the risk of crop lodging. A stem-shortening agent is basically the only crop protection agent that can be sometimes found in detectable residue levels in the grain raw material.

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

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

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This paper has one of the very lowest carbon footprints in Europe.

This applies to every stage of the production chain

– from the felling of a tree to the departure of the

finished product from the factory gate.

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# Together we take responsibility from field to fork

Lantmännen has chosen to support We Effect.

We Effect is a development cooperation organization that acts and works with a long-term approach in order to effect change. Help to self-help is We Effect's guiding principle.