



2019

**Lantmännen Annual Report
with Sustainability Report**

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■ Lantmännen

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Lantmännen's Annual General Meeting

The Annual General Meeting will be held at Clarion Hotel Sign, Norra Bantorget, Stockholm, on Thursday, May 7, 2020.

Listen to us!

Listen to selected parts of Lantmännen's Annual Report with Sustainability Report on a computer or mobile. (Available in Swedish).
→ lantmannen.se/lyssna2019

Distribution & Ordering

Lantmännen's financial reports can be downloaded from → lantmannen.com/financialinformation or ordered by calling +46 10-556 00 00. The reports are available in Swedish and English.

Financial Reports

Interim 1st four months June 3, 2020
Interim 2nd four months October 2, 2020

Sustainability Report

Lantmännen reports in accordance with the Global Reporting Initiative guidelines for sustainability reporting, GRI Standards. The statutory sustainability report is on pages → 22-30, 141-163 and 179-182.

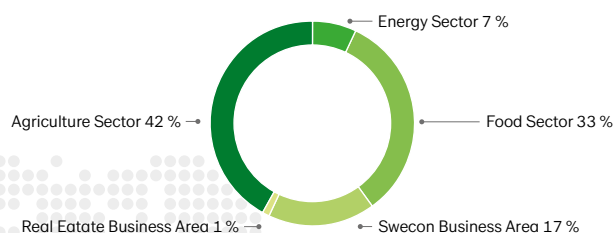
Lantmännen 2019

Lantmännen is an agricultural cooperative and Northern Europe's leader in agriculture, machinery, bioenergy and food products. Owned by 20,000 Swedish farmers, we have 10,000 employees, operations in over 20 countries and an annual turnover of SEK 50 billion.

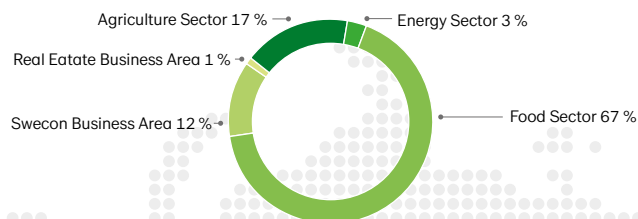
Net sales, MSEK	48,523	Net income after tax, MSEK	1,551
Operating income, MSEK	1,983	Cash flow from operating activities, MSEK	4,226
Income after financial items, MSEK	1,773	Investments in non-current assets, MSEK	2,201
Return on equity, percent	9.1 %	Proposed dividend to members, MSEK	730

"The last few years have been Lantmännen's most successful of all time, and I would venture to say that we as a company are in a stronger position than ever before." – Per Olof Nyman, President & CEO

Distribution of the Group's sales

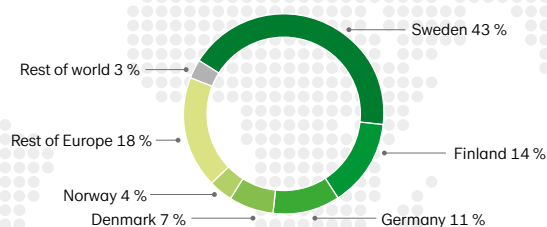


Distribution of the Group's employees



The Baltic Sea region is Lantmännen's natural home market and a good basis for continuing expansion in northern Europe.

Sales by market



We make farming thrive

Our business model represents a unique opportunity to create long-term value – both today and for the future. With innovative and responsible use of arable land resources, we create sustainable farming that thrives.

Our business model



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



Agricultural cooperative

Lantmännen is an agricultural cooperative owned by 20,000 farmers, operating locally and internationally. Our assignment is to contribute to the profitability of members' farms and optimize the return on their capital in the association. As a business partner and owner, you share the Group's profit through dividends. Lantmännen utilizes the strength and benefits of the cooperative form of enterprise.



Business partner for agriculture

Through customer-oriented, efficient agribusiness, we contribute to the profitability of the members' farms. Lantmännen drives the development throughout the value chain, from cultivation methods and agri-supply to the processing of raw materials into food, feed and biofuel.



Research & innovation

Every year, Lantmännen invests MSEK 250-350 in research and development. With new and improved methods, products and services, together we take responsibility throughout the value chain. Innovation in agriculture, food and bioenergy creates new business opportunities and is crucial to farming of the future. Lantmännen also has a research foundation, which invests in external scientific research at universities, colleges and institutions, see also → page 27.



Value from arable land

Lantmännen creates value from arable land throughout the value chain. With grain as the underlying core business, Lantmännen is there all the way from field and seed to finished product. We are both a business partner for agriculture and part of food consumer' daily life.



With grain at the heart of our operations, we refine arable land resources to make farming thrive. Some of our best-known food brands are AXA, Bonjour, Kungsörnen, GoGreen, Gooh, FINN CRISP, Korvbrödsbagarn, Vaasan and Hatting.

Our Company is founded on the knowledge and values acquired through generations of farmers. With research, development and operations throughout the value chain, together we take responsibility from field to fork.

About Lantmännen

We exercise responsible stewardship of the earth's resources and everyone coming into contact with Lantmännen can feel confident in the knowledge that we work every day to promote thriving farming, greener energy and a sustainable food chain – both today and in the future.

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 brand promise

Together we take responsibility from field to fork.

Our mission

We make farming thrive.

Our vision

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

Our business concept

We are an agricultural cooperative that creates value from arable land 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 values

Openness, a holistic view and drive.

Our employee promise

Growing together from field to fork.



The Group's key figures

Lantmännen reports alternative performance measures in accordance with the European guidelines from ESMA (European Securities and Markets Authority). Definitions and explanations of all financial performance measures can be found on [page 140](#).

Financial performance measures	2019	2018
Net sales, MSEK	48,523	43,962
Operating income, MSEK	1,983	1,443
Operating margin, %	4.1	3.3
Income after financial items, MSEK	1,773	1,250
Net income after tax, MSEK	1,551	1,182
Cash flow before financing activities, MSEK	1,837	-824
Return on equity, %	9.1	7.6
Return on operating capital, %	6.8	6.0
Total assets, MSEK	41,194	37,095
Equity ratio, %	42.5	43.2
Investments in non-current assets, MSEK	2,201	1,825
Net debt, MSEK	10,165	8,719
Interest coverage ratio, times	7.4	6.0
Net debt/EBITDA (bank definition)	2.25	3.25

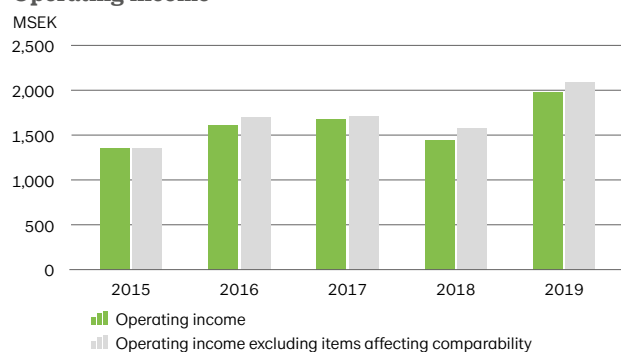
Other key figures	2019	2018
Number of members	19,690	24,798
Average number of employees	10,250	9,940
of which women	3,572	3,414
of which women/men, %	35/65	34/66
CO ₂ emissions, thousand tonnes	138	151
CO ₂ emissions, tonnes per MSEK net sales	2.85	3.43
Employee satisfaction index	71	70 ¹⁾
Total sick leave, %	4.3	4.5

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

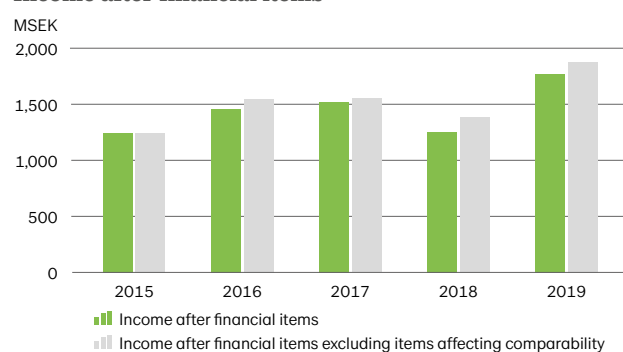
Excl. items affecting comparability	2019	2018
Operating income, MSEK	2,087	1,580
Operating margin, %	4.3	3.6
Income after financial items, MSEK	1,877	1,387
Net income for the year, MSEK	1,652	1,289
Return on equity, %	9.7	8.2
Return on operating capital, %	7.2	6.6

Sales by market, MSEK	2019	2018
Sweden	20,999	19,866
Finland	6,661	5,697
Germany	5,507	5,494
Denmark	3,234	2,884
Norway	2,031	2,011
United Kingdom	1,845	1,648
Netherlands	1,281	785
Baltic region	1,229	1,036
Russia	717	621
Belgium	594	514
France	553	444
Poland	510	484
Spain	474	430
Switzerland	432	62
Rest of Europe	933	830
United States	1,027	921
Australia	306	73
Rest of world	190	162
Total	48,523	43,962

Operating income



Income after financial items



“ Through continuous development of agribusiness in partnership with agricultural companies, we contribute to profitability of the members' farms.

Net sales

Net sales for the year increased by 10 percent to MSEK 48,523 (43,962). For 2019, organic growth was 7 percent and currency translation effects were 2 percent, while acquired and divested operations accounted for the rest of the increase. Sales increased in all segments.

Operating income

Operating income was MSEK 1,983 (1,443) and adjusted for items affecting comparability MSEK 2,087 (1,580).

Income after financial items

Income after financial items totaled MSEK 1,773 (1,250) and adjusted for items affecting comparability MSEK 1,877 (1,387).

Income after tax

Net income after tax was MSEK 1,551 (1,182).

Cash flow

Cash flow from operating activities for the year was MSEK 4,226 (1,023). Cash flow from investing activities was MSEK -2,389 (-1,847). Investments in non-current assets totaled MSEK 2,201 (1,825). Total cash flow before financing activities was MSEK 1,837 (-824).

Proposed dividend to members

The Board proposes a refund and supplementary payment of 1.75 (1.5) percent on trade with Lantmännen Lantbruk Sweden and a 1.0 (0.5) percent refund on purchases from Lantmännen Maskin's and Swecon's Swedish operations. The total proposed refund and supplementary payment is MSEK 205 (157).

The Board proposes a contribution dividend of 8 (8) percent of the contributions' nominal value, totaling MSEK 237 (213), and a contribution issue of MSEK 288 (250).

The total proposed dividend to the members is therefore MSEK 730 (620). The Board also proposes a 6.5 (5.25) percent dividend on subordinated debentures, totaling MSEK 16 (13).

Lantmännen's Annual General Meeting

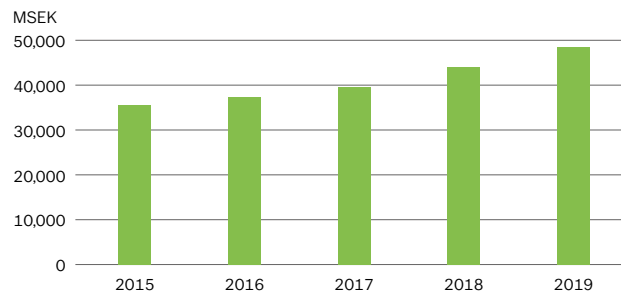
The Annual General Meeting will be held at Clarion Hotel Sign, Norra Bantorget, Stockholm, on Thursday, May 7, 2020.



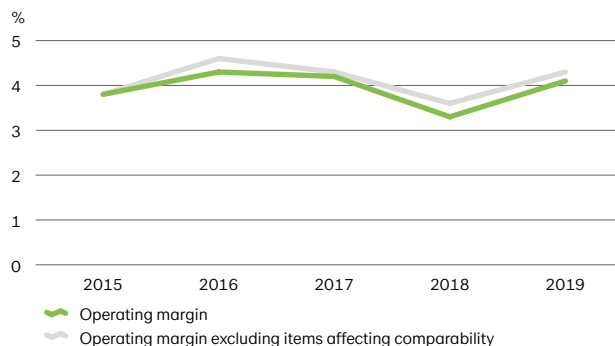
240,000 tonnes

of oats are purchased by Lantmännen from Swedish farmers in a normal year.

Net sales



Operating margin



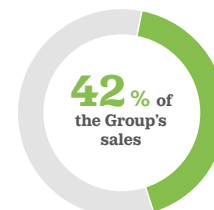
Business overview

The Group is divided into the Agriculture Sector, Energy Sector and Food Sector, and the Swecon Business Area and Real Estate Business Area. The Group's total net sales amounted to MSEK 48,523.



Agriculture Sector

The Agriculture Sector is Lantmännen's core business with products and services to promote strong, competitive farming. Net sales amount to MSEK 21,841. Learn more on [→](#) page 32.



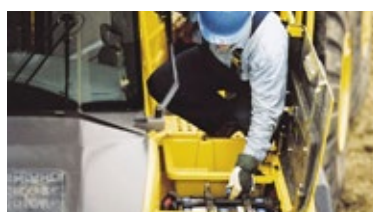
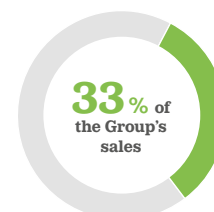
Energy Sector

The Energy Sector is one of Sweden's largest producers of bioenergy products and operates in a global market with the main focus on Europe. Net sales amount to MSEK 3,741. Learn more on [→](#) page 40.



Food Sector

The Food Sector refines grain and other raw materials into, among other things, flour, bread, breakfast foods, pasta and ready-to-eat meals. The Sector's base is in the Nordic countries. Net sales amount to MSEK 16,867. Learn more on [→](#) page 44.



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. Net sales amount to MSEK 8,588. Learn more on [→](#) page 52.



Real Estate Business Area

Lantmännen Fastigheter manages commercial premises, which are rented out both externally and internally. Lantmännen Agrovärme is also part of the Business Area. Net sales amount to MSEK 556. Learn more on [→](#) page 56.



Significant events 2019

2019 was a challenging year for many in the agricultural operations, but Lantmännen continued to develop positively, with profitability improving in most areas.



Lantmännen Unibake acquires Australian Bakery Du Jour

The acquisition is an important step in increasing Lantmännen Unibake's global presence and strengthening the company's position in Australia. *January 15, 2019*

Second part of Lantmännen's action package goes out to members

The second part of Lantmännen's action package after the 2018 drought and heat has been distributed to members. The total package of MSEK 220 includes an extra dividend, an extra discount and supplement on trading with Lantmännen Lantbruk Sweden. The first part of the package was paid out in September 2018. *February 25, 2019*

Crop bible breaks digital ground

Every year, Lantmännen publishes strategies for crop growing in the book Odlä. This year's issue now has an interactive version – a natural step in our digitalization process. *March 19, 2019*



Lantmännen's 2019 press releases

Jan 14 EU approves dispensation for seed. **Jan 15** Lantmännen Unibake completes acquisition of Australian Bakery Du Jour. **Jan 29** Lantmännen Unibake at Fastfood & Café fair. **Jan 29** Lantmännen tops new sustainability study. **Jan 31** Good prospects for 2019 harvest. **Feb 6** Strong result for Lantmännen in 2018. **Feb 25** Second part of Lantmännen's action package. **Feb 26** Lantmännen joins

Lantmännen Unibake modernizes its bakery in Örebro

As part of the long-term development of operations in Örebro, Lantmännen Unibake has made a large investment in its bakery there. The investment will modernize production and is vital to the bakery's long-term development. The upgrading will be completed in early 2020. *March 6, 2019*



Acquisition expands oat capacity

Lantmännen has acquired a production facility in Kimstad from UK company Tate & Lyle. The acquisition enables Lantmännen to expand its oat capacity, while investing further in oat processing. The facility currently produces oat protein sold under the PrOatein brand, beta glucan under the PromOat and AvenaCare brands, and oat flour.

April 1, 2019

Lantmännen tops Swedish sustainability rankings again

Lantmännen is Sweden's third most sustainable brand according to the major SBI sustainability survey in 2019. Lantmännen ranks second in the food category, followed by GoGreen in seventh place, AXA in eighth and Kungsörnen in twelfth.

April 11, 2019



Transparency International Sweden. **Mar 6** Lantmännen Unibake modernizes Örebro bakery. **Mar 11** Lantmännen and Granngården increase collaboration. **Mar 19** Crop bible breaks digital ground. **Mar 26** Lantmännen acquires facility in Kimstad. **Apr 1** Lantmännen completes acquisition from Tate & Lyle. **Apr 11** Lantmännen tops Swedish sustainability rankings. **May 8** Highest dividend ever.



Viking Malt – Food Exporter of the Year

Partly-owned Viking Malt exports 150,000 tonnes of Swedish malt annually to breweries and distilleries around the world. For this achievement, the company was named Food Exporter of the Year, awarded by the Swedish Food Federation, Business Sweden and the Ministry of Enterprise and Innovation. *May 9, 2019*



New grain facility opened in Hargshamn

Lantmännen opened a grain facility in Hargshamn. Lantmännen's investment in the region is important for agriculture in the Mälaren area and Swedish grain exports. *May 16, 2019*

Lantmännen and Hushållningssällskapet in cooperation to drive digital development

Lantmännen, Hushållningssällskapet and Dataväxt entered into a strategic cooperation to drive the digital development of Swedish agriculture. With more players, there is a broader knowledge base on which to build the development and common resources to develop digital agricultural services faster and more cost-effectively. *June 26, 2019*

Lantmännen's 2019 press releases *cont'd*

May 8 New members join Lantmännen Board. **May 10** Lars-Gunnar Edh new CEO of Lantmännen Agroetanol. **May 16** Lantmännen's Hargshamn grain facility officially opened. **May 29** Strong result in first four-month period. **Jun 3** Alarik Sandrup new President of ePURE. **Jun 17** Ulf Zenk is leaving Lantmännen. **Jun 26** Lantmännen and Hushållningssällskapet in cooperation to drive digital development.

Collaboration on skills supply

To resolve skills and personnel supply for the transport industry and the Swedish Armed Forces, Lantmännen Maskin and Swecon have signed a letter of intent for an extensive collaboration with the Swedish Armed Forces. *August 13, 2019*



Food industry award for Lantmännen Greenhouse

Lantmännen Greenhouse training program won Årets Livsmedelspris at the Food Days Conference for its role as "a meeting place that paves the way for increased innovation and cooperation throughout the food chain". *September 12, 2019*



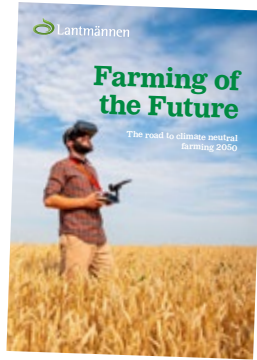
Lantmännen and Yara lead the way towards world's first fossil-free food chain

Lantmännen and Yara are taking a pioneering role in the transformation of the food system. The companies are launching a pilot project aimed at creating the world's first fossil-free food chain. The collaboration will enable consumers to be offered more sustainable food, thereby reducing the climate impact. *September 13, 2019*

Jul 12 AXA Gold Fruit Müsli recalled. **Jul 15** Harvest forecast: better than 5-year average. **Aug 13** Lantmännen Maskin, Swecon and Swedish Armed Forces collaborate on skills supply. **Sep 12** Food industry award for Lantmännen Greenhouse. **Sep 13** Lantmännen and Yara lead the way to the world's first fossil-free food chain. **Sep 18** Chinese ambassador studies food production in Skåne.

Farming of the future

The report "Farming of the Future" describes the way to even more sustainable Swedish farming. It shows that we can increase harvests by 50 percent by 2050, while reducing the climate impact in line with the Paris Agreement. The report positions Lantmännen and Swedish agriculture as responsible and innovative, both now and in the future, and reinforces our expert role in the grain value chain. *November 20, 2019*



Invitation to subscribe for subordinated debentures

Lantmännen issued subordinated debentures and invited members and employees in Sweden to subscribe for the subordinated debentures, which have a maturity period of a five years. The purpose of the issue was to broaden the capital base and create increased commitment to Lantmännen among members and employees. *November 22, 2019*

Recovery for Swedish grain production – better than 5-year average

The Swedish grain harvest for the year was almost twice as large as the previous year's drought-affected harvest. Wheat is the biggest crop, but rye also stands out. The total grain harvest in 2019 was 6.6 million tonnes. This is 12 percent larger than the average for the last five years and almost 90 percent larger than the previous year's poor harvest, with crop failure due to drought and heat.



Lantmännen's 2019 press releases cont'd

Oct 3 Lantmännen delivers a strong result for the first eight months. **Nov 20** Lantmännen describes the way towards climate neutral farming 2050. **Nov 22** Invitation to subscribe for subordinated debentures. **Nov 27** Lantmännen launches organic wheat vodka. **Dec 3** Leif Thorwaldsson appointed CEO of Lantmännen Maskin. **Dec 5** Finn Crisp launches new rye snacks.

Lantmännen launches organic wheat vodka

Lantmännen has launched a vodka under its own brand, distilled from organic wheat from Västergötland. The wheat is grown by Lantmännen's members in fields around Lidköping, where the vodka is produced.

November 27, 2019



FINN CRISP's new rye snacks

FINN CRISP has launched new products in its snack range to challenge potato chips – the delicious new snacks are crunchy and rich in fiber.

December 5, 2019

New positions at Lantmännen

New Board Members – Per Wijkander and Johan Bygge were elected to the Board at Lantmännen's AGM on May 8.

New CEO of Lantmännen Agroetanol – Lars-Gunnar Edh took over as CEO of Lantmännen Agroetanol on May 13.

New CEO of Lantmännen Maskin – Leif Thorwaldsson took over as CEO of Lantmännen Maskin on December 9.

2020 After year-end



- Lantmännen has appointed Christian Johansson as new Group CFO. Christian, who comes most recently from SKF, succeeds Ulf Zenk and took up his position on February 3, 2020.
- Board member Ove Gustafsson resigned from Lantmännen's Board at his own request and left on February 11, 2020.
- Lantmännen has been named Sweden's most sustainable brand in 2019 by business customers, both overall and in the FMCG (fast-moving consumer goods) category.

Dec 9 Lantmännen's pool prices above average for period. **Dec 14** Lantmännen's 2019 From Field to Fork scholarship goes to Sanna Krüger Persson. **Dec 16** Transport buyers join forces for responsible shipping. **Dec 18** Five teams through to final of Skolmats-SM. **Dec 19** Subscription period for Lantmännen's subordinated debentures ends.

Chairman's comments



A good, high-quality harvest is important both to Lantmännen and farming – regardless of whether you keep livestock or grow crops. It was therefore significant that this year's grain harvest was better than the average for many who had been affected by heat and drought in 2018.

It is with both pride and pleasure that we can say that this year's results once again show Lantmännen's strength and confirm the importance of a clear strategy and strong business portfolio. Our cooperative business model delivers unique added value through competitive and customer-oriented farming operations together with profitable industrial operations. A world-class cooperative.

Swedish farming is among the most sustainable in the world. In crop production, new technology and better variety selection contribute to increased sustainability. Low antibiotic use and good animal welfare also pay off in terms of consumer confidence. Lantmännen, together with Swedish farmers, takes great responsibility for the development of farming – innovation, sustainability and a long-term approach are both obvious and natural for us. It was therefore particularly important to define sustainable farming from Lantmännen's

perspective. In the "Farming of the Future" report, we clarify our view of sustainable farming and show a possible way forward. The message is positive – there is great potential for Swedish farming. The report shows that Swedish farmers can increase production and ensure food security, while reducing the impact on climate and the environment and promoting biodiversity.

The results in the report establish that this transition is possible, but it will require a range of measures and more cooperation throughout the chain from field to fork – farmers, business partners, trade, authorities, politicians and consumers. Another important conclusion is that sustainably produced Swedish food must be valued higher – there must be a cost to good food. One of Lantmännen's key tasks for 2020 is to implement our own measures in line with the report and encourage other stakeholders to take on their responsibility.

The fact that Lantmännen is a company with its base in the Swedish market and a leader in the Baltic Sea region, while we also operate globally, presents significant opportunities. Our credibility among the members and our financial strength are based on our ability to be a customer-oriented company that contributes to increasing competitiveness in Swedish farming, while also being a significant international player. During the year, we invested in the Örebro bakery to ensure long-term development, and our acquisitions included a bakery in Australia and an oat facility outside Norrköping. Allow me to pause here for a moment – the acquisition of the oat facility in Kimstad is highly strategic. Oats are a crop that is not only well adapted to Swedish conditions, but also a crop that offers exciting opportunities for further processing. The fact that Sweden together with Finland plays a significant role in the world market provides interesting prospects for the future. In particular, the development of the cooperation and synergies with our Finnish operations in the agricultural area is taking on ever more solid forms and is evident in initiatives in both feed and digital development. More down-to-earth activities in Sweden during the year include investments in grain logistics such as the facility in Hargshamn and upgrades of several feed plants. In this way, we contribute to the profitability of the farm and can optimize the return on the members' capital in the association.



The agricultural operations have recovered from the previous year's challenges and other parts of the Group are delivering results at record levels.

Lantmännen is a company that is very strongly rooted in Swedish farming, as we already knew. But we were not really prepared for the new rules on minimum turnover to arouse such great commitment. It must therefore be remembered that the minimum turnover decision was made in a unanimous vote and that the result of the Owner dialogue was clear – Lantmännen will be owned by active members. It is with great humility that I note that many members want to continue following developments within Lantmännen even after ceasing their farming activities. Many have increased their trading to reach the minimum turnover level, and others have subscribed for subordinated debentures in order to maintain contact. Those terminating their membership receive a high

contribution dividend on paid-in and issued contributions as an acknowledgment for a well-functioning association.

In my introductory remarks, I said that Lantmännen has delivered another very strong result. The agricultural operations have recovered from the previous year's challenges and other parts of the Group are delivering results at record levels. This also means that this year's proposed dividend to Lantmännen's members is the highest ever for members. The dividend proposal follows our dividend policy but focuses on injecting much needed capital into Swedish agriculture. The Board of Directors proposes a refund and supplementary payment of 1.75 percent on trading with Lantmännen Lantbruk and 1.0 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 288. The total dividend to members amounts to MSEK 730. Lantmännen's cooperative ownership model is based on unique added value in the form of dividends, but investments in innovation, research and business development also contribute to strengthening the competitiveness of Swedish agriculture.

To be Chairman of Lantmännen is to be Chairman of a stable and robust company – in an extremely changing world. To meet new challenges that can be anything from consumer trends to political and economic risks, we must be able to rely on a strong economy while also pursuing development and change. Among the strategic positions for 2030 are that Lantmännen will be northern Europe's leading company in agribusiness and a globally leading bakery company. In a shorter perspective, I see export drives, digitalization of agriculture and more cooperation with related organizations and companies as important initiatives. My offer and my challenge is to involve more members in the Lantmännen of the future! Long-term owners and committed elected representatives enable strategic and profitable investments that continue to deliver dividends and business value – of world-class – to us farmers.

I would like to conclude by thanking all employees of Lantmännen. Competent and engaged employees and leaders are one of our most important resources. That our President and CEO Per Olof Nyman can combine inspirational leadership with a clear vision for development is a great asset to us all. People are what makes the difference!

Kristianstad, February 2020

Per Lindahl
Chairman, Lantmännen

President's overview

Lantmännen's income after net financial items and adjusted for items affecting comparability amounts to MSEK 1,877 – a significant improvement compared with the previous year's income of MSEK 1,387. Lantmännen's 2019 result is the highest ever and is mainly due to a continuing strong and focused implementation of our strategy "Field to Fork 2030".

All Sectors and Business Areas improved their earnings during the year, and we have advanced our positions in most areas of operation. Although the beginning of the year was marked by the difficult situation after the 2018 drought and heatwave, the large and good quality harvest in 2019 contributed to a strong recovery of earnings within the Agriculture Sector.



The year's good result also means that Lantmännen's proposed total dividend of MSEK 730 is the highest ever, which is really pleasing after a period that has been challenging for many of our members.

Lantmännen's most important mission is to contribute to positive development for our members' farms – so it feels all the more pleasing to be able to deliver a result at this high level.

Another good result has come from our Insight employee survey, where the scores for both job satisfaction and leadership have risen since the last survey two years ago. There is a clear correlation between job satisfaction among a company's employees and financial results, and although we still have improvements to make in certain areas, this is for me clear evidence that Lantmännen is a thriving company and that our employees are with us on the journey towards becoming a world-class company.

How our Sectors and Business Areas performed

In the first half of the year, the grain business in the *Agriculture Sector* continued to be affected by the consequences of the 2018 summer drought. The 2019 harvest was all the better for it: the third largest ever, and 12 percent larger than the average harvest over the last five years. It is particularly pleasing that the year's harvest was both large and of good quality after the previous year's challenges. Lantmännen Maskin implemented a cost-saving and efficiency program

during the year, which has produced good results. In total, the *Agriculture Sector* delivered a slightly higher operating income than 2018.

The *Energy Sector's* operating income is significantly higher than in the previous year. The businesses in the Sector have consistently shown positive development and they are all well positioned within their respective areas, which is a strength for future development. A high ethanol price in the last four-month period contributed positively to a strong end to the year. The acquired oat facility in Kimstad also has good potential to become a large and important business for Lantmännen in the long term.

In the *Food Sector*, Lantmännen Unibake in particular continues to develop well, and sales and profitability have increased in virtually all markets. The major investments made in the new bakeries in Poland and Belgium are progressing according to plan, as are operations in the acquired bakery business in Melbourne. During the year, Lantmännen Cerealia carried out an extensive improvement program, which has now started to produce the intended effects in the form of improved productivity and lower cost levels.

The *Swecon Business Area* has delivered its highest operating income ever. The level of activity during the year was high in all Swecon's markets, although there were some signs of a slowdown in the final months of the year. Demand for servicing and spare parts remains strong, due to larger machine populations and increased use of machines by customers. Another important area for the machinery operations is to ensure the availability of technical personnel.

The *Real Estate Business Area* delivered at a stable level during the year, according to plan. Several real estate development projects are in progress, and initiatives for further expansion of district heating operations in the coming years are being implemented, which include new boilers and collaborations with local operators.

High ambitions for the future

Lantmännen's long-term strategy extends to the year 2030, when it is our ambition to be the leading player in the grain value chain from field to fork in northern Europe. After a challenging period, due to the 2018 drought, we are now in a strong position and developing in line with our plans.



2019 has been a very successful year, and the next few years will be at least as exciting. Both independently and with other players, we are conducting several promising initiatives in both crop and livestock production and international business and exports. Among other things, we continue to invest in the infrastructure for grain in Sweden, and we also see good potential for continuing development in the Finnish agribusiness.

Another important area for Lantmännen, and the rest of society, is climate. In addition to the continuous efforts to reduce our climate impact from, among other things, production and transport, we also work to advance the strategic positions in the entire value chain, including production on the farm. The “Farming of the Future” report is about achieving climate-neutral farming by 2050, while increasing harvests, by using, for example, fossil-free solutions, precision farming and plant breeding.

A world-class company

The last few years have been Lantmännen’s most successful of all time, and I would venture to say that we as a company are in a stronger position than ever before. We will continue to focus on further strengthening our positions in the market:

among other things, through continued investments in infrastructure, product and service development, and research and development in all areas of activity.

I am proud of what we have achieved so far and look forward to continuing to lead future development together with our members, staff and other stakeholders. In this way and step by step, we create a world-class company, which in turn will contribute to developing Swedish agriculture into the best in the world.

Stockholm, February 2020

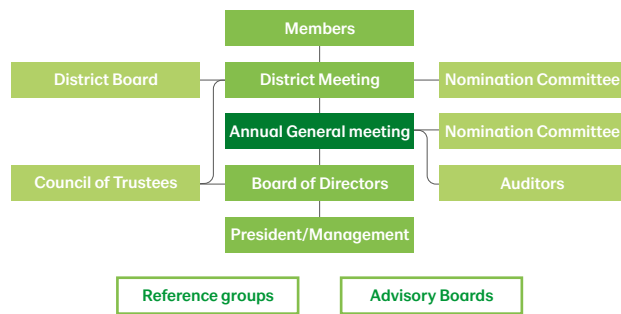
Per Olof Nyman
President & CEO, Lantmännen



Farmer-owned and member-governed

Lantmännen is a cooperative enterprise that is owned and governed by Swedish farmers. Our assignment is to contribute to the profitability of the members' farms and optimize the return on the members' capital in the association. In this way, we help to make farming thrive.

Lantmännen's ownership model



Lantmännen's *governance* is exercised in many different forums, including district meetings, the annual general meeting, the Group Board and the council of trustees. Each member has one vote, and an equal opportunity to exercise influence at member meetings and district meetings

Involvement and dialogue in the districts, membership meetings, council of trustees and different working groups are important in utilizing the strength of the cooperative form of enterprise. In this way, Lantmännen combines regional activities that are close to the customer with large-scale national and international operations.

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

Several *reference groups*, which include active members, contribute experience and views on areas such as feed, grain and sustainable farming. Three *advisory boards* within

Agricultural machinery, Swecon and Energy contribute member-oriented expertise.

During fall, the new articles of association established in 2018 became applicable, with a requirement for members to have an annual turnover of at least SEK 10,000 in their trading with Lantmännen. In this connection, about 3,500 members applied to leave the association. The *Ambassador program*, an initiative for 40 young entrepreneurs and members, was launched during the year.

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 regionally in close cooperation with Lantmännen Lantbruk and Maskin, but also work on overall strategic issues.

Council of Trustees

The Council of Trustees, which includes the chairmen of the district boards and others, advises the Board and works to promote positive development for Lantmännen. Matters dealt with have included development of the machinery business and application of the new Articles of Association. For the fall meeting, Lantmännen's feed and oat facilities in Kimstad were visited. The Council fulfills an important function for communication and information between the Group, Board and districts.

District Board Conference

The conference was held on November 28 - 29, 2019. The program focused on the "Farming of the Future" report, Lantmännen's contribution to sustainable, fossil-free

Lantmännen's 2019 AGM

The annual general meeting was held on May 8, 2019 in Stockholm. Eight motions were dealt with during the meeting. These included motions on the Swedish Farmers' Foundation for Agricultural Research, the grain unit and development of Lantmännen's forms of meeting.

Chairman Per Lindahl recommended that the meeting adopt Lantmännen's highest ever dividend. Guest speaker was Danica Cragic Jensfelt who talked about artificial intelligence and automation.



farming. The conference also included presentations of the agricultural operations, the work of the advisory board and follow-up from the AGM. All district board members and the Group Board are invited to the district board conference.

Where are earnings created?

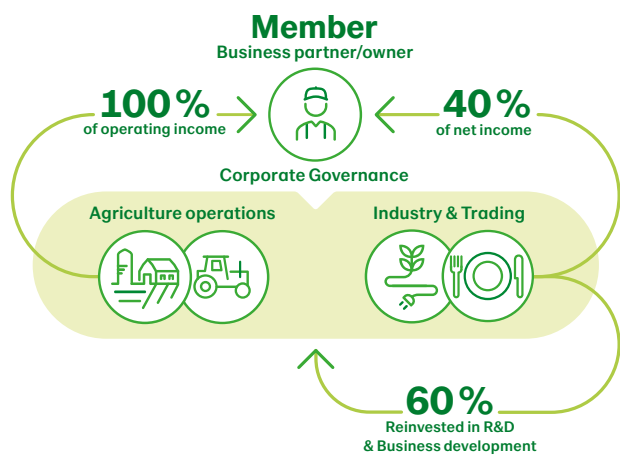
Most of the financial earnings are generated in the processing activities, e.g. processing of grain into food or bioenergy, and through sales of construction machinery. A value-creating industrial and processing business provides a market for members' grain and generates significant added value. Lantmännen also contributes to the development of agriculture through large investments in research and development in many areas.

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.

The contribution issue distribution is 50 percent on trading with Lantmännen and 50 percent on paid-in and issued contributions.

Lantmännen's cooperative ownership model is based on business partnership and ownership



Dividend¹⁾

MSEK	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Refund and supplementary payment ²⁾	205	157	245	231	188	135	129	120	110	95
Extra dividend	-	-	133	-	-	-	-	-	-	-
Contribution dividend ²⁾	237	213	222	207	193	178	171	88	78	68
Contribution issue ²⁾	288	250	100	70	50	150	-	80	152	177
Total	730	620	700	508	431	463	300	288	340	340

¹⁾ Reported amounts may include adjustments compared with previous years' proposals. ²⁾ Pursuant to Board's proposal for 2019.

Refunds and supplementary payments are based on earnings from the Swedish agriculture operations, Lantmännen Lantbruk, Lantmännen Maskin and Swecon. Contribution dividends and contribution issues are mainly based on the results of the processing and industrial operations in Sweden and internationally: food, energy, construction machinery and real estate.

Dividend in four ways

All members of Lantmännen share in the dividend from the association. Refunds are calculated on members' purchases from Lantmännen Lantbruk, Lantmännen Maskin and Swecon's Swedish operations.

Supplementary payments are calculated on members' sales of grain, oilseeds and pulses to Lantmännen Lantbruk. Contribution dividends are paid in proportion to members' paid-in and issued contribution capital. Contribution issues mean that some of the earnings, mainly from Lantmännen's industrial operations, are distributed among the members by transferring collective capital to individual capital.

Contributed capital – paid-in and issued

Lantmännen's members invest capital through their contributions in the association. Contributed capital amounted to MSEK 2,959 (2,664) at the end of 2019 and consisted of paid-in contributions of MSEK 1,373 (1,318) and issued contributions of MSEK 1,586 (1,346).

Contributed capital

MSEK	2019	2018	2017	2016	2015
Paid-in contributions	1,373	1,318	1,208	1,101	986
Issued contributions	1,586	1,346	1,256	1,198	1,160
Total	2,959	2,664	2,464	2,299	2,146

Dividend proposal

For 2019, the Board has proposed that the AGM adopt a dividend in the form of a refund and supplementary payment of 1.75 (1.5) percent on trading with Lantmännen Lantbruk Sweden and a 1.0 (0.5) percent refund on members' purchases from Lantmännen Maskin's and Swecon's Swedish operations. The total refund and supplementary payment is estimated at MSEK 205 (157).



“ **Lantmännen’s mission is to contribute to the profitability of members’ farms and optimize the return on their capital in the association.** ”

The Board proposes a contribution dividend of 8 (8) percent of the contributions’ nominal value, totaling MSEK 237 (213), and a contribution issue of MSEK 288 (250).

In addition, a 6.5 (5.25) percent dividend on subordinated debentures, totaling MSEK 16 (13), is proposed, based on the conditions in the subordinated debenture offer. The subordinated debentures have a term of 5 years and matured on December 30, 2019.

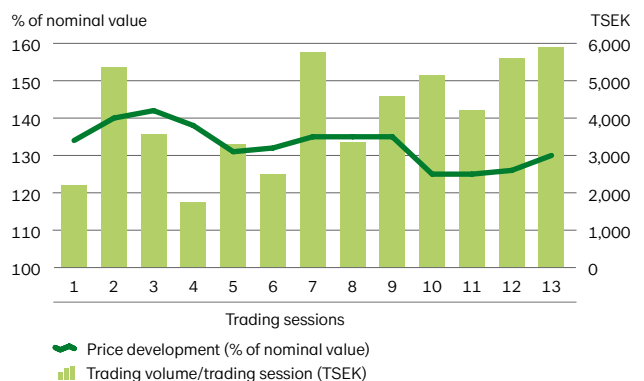
In November 2019, the Group Board decided on a new program for subordinated debentures. New subordinated debentures totaling MSEK 250 were issued in January 2020.

“ **Through effective, customer-oriented agribusiness and strong operations throughout the grain value chain, both in Sweden and internationally, long-term profitability is created.** ”

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 13 (11) trading sessions in 2019 and the total turnover was MSEK 53 (19). The transaction price varied between 125 and 142 percent of the nominal value.

Contribution issues – trading and price trend



Market and business environment

Lantmännen's principal market is northern Europe, with a focus on the Nordic and Baltic Sea regions. In most of Lantmännen's geographical markets, several parallel businesses of varying sizes are conducted.

Lantmännen is well-positioned in our main markets in the Baltic Sea region. This is where we have our largest sales, but we also operate in global growth markets, both through wholly and partly owned companies and partnerships.

Lantmännen's position from field to fork is a unique platform to create a winning value chain – locally and globally.

A changing world – Global megatrends

- **Global and urban middle class**, trade and exports to Asia and Africa are increasingly important for northern European players.
- **Consumer trends** that affect demand are taste, health, origin, sustainability and convenience.
- **Growth for animal protein** in emerging economies, but increased plant-based eating in developed economies.
- **Customer channel shift** from food retail stores to restaurants, specialty stores and e-commerce.
- **Digitalization** creates new opportunities for productivity improvement and new customer experiences.
- **Sustainability** with a focus on climate. New consumer trends and re-prioritization in the industry.
- **Political risks** such as increased protectionism and uncertain trade policy; increased focus on self-sufficiency within food.

Market developments

European consolidation in agribusiness and the grain value chain are accelerating through an underlying need to reduce costs and increase market influence in the value chain. Urbanization and rising incomes are increasing the proportion of middle class with higher purchasing power, notably in Asia and Africa, which opens up new export opportunities for Lantmännen. The protein shift in emerging markets is driving demand for raw materials from arable land and creating growing global demand for feed. Consumption of Swedish meat is increasing in the Swedish market.

The market for green food is growing.

Healthy foods are becoming more and more important, driven by consumer demand. Vegetarianism continues to be a strong trend, particularly in the Swedish market where 43 percent of people eat vegetarian at least once a week. Health is the

Nordic consumer trends

Taste – a fundamental prerequisite

Health – with enjoyment and balance as obvious elements

Origin – local production and transparency still important

Sustainability – consumer demand creates new opportunities

Convenience – “To go” still strong, large proportion of food expenditure goes on restaurants



strongest contributing reason for choosing to eat vegetarian. Demand for beans, peas and fiber-rich bread is growing, which brings positive growth opportunities for Lantmännen.

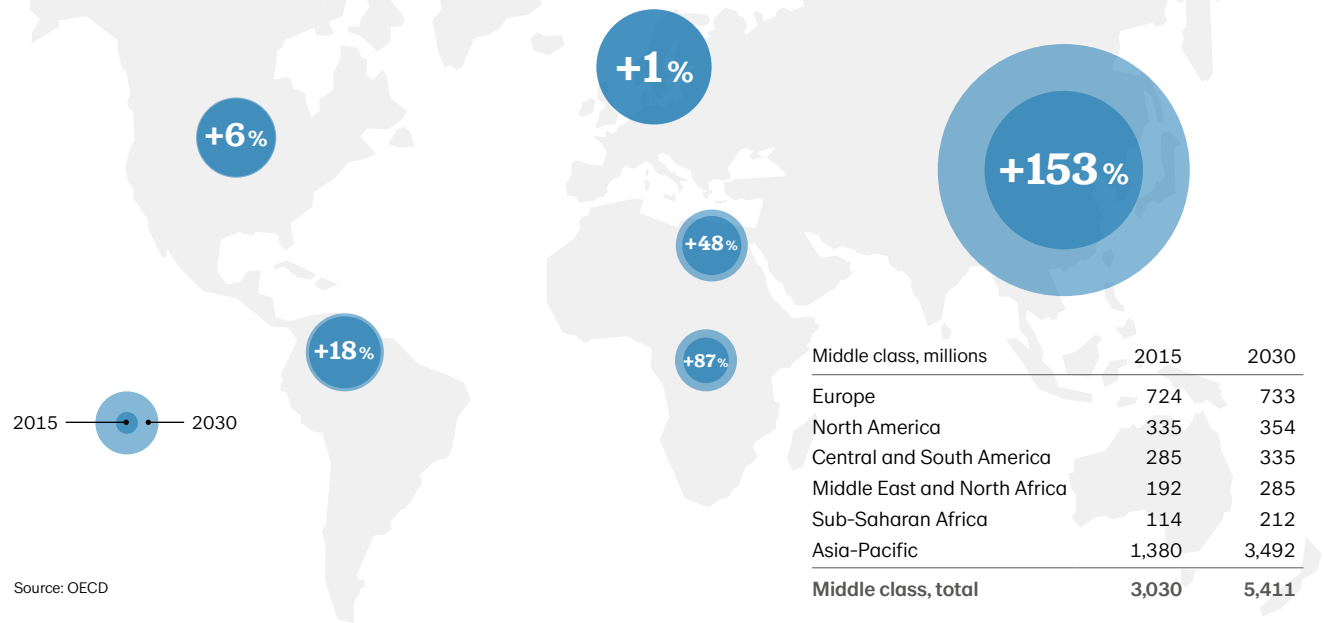
Bioenergy

Lantmännen sees increased interest in a bio-economy and bioenergy in Sweden and the rest of the EU. The common target for the EU is for 10 percent of energy in the transport sector to come from renewable energy by 2020 and 14 percent by 2030. The difficulties in achieving defined climate targets could reverse the frequent negative views of crop-based biofuels in the EU.

Growth in Lantmännen's main markets

	% of Group's sales		Expected GDP growth 2020
	2019	2018	
Sweden	43	45	1.9 %
Finland	14	13	1.6 %
Germany	11	12	1.4 %
Denmark	7	7	1.6 %
Norway	4	5	2.3 %
United Kingdom	4	4	1.1 %
Baltic region	3	2	2.7 %
Poland	1	1	3.3 %
Main markets, total	87	89	

Rapidly growing middle class is increasing global demand



Growing middle class

The middle class in Asia-Pacific is expected to grow by two billion people by 2030



Changing eating habits

Globally increased demand for animal protein is also driving demand for grain and feed



Shift eastwards

Economic power and consumer demand are gradually shifting eastwards



Long-term growth

Global underlying growth in demand for agricultural and food products

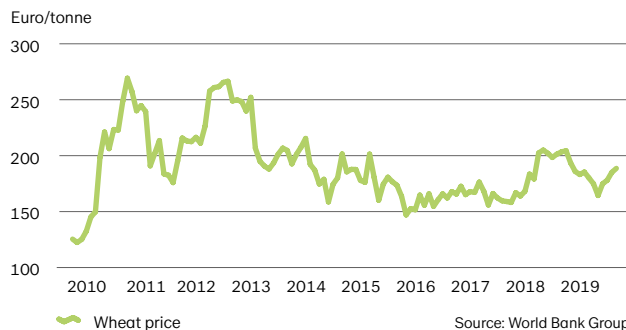
The grain and feed market

Natural conditions mean that grain and ley are the dominant field crops in the Baltic Sea region, representing the basis for both crop and livestock production. The market is dominated by intense competition and a price focus. It is also affected by temporary changes in the weather and, in the longer term, climate change.

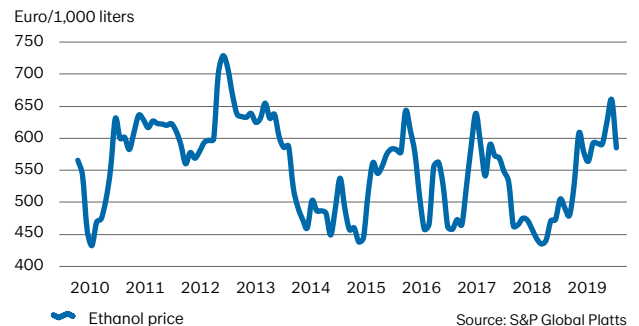


Climate change means many challenges for farmers globally, but it also presents many new opportunities for Swedish agriculture.

Volatile price trend on the commodity exchange for wheat



Volatile price trend on the commodity exchange for ethanol



Our strategy from Field to Fork 2030

Lantmännen's Field to Fork 2030 strategy is aimed at developing operations in the Baltic Sea region and continuing the drive to become northern Europe's leading player in the grain value chain. The ambition is to reach world class together with the members.



Lantmännen provides products and services

Lantmännen creates value from arable land

Our assignment is the basis for the strategy

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

Our long-term goal

Lantmännen will be a leading participant in the grain value chain from field to fork in northern Europe.



Our position from field to fork is a unique platform to create value from arable land – both locally and globally.

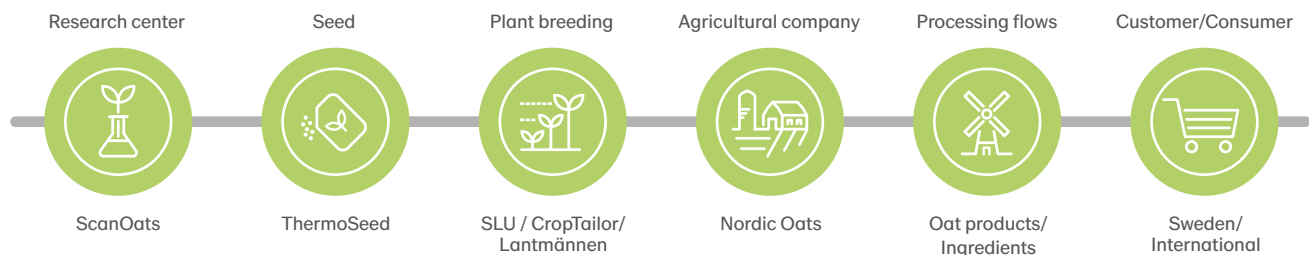
Today and for the future, we see increasing demand for raw materials, new advances in innovation and sustainability, and the strength of being an agricultural cooperative as key issues for our strategy. The market development offers great potential to increase both volumes and profitability in all parts of the value chain, which in turn increases farmers' competitiveness and the return to our members. Lantmännen will develop businesses throughout the value chain.

Lantmännen's goals for strategic position 2030

**FIELD TO FORK
2030**

- Northern Europe's leading agribusiness company
- A leading food company based on arable land resources and with a Nordic tradition and origin
- Leading player in circular and arable land-based biorefinery in the Baltic Sea region
- Globally leading bakery company with a strong base in northern Europe
- Northern Europe's leading malting company aimed at global customers
- Leading distributor of construction equipment in northern Europe
- A number of profitable new businesses based on innovation from field to fork
- A well-developed and profitable portfolio of strategic holdings

Lantmännen's oat value chain is one example of how we strengthen members' positions



Lantmännen is well positioned in the oat value chain with strong collaborations in both R&D and in plant breeding, and through ThermoSeed we have our own technology for chemical-free seed treatment. We already have a large commercial business for both grain and consumer products.

The foundation of the strategy is based on four main areas

- 1 As a business partner to agriculture, to develop long-term, profitable agricultural companies with arable land as the basis – farming productivity increases through advice, development of feed and cultivation methods, agricultural machinery and digitalization.
- 2 To develop an internationally competitive grain business – through grain trading and through increased value creation in the grain value chain, we also enable increased profitability on the farm.
- 3 Our unique position throughout the value chain from field to fork enables new business concepts, based on leadership in sustainability and innovation, to be created in the processing industry and new businesses that generate increased profitability, e.g. a leading position in oats.
- 4 On the basis of our value chain, to invest in businesses close to or complementing our core business through strategic portfolio holdings.



Group-wide projects and initiatives for profitable growth

Grain strategy

The grain strategy *from field to fork* is a central pillar of Lantmännen's strategy, with a focus on developing the grain unit and further developing the infrastructure. Lantmännen also works to expand the grain business through portfolio holdings in the Baltic Sea region.

Feed and livestock strategy

Demand for animal products and feed is rising globally. Lantmännen has a leading position in feed in Sweden and Finland.

Our digital agriculture – LM²

Lantmännen drives digital agriculture development through digital services and tools in the LM² portal.

Functional foods

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

Exports from field to fork

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

Innovation initiatives

To generate value in agriculture, strong emphasis is placed on independent and collaborative research and development of products and services in feed, agri-supply, machinery and digitalization of agriculture.

Plastic and packaging

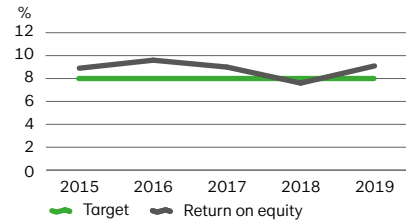
Lantmännen has developed a plastic strategy for better resource efficiency and reduced climate impact.

Lantmännen's strategic targets

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

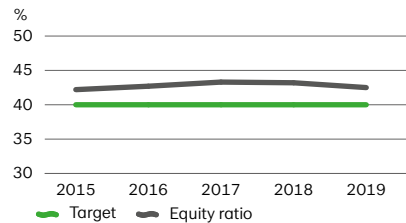
Return on equity Target **8%** Outcome **9.1%**

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. Return on equity was 9.1 (7.6) percent in 2019. The average return on equity for the last five years is 8.8 percent.



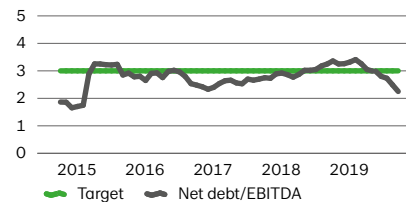
Equity ratio Target **40%** Outcome **42.5%**

Lantmännen's target for the equity ratio is a minimum of 40 percent, which reflects Lantmännen's desired financial risk profile and the Board's view of long-term financial stability. The equity ratio at December 31, 2019 was 42.5 (43.2) percent.



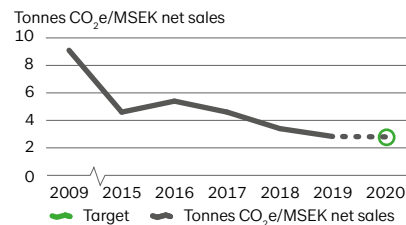
Net debt*/EBITDA* Target **<3** Outcome **2.25**

Net debt/EBITDA indicates how fast a company can repay its debt (expressed in years). Lantmännen's aim is to maintain a net debt/EBITDA ratio of below 3, in order to ensure financial stability. The present net debt/EBITDA ratio is 2.25 (3.25). * According to bank definition.



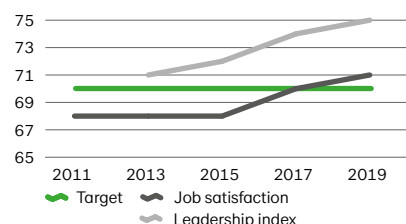
Climate Target **40%** Outcome **39%**

The Group's target is to reduce climate emissions from its operations by 40 percent in the period 2015-2020, calculated as CO₂e tonnes per MSEK net sales. Transition to renewable electricity, energy efficiency measures and conversion to renewable fuels reduced climate emissions in 2019. The 2019 outcome was 39 (26) percent, which is well on track to reach the target by 2020.



Employees/Leadership Target **70** Outcome **71/75**

Our employees' job satisfaction and good leadership are key to Lantmännen's success. These indexes are followed up in the Insight employee survey, conducted every two years. The employee survey in fall 2019 showed a strong result. We exceeded the job satisfaction target: 71 (70) and the leadership target: 75 (74).



Description of financial performance measures, see → page 140.

Sustainable business development

Lantmännen is a driving force in the development towards sustainable food and bioenergy systems. Renewable raw materials from arable land are the basis of our development of circular business, where cultivation potential is optimized, flows are closed and resource efficiency increases with minimal impact on people and the environment.

Lantmännen's strength is knowledge, presence and cooperation throughout the value chain, and investments in research and innovation. This is a basis for the development of our offerings to meet the market's needs for products with sustainable added values for health, climate and the environment. Strategic work with key stakeholders is of vital importance.

Four focus areas

Lantmännen works in four focus areas, in which we manage sustainability opportunities and challenges, with goals for what we want to achieve.

- *Sustainable farming*: we take an active role, driving the development towards more sustainable farming, which leads to increased availability of sustainable food, bioenergy and bio-based materials.

- *Sustainable products*: Lantmännen develops and offers innovative products and services in agriculture, bioenergy and food, with sustainable added values for health, climate and the environment.
- *Safe and resource-efficient production*: Our production must be efficient, and we work constantly to optimize resources at all stages. At the same time, production must be safe for our employees and other parties.
- *Responsibility in the supply chain*: We work methodically to promote responsibility in the supply chain so that participants feel confident in our knowledge and control, and minimization of negative impacts on people, animals, the environment and natural resources.

Learn more at [→ lantmannen.com](https://lantmannen.com)

“

We develop sustainable products and services, climate-smart feed and healthy food, climate-calculated raw materials and ethanol with leading sustainability performance.



Farming of the future

We are living in a time of great challenges, where farming is one of the key pieces of the puzzle in terms of achieving sustainable development globally. Lantmännen has analyzed the potential for farming of the future.

Swedish farming is considered to be among the most sustainable in the world. Even so, many challenges remain, such as reducing the climate impact, increasing environmental benefits and safeguarding biodiversity. At the same time, production needs to increase in order to meet growing demand for food and bio-based raw materials. In addition,



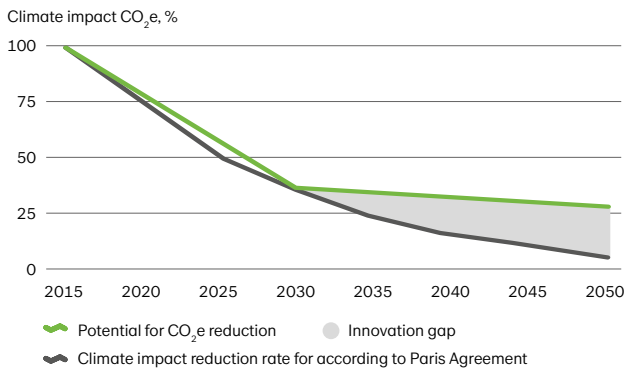
Lantmännen's report on farming of the future shows the path towards increased production and reduced climate and environmental impacts.

the cultivation method must enable the cropland's long-term soil fertility to be maintained. Profitable Swedish farms are a prerequisite for ensuring continued investments in thriving Swedish farming. Big leaps in innovation are also needed. This will require engagement from participants throughout the value chain up to the end consumer; sustainably produced Swedish food must be valued higher.

Lantmännen has, together with Swedish farmers, always taken responsibility for the development of farming. Arable land is the most important and valuable resource in our business. Lantmännen's cooperative model, with 20,000 farmers as owners, means that there are many of us sharing the responsibility and investing in it. The profits go back to Swedish farming as a dividend to the owners and through Lantmännen's investments in research.

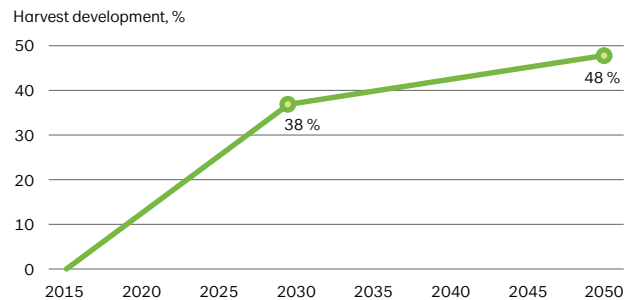
Innovation, sustainability and a long-term approach are key concepts and every year MSEK 250-350 is allocated for research – both independently and in partnership with other companies and organizations. With operations throughout the value chain from field to fork, we have good conditions to continue the transition and to drive change. We are now increasing the pace to deal with the challenges for farming of the future.

Potential for reduced climate impact by 2050



Potential to reduce farming's climate impact, calculated per tonne of winter wheat, and the gap to the Paris Agreement, i.e., the reduction rate required to achieve the global climate target, which is to halve climate emissions every decade.

Potential for harvest development 2015-2050



Potential for harvest increase 2015-2050, calculated per hectare of winter wheat. Read more in the report Farming of the Future.



The cultivation stage is the most important

Carbohydrates, proteins and other nutrients are built up in the cultivation stage. It is therefore only natural that most of the resources are consumed and most of the environmental impact arises during cultivation. During the cultivation stage, carbon dioxide is also bound into the crop and some remains in the soil, mainly in the root systems. Certain emissions are unavoidable, as they are connected with biological processes, and this is taken into account in the Paris Agreement and the Swedish climate targets.

Towards farming of the future

In 2019, Lantmännen has intensified its work on identifying areas that are critical to sustainable Swedish farming by 2050. We see that there is potential for Swedish farming to meet international and national climate and environmental targets and, in parallel, increase harvests by up to 40 percent by 2030 and 50 percent by 2050.

The transition affects parties throughout the value chain, including farmers, business partners, trade, authorities, politicians and consumers. In addition, it requires the following:

- Access to sustainable agri-supply such as fuel, plant nutrition and plant protection, and applying and using best available techniques to realize the potential.
- Policy instruments that reward sustainable cultivation methods and agri-supply.
- Significantly increasing resources for research and innovation.

For Lantmännen, this means taking a leading role in driving development based on our research activities and businesses. We actively seek partnership and collaboration to find the solutions that will take us to farming of the future.

Cultivation program driving development

Climate & Nature, Lantmännen's cultivation program for farming of the future, gives business partners and consumers

the opportunity to contribute to the development already.

Under the program, flour is grown with reduced climate impact and increased biodiversity. The climate footprint of wheat and rye grown under the program has decreased by 20 percent since 2015, and more favorable conditions have been created for skylarks. This is done while maintaining a high cultivation yield and good grain quality. New criteria have been added prior to the 2020 harvest, which mean that the climate impact will be reduced by a further 10 percent through fossil-free tractor driving and biodiversity-promoting activities such as flower zones. Looking ahead, we see, for example, that fossil-free mineral fertilizers, plant breeding and precision farming will be important in reducing the climate impact, as will broadening the cultivation program to include more crops.

Potential for a production increase per hectare of winter wheat is about 50 percent and potential for a reduction in the climate impact is 70 percent by 2050 with today's known technology and knowledge.



The path to farming of the future, with 2050 as the target year, will require efforts from the entire industry.

The organic value chain

Lantmännen is a major participant in the Swedish organic market. Consumer demand has been declining but has stabilized at a high level, and by developing the organic value chain, Lantmännen can help to strengthen Swedish farmers' competitiveness. The strategy for the organic business has a target to double trade in organic grain in the period 2016-2020. The result in 2019 was 115,000, a slight increase from 2018. Lantmännen continues to play an active role in strengthening the conditions for organic production and exports.

New climate target for primary production

Our climate work is aligned with the Paris Agreement target, which is to halve emissions every decade. Lantmännen has analyzed the potential for farming of the future and on this basis adopted a new climate target.

We will create the conditions for sustainable primary production, which includes the first part of the cultivation stage – what happens on the farm – with halved climate emissions every decade to reach climate neutrality by 2050. At the same time, biodiversity will be promoted and production increased to ensure food security for a growing population. This means we will offer products with leading climate performance based on consumer and customer demand.

“

Lantmännen's climate work is aimed at reducing our own impacts and equipping our operations for the conditions of the future in order to contribute to more climate-smart production of food, energy and bio-based products.

We will drive the development of knowledge, technology and cultivation methods in order to achieve the target and develop products and services that enable agricultural companies to achieve the target. A mapping study presented in the *Farming of the future* report defines sustainable farming

and the measures that reduce climate and other environmental impacts while increasing production.

Climate targets for production and transport

Since 2009, we have had ambitious targets for reducing the climate impact from our own production. Between 2009 and 2015, the climate impact from own production was reduced by 40 percent and we are working for a further 40 percent reduction by 2020.

The outcome for the year is a reduction of 39 percent from 2015. Work is in progress to improve energy efficiency and phase out fossil energy sources in grain handling, district heating production and bakery operations. We are already well on the way to achieving our targets of fossil-free production in Sweden and Norway by 2025 and are working towards the targets of 2030 for the rest of the Nordic region and 2040 for the rest of Europe.

Lantmännen also has a target to reduce the climate impact from purchased transport by 70 percent by 2030. During the year, we have drawn up strategies for more sustainable fuel choices and for monitoring methods that drive improvements. This year's results continue to be in line with the base year 2009 and further work is required for reductions. Learn more on [→](#) pages 22 and 150.



Innovation for future competitiveness

Every year, we invest MSEK 250-350 in R&D to increase the value of grain from field to fork. Research is needed to meet challenges of the future and uphold our competitiveness. Through these investments, we create new businesses in partnership with the agricultural companies.

Innovation provides crops for future farming

Future farming needs robust cropping systems with high productivity in varying weather and climate conditions. It must be possible to increase production while minimizing environmental effects and protecting biodiversity. Through Lantmännen's research foundation, the *genomic selection* method, which shows good results for oats, has also been introduced into the spring wheat breeding program.



Lantmännen supports projects that utilize the potential of the agricultural value chain and contribute to a bio-based society.

Digital development

There is great potential to improve yield, quality and sustainability through precision farming and digitalization. With support from Lantmännen and other companies, the RISE research institute has initiated a testbed for digitalized agriculture, which tests and develops new technologies and innovations in agriculture in a real environment.

In the long term, these initiatives may lead to connected fields, self-driving machinery and data analysis systems that contribute to more sustainable and profitable agriculture.

Plant-based food

Lantmännen strives for new knowledge for good, healthy and innovative food. Examples include research that improves bread quality, durability, and fractionation of grain and legumes for new ingredients.

We also work on developing businesses with health-promoting substances, such as cholesterol-lowering beta glucan. In a project supported by Lantmännen Research Foundation, researchers have shown that the content of beta glucan in barley and oats can be doubled through plant breeding. Through support from Lantmännen, researchers have devised a method that dissolves a fiber layer in wheat bran. This enables protein to be released, concentrated and used as a food ingredient. Lantmännen's food research investments include research on healthy antioxidants contained in broccoli.

Circular business development

Lantmännen runs projects that utilize the potential of the agricultural value chain and contribute to a bio-based society. Three industrial doctoral students are working on research results in business and product development. The projects focus on forage, milk quality and functional food ingredients. Their common aim is to increase the quality and value of raw material and side streams.

Partnership and competence forum

Lantmännen and SLU Grogrund are running projects on demand for plant-based, protein-rich products and their qualities. One example is the genomic selection method, which will produce new timothy varieties for cultivation throughout the country.

ScanOats at Lund University conducts industrial research with support from Lantmännen. The focus is on oats, from plant breeding and cultivation to products with positive health effects.

Timothy is Sweden's most cultivated meadow grass and contributes to efficient roughage production and generally positive effects of ley on soil organic matter.



Lantmännen Research Foundation

Lantmännen Research Foundation invests MSEK 25 annually in research at universities and institutions. In open calls, projects are selected in agriculture and machinery, bioenergy and green materials, food and packaging. The goal is to increase agricultural production with minimal environmental impact, the contribution of agriculture to a bio-based society and knowledge about grain and legumes for sustainable food of the future

Lantmännen Greenhouse

Lantmännen Greenhouse is a development program that receives innovative business ideas from employees, members, entrepreneurs and startups. In 2019, the program had a special focus on feed. Lantmännen Greenhouse won the food industry award "Livsmedelspriset 2019".



Active dialogue and cooperation

Cooperation between politicians, industry and interest groups is important to meet the challenges of the future. Through active advocacy, Lantmännen contributes to positive social development that also promotes our businesses.

Strengthened Swedish food production

The Swedish food strategy is aimed at increasing food production by fully utilizing and developing the food value chain. Important issues are increased exports, innovation, competitiveness and climate. Lantmännen participates actively by developing initiatives, such as the Sweden Food Arena, which has the mission to increase innovation in the food value chain and strengthen competitiveness.

Initiatives for increased growth

In partnership, Lantmännen is pursuing several initiatives for increased growth in Swedish agriculture and food production. The company *Tillväxt för svensk animalieproduktion* is run together with LRF and HKScan and offers farmers capital for investments that contribute to growth and competitiveness. Together with Växa, LRF and Hushållningssällskapet,



Lantmännen is investing in increased precision farming and digital agricultural services. *Animore* brings together participants in a competence hub to develop innovative products for increased competitiveness in Swedish livestock production.

Important regulatory issues during the year

Lantmännen pursues specific regulatory issues that are of major importance to our businesses. Examples of important issues in the EU are the view on crop-based biofuels and the climate impact of agriculture. Lantmännen's focus areas in Sweden include energy use in agriculture and the conditions for domestic production of biofuels.

The EU has recently launched the Green Deal, which will review and sharpen virtually all regulations and strategies connected with climate, energy and the environment. This is likely to affect the bioenergy and food value chains, both in the primary production and in industry stages. Lantmännen's strategy is well in line with the Green Deal.

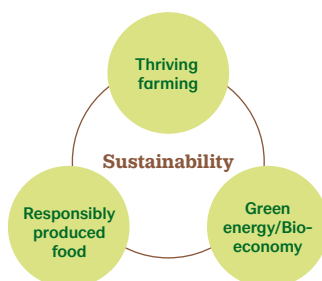
Industry initiatives and cooperation forums

Lantmännen participates in several organizations and was involved in creating the Responsible Shipping Initiative and joined Transparency International Sweden's Corporate Supporters Forum during the year. Lantmännen is also working with LRF and others to develop a roadmap for fossil free competitiveness for *Fossil Free Sweden*. Lantmännen drives issues such as responsibly produced soy and palm oil through industry cooperation.

Lantmännen's current dialogue topics

Examples of current topics in 2019

- Sweden's national food strategy
- Transport and climate policy instruments
- Farming's climate impact and sustainable farming issues
- 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, LRF Plant Breeding, Svensk Kooperation
- *Responsibly produced food*: Swedish Food Federation, Consumer associations, Sustainable Food Chain, Swedish Soy Dialogue
- *Green energy/Bio-economy*: Haga Initiative, SPBI, Copa/Cogeca, Svebio, World Bioenergy Assoc., Klimatneutrala Godstransporter and ePURE

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 and more engaging workplaces.

Committed employees and leaders

An employee survey is conducted every two years to monitor the effectiveness of employee commitment and leadership. The results of the most recent survey in fall 2019 were 71 (70) for job satisfaction and 75 (74) for the leadership index. The scores have improved since the previous survey and are above the average for comparable companies.



Lantmännen works continuously to further develop skills and leadership. Key elements in achieving the targets are our recruitment process, leadership and internal development opportunities.

Annual performance appraisals are held, focusing on individual performance in relation to defined targets and our values. An important aspect is the employee's short and long-term development plan.

Lantmännen continues the process of objectively identifying and assessing long-term development potential, and the work on our international development programs for high-potential employees. In 2019, 46 (48) percent of all managerial recruitments were filled with internal candidates

and the target for 2020 is 50 percent. 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.

An attractive employer

In 2019, efforts to strengthen Lantmännen's brand as an employer and communication with employees continued. The overall purpose is to create pride and passion among existing employees – and to attract potential employees and arouse their interest in Lantmännen.

Lantmännen has been named "Sweden's Talent Company of the Year" after being nominated by the talent network 4Potentials for the sixth consecutive year. The award goes to the company that is best at attracting, recruiting, developing and retaining talented employees. Lantmännen has also been named "Årets raket" in the latest rankings from the company Universum, which measures the attractiveness of companies to economics and engineering students.

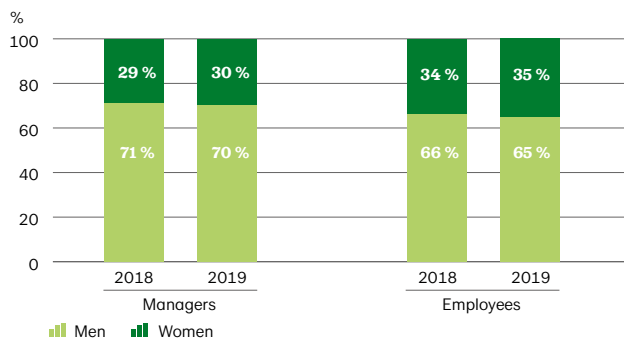
Lantmännen has a regular trainee program with training in leadership and business development.

In addition to monetary compensation and benefits, Lantmännen's remuneration policy covers factors such as work-life balance, international assignments, development and estimates, and long-term incentives for senior executives. >>

Our employees – Geographic distribution



Gender distribution





Good leadership and high job satisfaction
– measured every two years

Increased diversity
in management groups and teams

Internal mobility
one in two managers to be recruited internally

Safe work environment
focus on minimizing accidents and sick leave

Safe work environment

Lantmännen takes active measures to create a good safety culture, including working systematically to identify and minimize risks in the work environment by regularly monitoring health and safety systems. Monitoring also includes about 60 annual injury prevention inspections at the production facilities. Health and safety training is held continuously, and tools will be developed to increase awareness and knowledge in this area.

A web-based tool for reporting, investigation and follow-up of accidents, incidents and risk observations is available in the organization. In 2019, the injury rate fell to 12.8 and Lantmännen has a new injury rate target of <1 by 2030. During the year, a tragic car accident occurred on a public road, in which a Lantmännen employee died.

Based on the results of the *Insight* employee survey, continuous efforts are devoted to identifying areas for improvement

and improving health aspects, particularly for the psychosocial work environment and workload. Sick leave has declined in 2019 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 12 (15) reports from five countries were recorded in 2019. All cases were dealt with by Lantmännen's Whistleblowing Committee and investigations have been carried out. After the Whistleblowing Committee's comments, a number of reports have resulted in strengthened leadership, briefing and training of managers and improved local procedures.

Learn more on [➔](#) page 147.

Our employees, work-related accidents and incidents

	2019	2018
Number of fatalities due to accidents	1 ¹⁾	0
Number of accidents ²⁾	221	227
Injury rate ³⁾	12.8	13.4
Number of reported incidents ⁴⁾	3,027	2,896
Number of risk observations	5,334	4,834

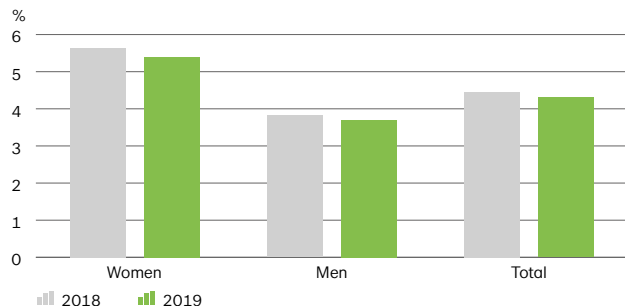
¹⁾ During the year, a tragic car accident occurred on a public road, in which a Lantmännen employee died. The causes of the accident were beyond Lantmännen's control.

²⁾ Work-related accident resulting in at least one day's absence after the accident occurred.

³⁾ Injury rate is defined as the number of accidents per million actual hours worked.

⁴⁾ Incidents are defined as unintended events that could have resulted in ill health or an accident.

Sick leave





Our Sectors and Business Areas

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Agriculture Sector

The Agriculture Sector, which constitutes Lantmännen's core business, develops and offers products and services to promote strong, competitive farming.

The Sector operates both in Sweden and internationally and accounts for 42 percent of Lantmännen's sales.



Agriculture Sector

We create conditions for sustainable agribusiness with long-term profitability

The Agriculture Sector is based in Sweden and is a strong player in the Baltic Sea region, with wholly and partly-owned international companies. The Sector includes *Lantmännen Lantbruk Sverige*, *Lantmännen Krafft*, *Lantmännen Agro Oy*, *Lantmännen Feed Oy*, *Lantmännen Agro A/S*, *Lantmännen SW Seed BV* and *Lantmännen Maskin*. The Sector is also responsible for Lantmännen's ownership interests in *Dataväxt* and *Gyllebo Gödning*, the German group *HaGe Kiel*, *Scandagra Group* in the Baltic region and *Scandagra Polska* in Poland. See → page 58.

The Swedish operations offer a wide range of products for crop production, livestock production and equine operations, sales of agricultural machinery, advice and spare parts, agricultural machinery servicing and are also a major player in the grain market. In Finland, the Sector provides feed, agri-supply for crop production and spare parts and equipment. The Sector works on innovation and development of, among other things, sustainable seed treatment, digital services, organic fertilizer and plant breeding.

Market and business environment

The 2018 drought also affected operations in 2019. During the first half of 2019, grain availability was limited, as was farmers' investment capacity due to liquidity pressure. Turning to livestock, there is a positive trend in all production segments. The spread of African swine fever has had a major impact on the international pig market.

Key sustainability issues

Lantmännen works to promote sustainable agriculture with energy-efficient and safe machinery, resource-efficient production and sustainable cultivation methods, feed raw materials and low-impact transport. We also focus on safe working environments, and responsible sourcing and business relationships.

Our work on sustainable production has resulted in reduced energy consumption and the conversion to renewable energy has reduced carbon dioxide emissions by about 90 percent from 2009. Within the framework of SLU Grogrund, we are developing new and adapted crops to meet demand and a changing climate.

Outlook for 2020

There is a major focus on ensuring the right capacity and quality within all the Sector's businesses. We are working to coordinate the Finnish operations and create the conditions for stable growth in Finland. Within the machinery business, activities are continuing under the *Reach* change program to achieve cost leadership and reduce tied-up capital. Also important is the work on leading digital development of new agricultural services and business opportunities.

Agriculture Sector, key figures	2019	2018
Net sales, MSEK ¹⁾	21,841	19,338
Operating income, MSEK	83	131
Operating margin, %	0,4	0,7
Return on operating capital, %	1,0	2,0
Investments in non-current assets, MSEK	189	260
Average number of employees	1,734	1,678
of which women/men, %	24/76	23/77
Women/men in executive management, %	33/67	44/56
Sick leave, %	2,7	3,6
CO ₂ emissions, thousand tonnes	11	7

¹⁾ Including intra-Group sales.

Excl. items affecting comparability	2019	2018
Operating income, MSEK	210	197
Operating margin, %	1,0	1,0
Return on operating capital, %	2,5	3,0



Agriculture Sector's brands



Lantmännen Lantbruk Sweden

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

The Swedish operations experienced positive development during the year, notably in the feed business where market shares have increased. The 2018 drought mainly affected the grain business in the first half of 2019, with a negative effect on the result. A strong focus has been placed on quality work at all stages of the operations. The collaboration with Dataväxt has been strengthened and an extended collaboration with Hushållningssällskapet on joint digital development has been initiated.

Grain

Lantmännen Lantbruk Sweden buys and sells grain, oilseeds and pulses. Half of the quantity is used in Lantmännen's own industries. The export business is significant and sales are mainly to Europe and North Africa, but also to North America.

The low harvest of 2018 led to low grain purchase volumes from farmers. To supply Lantmännen's own industries, we needed to import grain, which caused higher costs for handling and quality deficiencies.

Sweden brought in a large harvest of 6.6 million tonnes in 2019, with the grain harvested at the beginning of the harvest period maintaining good quality. Rain from the end of August resulted in poorer quality in all crops. The large

harvest means that external sales are back to normal levels with large deliveries during fall, and previously established customers have been able to resume deliveries from Lantmännen. Overall, the country's farmers have brought in a large forage harvest, which has been much needed after the previous roughage shortage.



External sales are back to normal levels after the year's large harvest.

The work on reducing costs related to quality deficiencies has been successful. Investments to increase storage and drying capacity have enabled Lantmännen to handle the volumes efficiently, despite the intense and high harvest pressure of higher than normal water content. The facility in Hargshamn, which was opened in the lead-up to the 2019 harvest, has had start-up problems but will be an important facility for deliveries to larger vessels. The new facility in Hammenhög is also an important part of the capacity work and will be commissioned in time for the 2020 harvest. ►►

Lantmännen Lantbruk Sweden, key figures

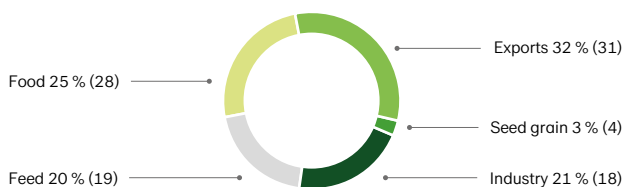
	2019	2018
Net sales, MSEK ¹⁾	13,181	11,622
Operating income, MSEK	109	38
Operating margin, %	0.8	0.3
Return on operating capital, %	2.6	1.1
Investments in non-current assets, MSEK	181	219
Average number of employees	791	757
of which women/men, %	35/65	35/65

¹⁾ Including intra-Group sales.

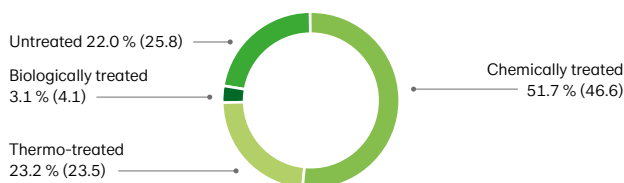
Excl. items affecting comparability

	2019	2018
Operating income, MSEK	109	104
Operating margin, %	0.8	0.9
Return on operating capital, %	2.6	3.0

Use of total volume of sold grain



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





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

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



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We facilitate the livestock farm's daily choices – everything they need for feeding, grazing, hygiene and well-being, and silage as a functioning whole.

Lantmännen Lantbruk produces and sells feed and supplements for all farm animals.

Feed

Lantmännen Lantbruk produces and sells feed and supplements for all farm animals and a number of pets. The feed business has continued to develop positively in all segments. The volume increase is driven partly by the previous year's shortage of grain and roughage, and partly by increased market shares. Lantmännen's feed replacements for cattle and dairy animals account for a significant proportion of the volume increase. Lantmännen is a leader in new product development and during the year launched a new piglet range and a new sow range adapted to the new genetics, the latest research findings and new regulations. The spread of African swine fever in Asia has affected large pig-producing countries, with increased exports and rising settlement prices as a result in Europe. In Sweden, the price increase has not materialized to the same extent.

Our focus on quality has led to stable, high production results in all animal segments, contributing to a growing customer base and positive volume development. This is particularly true of poultry, where our market share for feed for laying hens is about 75 percent and for chicken over 50 percent.

Lantmännen's climate footprint for the cattle feed range has been reduced by up to 30 percent, without affecting prices and production. Work on climate-calculated feed continued during the year.

Crops

Lantmännen Lantbruk refines, produces and sells seeds in the areas of seed grain, oilseeds and grass seed. Lantmännen Lantbruk also markets pulses and a wide range of products for crop production and feed conservation.

As a result of the low harvest in 2018, the volume of spring seed has been limited and the Swedish market has had to import to a certain extent. Lantmännen has been granted a dispensation by the EU to use seed from inspected farms in seed production. Record large fall sowing in 2018, and an increased degree of Farm Saved Seeds have contributed to lower sales of spring seed. Sales of grass seed have been good and export market demand is high, particularly for organic seed, an area where Lantmännen is investing in increased cultivation. Interest in catch crops and intermediate crops is increasing and from 2020 we will be offering Swedish-grown radish and phacelia. Sales of fertilizer, plant protection and products for roughage production have shown stable development, with high supplementary purchases of silage products.

Lantmännen BioAgri

Lantmännen BioAgri develops and markets eco-friendly products for plant pest control, plant nutrients and products for growth regulation. Four new products have been developed and are under evaluation. The international expansion of ThermoSeed (conducted within ThermoSeed Global AB) has led to increased US production and the opening of two new ThermoSeed plants in France.

Lantmännen Krafft

Lantmännen Krafft is Sweden's, and one of the Nordic region's, largest suppliers of horse feed, and also has a market in the rest of Europe. Intense competition in the domestic market has adversely affected volume development, and earnings will be improved through an efficiency program.

Agriculture Sector

Lantmännen Lantbruk Finland

Lantmännen Agro Oy operates through 40 independent Lantmännen-profiled retailers in Finland providing agri-supply for crop production, feed, and spare parts and equipment. The company also trades in grain in the Finnish market. Production and sales of feed for farm animals and horses are conducted through the *Lantmännen Feed*.

In Finland, normal levels of grain and grass were harvested in 2019. Stored agri-supply has affected sales during the first half of the year. Feed sales have been slightly above the previous year's volumes. The integration process for Feed has been successful and the company has been well received in the Finnish market. Lantmännen Feed has its new name and brand and has moved to new premises. The focus has also been on implementing a new business system for Agro's retailers. A preliminary study of new e-commerce for Finnish feed customers was started.

The merger of the organizations within Agro and Feed will lead to a better and more coordinated offering to customers. Cooperation with other parts of the Sector has also been strengthened.



Lantmännen Lantbruk Finland, key figures

	2019	2018
Net sales, MSEK ¹⁾	4,617	3,612
Average number of employees	150	73
of which women/men, %	37/63	36/64

¹⁾ Including intra-Group sales.



Agriculture Sector

Rest of world

Lantmännen Agro A/S

The company is mainly engaged in the purchase of grain in Denmark, but also sells significant quantities of fertilizer. The area of Sjælland/Lolland/Falster, where the company mainly operates, brought in a large harvest. Leased storage capacity with drying capacity and the ability to load larger vessels has increased competitiveness, and stocks have been replenished with large purchase volumes.

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 2019.



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Valtra is a leader in renewable fuels and all new tractors are approved for refueling with HVO fuel.

Agriculture Sector

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 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.

Competition in the industry is fierce, with over-establishment and a reduced tractor market that is squeezing profitability in the company. The equipment business is an important part of the operations and has shown good development. In the spare parts business, the focus has been on increasing volumes and earnings, with sales in more channels and a more machine-friendly range than before. Recruitment of mechanics remains challenging.

With the customer in focus, we have worked on streamlining operations. Through the *Reach* change program, the company has a clear and actionable plan for increased profitability. Flows and processes have improved, the facility structure has changed and a new modern e-commerce platform has been developed for launch in 2020. The focus has been on increased cost leadership and reduced tied-up capital. 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. Reach has produced results and the company showed positive development in 2019.



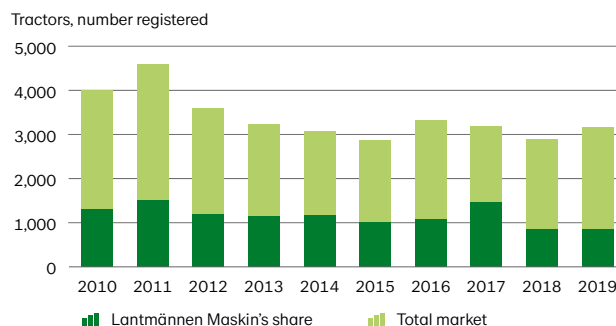
“
Fendt's new Ideal combine, developed from a blank canvas, has been launched and positively received in the Swedish market.”

Lantmännen Maskin, key figures	2019	2018
Net sales, MSEK ¹⁾	3,753	3,875
Operating income, MSEK	9	1
Operating margin, %	0.2	0.0
Return on operating capital, %	0.6	0.1
Investments in non-current assets, MSEK	3	5
Average number of employees	759	815
of which women/men, %	9/91	9/91

¹⁾ Including intra-Group sales.

Excl. items affecting comparability	2019	2018
Operating income, MSEK	9	1
Operating margin, %	0.2	0.0
Return on operating capital, %	0.6	0.1

Total market for tractors in Sweden



Energy Sector

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

Ethanol with world-leading climate efficiency

The Energy Sector comprises *Lantmännen Agroetanol*, *Lantmännen Aspen*, *Lantmännen Reppe*, *Lantmännen Oats* and the partly-owned *Scandbio*. The 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 or the export business of the Sector's own companies. The Group's climate and energy targets 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 way of reducing the transport sector's emissions. 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 shares in the small engine segment. *Lantmännen Oats* in Kimstad produces beta glucan and oat protein. The business was acquired from Tate & Lyle in March 2019.

Key sustainability issues

The Sector produces ethanol with world-leading climate performance, develops feed and products for the food industry from Swedish raw material and environmentally friendly petroleum products. In ethanol production, residual products from the food industry are recycled. Key sustainability issues include continuing development of products with added value for climate, environment and health, driving development of circular business models, efficient production, transport with a low climate impact, safe work environments, and responsible sourcing and business relationships.

Outlook for 2020

Lantmännen Agroetanol's ethanol has been in demand for a number of years, notably in Germany, but interest has also increased in Sweden. Competition in the ethanol market in Europe is likely to become tougher in the period ahead. Work continues on complementing the raw material base with alternative raw materials in addition to grain. This became particularly important after the 2018 drought, when wheat availability was significantly lower than normal. Prospects for continuing growth are considered good for Lantmännen Reppe and Lantmännen Aspen.

Energy Sector, key figures

	2019	2018
Net sales, MSEK ¹⁾	3,741	3,117
Operating income, MSEK	375	168
Operating margin, %	10.0	5.4
Return on operating capital, %	30.3	14.6
Investments in non-current assets, MSEK	80	103
Average number of employees	301	282
of which women/men, %	27/73	27/73
Women/men in executive management, %	36/64	30/70
Sick leave, %	2.4	2.5
CO ₂ emissions, thousand tonnes	21	20

¹⁾ Including intra-Group sales.

Excl. items affecting comparability

	2019	2018
Operating income, MSEK	355	200
Operating margin, %	9.5	6.4
Return on operating capital, %	28.7	17.4

Energy Sector's operations

- Lantmännen Agroetanol
- Lantmännen Aspen
- Lantmännen Reppe
- Lantmännen Oats
- International ownership, Scandbio
- Lantmännen Aspen also has operations in the US



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. The company is the Nordic region's largest ethanol producer and produces ethanol with the best climate performance.

Lantmännen Agroetanol's ethanol is among the most sustainable in the world and reduces the climate impact by more than 90 percent compared with petrol. The annual production capacity of the Händelö facility in Norrköping is 230,000 m³ of ethanol, 200,000 tonnes of protein-rich feed under the product name Agrodank and about 90,000 tonnes of carbon dioxide that is processed into carbonic acid.



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

Differentiation of the product portfolio has continued in 2019 and the broadening of the raw material base also continues. The market in 2019 was at times characterized by high ethanol prices, while grain prices up to the new harvest 2019 were much higher than normal, driven by the weak harvest result in 2018. As a result of high grain and protein prices, the price of feed has been higher than in previous years.

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 policy instruments are creating demand for biofuels with high climate performance. Lantmännen Agroetanol's development projects for new products and markets are

continuing 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.

In July 2018, Sweden introduced a reduction obligation for petrol and diesel, a similar system to that in Germany, which may ultimately 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, for some time, 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. In 2019, this provision was increased to MSEK 500 due to a weaker Swedish krona. Lantmännen has cooperated with the EU Commission during the investigation and is now engaged in a settlement process.

Learn more at lantmannenagroetanol.se/en



Lantmännen Oats

Lantmännen Oats creates value from oats by processing into beta glucan and oat protein. These ingredients are sold to companies operating in bakery products, health food and sports nutrition. In 2019, the focus has been on integration, sales and making the company more efficient.

Beta glucan is a soluble fiber found in oats with a proven cholesterol-lowering effect. Oat protein is a tasty ingredient used mainly in sports nutrition but it also has other applications.

Learn more at lantmannenoats.com

Lantmännen Agroetanol, key figures	2019	2018
Net sales, MSEK ¹⁾	2,282	1,734
Operating income, MSEK	164	26
Average number of employees	111	116
of which women/men, %	28/72	31/69

¹⁾ Including intra-Group sales.



Energy Sector

Lantmännen Aspen

Lantmännen Aspen, with the brands Aspen, Agro Oil and Marline, manufactures and markets alkylate petrol, which is an environmentally adapted petroleum product, lubricants and chemical products.



Aspen alkylate petrol is virtually free of hazardous components such as benzene and other aromatics, and is used in lawn mowers, chainsaws and boats. Lantmännen Aspen's alkylate petrol is market leader in large parts of Europe and Canada. All markets showed good growth in 2019.

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.

Marline is the leading distributor of alkylate petrol in France. With its position in machine rental and construction, Marline complements Aspen's already strong position in servicing specialized trade.

Learn more at [→ aspenfuels.com](https://www.aspenfuels.com), [agrol.se](https://www.agrol.se) and [marline.fr](https://www.marline.fr)

Lantmännen Aspen, key figures	2019	2018
Net sales, MSEK ¹⁾	971	928
Average number of employees	94	81
of which women/men, %	27/73	28/72

¹⁾ Including intra-Group sales.

Energy Sector

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.



As part of Lantmännen, Lantmännen Reppe is an important player in the grain value chain from cultivation, raw materials sourcing and processing to sales and consumption. Lantmännen Reppe supplies ingredients and finished goods to the food, paper and beverage industries. Deliveries of starch products to the paper industry showed a strong increase in 2019 after the closure of the glucose syrup business in Växjö in December 2018. Lantmännen Reppe has one of the Nordic region's largest distilleries, which produces high-quality vodka. 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 with sustainable products, which brings increased demand for wheat-based starch products.

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

Lantmännen Reppe, key figures	2019	2018
Net sales, MSEK ¹⁾	479	472
Average number of employees	66	80
of which women/men, %	26/74	21/79

¹⁾ Including intra-Group sales.

Food Sector

The Food Sector refines grain and other raw materials from arable land and produces, among other things, flour, bread, breakfast products, pasta and ready meals. Lantmännen's green sprout emblem, which can be found on the product packaging, is a guarantee of responsibly produced food. The Food Sector offers "Good food" to customers in food retail, food service and other parts of the food industry.

The Sector accounts for 33 percent of the Group's sales.



Good food from
Lantmännen





Food Sector

Food from a sustainable value chain

The Food Sector consists of *Lantmännen Unibake* and *Lantmännen Cerealia* and Lantmännen's ownership interests in the partly owned company *Viking Malt*. The Sector accounts for 33 percent of the Group's sales and produces food in 50 facilities in 18 countries. The Sector has many well-known brands such as *Kungsörnen*, *AXA*, *START*, *Bonjour*, *Hatting*, *Korvbrödsbagarn*, *Schulstad*, *FINN CRISP*, *Amo*, *Vaasan*, *GoGreen* and *Gooh*.

Business environment and market

The drought and high temperatures during summer 2018, which led to the lowest harvest in many years, also affected grain raw material prices in 2019. However, the effect diminished during the new harvest. Food is still affected by strong price pressure and competition from private labels remains intense.

Online food shopping continues to grow in the global market and is expected to double by 2025. Online food sales would then account for about 10 percent of the total market. Growth remains strong in Sweden – online sales increased in 2019.

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. Demand is increasing for non-animal-based proteins. The health trend brings 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, enhance well-being and strengthen functions of the body. Consumers appreciate sustainable brands with clear purposes and companies are aiming for uniqueness with niche products.

Key sustainability issues

The Food Sector develops tasty products that promote health and reduce climate and environmental impacts. Key sustainability issues include products and raw materials from a sustainable value chain, resource-efficient production sustainable packaging solutions, transports with low climate impact, safe work environments, and responsible sourcing and business relationships.

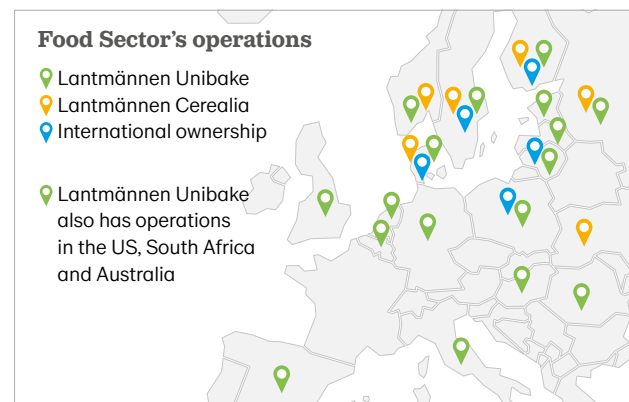
Outlook for 2020

Lantmännen's position in the market with large investments in research, development and innovation throughout the value chain means that we are well equipped 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 production and our brand portfolio, we continue to create efficiency throughout the value chain, developing and producing food products with clear added values and in line with consumer preferences.

Food Sector, key figures

	2019	2018
Net sales, MSEK ¹⁾	16,867	15,351
Operating income, MSEK	924	748
Operating margin, %	5.5	4.9
Return on operating capital, %	5.2	5.0
Investments in non-current assets, MSEK	619	891
Average number of employees	6,694	6,568
of which women/men, %	42/58	41/59
Women/men in executive management, %	19/81	25/75
Sick leave, %	4.9	4.9
CO ₂ emissions, thousand tonnes	101	120

¹⁾ Including intra-Group sales.



Excl. items affecting comparability

	2019	2018
Operating income, MSEK	1,018	787
Operating margin, %	6.0	5.1
Return on operating capital, %	5.7	5.3

Sales by market

	2019	2018
Nordic countries	59 %	62 %
Rest of Europe	33 %	32 %
Rest of world	8 %	6 %

Lantmännen Unibake

Lantmännen Unibake is one of Europe's largest bakery groups, with 37 bakeries in 16 countries. The company supplies 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, and a wide range of well-known brands.

Continuing the growth rate

In recent years, Lantmännen Unibake has followed a well-defined and profitable strategy, which was updated in 2017 under the heading "Towards billions of smiling tummies" with the mission "Accelerating Growth". Implementation of the strategy has led to increased organic growth, while cost-saving initiatives in the operations have been strengthened.

In 2019, Lantmännen Unibake has made several strategic changes to further strengthen the organization and operations. These include the acquisition of the Australian pastry

manufacturer Bakery Du Jour, now renamed Lantmännen Unibake Australia. The integration has been successful and the Australian bakery made a strong contribution to Lantmännen Unibake's overall growth during the year. Lantmännen Unibake Australia represents a good platform for future business development in Asia and the Pacific.

To enable a more focused business model, the fresh bread bakery operations in Finland, the Baltic region and Denmark have been combined into a new business area: *Fresh Business Area*. In order to further strengthen the European production platform, it has been decided to close three bakeries in Poland, Hungary and Denmark during 2020. Production is consolidated at other Unibake bakeries with automated production lines to further strengthen competitiveness.



Lantmännen Unibake has one of the world's largest bread assortments, with bread for every taste and occasion.

Challenges during the year

2019 also brought a number of challenges. The Polish market is facing increased competition, and Russia has shown a temporary growth slowdown after exceptionally high growth in 2018, mainly driven by the Football World Cup. Extensive action plans in both markets have produced good results and show the organization's strong implementation culture. ►►



Lantmännen Unibake, key figures	2019	2018
Net sales, MSEK ¹⁾	12,853	11,587
Average number of employees	5,311	5,206
of which women/men, %	42/58	41/59

¹⁾ Including intra-Group sales.

Lantmännen Unibake's brands





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We keep our promises! Lantmännen Unibake will deliver products and services that satisfy the customer's and consumer's present and future requirements for product safety, quality and sustainability.

With our wide and exciting assortment of classic and innovative breads, we meet our customers' needs for high-quality bakery products.



Excellent results and performance

Despite challenging business conditions, Lantmännen Unibake has successfully grown its operations in virtually all its geographical markets. Core operations in Sweden, Norway, the Benelux countries and the UK have exceeded average market growth, while Romania and the Baltic region have excelled themselves, with good growth. Almost all product categories have contributed to the overall growth, which is balanced between the restaurant sector and retail channels.

Well prepared for the future

After two full years of operation at the bakery in Nowa Sól, Poland, the start-up phase is over and operations are now running according to plan. Together with Londerzeel, Belgium, the bakery is an important player in the future Lantmännen Unibake.

Lantmännen Unibake continues its innovation strategy with a focus on product development synergies throughout the company. The strategy is based on directing resources to the most significant market trends and identifying projects of global importance. However, the majority of the development is still happening locally.

The digitalization work continues with an updated strategy, with a number of projects that will contribute to growth and cost efficiency having been identified. Lantmännen Unibake has two digital pilot projects in the pipeline – both aimed at more efficient production.

Leadership

Lantmännen Unibake focuses strongly on leadership development. All 6,000 employees have undergone further training in their daily work during 2019 through a leadership development program with 40 internal trainers. Lantmännen Unibake has also launched an international training program for employees at the start of their career.

Respect, consideration and trust – and responsibility from field to fork

Sustainability is high on the agenda for Lantmännen Unibake's stakeholders. Unibake is built on good business practices throughout the value chain and strives for the highest possible standards by limiting food waste, reducing the climate impact and optimizing every step from raw materials sourcing to distribution of the finished products.

Outlook for 2020

Lantmännen Unibake is well positioned to continue its profitable growth journey at a rate above the market average. The UK has left the EU without a new trade deal in place. The effect of Brexit is difficult to assess and may affect the UK operations, but a comprehensive action plan is in place.



Food Sector

Lantmännen Cerealia

Lantmännen Cerealia develops, produces and markets cereal-based products such as flour, hulled grains, muesli, granola, pasta, pancakes, crispbread, a vegetarian range of pulses, food grains, whole grains and vegetables, and ready meals.

Lantmännen Cerealia's operations are conducted in Sweden, Norway, Denmark, Finland, Ukraine and Russia with sales in the Nordic markets through food retailers, the food service sector and B2B operations. Lantmännen Cerealia also has significant exports, mainly crispbread and breakfast products, to about 30 countries around the world.

Business environment

Consumer trends in the Nordic region continue to focus on health, convenience and sustainability. Climate discussions raise food as an area where the consumer can make a difference. Health and sustainability are often linked together with a clear shift towards more vegetarian eating and an increasing focus on origin.

During the year, Lantmännen Cerealia conducted consumer studies on attitudes and purchasing behaviors regarding food purchases in Sweden and Norway.

Several of Cerealia's brands are considered sustainable, and both GoGreen and AXA maintained their top 10 positions in the Food category in the Sustainable Brand Index survey.

A channel shift is taking place in the food industry, with more and more people eating out, shopping for food online or buying more specialized foods in specialist stores. The boundary between food retailing and the restaurant sector is becoming more and more blurred as consumption patterns change.

Market and market performance

The Nordic markets are characterized by continuing intense competition, particularly from private labels. In response, efforts to sharpen the range and focus on qualitative offerings within core categories are continuing.

The weak harvest in 2018 resulted in higher grain prices and quality challenges that affected Cerealia. Despite this, we



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The focus on origin is increasing, particularly in the Swedish market where the drivers are both sustainability and commitment to Swedish farming.

Lantmännen Cerealia, key figures	2019	2018
Net sales, MSEK ¹⁾	4,419	4,139
Average number of employees	1,383	1,361
of which women/men, %	41/59	42/58

¹⁾ Including intra-Group sales.



Lantmännen Cerealia's brands





see stable development in the Swedish market. Demand for oat products has continued to grow, and Cerealia increased its market shares in both the Swedish and Norwegian markets during the year.

During fall, AXA launched a new breakfast cereal that was well received by customers in the Swedish and Norwegian markets.

Operations in the rest of the Nordic region have developed well with some challenges in Norway. Gooh has been very successful during the year. In Finland, we are seeing a declining trend in crispbread consumption, where we are the market leader with local brands. Sales of breakfast products in the Finnish market show high growth. FINN CRISP Snacks were launched during the year and very well received by both customers and consumers. The B2B business, particularly in flour, shows stable development.

Operations outside the Nordic region are developing well, and operations in both Ukraine and Russia were marked by strong growth. Our global exports of crispbread and breakfast products are growing, particularly to China where we operate under the AXA brand.

Lantmännen Cerealia made major changes in the Nordic operations during the year in order to increase efficiency and achieve long-term profitability. The product portfolio has been reduced to provide the conditions for a clear and attractive customer offering. A simplified and country-based organizational structure has replaced the previously more centralized structure. Having strong local management teams increases the ability to manage and govern operations based on the conditions that apply in each country.

Use of disposable plastic has been reviewed and a long-term program for reducing disposable plastic in the operations has begun. During the year, plastic stretch wrap at two of Cerealia's facilities was replaced with a new, more durable variant, which has drastically reduced the need for plastic. During the year, Lantmännen developed the Climate & Nature cultivation program with more measures for biodiversity and further reduction of climate impact. Cerealia offers flour from the cultivation program to customers and consumers. The program is being expanded from wheat and rye to include oats. Learn more on [→](#) page 25.

Outlook for 2020

Lantmännen Cerealia continues its work on improving profitability and meeting customers' and consumers' needs for high-quality foods that contribute positively to sustainable development.

The comprehensive change program continues with a focus on establishing new processes and working methods that were launched in 2019. The goal is for these positive changes to take root in the organization and lead to further efficiency improvements in the future.



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Consumer trends in the Nordic region continue to focus on health, climate, convenience and sustainability. There is a clear shift to more vegetarian eating, for both environmental and health reasons.

As Lantmännen has operations throughout the value chain from field to fork, we can take responsibility for the product's origin, content and quality. We are proud of that!

Swecon Business Area

Swecon is a partner of Volvo Construction Equipment and a dealer in machinery for the construction and civil engineering industry. Swecon offers a broad range of construction machinery, equipment, spare parts, servicing and support. Swecon also provides training. The Business Area accounts for 17 percent of the Group's sales.





Swecon Business Area

Strong machine sales and high demand

Business environment and market

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

The combination of an increasing machinery population and more use of machines has brought a greater need for servicing and spare parts in all geographical areas. Swecon's workforce has risen, particularly service technicians in Sweden and Germany.

The Swedish market remains at a high level, and sales were in line with the previous year's record levels. The German market has continued to increase and sales have risen.

The number of users of our digital customer service, mySwecon, has increased in Germany and Sweden. Customer surveys show that the tool is very much appreciated. More functions and services are constantly being implemented in the portal to increase usability.

There is still a shortage of expertise in construction and civil engineering, and for Swecon, the greatest demand is for service technicians. A large number of recruitment measures are in progress in our different markets.

Key sustainability issues

Key sustainability aspects include energy-efficient, high-quality and safe machinery that contributes to sustainable development and safe working environments, and responsible sourcing and business relationships. Swecon is working on analyzing climate

emissions and is now developing a climate strategy. Swecon also engages in regular dialogue with the real estate companies with regard to energy efficiency. Volvo CE is investing in electrification, but hybrid and alternative fuels will also play a significant role.

We work actively to raise the awareness of our employees about always working safely and to improve the safety culture. In 2020, safe@swecon will be launched, with the aim of involving the entire organization in creating a safer workplace.

Outlook for 2020

Demand for new machines is expected to decline in 2020, but there are opportunities for continuing growth in the servicing market. The aim is to increase the number of connected machines in order to ensure control of the machine population. The challenge for the industry is to continue recruiting and retaining service technicians to meet customer requirements.

Swecon continues to focus on digitalization and the mySwecon service, e-commerce and common working methods.

At the 2019 Bauma trade fair, Volvo CE unveiled two electric machine models that will be launched in fall 2020.

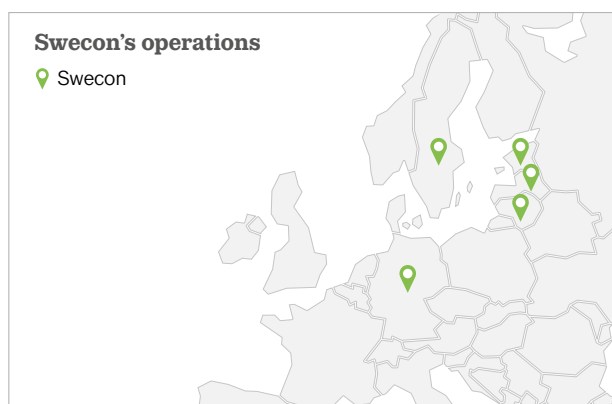
In 2020, Swecon will work actively to measure and reduce carbon dioxide emissions in Sweden. Swecon will also measure carbon dioxide in Germany in 2020 and the aim is to include all our countries of operation by 2021.

Swecon Business Area, key figures	2019	2018
Net sales, MSEK ¹⁾	8,588	8,252
Operating income, MSEK	514	440
Operating margin, %	6.0	5.3
Return on operating capital, %	37.4	104.6
Investments in non-current assets, MSEK	939	405
Average number of employees	1,198	1,119
of which women/men, %	11/89	11/89
Women/men in executive management, %	13/87	13/87
Sick leave, %	4.2	4.4
CO ₂ emissions, thousand tonnes ²⁾	-	-

¹⁾ Including intra-Group sales.

²⁾ Swecon is not covered by the measurement of climate emissions, see → page 158.

Excl. items affecting comparability	2019	2018
Operating income, MSEK	514	440
Operating margin, %	6.0	5.3
Return on operating capital, %	37.4	104.6



Swecon Business Area's brands



Operations

Sweden

Demand for new machines has declined in 2019 but is still at a historically high level. There are signals of a recession, but investments in infrastructure are making a positive contribution. Mining sector activity increased during the year, which contributed to a positive change in the product mix with more large machines. During the year, we conducted a survey of the existing machine population, with the aim of working more proactively on targeted offerings. One goal of this work is to increase the number of connected machines and give our customers support with a view to increasing their profitability.

Swecon has several initiatives to create interest in the sector in order to attract and retain expertise.

With Lantmännen Maskin and the Swedish Armed Forces, Swecon has initiated a collaboration on skills supply. The collaboration will make it easier to find and retain employees and will give transport sector employees the opportunity to combine their career with involvement in the Armed Forces. Swecon and Volvo CE have jointly created an annual ambassador program to reward selected technicians from Swecon.



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

We continue deliveries under the framework agreement with the Swedish Defence Materiel Administration, signed in 2018, for the delivery of up to 50 new wheel loaders per year over a two-year period and an option for a further two years. The agreement also includes technical system support, spare parts and servicing. A modern new service facility in Gothenburg was opened in October.



Germany

The market has increased in volume and Swecon has improved its market position for heavy wheel loaders, excavators and dumpers. Sales in 2019 have risen in all areas: new machines, rental and used, and spare parts and servicing. A number of major contracts awarded have increased volumes, including deliveries of about 60 machines to a large rental company.

The LEAN program, launched in 2018, has been fully implemented in 2019. The method involves, among other things, process development and improved cooperation in the value chain.

A team of service technicians and spare parts experts from the company participated in a global competition organized by Volvo CE and took fourth place.

A new service facility in Berlin is being planned and will be completed in the second half of 2020.

Baltic region

The Baltic region is experiencing a slowdown in construction and infrastructure projects due to reduced government funding. In the forest industry too, we see a decline caused by lower timber prices. In the Baltic region, the excavator market continued to grow until the second quarter, after which it stabilized at a historically high level. The market for tracked excavators continued to grow during 2019 while the wheel loader market was stable. The machinery rental market has increased.

New service points have been established in Latvia and Lithuania, where our field service technicians are based.

The Rail Baltica project, a rail connection between Tallinn and Berlin, will result in increased sales and higher requirements for availability and service. The project is in the design and contracting phase and is expected to affect our market by the end of 2020 at the earliest.

The recruitment of technicians for Swecon's new facility in Tallinn has begun and the facility is expected to be operational in 2020.





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In Sweden, demand for new machines is still at a historically high level.

To attract and retain employees, Swecon has initiated a collaboration on skills supply with the Swedish Armed Forces.

Real Estate Business Area

The Business Area consists of Lantmännen Fastigheter and Lantmännen Agrovärme. Lantmännen Fastigheter has internal and external tenants, and its primary task is to provide Lantmännen with appropriate properties and premises. The company optimizes returns through active management, and the property portfolio is concentrated on strategic locations in Sweden. Lantmännen Agrovärme's mission is to provide customers with environmentally sound heating and create value through efficient operation and expansion. The Business Area accounts for 1 percent of Lantmännen's sales.





Real Estate Business Area

Property management and district heating

Lantmännen Fastigheter is one of Sweden's largest real estate companies and manages about 150 properties in 80 locations, with a total surface area of about 1,200,000 m². The property portfolio is largely concentrated on locations where Lantmännen has its own operations in Sweden and Finland.

Transactions and development projects

In 2019, a property was acquired next to Unibake's bakery in Örebro to secure space for future expansion. In addition, Swecon's new facility in Mölndal has been completed and is now operational. A property has been acquired in Kuusankoski in south-eastern Finland, with Unibake as tenant.

Lantmännen Fastigheter continues its focus on community properties through the jointly-owned company Lanthem, and land has been acquired in Tygelsjö, where a retirement home and a retail business will be built starting in 2020. In Malmö port, Lanthem will acquire building rights from Lantmännen Fastigheter to build a retirement home. Work is in progress on local development plans in Örebro and in Kävlinge.

Market developments

The property market remained strong in 2019, particularly the transaction market, with significant foreign interest. The transaction market has sales of about SEK 200 billion, and large net buyers include pension funds, large listed property companies and foreign capital.

The strongest demand during the year was for logistics properties and offices in large cities. Residential building rights in good locations also recovered after a weak year in 2018. Demand for commercial property and smaller shopping centers is lower, with higher yields as a result.

Lantmännen Agrovärme

Lantmännen Agrovärme supplies district heating and ready heat to 14 locations in central and southern Sweden. Our heating plants supply about 130 GWh annually from local biofuels. Lantmännen Agrovärme offers flexibility in the choice of fuel and has the expertise to utilize energy products from agriculture and forestry for heat production. The company's district heating has almost 100 percent security of supply to customers, which is far above the average and creates confidence. During the year, a project was run to produce bio char in heat production. Bio char has the potential to become an important new commercial product both in soil improvement and as a carbon sink. During the year, Lantmännen Agrovärme started heat collaborations both internally and externally.

Key sustainability issues

Key sustainability issues 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 2020

Under contracts signed in late 2019, Lantmännen Fastigheter is working on development of the port area near Lantmännen Cerealia's mill in Västra Hamnen, Malmö, where among other things, an office block will be built. On completion, Lantmännen will rent most of the space when operations are relocated from the Tre Skåne office building in 2022. Lanthem also plans to build a retirement home and Veidekke about 40 apartments in the area.

Lantmännen Agrovärme continues to focus on acquisitions and business development.

Real Estate Business Area, key figures	2019	2018
Net sales, MSEK ¹⁾	556	525
Operating income, MSEK	349	265
Operating income, excl. property sales, MSEK	223	213
Return on operating capital, %	12.8	11.9
Return on operating capital, excluding property sales, %	8.2	9.6
Investments in non-current assets, MSEK	259	125
Average number of employees	46	46
of which women/men, %	38/62	42/58
Women/men in executive management	40/60	40/60
Sick leave, %	0.5	1.0
Total CO ₂ emissions, thousand tonnes	4.8	4.2

¹⁾ Including intra-Group sales.

Excl. items affecting comparability	2019	2018
Operating income, adjusted for items affecting comparability, MSEK	252	265
Return on operating capital, adjusted for items affecting comparability, %	9.3	11.9

Real Estate Business Area, surface distribution



International ownership

An important part of Lantmännen's strategy Field to Fork 2030 is to profitably develop strategic portfolio holdings. Lantmännen has interest holdings in a number of international companies. The operations are primarily located in the Nordic region, Germany, Poland and the Baltic countries. 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.

Partnerships for enhanced value creation

Joint ownership with DLG

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

HaGe Kiel Ownership 41 %

HaGe Kiel engages in grain trading, agri-supply sales and the manufacture and sale of feed. Hauptgenossenschaft Nord (HaGe Kiel) has an annual turnover of approximately EUR 2 billion and about 1,400 employees. Lantmännen owns 41 percent of HaGe Kiel, while DLG owns 54 percent. 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. Lantmännen's share of income is included in the Agriculture Sector.

Scandagra Group Ownership 50 %

Scandagra Group operates in the Baltic region. The Group has an annual turnover of approximately EUR 400 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 Ownership 50 %

Scandagra Polska, a merchant of grain and other agri-supply in the Polish agricultural market, has an annual turnover of just over PLN 500 million (just over 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.



Other part ownership

Scandbio Ownership 50 %

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 150 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.

Viking Malt Ownership 37,5 %

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 approximately EUR 250 million and about 240 employees. Lantmännen owns 37.5 percent of the company, with the remainder being owned by the Finnish company Polttimo. Lantmännen's share of income is included in the Food Sector.

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Board of Directors' Report 2019

The Board of Directors and President & CEO of Lantmännen ek för, Corporate Identity No. 769605-2856, hereby present the annual report for the 2019 financial year. The earnings and financial position of the Parent Company and Group are presented in the following income statements and statements of financial position, with associated comments and notes.

From January 1, 2019, Lantmännen applies the new reporting standard IFRS 16 Leases. Comparatives for 2018 have not been restated, in accordance with the applied transition method. Further information about the transition to IFRS 16 can be found in note 1 on [page 87](#).

The Group in brief

- **Net sales** for the Group amounted to MSEK 48,523 (43,962), an increase of 10 percent. Organic growth was 7 percent and currency translation effects were 2 percent, while acquired and divested operations accounted for the remainder of the increase.
- **Operating income** was MSEK 1,983 (1,443) and adjusted for items affecting comparability MSEK 2,087 (1,580).
- **Income after financial items** totaled MSEK 1,773 (1,250) and adjusted for items affecting comparability MSEK 1,877 (1,387).
- **Net income after tax** was MSEK 1,551 (1,182).
- **Investments** totaled MSEK 2,201 (1,825).
- **Cash flow before financing activities** was MSEK 1,837 (-824).
- **The Board of Directors** proposes a dividend in the form of a refund and supplementary payment of MSEK 205 (157), a contribution dividend of MSEK 237 (213) and a contribution issue of MSEK 288 (250).

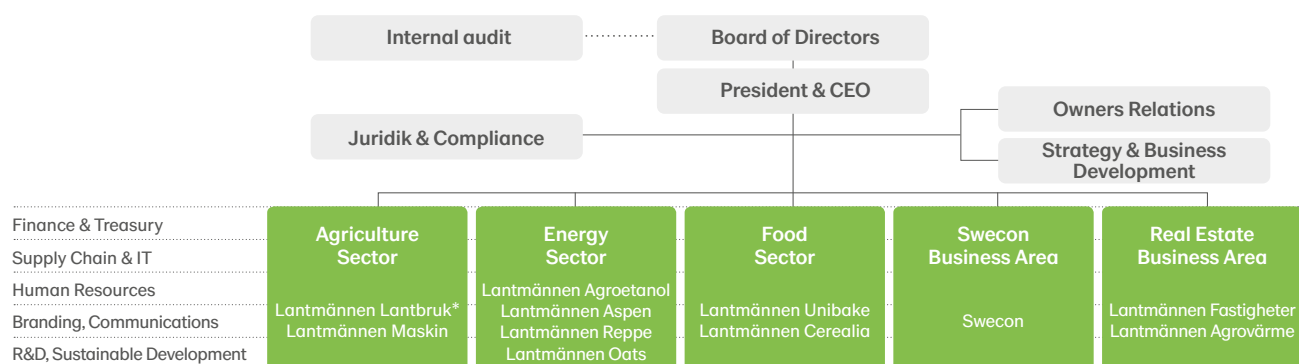
Description of financial performance measures, see [page 140](#).



The Group's business and organization

Lantmännen is an agricultural cooperative and Northern Europe's leader in agriculture, machinery, bioenergy and food products. Lantmännen creates value from arable land resources in a responsible manner and is part of food consumers' everyday life. The Group is divided into three Sectors and two Business Areas: the Agriculture Sector, the Energy Sector, the Food Sector, the Swecon Business Area and the Real Estate Business Area. Lantmännen is owned by 20,000 farmers, who are also members, business partners and important customers.

Lantmännen's organization



* Lantmännen Lantbruk Sweden & international operations

Agriculture Sector MSEK 21,841¹⁾

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 the German group HaGe Kiel, Scandagra Group in the Baltic region and Scandagra Polska in Poland.

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

Lantmännen Krafft is Sweden's, and one of the Nordic region's, largest suppliers of horse feed, and also has a market in the rest of Europe.

Lantmännen Lantbruk Finland consists of *Lantmännen Agro Oy* and *Lantmännen Feed Oy*. *Lantmännen Agro Oy* operates through 40 independent Lantmännen-profiled retailers providing agri-supply for crop production, feed, and spare parts and equipment. The company also trades in grain in the Finnish market. Production and sales of feed for farm animals and horses are conducted through *Lantmännen Feed*.

Lantmännen Agro A/S is mainly engaged in the purchase of grain in Denmark, and also sells significant quantities of fertilizer.

Lantmännen SW Seed BV conducts plant breeding of triticale and potato at the processing station in Emmeloord, Netherlands.

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.

¹⁾ Net sales



Energy Sector MSEK 3,741¹⁾

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 fuel, protein feed, carbon dioxide, starch products, gluten, vodka, beta glucan, alkylate petrol, lubricants and chemical products. The Sector is responsible for Lantmännen's ownership interests in the partly-owned company Scandbio, Sweden's largest solid processed wood fuel company. The Energy Sector consists of:

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

Lantmännen Aspen includes the brands Aspen, Marline and Agro Oil. The company manufactures and markets, among other things, Aspen and Marline's alkylate petrol and Agro Oil's high-quality lubricants and chemical products.

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

Lantmännen Oats creates value from oats by processing into beta glucan and oat protein.

Food Sector MSEK 16,867¹⁾

The Food Sector refines grain and other raw materials from arable land and produces, among other things, flour, bread, breakfast products, pasta and ready meals. Lantmännen's green sprout emblem, which can be found on the product packaging, is a guarantee of responsibly produced food. The Food Sector offers "Good food" to customers in food retail, food service and other parts of the food industry. The Sector accounts for 33 percent of the Group's sales. The Sector has many well-known brands such as Kungsörnen, AXA, START, Bonjour, Hatting, Korvbrödsbagarn, Schulstad, FINN CRISP, Vaasan, GoGreen and Gooh.



Lantmännen Unibake is one of Europe's largest bakery groups, with 37 bakeries in 16 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 Cerealía develops, produces and markets cereal-based products such as flour, hulled grains, muesli, granola, pasta, pancakes, crispbread, a vegetarian range of pulses, food grains, whole grains and vegetables, and ready meals.

Swecon Business Area MSEK 8,588¹⁾

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 product range consists of wheel loaders, excavators, dumpers, rigid haulers and road construction equipment. Swecon also provides training, and the Business Area accounts for 17 percent of the Group's sales.

Real Estate Business Area MSEK 556¹⁾

The Business Area consists of *Lantmännen Fastigheter* and *Lantmännen Agrovärme*. *Lantmännen Fastigheter* has internal and external tenants, and its primary task is to provide *Lantmännen* with appropriate properties and premises. *Lantmännen Agrovärme*'s task is to provide customers with environmentally sound heating and create value through efficiency, smart operation and expansion. The Business Area accounts for 1 percent of *Lantmännen*'s sales.

Long-term financial targets and outcomes

Lantmännen defines the overall profitability target as a return on equity of 8 percent. Return on equity in 2019 was 9.1 (7.6) percent and adjusted for non-recurring items 9.7 (8.2) percent.

¹⁾ Net sales



Lantmännen's target for the equity ratio is at least 40 percent. The equity ratio was 42.5 (43.2) percent at the end of 2019. Without the effects of IFRS 16, the equity ratio was 45 percent.

Changes in the Group structure in 2019

In January, the Australian pastry manufacturer *Bakery Du Jour* was acquired (renamed *Lantmännen Unibake Australia*). The company has an annual turnover of just over MSEK 200 and 90 employees.

The Energy Sector acquired the UK company *Tate & Lyle*'s oat business in Kimstad, comprising property, a mill and non-current assets. The business has an annual turnover of approximately MSEK 50 and complements *Lantmännen*'s existing heat-treated oat operations. About 35 employees were included in the acquisition.

The holding in the associated company *Akershus Traktor AS* was divested in July.

Lantmännen's Annual General Meeting

At *Lantmännen*'s AGM in May, it was decided that Group Board would consist of nine elected members and employee representatives.

Per Lindahl, Hans Wallemyr, Johan Mattsson, Gunilla Aschan and Henrik Wahlberg were re-elected to the Board. The Meeting also decided to elect Johan Bygge and Per Wijkander as new members.

The other Board members are Sonat Burman-Olsson and Ove Gustafsson. Ulf Gundemark had previously announced that he was not available for re-election.

The meeting adopted a contribution dividend and contribution issue which with the refund and supplementary payment represents a dividend of MSEK 620 to members.

Other significant events in 2019

In February, about MSEK 55 was paid to members as the second part of *Lantmännen*'s action package of MSEK 220.



Lantmännen is Sweden's third most sustainable brand according to the major SBI sustainability survey in 2019. Lantmännen took second place in the Food category.

In May, Lantmännen opened a new grain facility in Hargshamn. Lantmännen's investment in a grain facility in the region is important for agriculture in the Uppland/Mälaren area and for Swedish grain exports.

HK Scan carried out a new share issue in June. Lantmännen, which owns about 6 percent of the shares with just over 10 percent of the votes in HK Scan, participated in the issue, with an investment of MSEK 73, in order to maintain its share of the votes.

In September, Lantmännen and Yara launched a pilot project aimed at creating the world's first fossil-free food chain. The collaboration will enable consumers to be offered more sustainable food, thereby reducing the climate impact.

Lantmännen's CFO Ulf Zenk left Lantmännen on October 4, 2019. Michael Sigsfors, Chief Controller, was also Acting CFO from October 7 until February 3, 2020, when Christian Johansson took over the role of CFO.

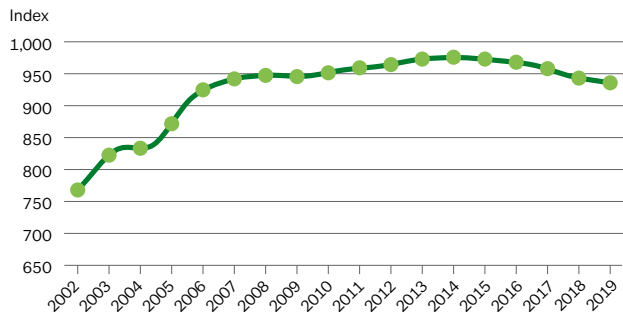
Lantmännen's membership decreased by about 5,000 during the year, mainly as a result of amended Articles of Association based on conclusions from Lantmännen's Owner Dialogue in 2017. The amendment, which was adopted by Lantmännen's 2018 AGM, means that members must have an average annual turnover of at least SEK 10,000 over a five-year period.

Lantmännen's "Farming of the Future" report was presented. The report describes the way towards more sustainable Swedish farming.

In December, Lantmännen participated in the associated company HaGe Kiel's new share issue with an investment of MSEK 127.

Lantmännen's program of subordinated debentures, which started in 2015, matured in December and MSEK 250 was repaid to investors. New subordinated debentures totaling MSEK 250 were issued in January 2020.

Safety level, facilities



The graph shows the average assessment from annual injury prevention inspections of Lantmännen's facilities. The curve's slightly downward trend is due to stricter requirements for technical protection such as sprinklers and fire alarms.

Risks and risk management

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

Strategic risks

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



the strategic risk levels with the Group Board. Strategic risks are evaluated as part of the Group Board's annual strategic planning process and in connection with critical business decisions.

Operational risks

Operational risks are part of the Sectors' and Business Areas' day-to-day operations and include risks of handling errors that compromise quality and safety, risks associated with IT security and operation, compliance with laws and regulations, and risks in financial reporting and internal control. Lantmännen works to control and reduce the risks. Operational risks are governed through policies and guidelines, and managed in internal processes, programs and according to routines. Monitoring takes place within the process, through e.g., internal control, external control and auditing, other internal monitoring and reporting to management.

A large proportion of the operational risks are managed through insurance with Lantmännen's insurance company Dirual and a number of public insurance companies with good credit ratings.

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

As a risk-prevention measure, about 60 facilities are inspected annually on the basis of *Lantmännen's Safety and Security Guidelines*. The purpose is to identify and control risks, which in the long term saves lives and prevents personal injury, and to protect Lantmännen's property and results. These inspections result in recommendation and inspection reports with action lists for loss and damage prevention, safety and risk quality improvement, cost reduction for insurable risks and prevention of business interruptions.

Financial risks

Lantmännen is exposed to financial risks that could cause fluctuations in earnings, cash flow and items in the statement of financial position. This risk management is described in the financial policy, Lantmännen's overall governing document for financial risks, adopted annually by the Board.

Monthly debriefings on the current financial risks, compliance with the adopted risk mandate and compliance with the financial policy take place via a risk committee headed by the Group's CFO, which reports regularly to Group Management and the Group Board.

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

The central treasury function is responsible for financing, control of financial risk, liquidity planning, payment solutions and capital efficiency projects. Risk consolidation and control minimizes the actual risk and also the costs of measures such as hedging currency flows and financing of Lantmännen.

Financial transactions with a financial or commercial counterparty are subject to credit risk, which is minimized by credit control of customers and a good spread of customers across multiple segments and markets. In rare cases, credit insurance is also used. Counterparty risk in financial transactions is minimized by using several different players with good credit ratings. Every year, Lantmännen handles large volumes of grain sourced locally in Sweden or internationally. The grain is sold internally to Lantmännen's industries and to external customers. Trading in grain is conducted both physically and with financial instruments, which can change in value and also present counterparty risks.

Risk management process

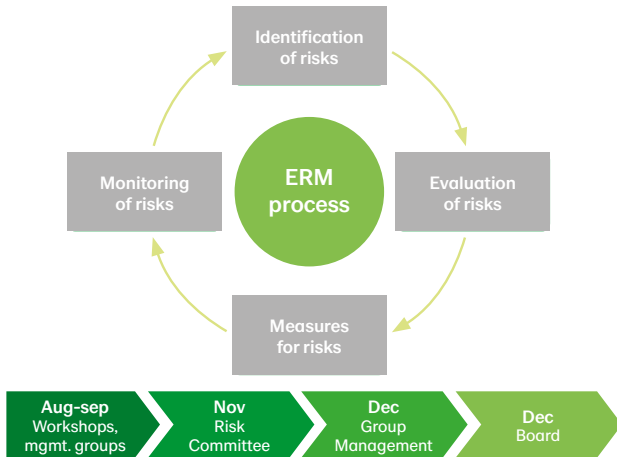
The risk management process is established as an annual Group-wide ERM (Enterprise Risk Management) process that includes the functions Group Risk Management, Group Compliance, Sustainable Development, Health and Safety, Information and IT security and Internal Audit.

Each business unit's risks are identified and assessed based on their effect on results, reputation and people, and risk measures are established in workshops with the relevant management team. The Group's risks are aggregated and the largest identified risks are dealt with by the Risk Committee and Group Management, and decisions are made by the Board.



This work forms the basis for Lantmännen's risk management and risk identification. The business managers are responsible for implementing risk management in the daily operations, and risk identification, risk management and continuity planning are important parts of every manager's responsibility.

Risk management process



Financial risk management and control



Sustainable business development

Sustainable business development is key to Lantmännen's corporate strategy and focuses on arable land resources in the grain value chain. Sustainable business development work is an answer to, and a part of, strategic and operational risk management. Working with customers and suppliers, there is potential to significantly reduce the impact on the environment and natural resources, while generating profitable growth from new and existing businesses that meet the needs of the outside world and the market for responsibly produced food, bioenergy and bio-based materials. During the year, Lantmännen further developed its investment in the Climate & Nature cultivation program, which contributes to a lower climate impact and biodiversity. Another example is the focus on Swedish-grown beans and durum wheat from Gotland that are made into pasta. Lantmännen Agroetanol's development of climate-friendly ethanol from grain and also from waste from the food industry are other examples. Lantmännen's organic strategy is to develop and drive the organic market in all parts of the value chain, and its target is to double trade in organic grain to 200,000 tonnes by 2020.

Lantmännen's climate work is geared towards the goal of reducing carbon dioxide emissions by 40 percent in the period 2015-2020 for its own production and reducing emissions from purchased transport by 70 percent in the period 2009-2030. The targets focus on fossil-free production and transport, continuing energy efficiency and investments and measures to reduce the carbon footprint throughout the value chain. Lantmännen has a new target for primary production, which is to halve the climate impact every decade and achieve climate neutrality by 2050. The aim is to take leadership in driving development through research, the impact agenda and business development. Lantmännen sees partnership and collaboration as crucial to finding solutions for farming of the future.

Ensuring responsibility and sustainable businesses

Lantmännen's Board of Directors is ultimately responsible for Lantmännen's Code of Conduct and its implementation and for ensuring development of the businesses in a sustainable



direction. Responsibility and sustainable business development are a part of strategic business planning that is adopted and monitored in both Group Management and the Board.

Lantmännen's Code of Conduct describes how Lantmännen must conduct itself and make decisions to take responsibility from an environmental, social and business ethics perspective. The Code also describes how we work for sustainable consumption and development with our products. The Code of Conduct applies to the entire operations and all employees are trained in the Code. The Board decided on an updated Code of Conduct in 2019. At the end of 2019, 88 (90) percent of employees had completed training in the Code of Conduct. The Code of Conduct is a guiding principle for the behavior and decisions of employees, and also applies to Board members and elected representatives in the member organization and Board members who represent Lantmännen in partly-owned enterprises. The Code also applies in applicable parts to suppliers and partners. All employees can report any deviations from the Code through a whistleblowing system.

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

To ensure responsibility in the supply chain, implementation and monitoring of Lantmännen's Supplier Code of Conduct is an integral part of the purchasing process. Lantmännen's Supplier Code of Conduct contains general guidelines to ensure a good work environment and social conditions, environmental responsibility, good business ethics, and safe, responsibly produced products. The Supplier Code emphasizes that there is zero tolerance for violation of anti-corruption or competition laws. The Code applies to all suppliers. All suppliers with an annual purchase volume over MSEK 1 or a higher risk and an annual purchase volume over

SEK 300,000 are subject to background monitoring and are followed up with self-assessment and/or audit.

In 2019, 92 (92) percent of Lantmännen's purchase volume came from suppliers assessed and approved in this way. Monitoring through independent third-party audits prioritizes supplier and purchasing categories with a higher risk and significant improvement potential. Imported raw materials such as soy and palm oil are important categories in terms of responsibility and Lantmännen supports responsible production by only purchasing RSPO-certified palm oil and responsibly produced soy as defined by the Swedish Soy Dialogue.

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

Compliance and monitoring

Each business in the Group is responsible for ensuring compliance with the Code of Conduct and policies, and working for sustainable operations, targets and strategies. Monitoring and analysis of business development is conducted at different levels and frequencies.

The CSR Committee decides on and monitors key performance measures. For all transactions, implementation of the Code of Conduct and the Supplier Code of Conduct is monitored on a four-monthly basis through minimum responsibility requirements. The results are reported to business management and Group Management.

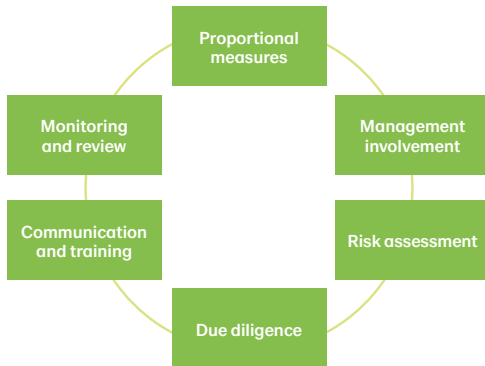
Group Management's four-monthly follow-up with the business area managers includes a Sustainability Business Review. An annual quality review of Lantmännen's production is conducted, which includes product quality and processes, sustainability performance and product-specific requirements. Part of the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



Lantmännen's Code of Conduct					
Environment	Business ethics	Society	Social conditions	Work environment, health and safety	Products & services
Monitoring & compliance					

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

Lantmännen's business ethics compliance program



The business ethics compliance program is based on six main principles. Proportional measures mean that activities within the framework of the program should be adapted to the risks involved in each business. The other five principles provide guidance on how the proportionality principle should be applied.

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

Compliance with the Code of Conduct is reviewed annually by Group Management and the Board follows up deviations from the Code.

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

In Sweden, Lantmännen conducts operations subject to permit requirements at 19 plants, and operations subject to notification requirements at 90 plants, in accordance with the Environmental Code. These activities include mills, workshops and production facilities for feeds, ethanol and food. The main direct environmental impacts are noise, emissions into the air and water, and temporary storage of hazardous waste. Production units in other countries adapt their operations, apply for any required permits and report to the authorities in accordance with local laws.

Reporting under laws, GRI and Global Compact

In accordance with Chapter 6, section 11, of the Swedish Annual Accounts Act, Lantmännen Ek för has chosen to present the statutory Sustainability Report separately from the Annual Report. This Sustainability Report covers Lantmännen Ek för and its subsidiaries. The Sustainability Report was submitted to the auditor at the same time as the Annual Report. The Sustainability Report can be found on pages 22-30, 141-163 and 179-182. As Lantmännen reports according to a Group structure of Sectors, reporting for companies is by Sector. Lantmännen reports its sustainability performance annually and applies GRI Sustainability Reporting Standards (GRI Standards). The Board issues the sustainability reporting and the statutory Sustainability Report.

Lantmännen's Annual Report with Sustainability Report also fulfills the requirements on Communication on Progress (COP), which is a disclosure on progress made in implementing the Global Compact principles on responsible business. Lantmännen supports the UN's Agenda 2030 and the global sustainable development goals and has analyzed their implications for the operations and businesses.

Lantmännen supports the recommendations for voluntary disclosures of climate-related risks and opportunities from a financial perspective, the Task Force on Climate-related Financial Disclosures (TCFD). We are working to include these in our future reporting.



Research and development

Lantmännen has a long tradition of research and development and invests in both its own and external research projects to promote new knowledge. Every year, MSEK 250-350 is invested in research and innovation projects – from product and process development to strategic Group-wide research projects. The investments are made primarily within the grain value chain.

Employees

The average number of employees during the year was 10,250 (9,940), and the number of full-time employees at December 31 was 10,059 (9,895). 3,602 (3,541) of the average number of employees were employed in Sweden. Lantmännen's aim is to be an attractive employer providing a healthy working climate where skills are nurtured and developed throughout the Group.

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

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

Health, work environment and safety program

Lantmännen sees proactive work environment and safety initiatives as a prerequisite for a sustainable work environment and as part of the strategy for achieving business goals. A safe work environment is a high priority and Lantmännen works continuously to identify and address risks in this area. Lantmännen has a new injury rate target of <1 by 2030. Part of the work environment program includes continuous monitoring throughout the organization, with annual reporting to Group Management. Constant improvements in work environment and safety training at the facilities, injury prevention inspections



and an increased focus on this area have resulted in a significant improvement in safety and employees' safe behavior.

Remuneration policy

Lantmännen's remuneration policy stipulates that remuneration and benefits at Lantmännen must contribute towards engaging, motivating and retaining the employees Lantmännen needs for success in our business operations. Remuneration at Lantmännen must always be assessed from an overall perspective, including everything with a perceived value for employees in their employment. Implementation of the remuneration policy continued in 2019 and, among other things, training in the policy and its implementation was provided in the Sectors and Business Areas. The training participants have also been given a tool to analyze the remuneration levels, in order to ensure that they are in line with the policy. In addition to monetary compensation and benefits, the policy covers factors such as work-life balance, international assignments, development and estimates – and long-term incentives for senior executives. Decisions on remuneration and benefits at Lantmännen should always be based on Lantmännen's values of openness, a holistic view and drive, and should be neutral in terms of gender, religion, ethnicity, disability and sexual orientation. For further information about Lantmännen's remuneration, see → note 6.

Events after the end of the period

Lantmännen has appointed Christian Johansson as new Group CFO. Christian, who comes most recently from SKF, succeeds Ulf Zenk and took up his position on February 3, 2020.

Board member Ove Gustafsson resigned from Lantmännen's Board at his own request and left on February 11, 2020.

Lantmännen has been named Sweden's most sustainable brand in 2019 by business customers, both overall and in the FMCG (fast-moving consumer goods) category.

Market and business environment

In 2019, the global economy was affected by concerns about trade policy and Brexit negotiations. The UK has left the EU



without a new trade deal in place. The effects of Brexit are difficult to assess.

A European consolidation in agribusiness and the grain value chain is in progress to reduce costs and increase market influence in the value chain. The protein shift in emerging markets is driving demand for raw materials from arable land and creating growing global demand for feed. Meat consumption is showing a declining trend in Europe as increasing numbers of people eat more vegetarian. Consumption of Swedish meat is increasing in the Swedish market.

Healthy foods are increasingly important, driven by consumer demand. Vegetarianism continues to be a strong trend, particularly in the Swedish market. Demand for beans, peas and fiber-rich bread is growing, which brings positive growth opportunities for Lantmännen.

The market for grain and feed is dominated by intense competition and a price focus and is affected by temporary changes in the weather and, in the longer term, climate change.

Lantmännen's Group Strategy – Field to Fork 2030

Lantmännen's Field to Fork 2030 strategy is aimed at developing operations in a longer perspective, with arable land in the Baltic Sea region as the starting point and continuing the expansion to become northern Europe's leading player in the grain value chain. The ambition is to reach world class together with the members.

Outlook

The *Agriculture Sector* places a clear focus on ensuring the right capacity and quality in all businesses in the Sector. Work is in progress to coordinate the Finnish operations and create the conditions for stable growth in Finland. Within the machinery business, activities are continuing under the *Reach* change program to achieve cost leadership and reduce tied-up capital. Also important is the work on leading digital development of new agricultural services and business opportunities.

The *Energy Sector* sees that competition in the ethanol market in Europe is likely to intensify in the future. Lantmännen Agroetanol's ethanol with a high climate performance

has been in demand, notably in Germany, but interest is also increasing in Sweden. Work continues on complementing the raw material base with alternative raw materials. Prospects for continuing growth are considered good for Lantmännen Reppe and Lantmännen Aspen.

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, Lantmännen continues to create efficiency throughout the value chain, developing and producing food products with clear added values and in line with consumer preferences. *Lantmännen Unibake* is well positioned to continue its profitable growth journey at a rate above the market average. The effect of Brexit is difficult to assess and may affect the UK operations. *Lantmännen Cerealia* continues its work on improving profitability and meeting customer and consumer demand for high-quality foods that contribute positively to sustainable development. Implementation of the comprehensive change program continues with a focus on establishing the new processes and working methods launched in 2019. The goal is for these changes to take root in the organization and lead to further efficiency improvements in the future.

The *Swecon Business Area* expects demand for new machines to decline in 2020, but there are opportunities for continuing growth in the servicing market. The aim is to increase the number of connected machines in order to ensure control of the machine population. The challenge for the industry is to continue recruiting and retaining service technicians to meet customer requirements. Swecon continues to focus on digitalization and the mySwecon service, e-commerce and common working methods.

In the *Real Estate Business Area*, Lantmännen Fastigheter continues the development of the port area near Lantmännen Cerealia's mill in Västra Hamnen, Malmö, where among other things, a new office block will be built. *Lantmännen Agrovärme* continues to focus on acquisitions and business development.



Group Net sales and earnings

- ➔ Lantmännen's net sales increased to MSEK 48,523 (43,962)
- ➔ Operating income amounted to MSEK 1,983 (1,443)
- ➔ Operating income adjusted for items affecting comparability was MSEK 2,087 (1,580)

Net sales

Lantmännen's net sales for 2019 amounted to MSEK 48,523 (43,962), an increase of 10 percent. The increase is distributed as follows: organic growth 7 percent, currency translation effects 2 percent, and the remainder is from acquired and divested operations. Sales increased in all segments during the year, with the largest increase in the Agriculture and Energy Sectors.

Operating income

Lantmännen's operating income was MSEK 1,983 (1,443) and adjusted for items affecting comparability MSEK 2,087 (1,580). Operating income adjusted for items affecting comparability improved in all segments apart from the Real Estate Business Area, where the decline is entirely related to property sales. The Food Sector showed the biggest improvement in absolute figures and the Energy Sector had the biggest percentage improvement.

Acquired and divested operations had a positive impact of MSEK 22 on Lantmännen's operating income adjusted for items affecting comparability and currency translation effects had a positive impact of MSEK 32.

The year's items affecting comparability amounted to MSEK -104 (-137).

The provision reported in previous years in the Energy Sector in connection with the EU Commission's investigation of Lantmännen Agroetanol and two other ethanol producers was adjusted up by MSEK 60 as a result of a weaker Swedish krona. The Energy Sector was also positively affected by MSEK 80 as a result of the bargain purchase of the oat operations in Kimstad.

The Food Sector was affected by restructuring costs of MSEK -59 in Lantmännen Unibake, where it was decided to close three bakeries, in Poland, Hungary and Denmark as part of the streamlining of Unibake's European production platform, and by restructuring costs of MSEK -35 in Lantmännen Cerealia.

The Agriculture Sector was affected by MSEK -127 attributable to the associated company Hauptgenossenschaft Nord AG (HaGe Kiel), whose subsidiary Betriebsmittel Service Logistik GmbH & Co KG (BSL) has reached a settlement agreement with the German competition authority

in a case concerning the German plant protection wholesale market.

The Real Estate Business Area had items affecting comparability in the form of capital gains of MSEK 97 on property sales.

Net financial income and income after financial items

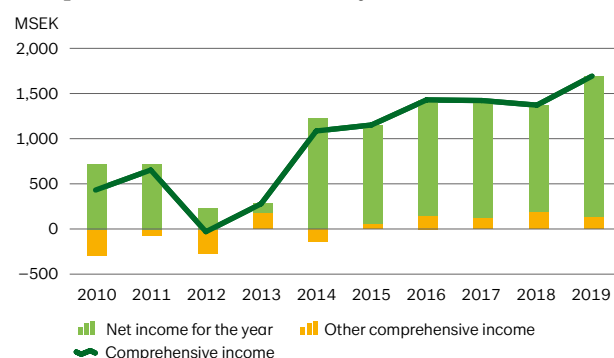
Net financial income amounted to MSEK -210 (-193). The change is due to increased interest expenses as an effect of the introduction of IFRS 16. Income after financial items totaled MSEK 1,773 (1,250) and adjusted for items affecting comparability MSEK 1,877 (1,387).

Tax and income after tax

Tax expense for the year was MSEK 222 (68). Lantmännen's tax expense was affected by the fact that dividends, including refunds and supplementary payments, from economic associations are tax deductible. The previous year's tax expense was lower due to the capitalization of previously uncapitalized tax loss carryforwards.

Income after tax amounted to MSEK 1,551 (1,182), of which MSEK 1,545 (1,176) was attributable to members of the economic association and MSEK 6 (6) to non-controlling interests (minority ownership) in the Group's subsidiaries.

Comprehensive income for the year



Consolidated Income Statement

MSEK	Note	2019	2018
Net sales	4, 5	48,523	43,962
Other operating income	5	482	279
Changes in inventories of finished goods and work in progress		-207	-301
Raw materials and consumables		-14,298	-12,767
Merchandise		-16,734	-15,583
Employee benefits expense	6	-6,573	-6,037
Depreciation, amortization and impairment	7	-2,063	-1,363
Other operating expenses	8	-7,113	-6,866
Share of income of equity accounted companies	16	-34	119
Operating income	10, 11	1,983	1,443
Finance income	9	112	96
Finance costs	9	-322	-289
Income after financial items		1,773	1,250
Tax	12	-222	-68
Net income for the year		1,551	1,182
Net income for the year attributable to:			
Members of the economic association		1,545	1,176
Non-controlling interests		6	6

Consolidated Statement of Comprehensive Income

MSEK	Note	2019	2018
Net income for the year		1,551	1,182
Other comprehensive income	22		
<i>Items that will not be reclassified to the income statement</i>	25		
Actuarial gains and losses on defined benefit pension plans, net before tax		-298	-30
Financial assets at fair value through other comprehensive income, net before tax		121	-69
Tax attributable to items that will not be reclassified		53	12
Total		-124	-87
<i>Items that will be reclassified to the income statement</i>			
Cash flow hedges, net before tax		-60	30
Exchange differences on translation of foreign operations		317	198
Net gain on hedge of net investment in foreign operations, net of tax		-31	-50
Tax attributable to items that will be reclassified		9	15
Total		235	193
<i>Share of OCI in equity accounted companies</i>			
Items that will be reclassified to the income statement		30	83
Total		30	83
Other comprehensive income, net of tax		141	189
Total comprehensive income		1,692	1,371
Total comprehensive income attributable to:			
Members of the economic association		1,686	1,365
Non-controlling interests		6	6

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

	Agriculture Sector		Energy Sector		Food Sector		Swecon Business Area		Real Estate Business Area		Lantmännen Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
MSEK												
Net sales	21,841	19,338	3,741	3,117	16,867	15,351	8,588	8,252	556	525	48,523	43,962
Operating income	83	131	375	168	924	748	514	440	349	265	1,983	1,443
Return on operating capital, %	1.0	2.0	30.3	14.6	5.2	5.0	37.4	104.6	12.8	11.9	6.8	6.0
Operating income, adjusted for items affecting comparability	210	197	355	200	1,018	787	514	440	223 ¹⁾	213 ¹⁾	2,087	1,580
Return on operating capital, adjusted for items affecting comparability, %	2.5	3.0	28.7	17.4	5.7	5.3	37.4	104.6	8.2 ¹⁾	9.6 ¹⁾	7.2	6.6

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

Lantmännen Lantbruk Sweden

MSEK	2019	2018
Net sales	13,181	11,622
Operating income	109	38
Return on operating capital, %	2.6	1.1
Operating income, adjusted for items affecting comparability	109	104
Return on operating capital, adjusted for items affecting comparability, %	2.6	3.0

Lantmännen Maskin Sweden

MSEK	2019	2018
Net sales	3,753	3,875
Operating income	9	1
Return on operating capital, %	0.6	0.1

Agriculture Sector

The Agriculture Sector's net sales for 2019 are higher than in the previous year, which is largely due to continued high demand for feed and good development in the Finnish operations. The Sector's operating income adjusted for items affecting comparability is also higher than in the previous year at MSEK 210 (197), primarily due to a significantly higher result in the third four-month period.

The 2019 harvest was the third largest ever and of good quality. This shows that the consequences of last summer's drought, which affected business during the year, have eased and Lantmännen Lantbruk has returned to its normal business model as a net exporter of grain. Investments in the grain handling infrastructure continued during the year and included new facilities in Hargshamn and in Hammenhög.

Demand for feed remains high for all species, and sales remain at higher levels than before the drought period in 2018, despite a certain decline at the end of the year. Demand for seed remains good. However, the year's sales of seed are slightly lower than in the previous year, mainly due to the extensive spring sowing in 2018.

The Finnish agricultural operations continue to develop positively. Lantmännen Feed, which was acquired at the end of 2018, has been integrated successfully and is delivering in line with the business plan. Lantmännen Agro's operations are also performing well, with higher earnings than in the previous year.

Like other operations, the Sector's international holdings in Germany, Poland and the Baltic region have been feeling the consequences of last summer's drought and show lower earnings than in the previous year.

Lantmännen Maskin's operating income is a little better than in the previous year, mainly due to the positive effects of the ongoing cost-saving and efficiency program. Total demand for tractors and equipment during the year was lower than in the previous year. In December, Leif Thorwaldsson took over as the new CEO of Lantmännen Maskin.

An item affecting comparability attributable to the associated company HaGe Kiel's subsidiary BSL had a negative effect on the Sector's earnings.

Energy Sector

The Sector's net sales for 2019 are higher than in the previous year, and operating income adjusted for items affecting comparability is MSEK 355, a significant improvement from MSEK 200 the previous year.

Lantmännen Agroetanol's operating income is higher than in the previous year, mainly due to a much higher average ethanol price during the year and a better price relationship between ethanol, feed products and agri-supply. Earnings have been partly dampened by higher grain prices, while production volumes have developed positively, contributing to the higher operating income.

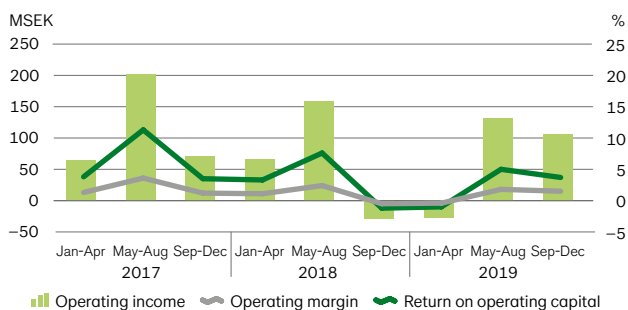
Lantmännen Aspen's sales volumes continue to develop positively in virtually all markets – in particular as a result of more favorable weather in 2019 than in the year before, when drought in large parts of Europe led to reduced demand.

Lantmännen Reppe's operating income is better than in the previous year. Demand for spirits is still high, and concentrating Reppe's operations in Lidköping has contributed positively to earnings. In December, Swedish organic vodka made from Västergötland wheat was launched – the first vodka ever under the Lantmännen brand.

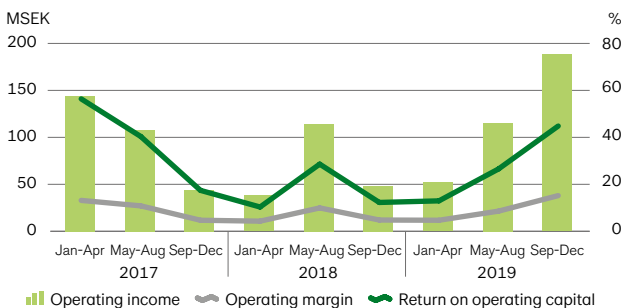
Integration of the oat operations in Kimstad, which were acquired earlier in the year, has proceeded according to plan.

Two items affecting comparability had an impact on the

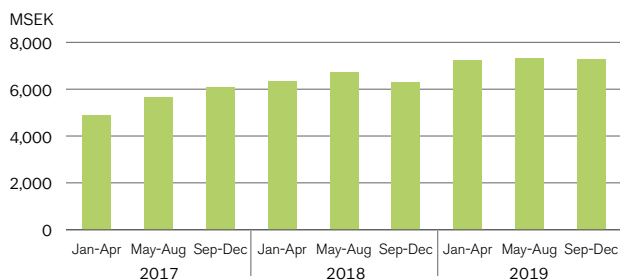
Agriculture Sector, adjusted for items affecting comparability



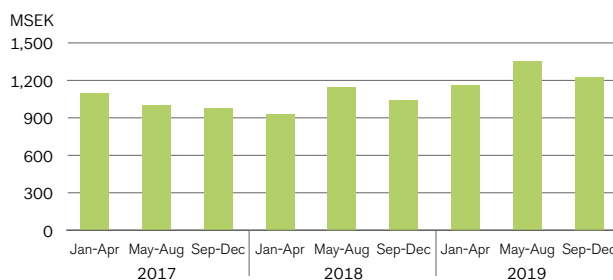
Energy Sector, adjusted for items affecting comparability



Agriculture Sector, net sales



Energy Sector, net sales



Sector's operating income during the year. As a result of a weaker Swedish krona, the previously reported provision in connection with the EU Commission's investigation of Lantmännen Agroetanol and two other ethanol producers was adjusted up by MSEK 60. At the same time, operating income was positively affected by MSEK 80 as a result of a value adjustment of non-current assets related to the acquisition of the oat facility in Kimstad.

Food Sector

Net sales in the Food Sector are higher than in the previous year, mainly due to a continuing increase in sales within Lantmännen Unibake. Operating income adjusted for items affecting comparability was MSEK 1,018 (787) – the Sector's highest ever result.

Virtually all Lantmännen Unibake's markets and categories are developing positively and delivering good results. The investments that have been made in the business in recent years, for example in acquisitions and new bakeries, are now producing positive effects. Sales have increased significantly in most markets, with production efficiency also increasing due to higher capacity utilization in the bakeries. The addition of Lantmännen Unibake Australia, acquired at the beginning of the year, has made a positive contribution.

Lantmännen Cerealia shows a higher operating income than in the previous year. The improvement is mainly due to good effects from the improvement program implemented during the year, with process improvements in the supply chain, a more efficient organizational structure and a simplified product range.

During the year, a number of products were successfully launched within breakfast and rye snacks. In addition, Cerealia and the e-commerce operator MatSMART have joined forces to start an online store for some of the range, which is available to Lantmännen's members and users of the LM² digital portal. Earnings for the partly-owned company Viking Malt are a little higher than in the previous year. The challenges in securing the supply of raw materials in the early part of the year have diminished with the new harvest.

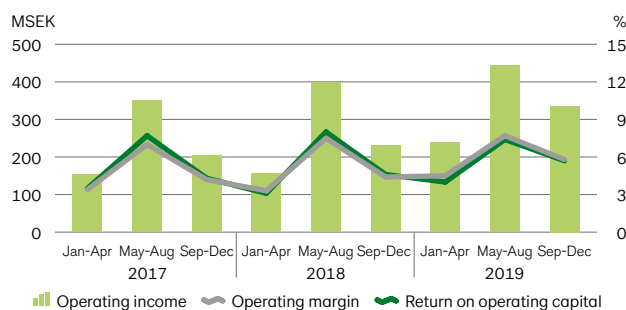
The Sector's operating income was affected by restructuring costs of MSEK -94.

Swecon Business Area

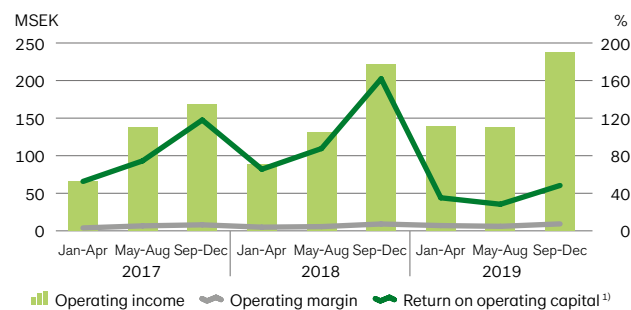
The Swecon Business Area's net sales are higher than in the previous year, a trend we have seen for several years. Operating income is the highest ever, at MSEK 514, compared with MSEK 440 the previous year.

The level of activity during the year was high in all Swecon's markets, although there were some signs of a slowdown in

Food Sector, adjusted for items affecting comparability

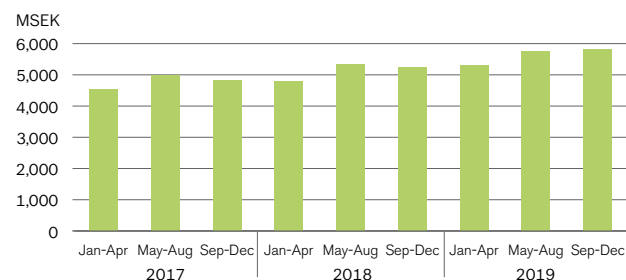


Swecon Business Area, adjusted for items affecting comparability

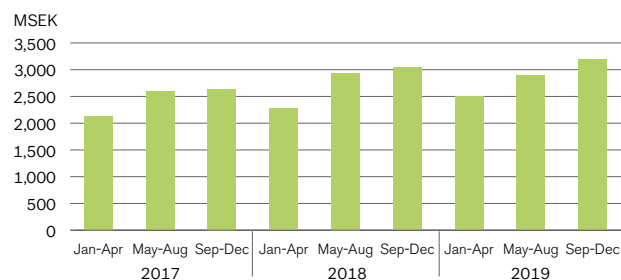


¹⁾ The introduction of IFRS 16 in 2019 has had a significant impact on the key figure Return on operating capital.

Food Sector, net sales



Swecon Business Area, net sales



the second half of the year. Sales of large machines have been good in northern Sweden, while competition is tougher in southern Sweden. Demand for servicing and spare parts remains high – however, a slowdown was also noticed in this area towards the end of the year. An agreement on the single largest transaction of the year was signed with the trading company Bauma GmbH in Germany in the third four-month period.

The digital portal mySwecon has been presented at the German construction exhibition NordBau. Many large customers have now started using the service, and there are currently about 5,500 machines registered. Volvo's new electric compact machines were also presented at the trade fair.

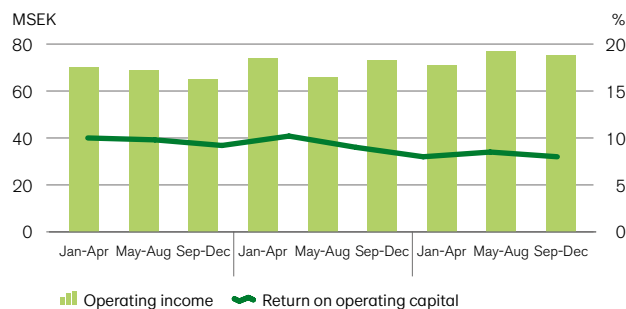
Another major challenge for Swecon is recruiting and retaining knowledgeable technical personnel. The number of employees has increased during the year, but the market is still fast-paced and there is very intense competition for employees. Work is in progress to further improve customer accessibility. Swecon's new facility in Mölndal, which will serve customers in the Gothenburg area, was officially opened at the end of the year. A new facility has also been completed in Tallinn, and occupancy is expected in early 2020. Construction of another new facility is in progress in Berlin.

Real Estate Business Area

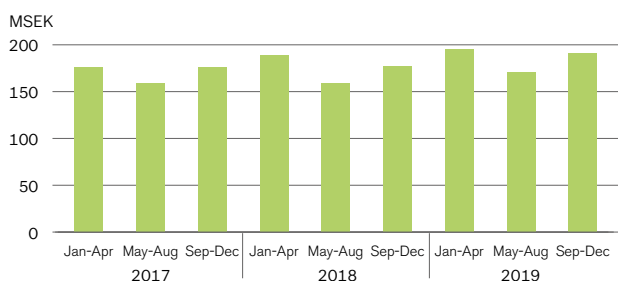
The Real Estate Business Area's net sales are higher than in the previous year. Operating income excluding all property sales is MSEK 223 (213), while operating income adjusted for property sales affecting comparability is MSEK 252 (265). Items affecting comparability had a positive effect of MSEK 97 on the Business Area's operating income and were related to property sales in Malmö, Skellefteå and Umeå.

During the four-month period, contracts have been signed for development of the port area near Lantmännen Cerealia's mill in Västra Hamnen, Malmö, where among other things, a new office block will be built. On completion, Lantmännen will rent premises to replace Lantmännen's current premises in the Tre Skåne office building.

Real Estate Business Area, adjusted for property sales



Real Estate Business Area, net sales



Consolidated Statement of Financial Position

- ➔ The equity ratio was 42.5 (43.2) percent.
Excluding IFRS 16, the equity ratio was 45 percent
- ➔ Return on equity was 9.1 (7.6) percent
- ➔ Return on operating capital was 6.8 (6.0) percent

Assets and investments

Total assets at the end of the year were MSEK 41,194 (37,095), an increase of MSEK 4,099. The increase is largely due to the introduction of IFRS 16.

Property, plant and equipment amounted to MSEK 13,297, compared with MSEK 10,012 the previous year. The introduction of IFRS 16 had an impact of MSEK 2,412. Investments in property, plant and equipment amounted to MSEK 2,086 (1,714) and included replacement investments, investments in a new rental machinery financing solution in the Swecon Business Area and Lantmännen Unibake's continuing investments in a modern new bakery in Poland.

Investment property amounted to MSEK 630 (661).

Investments in intangible assets for the year amounted to MSEK 115 (111). Intangible assets totaled MSEK 9,344 (8,801), an increase of MSEK 543, which is mainly due to Lantmännen Unibake's acquisition of the Australian pastry manufacturer Bakery Du Jour (renamed Lantmännen Unibake Australia).

Current assets excluding cash and cash equivalents declined by MSEK 427, from MSEK 13,668 to MSEK 13,241. The decline is related to inventories, mainly in the Agriculture Sector, and is essentially an effect of the 2018 drought.

Liabilities and equity

Group equity was MSEK 17,505 (16,027) at the end of the year, with MSEK 94 (92) attributable to owners other than

the members of the economic association, i.e. non-controlling interests in Group companies. Net income after tax increased equity by MSEK 1,551 (1,182), while dividends and changes in contributed capital reduced equity by MSEK 329 (259). Items recognized in other comprehensive income (e.g. remeasurement effects) increased equity by MSEK 141 (189).

The Group's net debt amounted to MSEK 10,165 (8,719) at the end of the year, an increase of MSEK 1,446, of which MSEK 2,394 is an effect of the introduction of IFRS 16.

The Group's liquidity reserve at the end of the year was MSEK 6,716 (1,373) and is calculated based on Lantmännen's current loan agreements and covenants. At the end of 2019, Lantmännen was operating within the framework of the covenants associated with its existing loan agreements.

The equity ratio was 42.5 (43.2) percent at the end of the year. Without the effects of IFRS 16, the equity ratio was 45 percent.

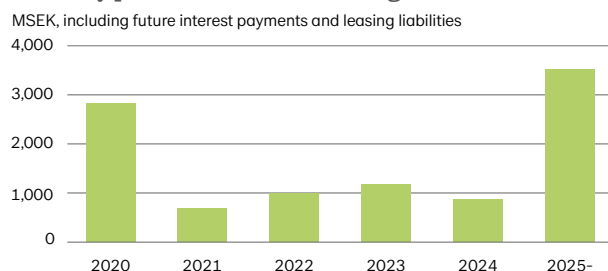
Net debt

MSEK	2019	2018
Liabilities to credit institutions	3,841	4,558
Issued securities, MTN loans	1,249	1,248
Savings and deposit accounts, members et al.	3,283	3,217
Pension liabilities	942	611
Subordinated debentures	-	250
Financial liabilities, leases	2,512	120
Other interest-bearing liabilities	264	102
Total interest-bearing liabilities including pension liabilities	12,091	10,106
Other interest-bearing assets	743	667
Short-term investments, less than 3 months	169	90
Cash and bank balances	1,014	630
Total interest-bearing assets	1,926	1,387
Group's net debt	10,165	8,719

Operating capital and net debt



Maturity profile of interest-bearing financial liabilities



Consolidated Statement of Financial Position

MSEK	Note	2019 Dec 31	2018 Dec 31
ASSETS			
Non-current assets			
Property, plant and equipment	13	13,297	10,012
Investment property	14	630	661
Goodwill	15	5,724	5,350
Other intangible assets	15	3,620	3,451
Equity accounted holdings	16	2,490	2,299
Non-current financial assets	17	620	629
Deferred tax assets	12	252	248
Other non-current assets	18	137	57
Total non-current assets		26,770	22,707
Current assets			
Inventories	19	6,561	6,943
Trade and other receivables	20	6,488	6,668
Current interest-bearing assets	21	123	39
Current tax assets	12	69	18
Cash and cash equivalents	21	1,183	720
Total current assets		14,424	14,388
TOTAL ASSETS		41,194	37,095

MSEK	Note	2019 Dec 31	2018 Dec 31
EQUITY AND LIABILITIES			
Equity			
Contributed capital		2,959	2,664
Other contributed capital		3,110	3,110
Reserves		819	442
Retained earnings incl. net income		10,523	9,719
Total equity attributable to members of the economic association		17,411	15,935
Non-controlling interests		94	92
Total equity	22	17,505	16,027
Non-current liabilities			
Non-current interest-bearing liabilities	23, 24	5,263	5,493
Provisions for pensions	25	942	611
Deferred tax liabilities	12	720	650
Other non-current provisions	26	251	208
Other non-current liabilities	27	14	43
Total non-current liabilities		7,190	7,005
Current liabilities			
Current interest-bearing liabilities	23, 24	5,886	4,002
Trade and other payables	28	9,714	9,280
Current tax liabilities	12	149	103
Current provisions	26	750	678
Total current liabilities		16,499	14,063
TOTAL EQUITY AND LIABILITIES		41,194	37,095

Pledged assets and contingent liabilities, see → note 34.

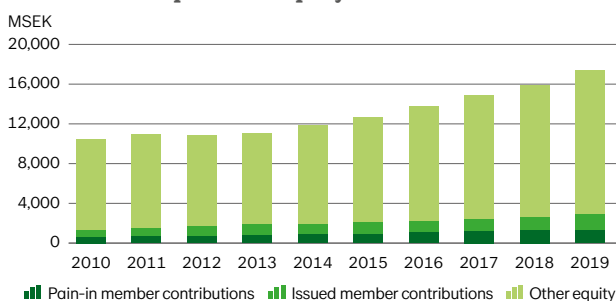
Development of the Group's assets

	Non-current assets	Current assets
2019	65.0 %	35.0 %
2018	61.2 %	38.8 %

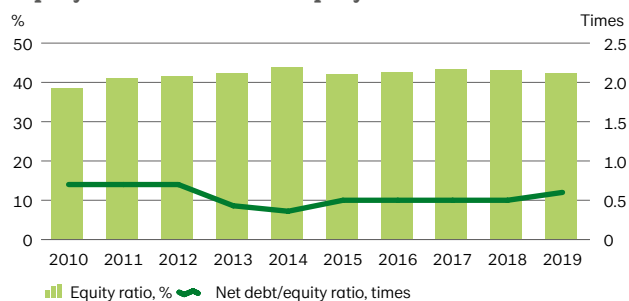
Development of the Group's equity and liabilities

	Equity	Non-current liabilities	Current liabilities
2019	42.5 %	17.5 %	40.0 %
2018	43.2 %	18.9 %	37.9 %

Contributed capital and equity



Equity ratio and net debt/equity ratio



Consolidated Statement of Cash Flows

- ➔ Positive cash flow from operating activities of MSEK 4,226 (1,023)
- ➔ Cash flow from investing activities was MSEK –2,389 (–1,847)
- ➔ Cash flow before financing activities was MSEK 1,837 (–824)

Cash flow from operating activities

The cash operating surplus, i.e. cash flow from operating activities before changes in working capital, gave a positive result of MSEK 3,637 (2,268). Cash flow from changes in working capital was MSEK 589 (–1,245). The strong increase in cash flow from working capital is mainly attributable to the Agriculture Sector. Tied-up capital was positively affected by the Sector returning to being a grain exporter, having previously needed to import grain as a result of the low harvest in 2018. The cash operating surplus was positively affected by MSEK 462 in 2019 as a result of the introduction of IFRS 16.

Cash flow from operating activities was MSEK 4,226 (1,023).

Cash flow from investing activities

Cash flow from acquisitions of operations was MSEK –669 (–373). Lantmännen has acquired the Australian pastry manufacturer Bakery Du Jour (renamed Lantmännen Unibake Australia) and oat operations in Kimstad from the UK company Tate & Lyle. In addition, investments were made in the associated companies HaGe Kiel and Tillväxtbolaget för Sveriges Lantbrukare through participation in the two companies' new share issues.

Divestments of operations generated a positive cash flow of MSEK 196 (40) attributable to the sale of the Norwegian associate Akershus

Investments in property, plant and equipment and intangible assets totaled MSEK –2,201 (–1,825). These include Swecon's investments in a new rental machinery financing solution, Lantmännen Unibake's continuing investments in the modern new bakery in Poland and the Real Estate Business Area's investments in, for example, Bjuv and Mölndal.

Sales of property, plant and equipment and intangible assets generated a positive cash flow of MSEK 272 (199), mainly attributable to the sale of rental machinery in the Swecon Business Area and property sales.

Cash flow from investing activities was MSEK –2,389, compared with MSEK –1,847 the previous year.

Cash flow before financing activities

Cash flow before financing activities was MSEK 1,837 (–824).

Cash flow from financing activities

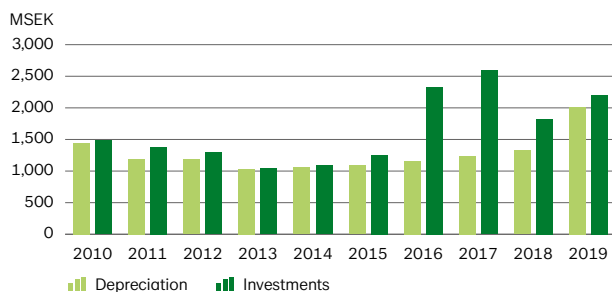
Financing activities had an impact of MSEK –1,383 (605) on cash flow. The change in interest-bearing liabilities was MSEK –1,054 (1,108). The change includes MSEK –462 connected with the introduction of IFRS 16 and a subordinated debenture repayment of MSEK –250.

The dividend payment of MSEK –374 (–603) was distributed as follows: contribution dividend of MSEK –213 (–355) and refund and supplementary payment of MSEK –157 (–245) to members of the association.

Cash flow for the year

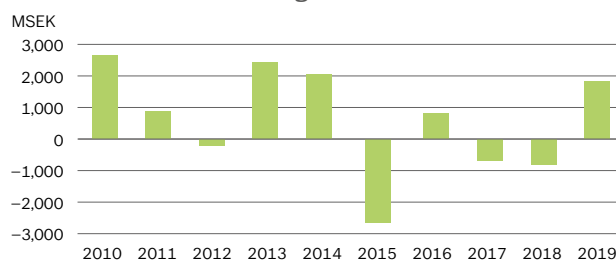
Cash flow for the year was MSEK 454 (–219) and the Group's cash and cash equivalents ended the year at MSEK 1,183 (720).

Depreciation/investment in property, plant and equipment



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

Cash flow before financing activities



Consolidated Statement of Cash Flows

MSEK	Note	2019	2018
OPERATING ACTIVITIES			
Operating income		1,983	1,443
Adjustment for non-cash items ¹⁾		2,037	1,191
		4,020	2,634
Financial items paid, net	35:1	-210	-234
Taxes paid		-173	-132
Cash flow from operating activities before changes in working capital		3,637	2,268
<i>Cash flow from changes in working capital</i>			
Change in inventories		468	-857
Change in operating receivables		68	-588
Change in operating liabilities		53	200
		589	-1,245
Cash flow from operating activities		4,226	1,023
INVESTING ACTIVITIES			
Acquisitions of operations (incl. capital contribution)	35:2	-669	-373
Divestment of operations	35:3	196	40
Investment in property, plant & equipment		-2,086	-1,714
Investment in intangible assets		-115	-111
Sale of property, plant & equipment and intangible assets		272	199
Change in financial investments		13	112
Cash flow from investing activities		-2,389	-1,847
Cash flow before financing activities		1,837	-824
FINANCING ACTIVITIES			
Change in interest-bearing liabilities including pension provisions	35:4	-1,054	1,108
Paid-in contributed capital		114	161
Refunded capital contribution		-69	-61
Dividend paid		-374	-603
Cash flow from financing activities		-1,383	605
Cash flow for the year		454	-219
Cash and cash equivalents at beginning of year		720	927
Exchange differences in cash and cash equivalents		9	12
Cash and cash equivalents at end of year	35:5	1,183	720
¹⁾ MSEK			
Adjustment for non-cash items		2019	2018
Depreciation, amortization and impairment of non-current assets		2,063	1,363
Share of income of equity accounted companies		92	-58
Capital gains/losses on sale of non-current assets and operations		-130	-45
Other non-cash items		12	-69
Total		2,037	1,191

Consolidated Statement of Changes in Equity

MSEK	Note	Contributed capital	Other contributed capital	Reserves	Retained earnings incl. net income	Total Lantmännen's owners	Non-controlling interests	Total equity
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		-	-	212	1,153	1,365	6	1,371
Distributions to owners		100	100	-	-556	-356	-3	-359
Contributed capital paid in by members		161	-	-	-	161	-	161
Contributed capital paid out to members		-61	-	-	-	-61	-	-61
Closing balance, December 31, 2018	22	2,664	3,110	442	9,719	15,935	92	16,027
Changes due to amended accounting policies in associates		-	-	-	115	115	-	115
Opening balance, January 1, 2019		2,664	3,110	442	9,834	16,050	92	16,142
Net income for the year		-	-	-	1,545	1,545	6	1,551
Other comprehensive income, net of tax		-	-	377	-236	141	-	141
Total comprehensive income		-	-	377	1,309	1,686	6	1,692
Distributions to owners		250	-	-	-620	-370	-4	-374
Contributed capital paid in by members		114	-	-	-	114	-	114
Contributed capital paid out to members		-69	-	-	-	-69	-	-69
Closing balance, December 31, 2019	22	2,959	3,110	819	10,523	17,411	94	17,505

More information about equity can be found in the Parent Company's statement of changes in equity on [page 86](#) and in note 22.

Equity attributable to members of the economic association, MSEK	2019	2018
Contributed capital, paid in	1,373	1,318
Contributed capital, issued	1,586	1,346
Other equity	14,452	13,271
Total equity attributable to members of the economic association	17,411	15,935

Parent Company Lantmännen ek för

Operations

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

Net sales and operating income

Net sales amounted to MSEK 13,627 (12,099).

Operating income for the year was MSEK -179 (-111).

Income after financial items

Net financial items were MSEK 130 (165) and income after financial items was MSEK -49 (54).

Investments

Investments in non-current assets during the year totaled MSEK 273 (169).

Equity ratio

The equity ratio at the end of the year increased to 45.2 (44.9) percent.

Human resources

The average number of employees was 1,010 (953).

Member information

The number of members on December 31, 2019 fell to 19,690 (24,798). Refunded contributed capital is expected to be MSEK 152 (69) in 2020.

Proposed dividends

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

Refund and supplementary payment of MSEK 205 (157)

- 1.75 (1.5) percent in refund and supplementary payment on members' trading with Lantmännen Lantbruk Sweden.
- 1.0 (0.5) percent in refund on members' purchases from Lantmännen Maskin's and Swecon's Swedish operations.

Contribution dividend of MSEK 237 (213)

- Contribution dividend of 8 (8) percent on the nominal value of the contributions.

Contribution issue of MSEK 288 (250)

- The issue capital will be distributed as follows: 50 (50) percent based on members' contributions, paid-in and issued contributed capital, and 50 (50) percent on members' contribution-based turnover with the association in 2019.

Dividend on subordinated debentures of MSEK 16 (13)

Dividend of 6.5 (5.25) percent on subordinated debentures, based on the conditions in the subordinated debenture offer.

Proposal for appropriation of profit

The Board of Directors proposes that the Parent Company's unappropriated earnings of TSEK 8,234,310 be allocated as follows:

	TSEK
Refund and supplementary payment	205,000
Contribution dividend	236,685
Contribution issue	288,300
Dividend on subordinated debentures	16,250
Carried forward	7,488,075
Total	8,234,310

The dividend is calculated on the basis of the membership roll as updated on December 31, 2019. The amounts may be adjusted as a result of changes in the membership roll up to date of the Annual General Meeting.

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

Lantmännen's Annual General Meeting

The 2019 Annual Report will be presented for adoption at the Annual General Meeting on Thursday, May 7, 2020 at Clarion Hotel Sign, Norra Bantorget, Stockholm.

Parent Company Income Statement

MSEK	Note	2019	2018
Net sales	36	13,627	12,099
Other operating income	36	252	277
Change in products in progress, finished goods and work in progress for third parties		-268	-50
Raw materials and consumables		-8,730	-7,914
Merchandise		-2,071	-1,841
Employee benefits expense	6	-835	-765
Depreciation, amortization and impairment		-171	-172
Other operating expenses	37	-1,983	-1,745
Operating income	38, 41	-179	-111
Income from financial items			
Income from investments in Group companies	39	25	19
Income from investments in joint ventures/associates	39	36	58
Income from other securities and receivables classified as non-current assets	40	1	2
Interest income from Group companies		328	404
Other interest and similar income		96	77
Interest expenses to Group companies		-97	-107
Other interest and similar expenses		-197	-221
Exchange differences, financial items	41	-62	-67
Total financial items		130	165
Income after financial items		-49	54
Refund and supplementary payment ¹⁾		-	-2
Group contributions received		885	515
Other appropriations	51	0	-
Income before tax		836	567
Tax on net income for the year	42	-45	-18
NET INCOME FOR THE YEAR		791	549

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

Parent Company Statement of Comprehensive Income¹⁾

MSEK	2019
Net income for the year	791
Other comprehensive income	
<i>Items that will not be reclassified to the income statement</i>	
Financial assets at fair value through other comprehensive income, net before tax	79
Total	79
<i>Items that will be reclassified to the income statement</i>	
Cash flow hedges, net before tax	-60
Tax attributable to items that will be reclassified	2
Total	-58
Other comprehensive income, net of tax	21
Total comprehensive income	812

¹⁾ The Parent Company introduced IFRS 9 Financial Instruments on January 1, 2019.

Parent Company Statement of Financial Position

MSEK	Note	2019 Dec 31	2018 Dec 31	MSEK	Note	2019 Dec 31	2018 Dec 31
ASSETS				EQUITY AND LIABILITIES			
Non-current assets				Equity			
Intangible assets	43	454	477	Restricted equity	50		
Intangible assets		454	477	Contributed capital		2,959	2,664
Property, plant and equipment	44			Subordinated debentures		-	250
Land and buildings		280	263	Statutory reserve		3,110	3,110
Investment property	45	14	14			6,069	6,024
Plant and machinery		333	312	Non-restricted equity			
Other non-current assets		199	160	Retained earnings		7,392	7,477
		826	749	Net income for the year		791	549
Non-current financial assets				Fair value reserve		59	-
Investments in Group companies	46	11,012	9,808	Hedge reserve		-8	-
Investments in joint ventures/associates	16	1,365	1,240			8,234	8,026
Receivables from Group companies		4,694	4,906	Total equity			
Receivables from joint ventures/associates		-	161			14,303	14,050
Other non-current financial assets		300	154	Untaxed reserves			
Deferred tax assets	42	38	79	Untaxed reserves	51	466	466
Other non-current assets		18	0	Provisions			
		17,427	16,348	Provisions for pensions	52	1	2
Total non-current assets		18,707	17,574	Other provisions	53	73	93
Current assets				Total provisions			
Inventories	47	2,390	2,889			74	95
Trade receivables	48	1,731	1,802	Non-current liabilities			
Receivables from Group companies		8,380	9,370	Non-current interest-bearing liabilities		2,579	4,534
Receivables from joint ventures/associates	48	9	28	Liabilities to Group companies		516	509
Other current receivables		442	148	Other non-current liabilities		14	-
Prepayments and accrued income	49	173	213	Total non-current liabilities		3,109	5,043
		13,125	14,450	Current liabilities			
Short-term investments		93	-	Current interest-bearing liabilities	54	3,831	2,399
Cash and bank balances		550	105	Trade payables		2,677	2,471
Total current assets		13,768	14,555	Liabilities to Group companies		7,289	6,966
TOTAL ASSETS		32,475	32,129	Liabilities to joint ventures/associates		25	18
				Other current liabilities		361	187
				Accruals and deferred income	55	340	434
				Total current liabilities		14,523	12,475
				TOTAL EQUITY AND LIABILITIES		32,475	32,129

Pledged assets and contingent liabilities, see note 57.

Parent Company **Statement of Cash Flows**

MSEK	Note	2019	2018
OPERATING ACTIVITIES			
Operating income		-179	-111
Refund and supplementary payment		-	-245
Adjustment for non-cash items ¹⁾		317	171
		138	-185
Financial items paid, net ²⁾		808	156
Taxes paid		-2	0
Cash flow from operating activities before changes in working capital		944	-29
<i>Cash flow from changes in working capital</i>			
Change in inventories		499	-335
Change in operating receivables		113	-363
Change in operating liabilities		-119	1,591
		493	893
Cash flow from operating activities		1,437	864
INVESTING ACTIVITIES			
Acquisition of shares and interests, owner contributions etc.		-1,989	-2,031
Divested operations, share capital repayments		15	-
Investment in property, plant & equipment		-185	-130
Investment in intangible assets		-88	-40
Sale of property, plant & equipment and intangible assets		4	-
Change in financial assets		1,584	1,606
Cash flow from investing activities		-659	-595
Cash flow before financing activities		778	269
FINANCING ACTIVITIES			
Group contributions received		514	811
Change in interest-bearing liabilities	56	-166	-891
Paid-in contributed capital		114	161
Refunded capital contribution		-69	-61
Repaid subordinated debentures		-250	-
Dividend paid		-383	-370
Cash flow from financing activities		-240	-350
Cash flow for the year		538	-81
Cash and cash equivalents at beginning of year		105	186
Cash and cash equivalents at end of year ³⁾		643	105
MSEK			
		2019	2018
1) Adjustment for non-cash items			
Depreciation, amortization and impairment of non-current assets		171	171
Capital gains/losses on sale of non-current assets and operations		44	0
Fair value adjustment of financial instruments		101	-
Other items		1	-
Total		317	171
2) Financial items paid, net			
Dividends received		698	81
Interest received		416	476
Interest paid		-277	-328
Other financial payments		1	6
Realized exchange gains/losses		-30	-79
Total		808	156
3) Cash and cash equivalents			
Cash and bank balances		550	105
Short-term investments, maturity less than 3 months		93	-
Total		643	105

Parent Company **Statement of Changes in Equity**

MSEK	Contributed capital	Subordinated debentures	Statutory reserve	Fair value reserve	Hedge reserve	Retained earnings incl. net income	Total equity
Opening balance, January 1, 2018	2,464	250	3,010	-	-	8,047	13,771
Net income for the year	-	-	-	-	-	549	549
Dividend paid ¹⁾	-	-	-	-	-	-237	-237
Extra dividend ²⁾	-	-	-	-	-	-133	-133
Contributed capital paid in by members	161	-	-	-	-	-	161
Contributed capital paid out to members	-61	-	-	-	-	-	-61
Appropriation of profit	100	-	100	-	-	-200	0
Closing balance, December 31, 2018	2,664	250	3,110	-	-	8,026	14,050
Changes due to amended accounting policies	-	-	-	-20	50	-1	29
Opening balance, January 1, 2019	2,664	250	3,110	-20	50	8,025	14,079
Net income for the year	-	-	-	-	-	791	791
Other comprehensive income, net of tax	-	-	-	79	-58	-	21
Total comprehensive income	-	-	-	79	-58	791	812
Dividend paid ¹⁾	-	-	-	-	-	-383	-383
Subordinated debentures paid	-	-250	-	-	-	-	-250
Contributed capital paid in by members	114	-	-	-	-	-	114
Contributed capital paid out to members	-69	-	-	-	-	-	-69
Appropriation of profit	250	-	-	-	-	-250	0
Closing balance, December 31, 2019	2,959	-	3,110	59	-8	8,183	14,303

¹⁾ Contribution dividend MSEK -213 (-222), refund and supplementary payment MSEK -157, dividend on subordinated debentures MSEK -13 (-15), reported as interest expense in the Group. See note 1 for the accounting treatment of refunds and supplementary payments in the previous year.

²⁾ Extra dividend MSEK -133 in 2018 is part of Lantmännen's action package.

MSEK 29 (26) of the contributed capital paid out comprises refunds to members who have left the association and MSEK 40 (35) is related to changed investment obligation criteria for individual members.

In 2020, an estimated MSEK 152 (69) in contributed capital will be refunded to members, distributed as follows: members who have left the association MSEK 103 (34) and changed investment criteria MSEK 49 (35).

The unmet obligation of members to invest in Lantmännen pursuant to the articles of association amounted to MSEK 523 (411) at 12/31/2019.

Contributed capital, MSEK	2019	2018
Paid-in contributed capital	1,373	1,318
Issued contributed capital	1,586	1,346
Total	2,959	2,664

Lantmännen ek för's subordinated debentures of MSEK 250 from the 2015 issue matured and were repaid on December 30, 2019. New subordinated debentures totaling MSEK 250 were issued on January 23, 2020 with a term of 5 years and a maturity date of January 15, 2025.

Notes to the annual financial statements

Amounts in MSEK unless otherwise stated.

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

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

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

The 2019 financial statements for the Group and Parent Company will be presented for adoption by the Annual General Meeting on May 7, 2020.

Notes – Group

Note 1 Accounting policies

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

BASIS OF PREPARATION

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

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

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

Standards, amendments and interpretations effective from 2019

In the 2019 Annual Report, the Group and Parent Company have applied, for the first time, the amended standards and interpretations effective for annual periods beginning on January 1, 2019. Apart from the amendment mentioned below, these have not had any material impact on the Group's or the Parent Company's financial reports.

IFRS 16 Leases

IFRS 16 Leases replaced IAS 17 Leases with effect from January 1, 2019. The new standard makes no distinction between operating and finance leases for the lessee. Under the new standard, lessees report leases as a right-of-use asset, i.e. the right to use the asset during the lease term, and a financial liability, i.e. the lessee's commitment to make lease payments. Depreciation of the right-of-use asset and interest on the lease liability are reported in the income statement. Lease payments are apportioned between the finance charge and reduction of the lease liability. The standard is not mandatory for short-term leases (lease term less than 12 months) and leases where the underlying asset is of low value. The new standard does not involve any major differences for lessors. Lantmännen has identified operating leases primarily for land, office premises, production and warehouse premises, rental machines, service vehicles and company cars. Lantmännen has chosen to

apply the simplified transition approach, which means that comparative amounts for previous periods have not been restated. An incremental borrowing rate has been set for each country and duration for discounting identified leases. The right-of-use period has been assessed on the basis of knowledge of the length of underlying agreements as well as termination and extension clauses. Right-of-use agreements shorter than 12 months or which terminate within 12 months of the transition date are classified as short-term leases and are therefore not included in the reported financial liabilities or rights of use. Right-of-use agreements with a replacement value of less than SEK 50,000 and all leases relating to office equipment have been classified as low value leases and are not included in the reported financial liabilities or rights of use. Existing finance leases previously reported under IAS 17 Leases are reclassified in accordance with IFRS 16 at their reported amounts on the day before the application of the new standard. The implementation effects for IFRS 16 are shown in the table below:

Impact of IFRS 16, January 1, 2019

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

In addition, Lantmännen has leases which were reported as finance leases under IAS 17 Leases up to 2018.

Operating income has increased marginally and income after financial items has declined marginally in 2019. The Parent Company applies the exception in RFR 2 concerning leases, which means that the Parent Company's principles for accounting for leases are unchanged.

IFRIC 23 Uncertainty over Income Tax Treatments

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

Changes to the Parent Company's accounting policies

From January 1, 2019, IFRS 9 is applied for the Parent Company in accordance with RFR 2. This means that the Parent Company applies the same policies as the Group for recognition and measurement of financial instruments and hedge accounting.

The comparative year has not been restated as the effects are insignificant. The purpose of the accounting policy change is to better correspond to the way the Group controls and manages these items in its operating activities.

Note 1 continued

Standards, amendments and interpretations effective on or after January 1, 2020

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

ASSUMPTIONS AND ACCOUNTING ESTIMATES

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

JUDGMENTS IN THE APPLICATION OF ACCOUNTING POLICIES

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

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

CONSOLIDATED FINANCIAL STATEMENTS

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

Subsidiaries

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

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

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

Associates and joint ventures

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

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

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

Non-controlling interests (minorities)

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

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

Translation of foreign Group entities

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

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

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

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

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

Parent Company

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

FOREIGN CURRENCY TRANSACTIONS AND BALANCE SHEET ITEMS

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

Foreign currency receivables and liabilities are remeasured at closing-date rates at the end of each reporting period. Exchange differences arising on such remeasurement, and upon payment of the transaction, are recognized in the

Note 1 continued

income statement. However, exchange differences arising on remeasurement of items that are hedging transactions, and that qualify for hedge accounting, are recognized in other comprehensive income. Gains and losses on operating receivables and liabilities are netted and reported within operating income. Gains and losses on borrowings and financial investments are reported as financial items.

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

SEGMENT REPORTING

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

Investment property

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

Parent Company

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

Depreciation policies for property, plant and equipment

Land is assumed to have an indefinite useful life and is therefore not depreciated. Depreciation of other property, plant and equipment is based on cost less estimated residual value. Depreciation is straight-line over the asset's estimated useful life. Each component of a larger item of property, plant and equipment

with a cost that is significant in relation to the asset's total cost and with a useful life significantly different from the rest of the asset, is depreciated separately.

The assets' residual values and useful lives are tested at least annually and adjusted as necessary.

The following depreciation schedules are applied:

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

LEASING

IFRS 16 Leases has been implemented with effect from January 1, 2019. Lantmännen has applied the simplified transition method and comparatives have therefore not been restated but are reported in accordance with IAS 17 and IFRIC 4.

The Group acts both as lessor and lessee.

When a contract is signed, an assessment is made as to whether the contract is, or contains, a lease. A contract is, or contains, a lease if:

- There is an identified asset.
- The lessee has the right to substantially all the economic benefits from the use of the identified asset.
- The lessee has the right to control the use of the asset.

If the above conditions are not all met, the contract is not considered to be a lease or to contain a lease and is therefore classified as a service contract.

Lessees

Lantmännen recognizes a right-of-use asset and a financial liability at commencement of the lease. Right-of-use assets are measured at cost and include the following:

- the lease liability on initial measurement;
- lease payments made at or before the commencement date, less any incentives received in connection with the signing of the lease;
- initial direct costs; and
- costs of restoring the asset to the condition prescribed in the terms of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. The right-of-use period has been assessed on the basis of knowledge of the length of underlying agreements as well as termination and extension clauses.

The lease liability is initially measured at an amount equal to the present value of the remaining lease payments on the date on which the leased asset is available for use, discounted at the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease liabilities include the present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if it is reasonably certain that the lessee will exercise the option; and
- payments of penalties for terminating the lease, if the lease term reflects the assumption that the lessee will exercise the option.

The financial liability is recognized at amortized cost using the effective interest method. The liability is remeasured to reflect changes in future lease payments resulting from a change in index or, e.g., new assessments of amounts payable

Note 1 continued

under future residual value guarantees, or the exercise of purchase, extension or termination options. Any remeasurement of the lease liability results in a corresponding adjustment of the right-of-use asset.

Lantmännen reports a right-of-use asset that is not investment property under property, plant and equipment and the lease liability as an interest-bearing liability.

Lantmännen has chosen not to report right-of-use assets and lease liabilities for short-term leases (lease term shorter than twelve months) and for low-value leases (value less than SEK 50,000), such as IT and office equipment. Lease payments for these contracts are recognized as an expense on a straight-line basis over the lease term.

IAS 17

For the comparative period, Lantmännen classified leases that transferred substantially all the financial risks and rewards incident to ownership as finance leases.

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

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

Lessors

When Lantmännen is the lessor, the lease is classified as either a finance lease or an operating lease at commencement of the lease term. The Swecon Business Area's operations include machinery rental and the Real Estate Business Area engages in leasing of premises.

When the Group is lessor, assets leased under operating leases are recognized as non-current assets in the statement of financial position and are depreciated over their estimated useful life. The lease payments are included in operating income and allocated on a straight-line basis over the term of the lease. Lantmännen has not identified any finance leases.

Parent Company

In the Parent Company, lease payments are recognized as an expense on a straight-line basis over the lease term. The Parent Company only acts as a lessee.

INTANGIBLE ASSETS

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

Goodwill

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

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

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

Trademarks

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

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

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

Parent Company

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

Customer and supplier relationships

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

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

Research and development

Expenditure on research is recognized as an expense in the period in which it is incurred. Expenditure on development is recognized as an intangible asset only if it is technically and financially feasible to complete the asset, it is expected to provide future economic benefits and the cost of the asset can be measured reliably. For development of seed grain, this means that costs cannot be capitalized until an official variety test has shown potential success for the variety. For development of fuels, expenditure is capitalized only when the product can demonstrate technical acceptance and commercial potential and political decisions have been made. Currently, this means that all expenditure on the development of commercial and similar products is expensed as incurred. Expenditure on development of business-related IC/IT systems is capitalized if the general preconditions according to the above are met and the total expenditure is estimated to exceed MSEK 3.

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

Other intangible assets

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

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

IMPAIRMENT LOSSES

Intangible assets with an indefinite useful life are not amortized but are tested for impairment annually or more frequently if there is an indication of impairment. The carrying amounts of assets that are amortized are regularly tested. At the end of each reporting period, an assessment is made as to whether there is any indication that the assets are impaired and need to be written down. The recoverable amount is estimated for these assets and for assets with indefinite useful lives. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An impairment loss is recognized if the recoverable amount is less than the carrying amount. A previously recognized impairment loss is reversed if the reasons for the earlier impairment no longer exist. However, an impairment loss is reversed only to the extent that it does

Note 1 continued

not increase the carrying amount of an asset above the amount that would have been determined had no impairment loss been recognized in prior years. Impairment of goodwill is never reversed.

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

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

INVENTORIES

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

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

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

RECOGNITION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

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

CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

Financial assets

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

The following three measurement categories are applicable to financial assets:

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

A financial asset is measured at amortized cost if:

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

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

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

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

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

Business model assessment

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

Information on which the business model assessment is based:

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

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

Assessment of contractual cash flows

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

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

Financial assets measured at amortized cost

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

Financial assets measured at fair value through other comprehensive income

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

Financial assets measured at fair value through profit or loss

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

Financial liabilities

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

Financial liabilities measured at fair value through profit or loss

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

Note 1 continued

Other liabilities

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

Non-current financial assets

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

Short-term investments

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

Cash and cash equivalents

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

HEDGE ACCOUNTING

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

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

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

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

Cash flow hedges

A cash flow hedge is a hedge held to reduce the risk of an impact on profit or loss from changes in cash flow relating to a highly probable forecast future transaction or in transactions associated with an asset or liability. In cash flow hedge

accounting, fair value changes for the derivative instrument (hedging instrument) are recognized in other comprehensive income and accumulated in equity. When the hedged position is recognized in profit or loss, the result of the revaluation of the derivative instrument is also transferred to profit or loss.

Hedging of net investments

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

Fair value hedges

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

PARENT COMPANY

From January 1, 2019, IFRS 9 is applied for the Parent Company in accordance with RFR 2. This means that the Parent Company applies the same policies as the Group for recognition and measurement of financial instruments and hedge accounting.

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

DETERMINATION OF FAIR VALUE

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

PROVISIONS

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

EMPLOYEE BENEFITS

Pensions

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

Note 1 continued

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

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

The liability recognized in the statement of financial position consists of the net of the estimated present value of the defined benefit obligation and the fair value of the plan assets associated with the obligation at the reporting date, either in a pension fund or in some other arrangement. Pension costs and pension obligations for defined benefit plans are calculated according to the projected unit credit method. This method allocates the costs for pensions as the employees carry out services for the company that increase their entitlement to future benefits. The company's obligation is calculated annually by independent actuaries. The obligation comprises the present value of the expected future payments. The discount rate that is used corresponds to the interest rate for high-quality corporate bonds or treasury bonds with a maturity that corresponds to the average term for the obligations and the currency. An interest rate equivalent to the interest rates of high-quality mortgage bonds is used for Swedish plans. These bonds are considered equivalent to corporate bonds as they have a sufficiently deep market to be used as the basis for the discount rate.

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

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

Parent Company

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

Termination benefits

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

Variable salary

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

TAXES

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

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

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

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

Parent Company

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue recognition

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

Performance obligations and timing of revenue recognition

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

Rights of return and repurchase obligations

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

Some customer contracts are based on an entity's obligation to repurchase the product, i.e. a repurchase agreement. If the Group has an obligation to repurchase the asset at the customer's request, the Group considers at contract inception whether the customer has a significant economic incentive to exercise that right. If the buyer has a significant economic incentive to exercise its right, this results in the customer effectively paying the Group consideration for the right to use an asset for a certain period of time. The Group then accounts for the agreement as a lease in accordance with IFRS 16. If the buyer does not have a significant economic incentive to exercise its right, the Group accounts for the agreement as if it were the sale of a product with a right of return.

Warranty commitments

In certain cases, the Group has customer contracts that include an extended warranty commitment. Revenue from such warranties is reported on a straight-line basis over the warranty period, unless some other method provides a better measure of the fulfillment of the performance obligation. An extended warranty

Note 1 continued

is considered to exist when the customer is able to buy this service, it is separately priced and the warranty extends beyond the standard warranty required by law. The Group's obligation to take back defective products under the standard warranty required by law is accounted for in accordance with IAS 37.

Determination of transaction price

Volume discounts

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

Joint marketing activities

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

Trade-in products

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

Services

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

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

Software licenses

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

Royalty revenue

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

Balance sheet items

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

customer is unconditional, but invoicing has not yet taken place, a receivable not yet invoiced is reported under Trade and other receivables. When reporting rights of return, a return liability is reported under Trade and other payables and a return asset under Inventories.

REFUND AND SUPPLEMENTARY PAYMENT

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

GOVERNMENT GRANTS

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

BORROWING COSTS

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

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

GROUP CONTRIBUTIONS

Parent Company

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

RELATED PARTIES

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

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

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

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

Note 1 continued

Exchange rates for the Group's major currencies:

	2019		2018	
	Average rate	Closing rate	Average rate	Closing rate
DKK	1.42	1.4	1.38	1.38
EUR	10.59	10.43	10.26	10.28
GBP	12.07	12.21	11.59	11.35
NOK	1.07	1.06	1.07	1.02
RUB	0.15	0.15	0.14	0.13
USD	9.46	9.32	8.69	8.97

Accounting policies applied in 2018

LEASING

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

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

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

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

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

Parent Company

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

Note 2 Significant events after the end of the period

Christian Johansson took over the role of Lantmännen's CFO on February 3. He comes from his most recent position as Senior Vice President & CFO of SKF.

Board member Ove Gustafsson resigned from Lantmännen's Board at his own request and left on February 11, 2020.

Note 3 Significant judgments, accounting estimates and assumptions

Preparation of annual financial statements in accordance with IFRS in many cases requires management to make judgments and use of accounting estimates and assumptions in determining the carrying amounts of assets and liabilities. These estimates are based on historical experience and assumptions that are considered reasonable and realistic in the current circumstances. The actual outcome may differ from the accounting estimates and assumptions.

The estimates and underlying assumptions are regularly reviewed. The effect of a change in an accounting estimate is recognized in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

A general description of the accounting policies where management's accounting estimates and assumptions are expected to have a material effect on the Lantmännen Group's financial position and financial statements is provided below. The carrying amounts at the reporting date can be found in the statement of financial position and associated notes.

Impairment of goodwill and other assets

Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually or whenever there are indications of possible impairment – in situations such as a changed business environment, a divestment decision or closure of operations. The Group's goodwill and other intangible assets amounted to MSEK 9,344 (8,801) at the end of the year, which corresponds to 53 (55) percent of the Group's equity. Other assets are tested for impairment as soon as there is an indication that an asset's recoverable amount is lower than its carrying amount.

In most cases, an asset's value in use is estimated by reference to the present value of the future cash flows the Group expects to derive from the asset. The cash flow projection is based on assumptions that represent management's best estimate of the economic conditions that will exist over the remaining useful life of the asset. The estimates are based on the latest financial plan. An impairment loss is recognized if the estimated value in use is lower than the carrying amount.

The discount rates used to calculate the present value of the expected future cash flows are estimated from the current weighted average cost of capital established within the Group for the markets in which the cash-generating units are active.

See also → note 7.

Deferred tax assets and tax liabilities

Assessments are made to determine deferred tax assets and tax liabilities. Deferred tax assets, which arise mainly from unused tax losses or unused tax credits, are recognized as an asset when it is considered likely that the deferred tax assets can be utilized and offset against future taxable profits. Other assumptions regarding the outcome of these future taxable profits, as well as changes in tax rates and rules can result in significant differences in the measurement of deferred taxes.

More details about amounts can be found in → note 12.

Note 3 continued

Pensions

The value of pension obligations for defined benefit pension plans is determined by using actuarial calculations based on assumptions about discount rates, future salary increases, inflation and demographics. The discount rate, which is the most critical assumption, is based on the market return on high-quality corporate bonds, namely mortgage bonds with long maturities. The rate is extrapolated to correspond to the pension plan's obligations. A lower discount rate increases the present value of the pension obligation and pension cost, while a higher discount rate has the reverse effect. A 0.25 percent change in the discount rate would change the pension obligation by MSEK 110-120.

For more information about amounts and further sensitivity analyses, see [note 25](#).

European Commission's ongoing investigation

Provision in connection with the EU Commission's investigation

A provision of MSEK 440 has been recognized since 2017 in connection with the European Commission's investigation of Lantmännen Agroetanol and two other ethanol producers for alleged violation of EU competition law. Due to a weaker Swedish krona, the provision was adjusted up by MSEK 60 in the second

four-month period of 2019, making the total provision MSEK 500 at the end of the year. The size of the provision is based on Lantmännen's best judgment as at December 31, 2019.

For information about provisions, see [note 26](#).

Accounting for leases

From 2019, Lantmännen recognizes leases in accordance with IFRS 16 Leases. At the end of the year, the value of right-of-use assets was MSEK 2,516 and the value of lease liabilities was MSEK 2,512. Many leases where Lantmännen is the lessee include extension and termination options which are subject to assessment when the lease term is determined. The options are negotiated by management to provide flexibility in management of the leases and adaptation to the Group's needs. Management makes continuous assessments about whether it is likely that these extensions and termination options will be exercised. This means that a lease term may be extended or shortened based on changing needs, which affects the value of both the right-to-use asset and the lease liability.

For more information about leases, see [notes 13, 23 and 29](#).

Note 4 Segment reporting

INFORMATION ABOUT OPERATING SEGMENTS

Financial year 2019 MSEK	Agriculture Sector	Energy Sector	Food Sector	Swecon Business Area	Real Estate Business Area	Other operations	Group- wide ¹⁾	Total Group
Net sales								
External sales	19,337	3,560	16,797	8,501	252	76	0	48,523
Internal sales	2,504	181	70	87	304	572	-3,718	0
Total net sales	21,841	3,741	16,867	8,588	556	649	-3,719	48,523
Operating income per segment	83	375	924	514	349	-162	-100	1,983
<i>Of which share of income of joint ventures/associates</i>	-105	13	48	-	4	6	-	-34
Finance income								112
Finance costs								-322
Tax expense for the year								-222
Net income for the year								1,551
Other disclosures								
Assets	8,555	2,025	19,738	3,524	2,970	3,518	-3,872	36,458
Share of equity in joint ventures/associates	1,731	193	353	-	131	82	-	2,490
Unallocated assets								2,246
Total assets	10,286	2,218	20,091	3,524	3,101	3,600	-3,872	41,194
Liabilities	2,177	968	2,840	2,012	251	4,468	-2,204	10,512
Unallocated liabilities								13,177
Equity								17,505
Total liabilities and equity	2,177	968	2,840	2,012	251	4,468	-2,204	41,194
Investments including right-of-use assets	367	87	850	1,086	339	117	-260	2,586
Depreciation, amortization and impairment ²⁾	-328	-119	-1,169	-511	-108	-56	228	-2,063
Significant non-cash items in addition to depreciation								0

¹⁾ Internal leases that are reported under IFRS 16 are eliminated from segment assets against unallocated liabilities.

²⁾ Including depreciation of right-of-use assets of MSEK 502 due to the introduction of IFRS 16.

Note 4 continued

Financial year 2018 ¹⁾ MSEK	Agriculture Sector	Energy Sector	Food Sector	Swecon Business Area	Real Estate Business Area	Other operations	Group wide	Total Group
Net sales								
External sales	17,251	2,944	15,292	8,159	246	70		43,962
Internal sales	2,087	173	59	93	279	528	-3,219	0
Total net sales	19,338	3,117	15,351	8,252	525	598	-3,219	43,962
Operating income per segment	131	168	748	440	265	-180	-129	1,443
<i>Of which share of income of joint ventures/associates</i>	49	25	33	-	4	8	-	119
Finance income								96
Finance costs								-289
Tax expense for the year								-68
Net income for the year								1,182
Other disclosures								
Assets	8,185	1,821	17,150	2,479	2,408	3,407	-2,307	33,143
Share of equity in joint ventures/associates	1,577	182	308	-	110	122	-	2,299
Unallocated assets								1,653
Total assets	9,762	2,003	17,458	2,479	2,518	3,529	-2,307	37,095
Liabilities	2,004	905	2,635	2,062	156	4,658	-2,307	10,113
Unallocated liabilities								10,955
Equity								16,027
Total liabilities and equity	2,004	905	2,635	2,062	156	4,658	-2,307	37,095
Investments	260	103	891	405	125	41	-	1,825
Depreciation, amortization and impairment	-144	-92	-798	-236	-55	-38	-	-1,363
Significant non-cash items in addition to depreciation								0

¹⁾ In accordance with previously applied accounting policies for leasing.

INFORMATION ABOUT GEOGRAPHIC AREAS

MSEK	2019		2018	
	External sales	Non-current assets	External sales	Non-current assets
Sweden	20,999	9,471	19,866	8,055
Finland	6,661	3,813	5,697	3,520
Germany	5,507	2,329	5,494	1,508
Denmark	3,234	2,315	2,884	2,243
Norway	2,031	325	2,011	338
United Kingdom	1,845	1,194	1,648	902
Netherlands	1,281	25	785	19
Baltic region	1,229	811	1,036	787
Russia	717	980	621	831
Belgium	594	2,012	514	1,718
France	553	392	444	382
Poland	510	837	484	777
Spain	474	3	430	0
Switzerland	432	0	62	0
Rest of Europe	933	327	830	331
United States	1,027	379	921	362
Australia	306	548	73	-
Rest of world	190	-	162	-
Total	48,523	25,761	43,962	21,773

No Lantmännen customer accounts for 10 percent or more of the Group's total sales.

Note 4 continued

The information presented regarding distribution of revenue by geographical area is grouped according to customer location.

Information regarding assets is based on geographical areas grouped according to asset location, i.e., where the entity carries on its production of goods and services, and includes property, plant and equipment, intangible assets and investments in associates.

Lantmännen's operations are divided into three Sectors and two Business Areas.

Internal reporting to Group Management and the Board corresponds with the Group's operational structure, which means the Group's operating segments are its Sectors and Business Areas. The division is based on the Group's operations from a product and customer perspective.

Sales between the Group's entities are conducted at market terms and conditions.

The assets and liabilities used in each segment's operating activities, and for which it is responsible, are attributed directly to the segments. These assets and liabilities include property, plant and equipment, intangible assets, current assets, operating liabilities and provisions attributable to the sale of goods and services, i.e., the segments' operating capital. Assets and liabilities are attributed directly to the segments or allocated to them in a reasonable and reliable manner.

Responsibility for the management of what the Group defines as financial assets and liabilities, and for the Group's tax lies with the corporate functions at the central level. Financial assets and liabilities, provisions for pensions, taxes, gains and losses on the remeasurement of financial instruments (IFRS 9) and pension obligations (IAS 19) have not been allocated to each segment.

All capital expenditure on property, plant and equipment and intangible assets, apart from expendable equipment and company acquisitions, is included in the segments' investments.

The Group's segments consist of three Sectors and two Business Areas, each specializing in different operations. The segment 'other operations' includes a number of small companies which are controlled at central level. The segments are outlined below:

The **Agriculture Sector**, which constitutes the Group's core business, develops and offers products and services to promote strong, competitive farming. The Swedish operations offer a wide range of products for crop production, livestock and the equine sector, and are also a major participant in the grain market through the purchase of grain, oilseeds, pulses and forages, which are sold on to grain traders and Swedish and international industry. The operations also include sales of agricultural machinery, advisory services, spare parts and servicing of agricultural machinery. The machinery operations offer strong brands such as Valtra, Fendt, Kuhn and Väderstad, and are responsible for imports and market support for the Massey Ferguson brand in Sweden.

In Finland, the Sector provides feed, agri-supply for crop production and spare parts and equipment.

The Sector works on innovation and development of, among other things, sustainable seed treatment, digital services, organic fertilizer and plant breeding for the future. The Agriculture Sector is responsible for Lantmännen's ownership interests in the partly-owned companies HaGe Kiel, Scandagra Group and Scandagra Polska.

The **Energy Sector** is one of Sweden's largest producers of bioenergy products and operates in a global market with the main focus on Europe. The Sector's companies manufacture and market sustainable ethanol fuel, protein feed, carbon dioxide, starch products, gluten, vodka, beta glucan, oat protein, alkylate petrol, lubricants and chemical products. The Energy Sector consists of Lantmännen Agroetanol, Lantmännen Aspen, Lantmännen Reppe and Lantmännen Oats. The Energy Sector is responsible for Lantmännen's ownership interests in the partly-owned company Scandbio, Sweden's largest solid processed wood fuel company.

The **Food Sector** refines grain and other raw materials from arable land and produces, among other things, flour, bread, breakfast products, pasta and ready meals. The Sector has two businesses: Lantmännen Cerealia and Lantmännen Unibake. The Food Sector is also responsible for Lantmännen's ownership interests in the partly-owned company Viking Malt.

- Lantmännen Unibake is one of Europe's largest bakery groups, with 35 bakeries in 16 countries. The Unibake Group supplies 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.

- Lantmännen Cerealia develops, produces and markets cereal-based products such as flour, hulled grains, muesli, granola, pasta, pancakes, crispbread, a vegetarian range of pulses, food grains, whole grains and vegetables, and ready meals. Operations are conducted in Sweden, Norway, Denmark, Finland, Ukraine and Russia with sales in the Nordic markets through food retailers, the food service sector and B2B operations. Lantmännen Cerealia also has significant exports, mainly crispbread and breakfast products, to about 30 countries around the world.

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

The **Real Estate Business Area** consists of Lantmännen Fastigheter and Lantmännen Agrovärme. Lantmännen Fastigheter is one of Sweden's largest real estate companies, with internal and external tenants, and its primary task is to provide Lantmännen with appropriate properties and premises. Lantmännen Fastigheter optimizes returns through active management and concentrates the property portfolio on strategic locations in Sweden. Lantmännen Agrovärme's supplies district heating and ready heat and its task is to provide customers with environmentally sound heating and create value through efficient operation and expansion.

Note 5 Breakdown of revenue

MSEK	2019	2018
Net sales		
Net sales from contracts with customers:		
Lantmännen Lantbruk Sweden	13,181	11,622
Lantmännen Lantbruk Finland	4,617	3,612
Lantmännen Maskin Sweden	3,753	3,875
Agriculture Sector, other and eliminations	290	229
Agriculture Sector	21,841	19,338
Lantmännen Agroetanol	2,282	1,734
Lantmännen Reppe	479	472
Lantmännen Aspen	971	928
Energy Sector, other and eliminations	9	-17
Energy Sector	3,741	3,117
Lantmännen Cerealia	4,419	4,139
Lantmännen Unibake	12,852	11,584
Food Sector, other and eliminations	-404	-375
Food Sector	16,867	15,348
Swecon Sweden	4,478	4,116
Swecon Germany	3,333	3,394
Swecon Baltic	293	287
Swecon Business Area, other and eliminations	-5	-3
Swecon Business Area	8,099	7,794
Real Estate Business Area	116	114
Other operations	649	598
Eliminations	-3,443	-2,967
Total	47,870	43,342
Net sales from leasing activities		
Real Estate Business Area	440	411
Swecon Business Area	489	458
Eliminations	-276	-249
Total	653	620
Total net sales	48,523	43,962
Other operating income		
Capital gains	159	51
Government grants	18	15
Insurance compensation	11	35
Other	294	178
Total	482	279

Capital gains in 2019 and 2018 are mainly from property sales. Other in 2019 includes an adjustment of MSEK 80 to the value of non-current assets, attributable to the acquisition of the oat operations in Kimstad.

Note 6 Employees and employee benefits expense

Average number of employees	2019	of which female	2018	of which female
Group				
Sweden	3,602	27 %	3,541	27 %
Denmark	1,121	27 %	1,132	28 %
Finland	1,004	52 %	947	55 %
United Kingdom	643	29 %	662	28 %
Germany	597	14 %	570	15 %
Russia	526	41 %	478	43 %
Poland	509	37 %	477	34 %
Lithuania	397	59 %	407	62 %
Estonia	374	66 %	374	66 %
Belgium	310	34 %	307	34 %
Ukraine	261	53 %	221	54 %
Norway	251	32 %	269	37 %
Latvia	180	48 %	173	48 %
United States	169	31 %	165	35 %
Romania	97	60 %	86	60 %
Australia	88	52 %	-	-
Hungary	72	44 %	83	43 %
Netherlands	21	28 %	21	30 %
France	20	18 %	17	19 %
Spain	8	54 %	10	73 %
Total, Group	10,250	35 %	9,940	34 %
Parent Company				
Sweden	1,010	39 %	953	38 %
Total, Parent Company	1,010	39 %	953	38 %
Employee benefits expense	Group	Parent Company		
MSEK	2019	2018	2019	2018
Salaries and benefits, CEOs	104	93	18	14
- of which variable component	14	11	7	3
Salaries and benefits, other employees	4,781	4,385	559	518
Social security costs				
- cost for the year	998	967	217	199
- payroll tax effect on compensation from pension fund	-	-	-16	-16
Pension costs				
- cost for the year ¹⁾	413	383	95	94
- compensation from pension fund	-	-	-65	-65
Other staff costs	277	209	27	21
Total	6,573	6,037	835	765

¹⁾ MSEK 12 (13) of the Group's pension costs relate to Boards and Managing Directors. The outstanding pension obligation to them was MSEK 2 (2). MSEK 3 (4) of the Parent Company's pension costs relate to Boards and Managing Directors. The outstanding pension obligation to them is MSEK 0 (0).

Gender representation in executive management	Group		Parent Company	
Female representation, %	2019	2018	2019	2018
Boards of Directors	13	14	17	18
Other senior executives	31	29	30	30

Note 6 continued

SALARIES AND REMUNERATION OF SENIOR EXECUTIVES

Senior executives

Senior executives as referred to in this note are Lantmännen's Group Management, consisting of the President & CEO, the Executive Vice President, three Heads of Sectors, two Managing Directors of business areas and three Directors of Corporate Functions. Members of Group Management may be employed by the Parent Company or by subsidiaries. The composition of senior executives changed during 2019. Group Management consisted of 10 individuals at the beginning of the year. One individual left Group Management, which meant that Group Management consisted of 9 individuals at the end of the year.

Lantmännen's Remuneration Committee

Lantmännen's Board of Directors has a special Remuneration Committee. The Remuneration Committee's tasks include preparing the Board's decisions regarding the salaries and remuneration of the President & CEO, and, in consultation with the President & CEO, preparing proposals on terms for the remuneration of Group Management prior to the President & CEO's decision.

Lantmännen's remuneration policy

The objective of Lantmännen's remuneration policy is to offer remuneration that helps to engage, motivate and attract the expertise that Lantmännen needs in order to be successful in its business operations. The fundamental principles are as follows:

- Remuneration must be neutral in terms of gender, religion, ethnicity, disability, sexual orientation etc.
- Remuneration must be individual and differentiated, and always strongly linked to the employee's performance.
- Remuneration must be based on the necessary skills, duties, qualifications, experience, position and contribution to the business.
- Remuneration must be relevant in relation to the external market.
- Remuneration must always be determined on the basis of the business and financial situation within the Lantmännen Group and its companies.

Remuneration within Lantmännen must always be considered and assessed from a total remuneration perspective. Decisions on remuneration within Lantmännen should always be made on the basis of our values: openness, a holistic view and drive.

Remuneration structure

The Annual General Meeting decides on the remuneration of the Board of Directors for the period until the next AGM. The remuneration is distributed between a fixed annual fee and an hourly fee. The AGM's decisions on the fixed fee cover the Chairman, the Vice Chairman and other Board members.

The AGM adopts guidelines for remuneration of Group Management on the basis of the Board's proposals. The 2018 meeting adopted the guidelines that were applied in 2019. The 2019 meeting adopted the guidelines that will be applied in 2020.

Lantmännen's remuneration structure for Group Management consists of the following components:

- Fixed salary
- Variable salary
 - Short-term incentive program
 - Long-term incentive program
- Pension
- Termination and other benefits

Fixed salary

Members of Lantmännen's Group Management undergo an annual salary review on January 1. The review considers individual performance, market salary growth, changed areas of responsibility, company performance and local agreements and regulations.

Variable salary - Short-term incentive program

Lantmännen has a Group-wide variable salary program, which for 2019 covered all members of Group Management. Decisions about target groups and guidelines for variable salary are made annually by the AGM in the case of the

Group Management and by the Board of Lantmännen in other cases. For 2019, the program consists of financial and individual targets. The financial targets represent 75 percent of the maximum variable salary and are linked to the economic value added that the operating units generate for Lantmännen. The individual targets represent 25 percent.

The maximum variable salary that could be paid to Lantmännen's Group management in 2019 was 30 percent of the agreed fixed salary, before salary exchange, with full achievement of targets. The total maximum variable salary that could be paid to employees entitled to variable salary in 2019 was approximately MSEK 46, excluding social security costs. The 2019 variable salary was estimated at MSEK 39, excluding social security costs.

Variable salary - Long-term incentive program

Lantmännen's long-term incentive program runs for four years with an initial performance year followed by three lock-in years. The program covers all the members of Group management and a small group of senior executives and business-critical key individuals.

The purpose of the program is to drive and reward exceptional value growth and profitability within the Group. The program also has a construction that links the interests of the owners and participants. An initial allocation under the program is contingent on the Group achieving a predetermined minimum result for return on equity (RoE) in the performance year. The initial allocation increases with a higher RoE, but there is a ceiling at which no further allocation takes place. The maximum allocation as a percentage of the fixed annual salary after completion of the performance year is 40 percent for the President & CEO, 30 percent for other Group management and 20 percent for other participants.

Lantmännen has two ongoing long-term incentive programs – one that started in 2018 and a second that started in 2019. The initial allocation cost for the program that started in 2018 was MSEK 14. The cost recognized during the lock-in year 2019 has changed by MSEK -0.6, partly due to changes in participant numbers and partly to the program's structure and rules on changes in value during the lock-in period. The initial allocation cost for the program that started in 2019 is estimated at MSEK 21, excluding social security contributions.

Pensions

Lantmännen offers Group Management occupational pensions in accordance with national practice, local agreements and other regulations.

The majority of Group Management members have entitlement to a pension on reaching the age of 65. There are currently three main principles governing pension accrual for members of Lantmännen's Group Management, all of whom apart from one are employed in Sweden:

- Occupational pension accrual in accordance with the ITP agreement in Sweden, with a pensionable salary ceiling of 30 income base amounts and payment of sickness benefits as laid down in the ITP agreement. The majority also have a premium provision corresponding to 30 percent of salary over 30 income base amounts.
- Occupational pension accrual in accordance with the ITP agreement in Sweden up to 7.5 income base amounts. Payment of sickness benefits is as laid down in the ITP agreement. There is also a premium provision corresponding to 30 percent of salary over 7.5 income base amounts. The Executive Vice President's pension accrual follows this structure.
- A defined contribution pension, with a premium of 10-30 percent of the pensionable salary. The President & CEO receives a defined contribution pension, with a premium of 30 percent of the pensionable salary.

All senior executives apart from one have a retirement age of 65, including the President & CEO and Executive Vice President, and earn their pensions in accordance with one of the main principles described above. One of them has pension rights on reaching the age of 63. The pension is accrued in the form of a defined benefit pension arrangement corresponding to 60 percent of a previously defined pensionable salary. If the employee chooses to remain in service until the age of 65, the pension rights accrue from the age of 63 to 65, according to the ITP plan.

Other benefits

In addition to fixed salaries, variable salaries and pensions, Lantmännen offers other benefits in the form of company cars, occupational injury insurance and

Note 6 continued

occupational group life insurance in accordance with local agreements and regulations. Members of Group management are also normally entitled to an annual health check, private health insurance and supplementary health insurance that can give benefits for salary between 30-50 income base amounts. For countries outside Sweden, equivalent benefits are offered in accordance with national practice and legislation.

Termination benefits/notice

The President & CEO and Executive Vice President have a notice period of six months for termination of employment at their own request and six months for

termination at Lantmännen's request. If employment is terminated at Lantmännen's request, the President & CEO will receive a salary during the notice period corresponding to the fixed salary and other benefits (including occupational pension and insurance). In addition, termination benefits corresponding to twelve months' fixed salary will be paid, with full deduction of any salary from a new employer. Other members of Group Management have a notice period of six months for termination of employment at their own request and at Lantmännen's request. If the termination is at Lantmännen's request, termination benefits corresponding to six or twelve months' fixed salary are paid, with any income from other employment during this period deducted.

Salaries and remuneration of senior executives 2019 TSEK	Directors' fees	Fixed salary ³⁾	Variable salary ⁴⁾	Pension ³⁾	Other benefits ⁵⁾	Total 2019
Elected Board members of Lantmännen ek för, according to specification below ¹⁾	5,041					5,041
President & CEO Per Olof Nyman		8,210	4,786	2,358	134	15,488
Executive Vice President Per Arfvidsson		3,695	1,793	967	127	6,582
Group management, other ²⁾		24,278	11,272	7,191	1,109	43,850
	5,041	36,183	17,851	10,516	1,370	70,961

Salaries and remuneration of senior executives 2018 TSEK	Directors' fees	Fixed salary ³⁾	Variable salary ⁴⁾	Pension ³⁾	Other benefits ⁵⁾	Total 2018
Elected Board members of Lantmännen ek för, according to specification below ¹⁾	5,196					5,196
President & CEO Per Olof Nyman		7,111	2,226	2,868	133	12,338
Executive Vice President Per Arfvidsson		3,567	802	941	126	5,436
Group management, other ²⁾		24,431	6,083	7,051	1,103	38,668
	5,196	35,109	9,111	10,860	1,362	61,638

¹⁾ Includes remuneration from both Lantmännen ek för and other Group companies and covers fixed annual fee and an hourly fee.

²⁾ Other Group Management consists of 8 individuals, which was also the average for the year. Disclosures regarding Group Management only apply to individuals who are members of Lantmännen's Group Management.

³⁾ Certain members of Group Management are entitled to switch between fixed salary and pension within the framework of current tax legislation.

⁴⁾ Estimated variable salary for each year. For 2019, the initial allocation under the long-term incentive program, the estimated change in value for the ongoing long-term incentive program and the estimated variable salary for the short-term incentive program are included for payment in the following year. The estimated variable salary for 2018 was consistent with the outcome.

⁵⁾ Mainly company cars, but also other benefits such as health insurance and subsistence.

Board of Directors' fees ¹⁾

TSEK	2019	2018
Per Lindahl ²⁾	1,272	1,242
Hans Wallemyr ³⁾	673	759
Kerstin Arnemo ⁴⁾	-	225
Gunilla Aschan	473	461
Sonat Burman-Olsson ⁵⁾	445	255
Ulf Gundemark ⁶⁾	182	435
Johan Bygge ⁷⁾	263	-
Ove Gustafsson	472	506
Pauline Lindwall ⁸⁾	-	179
Thomas Magnusson ⁵⁾	-	179
Johan Mattsson	451	448
Henrik Wahlberg	490	507
Per Wijkander ⁷⁾	320	-
Total	5,041	5,196

¹⁾ Includes remuneration from both Lantmännen ek för and other Group companies and covers fixed annual fee and an hourly fee.

²⁾ Chairman of the Board

³⁾ Vice Chairman of the Board

⁴⁾ From May 7, 2018 to October 16, 2018

⁵⁾ From May 7, 2018

⁶⁾ To May 8, 2019

⁷⁾ From May 8, 2019

⁸⁾ To May 7, 2018

Note 7 Depreciation, amortization and impairment of assets

MSEK	2019	2018
Depreciation and amortization		
Land and buildings	456	186
Plant and machinery	1,045	813
Equipment, tools, fixtures and fittings	256	104
Investment property	12	12
Intangible assets	244	215
Total	2,013	1,330
Impairment and reversal of impairment		
Land and buildings	2	2
Plant and machinery	42	30
Equipment, tools, fixtures and fittings	2	1
Other intangible assets	4	-
Total	50	33
Total depreciation, amortization and impairment		
MSEK	2019	2018
Land and buildings	458	188
Plant and machinery	1,087	843
Equipment, tools, fixtures and fittings	258	105
Investment property	12	12
Other intangible assets	248	215
Total	2,063	1,363
Impairment by Sector		
MSEK	2019	2018
Agriculture Sector		
- from annual impairment testing	1	1
Energy Sector		
- as an effect of restructuring decision	-	16
Food Sector		
- from annual impairment testing	9	-
- as an effect of restructuring decision	22	16
Swecon Business Area		
- from annual impairment testing	2	-
Other operations		
- from annual impairment testing	16	-
Total	50	33

For further details see also ↗ notes 13, 14 and 15.

Impairment

Lantmännen measures the recoverable amount of assets in predefined cash-generating units when there are indications that there may have been a material decline in value and this is not expected to be temporary.

Lantmännen always conducts annual impairment testing (usually in the third four-month period) of cash-generating units that contain goodwill and other intangible assets with an indefinite useful life, irrespective of whether there is any indication that the assets may be impaired.

The recoverable amount of cash-generating units is determined by calculating their value in use. Value in use is the present value of the estimated future cash flows expected to be derived from continuing use of the asset. The estimates for the year are based on adopted budgets for 2020 and adopted strategic plans for 2021 and 2022. The calculation of value in use is also based on what management believes are reasonable market assumptions, and includes cash flow projections for the existing operations, with annual growth after 2022 assumed to be weak, i.e. about 2 percent for most operations.

The discount rates used for the present value calculation of the expected future cash flows correspond to the long-term return requirements, before tax, that have been defined for operations in the cash-generating units. In determining the discount rate, the risk associated with the asset in question is taken into account; proximity of operations to the farmer have a lower risk premium.

The cash-generating units defined within Lantmännen are at a lower organizational level than the segments in Lantmännen's segment reporting, i.e. the Group's Sectors and Business Areas.

The annual measurement of the value of goodwill and intangible assets with indefinite useful lives did not result in any impairment.

The business area Lantmännen Unibake accounts for 73 percent of the Group's total value of goodwill and other assets with indefinite useful lives, and the business area Lantmännen Cerealia accounts for 19 percent.

A pre-tax discount rate of 8 (8) percent was applied during impairment testing of the cash-generating units Lantmännen Unibake and Lantmännen Cerealia. No impairment was identified. An increase of 1 percentage point in the discount rate would have reduced the estimated total value in use for these units by MSEK 2,935, which would still not have resulted in an impairment loss, all other assumptions remaining unchanged.

Other units with goodwill and intangible assets with indefinite useful lives were well within the estimated value in use limit during impairment testing for the year. The pre-tax discount rates used in these impairment tests were within the range 8 to 10 percent.

Note 8 Fees and reimbursement of expenses to auditors

MSEK	2019	2018
Ernst & Young		
Annual audit	17	16
Tax consultancy services	2	2
Other services	2	2
Total	21	20
Other auditors		
Annual audit	2	2
Elected auditors		
Annual audit	1	1

The annual audit comprises the auditing of the annual financial statements for the Parent Company and Group, the accounting records and the administration of the Board of Directors and President & CEO. It also includes other duties incumbent on the company's auditors, as well as advice and other assistance arising from observations made while performing the audit or carrying out such other duties.

Note 9 Finance income and costs

MSEK	2019			2018		
	Income	Costs	Total	Income	Costs	Total
Financial assets at fair value through profit or loss						
Dividend	-	-	-	6	-	6
Capital gains/losses	1	-	1	1	-	1
			1			7
Financial assets measured at amortized cost						
Interest income, receivables from members	42	-	42	39	-	39
Other interest income	54	-	54	42	-	42
			96			81
Financial assets at fair value through other comprehensive income						
Dividend ¹⁾	7	-	7	4	-	4
Capital gains/losses	-	-	0	-	-	0
Impairment, reversal of impairment	-	-	0	1	-	1
			7			5
Derivatives used in hedge accounting						
Interest on currency forward contracts and swaps	8	-	8	3	-	3
Ineffective portion of hedges	-	-	0	-	-	0
			8			3
Other financial liabilities measured at amortized cost						
Interest expense, pension plans	-	-13	-13	-	-12	-12
Interest expense, liabilities to members	-	-24	-24	-	-20	-20
Interest expense, liabilities to the public	-	-10	-10	-	-8	-8
Interest expense, borrowing	-	-150	-150	-	-196	-196
Interest expenses, lease liabilities	-	-58	-58	-	-	-
Other interest expenses	-	-24	-24	-	-13	-13
Other borrowing expenses	-	0	0	-	0	0
Currency effects	-	-43	-43	-	-40	-40
			-322			-289
Total	112	-322	-210	96	-289	-193

¹⁾ Of which MSEK 0 attributable to shares sold in the financial year.

Note 10 Items affecting comparability

The Group's income can be inflated or reduced by certain items that affect comparability. An overview of these items is presented below.

An item affecting comparability is a one-time item that is not directly related to the planned future operations and is outside the range of MSEK +/- 30.

MSEK	2019	2018
Capital gains on sale of operations	97	-
Items affecting comparability in other operating income	97	-
Restructuring costs	-94	-71
Other	-107	-66
Total items affecting comparability in operating income	-104	-137
Total items affecting comparability in income after financial items	-104	-137
Tax effect of items affecting comparability	3	30
Total items affecting comparability in net income for the year	-101	-107

Items affecting comparability by Segment/Sector in 2019

MSEK	Restructuring costs	Other	Total
Agriculture Sector	-	-127	-127
Energy Sector	-	20	20
Food Sector	-94	-	-94
Real Estate Business Area	-	97	97
Total	-94	-10	-104

The Agriculture Sector was affected by MSEK -127 attributable to the associated company Hauptgenossenschaft Nord AG (HaGe), whose subsidiary Betriebsmittel Service Logistik GmbH & Co. KG (BSL) has reached a settlement agreement with the German competition authority in a case concerning the German plant protection wholesale market.

The provision previously reported in the Energy Sector in connection with the EU Commission's investigation of Lantmännen Agroetanol and two other ethanol producers was adjusted up by MSEK 60 as a result of a weaker Swedish krona. The Energy Sector was also positively affected by MSEK 80 as a result of a value adjustment of non-current assets related to the acquisition of the oat operations in Kimstad.

Note 10 continued

The Food Sector was affected by restructuring costs of MSEK –94, of which MSEK –35 was attributable to Lantmännen Cerealia and MSEK –59 to Lantmännen Unibake, which decided to close three bakeries in Poland, Hungary and Denmark as part of the streamlining of Unibake's European production platform.

The Real Estate Business Area reported capital gains of MSEK 97 on property sales.

Items affecting comparability by Segment/Sector in 2018

MSEK	Restructuring costs	Other	Total
Agriculture Sector	-	-66	-66
Energy Sector	-32	-	-32
Food Sector	-39	-	-39
Total	-71	-66	-137

The Agriculture Sector had an item affecting comparability related to the extra discount and supplement on trading with Lantmännen Lantbruk Sweden and for the waiving of the fee for repurchased grain contracts. The item was part of Lantmännen's action package to ease the negative effects of the drought.

The Energy Sector had restructuring costs due to the discontinuation of Lantmännen Reppe's production of glucose syrup in Växjö.

The Food Sector had structural costs for restructuring in Lantmännen Unibake, which affects personnel and non-current assets in both the fresh and frozen bakery operations.

Note 11 Exchange differences affecting income

MSEK	2019	2018
Exchange differences affecting operating income	-79	-101
Exchange differences in financial items	-43	-40
Total	-122	-141

Exchange differences in operating income are included in:

	2019	2018
Net sales	-6	2
Cost of materials	-63	-102
Other operating income/expense	-10	-1
Total	-79	-101

Note 12 Taxes

Tax on net income for the year MSEK	2019	2018
Current tax expense (-)/tax income (+)		
Tax expense for the period	-176	-167
Adjustment of tax attributable to prior years	1	0
Total current tax	-175	-167
Deferred tax expense (-)/tax income (+)		
Deferred tax from changes in temporary differences	44	24
Deferred taxes arising from changes in tax rates	1	5
Deferred tax income in capitalized loss carryforwards	96	140
Utilization of previously capitalized loss carryforwards	-194	-76
Other changes	6	6
Total deferred tax	-47	99
Total recognized tax expense	-222	-68

Reconciliation of effective tax	2019		2018	
	Percent	MSEK	Percent	MSEK
Income before tax		1,773		1,250
Anticipated tax according to enacted Swedish tax rate	21.4 %	-379	22.0 %	-275
Items with tax effects on the results and their impact on the effective tax rate:				
Non-deductible expenses	2 %	-35	2 %	-26
Tax-exempt capital gains	-1 %	22	-2 %	21
Tax-exempt dividends	0 %	1	0 %	1
Other non-taxable income	0 %	8	-1 %	14
Tax on unrecognized income	0 %	1	0 %	0
Loss carryforward arising during the year, not capitalized as a deferred tax asset	0 %	-1	0 %	-4
Capitalization of previously uncapitalized loss carryforwards and tax credits	-4 %	67	-7 %	92
Effect of special tax rules for economic associations	-5 %	81	-8 %	100
Tax attributable to prior years	0 %	7	1 %	-7
Effect of changes to tax rates, tax rules and different tax rates in the Group	-1 %	13	0 %	-4
Reversal of income of joint ventures/associates	0 %	-5	-2 %	26
Other	0 %	-2	0 %	-6
Recognized effective tax	13 %	-222	5 %	-68

According to the tax rules applicable to economic associations, the dividend proposed from the Board, which will be paid to physical persons in the following year, is tax-deductible in the current year and was taken into account in calculating the current tax. Refunds and supplementary payments are also tax-deductible costs; they are not recognized in the income statement but as dividends.

Tax items recognized through other comprehensive income

MSEK	2019	2018
Deferred tax		
Actuarial gains and losses on defined benefit pension plans	62	7
Financial assets at fair value through other comprehensive income	-9	5
Cash flow hedges	2	4
Total	55	16
Current tax		
Current tax in hedges of net investments	7	11
Total tax effects in other comprehensive income	62	27

Note 12 continued

Deferred tax asset/tax liability	2019			2018		
	Deferred tax asset	Deferred tax liability	Net	Deferred tax asset	Deferred tax liability	Net
MSEK						
Group						
Land and buildings	379	913	-534	42	144	-102
Machinery and equipment	69	692	-623	80	542	-462
Intangible assets	122	668	-546	118	586	-468
Trade receivables	0	1	-1	0	0	0
Pension provisions	210	1	209	139	0	139
Interest-bearing liabilities	1,122	369	753	169	3	166
Other provisions	56	1	55	50	1	49
Loss carryforwards	269	0	269	321	0	321
Other	49	99	-50	36	81	-45
Total	2,276	2,744	-468	955	1,357	-402
Offsetting of assets/liabilities	-2,024	-2,024	0	-707	-707	0
Total, net deferred tax asset/liability	252	720	-468	248	650	-402

Deferred tax assets and liabilities attributable to the same tax authority have been offset against each other.

Change in deferred tax in temporary differences and loss carryforwards 2019

MSEK	Amount at beginning of year	Opening tax on assets and liabilities recognized under IFRS 16	Recognized in income statement	Recognized in OCI	Changes in acquisitions/divestments	Reclassifications	Translation differences	Amount at end of 2019
Group								
Land and buildings	-102	-411	-3	-	-16	0	-2	-534
Machinery and equipment	-462	-139	-18	-	-	0	-4	-623
Intangible assets	-468	-	-2	-	-66	-	-10	-546
Trade receivables	0	-	-1	-	-	-	0	-1
Pension provisions	139	-	8	62	-	-	0	209
Interest-bearing liabilities	165	550	19	0	16	-	3	753
Other provisions	49	-	6	-	-	0	0	55
Loss carryforwards	321	-	-59	2	-	-	5	269
Other	-44	-	3	-9	0	0	0	-50
Total	-402	0	-47	55	-66	0	-8	-468

Change in deferred tax in temporary differences and loss carryforwards 2018

MSEK	Amount at beginning of year	Recognized in income statement	Recognized in OCI	Changes in acquisitions/divestments	Reclassifications	Translation differences	Amount at end of 2018
Group							
Land and buildings	-103	6	-	-	-	-5	-102
Machinery and equipment	-451	1	-	-2	-	-10	-462
Intangible assets	-435	15	-	-41	-	-7	-468
Trade receivables	1	-1	-	-	-	-	0
Pension provisions	133	-1	7	-	-	-	139
Interest-bearing liabilities	154	6	-	-	-	-	165
Other provisions	49	-4	-	-	3	1	49
Loss carryforwards	247	62	-	-	6	6	321
Other	-63	15	9	-	-7	7	-44
Total	-468	99	16	-43	2	-8	-402

Loss carryforwards and tax credits

At the end of the year, the Group had loss carryforwards of MSEK 1,254 (1,479), of which MSEK 1,200 (1,365) was taken into account in the calculation of deferred tax.

The loss carryforwards that have not been taken into account are mainly relate to loss carryforwards in operations in Hungary and a non-wholly owned company

in Sweden. These have not been assigned any value as it is currently uncertain whether they will be utilized.

The loss carryforwards not included in the calculation of deferred tax amount to MSEK 54 (114) and have an unlimited life.

At the end of the year, the Group had tax credits of MSEK 44 in Poland, which was taken into account in the calculation of deferred tax

Note 13 Property, plant and equipment

MSEK	Land and land improvements		Buildings		Plant and machinery		Equipment, tools, fixtures and fittings		Construction in progress		Total property, plant and equipment	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Accumulated cost of acquisition	1,223	1,048	8,788	6,191	17,207	15,600	2,450	1,756	577	1,095	30,245	25,690
Accumulated depreciation	-108	-103	-3,037	-2,603	-11,383	-10,838	-1,622	-1,365	-	-	-16,150	-14,909
Accumulated impairment	-49	-49	-194	-184	-514	-514	-41	-22	-	-	-798	-769
Carrying amount	1,066	896	5,557	3,404	5,310	4,248	787	369	577	1,095	13,297	10,012
Balance at beginning of year	896	779	3,404	3,078	4,248	3,715	369	335	1,095	1,480	10,012	9,387
Effect of introduction of new accounting policy for leases (IFRS 16) January 1	34	-	2,042	-	227	-	329	-	-	-	2,632	-
Investments including right-of-use assets ¹⁾	87	107	260	21	1,011	519	186	62	917	1,005	2,461	1,714
Company acquisitions	-	-	12	92	124	63	3	-	-	-	139	155
Sales and disposals	-5	-	-162	-27	-147	-139	-11	-	-	-	-325	-166
Regular depreciation for the year	-5	-4	-451	-182	-1,045	-813	-256	-104	-	-	-1,757	-1,103
Impairment for the year	-	-	-2	-2	-42	-30	-2	-1	-	-	-46	-33
Reclassifications	42	7	330	384	863	852	164	71	-1,468	-1,391	-69	-77
Translation differences	17	7	124	40	71	81	5	6	33	1	250	135
Carrying amount²⁾	1,066	896	5,557	3,404	5,310	4,248	787	369	577	1,095	13,297	10,012
Right-of-use assets included in property, plant and equipment												
Cost of acquisition												
Value at beginning of year ³⁾	-	-	242	256	86	73	8	6	-	-	336	335
Effect of introduction of new accounting policy for leases (IFRS 16) January 1	34	-	2,042	-	227	-	329	-	-	-	2,632	-
Investments in right-of-use assets	72	-	178	2	12	3	123	-	-	-	385	5
Other changes	-2	-	-203	-16	-25	10	-30	2	-	-	-260	-4
December 31	104	-	2,259	242	300	86	430	8	-	-	3,093	336
Accumulated depreciation												
Value at beginning of year ³⁾	-	-	-96	-96	-78	-69	-2	-2	-	-	-176	-167
Regular depreciation for the year	-	-	-266	-	-97	-1	-139	-	-	-	-502	-1
Other changes	-	-	60	-	21	-8	20	-	-	-	101	-8
December 31	-	-	-302	-96	-154	-78	-121	-2	-	-	-577	-176
Carrying amount	104	-	1,957	146	146	8	309	6	-	-	2,516	160
Government grants reduced the year's investments by	2	4	-	-	-	-	-	-	-	-	2	4

¹⁾ Investments for the year do not include any capitalized interest. Properties acquired in companies are treated as asset acquisitions and accounted for as acquisitions of property, plant and equipment or investment properties.

²⁾ Includes assets of MSEK 553 (426) leased out under operating leases as part of Swecon Baumaschinen's construction machinery rental operations.

³⁾ Finance leases previously reported under IAS 17.

Government grants reduced the year's investments by MSEK 2 (4).

Contractual obligations relating to investments in property, plant and equipment amounted to MSEK 158 (276) at the end of the year.

For further information about depreciation and impairment, see → note 7.

For further information about leases, see → note 29 Leases and → note 30 Customer financing.

Note 14 Investment property

MSEK	Land		Buildings		Total investment property	
	2019	2018	2019	2018	2019	2018
Accumulated cost of acquisition	115	122	602	616	717	738
Accumulated depreciation	-6	-6	-81	-71	-87	-77
Carrying amount	109	116	521	545	630	661
Balance at beginning of year	116	121	545	522	661	643
Investments in properties	10	-	-	-	10	-
Sales and disposals	-38	-6	-22	-20	-60	-26
Regular depreciation for the year	-1	-1	-11	-11	-12	-12
Reclassifications	22	2	9	54	31	56
Carrying amount	109	116	521	545	630	661

Properties where less than 10 percent of the space is used for the Lantmännen Group's own activities are classified as investment property in the Group.

For further information about leases, see note 30 Customer financing.

Investment properties with a carrying amount of MSEK 405 (402) are pledged as security for the Group's borrowing. The estimated fair value is MSEK 714 (658).

Assets leased out under operating leases include all investment properties.

Changes in fair value

MSEK	2019	2018
Fair value at beginning of year	1,080	1,136
Investments in properties	10	-
Sales and disposals	-33	-36
Fair value changes	78	19
Reclassifications	-	-39
Fair value at end of year	1,135	1,080

All investment properties have been valued according to hierarchy level 3, i.e. based on unobservable inputs and according to the methods described below.

Fair value has been determined on the basis of internal assessments. Property sales carried out during the year have been reconciled.

The value has been estimated using the following measurement methods:

- In the majority of cases the market price method has been used, where sales of equivalent properties in the market are used to support the valuation.
- Net present value, using cash flow calculations, where the properties' future net operating income and estimated residual value have been calculated at the present value.
- In certain cases, net present value using the net capitalization method has been calculated, where a normalized figure for net operating income is seen in relation to a market-adjusted direct return requirement.

Investment properties' impact on income for the period

MSEK	2019	2018
Rental income	112	100
Direct costs, including costs for repair and maintenance		
- Properties that generate rents	-37	-38
Net operating income	75	62

Note 15 Intangible assets

MSEK	Other intangible assets											
	Goodwill		Trademarks		Customer and supplier relationships		Patents, licenses and similar rights		Capitalized expenditure on development, internally generated		Total other intangible assets	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Accumulated cost of acquisition	5,763	5,389	2,137	2,092	2,226	1,965	328	248	1,098	1,027	5,789	5,332
Accumulated amortization	-	-	-258	-250	-912	-737	-267	-194	-680	-634	-2,117	-1,815
Accumulated impairment	-39	-39					17	14	-69	-80	-52	-66
Carrying amount	5,724	5,350	1,879	1,842	1,314	1,228	78	68	349	313	3,620	3,451
Balance at beginning of year	5,350	5,238	1,842	1,813	1,228	1,173	68	58	313	283	3,451	3,327
Investments	-	-	-	2	-	-	2	17	113	92	115	111
Company acquisitions	253	-45	20	4	213	158	12	-	-	-	245	162
Sales and disposals	-	-1	-	-	-	-	-	-1	-	-1	0	-2
Regular amortization for the year	-	-	-5	-4	-152	-133	-18	-16	-69	-62	-244	-215
Impairment for the year	-	-	-	-	-	-	-	-	-4	-	-4	0
Reclassifications	-	-	-	-	-	-	12	9	-6	-2	6	7
Translation differences	121	158	22	27	25	30	2	1	2	3	51	61
Carrying amount	5,724	5,350	1,879	1,842	1,314	1,228	78	68	349	313	3,620	3,451
Allocation of goodwill, brands and customer/supplier relationships per Sector												
Agriculture Sector	223	222	35	18	144	196						
Energy Sector	265	263	147 ¹⁾	146 ¹⁾	109	116						
Food Sector	5,221	4,850	1,697 ²⁾	1,678 ²⁾	1,051	896						
<i>of which Lantmännen Unibake</i>	<i>4,385</i>	<i>4,046</i>	<i>1,031²⁾</i>	<i>1,025²⁾</i>	<i>735</i>	<i>568</i>						
Swecon Business Area	15	15	-	-	10	20						
Total	5,724	5,350	1,879	1,842	1,314	1,228						

¹⁾ Of which brand with indefinite useful life, Aspen MSEK 50 (50).

²⁾ Of which brands with indefinite useful lives MSEK 1,608 (1,589), distributed as follows: Lantmännen Unibake MSEK 1,001 (995) and Lantmännen Cerealia MSEK 607 (594).

There were no contractual obligations relating to investments in intangible assets at the end of the year.

Further information about amortization, impairment and annual impairment testing of goodwill and trademarks with indefinite useful lives can be found in [note 7](#).

Note 16 Equity accounted investments

Lantmännen's holdings in associates and joint arrangements classified as joint ventures are accounted for using the equity method.

Lantmännen reports income from associates and joint ventures with a one-month lag, which means that net income for the year includes Lantmännen's share of their income for the period December of the previous year to November of the current year. The lag is a practical measure, as the companies are not able to apply all aspects of Lantmännen's reporting process.

MSEK	Group		Parent Company	
	2019	2018	2019	2018
Accumulated cost of acquisition	2,492	2,301	1,436	1,290
Accumulated impairment	-2	-2	-71	-50
Carrying amount	2,490	2,299	1,365	1,240
Balance at beginning of year	2,299	2,182	1,240	1,222
Acquisitions/shareholder contributions	184	24	161	13
Divestments	-27	-13	-	-
Share of income of associates and joint ventures	-34	119	-	-
Dividend for the year	-58	-61	-	-
Reclassifications	-	3	-	5
Impairment	-	-	-21	-
Other	96	-38	-15	-
Translation difference/OCI	30	83	-	-
Carrying amount	2,490	2,299	1,365	1,240
Investments in joint ventures	667	686	400	435
Investments in associates	1,823	1,613	965	805
Total	2,490	2,299	1,365	1,240

Any impairment and reversals of impairment are recognized in the income statement under Share of income of equity accounted companies.

In 2019, Lantmännen participated in HaGe Kiel AG's new share issue with an investment of MSEK 127.

Tillväxtbolaget för Sveriges Lantbrukare AB carried out a new share issue during the year and Lantmännen's ownership share was changed to 37.5 % which means that the company is classified as an associate.

The year's divestment of associates is mainly related to Lantmännen's share in the Norwegian company Akershus Traktor AS, which was included in Other companies.

'Other' mainly includes the impact of accounting policy changes in a company, with an effect of MSEK 115.

MSEK	Share of income of joint ventures and associates		Dividends from joint ventures and associates	
	2019	2018	2019	2018
Joint ventures				
Scandagra Group AB	6	14	-	-
Scandagra Polska Sp. z o.o.	0	-9	-	-
Scandbio AB	9	21	-	-25
Other	12	11	-52	-
Associates				
HaGe Kiel AG	-118	37	-	-17
Viking Malt Oy	48	33	-4	-16
Other	9	12	-2	-3
Carrying amount	-34	119	-58	-61

Summary of financial information for joint ventures and associates

Information is for 100 percent in each company

Joint ventures	Scandagra Group AB		Scandagra Polska Sp. z o.o.		Scandbio AB	
	2019	2018	2019	2018	2019	2018
Balance sheet items						
Non-current assets	254	255	109	100	209	207
Current assets	2,011	1,932	392	346	416	338
<i>of which cash and cash equivalents</i>	17	4	17	11	10	0
Total assets	2,265	2,187	501	446	625	545
Non-current liabilities	720	733	3	2	13	12
<i>of which financial liabilities</i>	715	727	-	-	-	-
Current liabilities	988	921	366	330	319	257
<i>of which financial liabilities</i>	601	572	-	-	-	-
Total liabilities	1,708	1,654	369	332	332	269
Net assets, 100 %	557	533	132	114	293	276
<i>Ownership share in company, %</i>	50 %	50 %	50 %	50 %	50 %	50 %
Lantmännen's share of net assets	279	267	66	57	147	138
Goodwill on consolidation	-	-	-	-	17	17
Carrying amount in Lantmännen	279	267	66	57	164	155

Note 16 continued

MSEK	Scandagra Group AB		Scandagra Polska Sp. z o.o.		Scandbio AB	
	2019	2018	2019	2018	2019	2018
Income statement items						
Net sales	4,206	3,427	1,296	1,016	923	1,042
Net income for the year	11	27	0	-18	18	42
<i>of which depreciation and amortization</i>	-28	-29	-3	-3	-28	-29
<i>of which interest income</i>	49	36	5	5	0	0
<i>of which interest expenses</i>	-30	-22	-10	-10	-3	-2
<i>of which tax expenses/income</i>	-5	-4	0	0	-4	-8
Total comprehensive income	11	27	0	-18	18	42
<i>Ownership share in company, %</i>	<i>50 %</i>	<i>50 %</i>	<i>50 %</i>	<i>50 %</i>	<i>50 %</i>	<i>50 %</i>
Lantmännen's share of net income	6	14	0	-9	9	21
Impairment of goodwill on consolidation	-	-	-	-	-	-
Carrying amount in Lantmännen	6	14	0	-9	9	21

Operating income in other joint ventures was MSEK 24 (21) and Lantmännen's recognized share of income was MSEK 12 (11).

MSEK	HaGe Kiel AG		Viking Malt Oy	
	2019	2018	2019	2018
Balance sheet items				
Non-current assets	2,508	2,275	994	1,075
Current assets	5,839	5,551	1,098	1,063
Total assets	8,347	7,826	2,092	2,138
Non-current liabilities	721	890	666	828
Current liabilities	4,303	3,991	485	489
Total liabilities	5,024	4,881	1,151	1,317
Net assets, 100 %	3,323	2,945	941	821
<i>Ownership share in company, %</i>	<i>41 %</i>	<i>41 %</i>	<i>37.5 %</i>	<i>37.5 %</i>
Lantmännen's share of net assets	1,362	1,207	353	308
Goodwill on consolidation	12	12	-	-
Carrying amount in Lantmännen	1,374	1,219	353	308

MSEK	HaGe Kiel AG		Viking Malt Oy	
	2019	2018	2019	2018
Income statement items				
Net sales	21,507	20,473	2,643	2,373
Net income for the year	-287	91	128	89
Other comprehensive income	-1	17	-	-
Total comprehensive income	-288	108	128	89
<i>Ownership share in company, %</i>	<i>41 %</i>	<i>41 %</i>	<i>37.5 %</i>	<i>37.5 %</i>
Lantmännen's share of net income	-118	37	48	33
Lantmännen's share of OCI	0	7	-	-
Carrying amount in Lantmännen	-118	44	48	33

Operating income in other associates was MSEK 18 (24), and Lantmännen's recognized share of income was MSEK 9 (12).

Information on contingent liabilities for joint ventures and associates can be found in [note 34](#).

Lantmännen does not have any commitments to the companies over and above these contingent liabilities.

There are no restrictions on the companies' ability to transfer assets to their owners.

Note 16 continued

Parent and Group holdings of shares in associates and joint ventures, 12/31/2019

Company name	Corporate ID no.	Domicile	Number of participations	Share of capital, %	Carrying amount, Group, MSEK	Carrying amount, Parent, MSEK
<i>Joint ventures owned by Parent Company:</i>						
Scandagra Group AB	556009-3121	Malmö	85,000	50	279	120
Scandagra Polska Sp. z o.o.	PL 0000138255	Poland	2,686	50	66	74
Scandbio AB	556215-0606	Jönköping	30,000	50	164	179
Lantmännen Dansk Landbrugs Grovvarereselskab International AB (LDI)	559025-3182	Stockholm	25,000	50	27	27
<i>Joint ventures owned by other Group companies:</i>						
Lanthen Samhällsfastigheter AB	559000-6036	Stockholm	25,000	50	98	
Barken Bostadsutveckling Fastighets AB	559067-6192	Stockholm	25,000	50	8	
Nacka Skarpnäs Fastigheter AB	556831-3661	Stockholm	250	50	1	
Gimmersta Agrovärme AB	559211-4309	Katrineholm	250	50	24	
<i>Associates owned by Parent Company:</i>						
Hauptgenossenschaft Nord AG (HaGe Kiel AG)	DE134852742	Germany	11,364,060	41	1,374	731
Viking Malt Oy	FI 0802004-9	Finland	1,381,387	37.5	353	178
Tiilväxtbolaget för Sveriges Lantbrukare AB	556155-9831	Stockholm	135,500	37.5	36	36
Swevet Holding AB	556892-6108	Sjöbo	17,199,086	40.5	20	20
Åhus Stuveriintressenter AB	556039-8256	Åhus	5,987	50	0	0
European Agri Trade A/S	26207177	Denmark	180	50	0	0
European Crop Protection A/S	21538388	Denmark	232	46	0	0
European Fertilizer A/S	20296372	Denmark	155	31	0	0
Piteå Spannmåls AB	556090-8187	Piteå	1,500	30	0	0
<i>Associates owned by other Group companies:</i>						
Aspen-Produkte Handels GmbH	HR205654	Germany		50	29	
Vihervakka OY	FI 01381036	Finland	788	39.4	11	
Total					2,490	1,365

Note 17 Non-current financial assets

MSEK	2019	2018
Receivables from joint ventures/associates	25	255
Financial assets at fair value through profit or loss	8	-
Financial assets at fair value through other comprehensive income ¹⁾	574	363
Derivative instruments	0	8
Other non-current financial assets	13	3
Total	620	629
Financial assets at fair value through profit or loss		
MSEK	2019	2018
Balance at beginning of year	-	-
Reclassifications	8	-
Carrying amount	8	-

Financial assets at fair value through other comprehensive income		
MSEK	2019	2018
Balance at beginning of year	363	331
Reclassification due to transition to IFRS 9	-	126
Investments	75	5
Divestments	0	-17
Impairment	0	-14
Fair value remeasurement for the year	121	-63
Reclassifications	15	-5
Carrying amount	574	363

Financial assets at fair value through other comprehensive income, fair value		
MSEK	2019	2018
Copenhagen Malmö Port	13	13
HKScan Oyj	217	48
LRF	63	63
Norlic	22	22
Scandi Standard AB	246	205
Taurus	2	5
Other	11	7
Carrying amount	574	363

During the year, Lantmännen participated in a new share issue in HK Scan Oyj with an investment of MSEK 73. Lantmännen's ownership share in HK Scan is unchanged after the issue.

Note 18 Other non-current assets

MSEK	2019	2018
Non-current derivative instruments, operating	8	50
Other non-current operating assets	129	7
Total	137	57

The increase in non-current operating assets is related to the receivable from Lantmännens Gemensamma Pensionsstiftelse Grodden.

Note 19 Inventories

MSEK	2019	2018
Raw materials and consumables	900	1,118
Products in progress	502	468
Finished goods	1,998	2,391
Merchandise	3,067	2,864
Advances to suppliers	94	102
Total	6,561	6,943

MSEK 87 (125) of inventories for the year were measured at net realizable value. The total cost of goods sold during the year was MSEK 38,284 (34,674).

Note 20 Trade and other receivables

MSEK	2019	2018
Trade receivables	4,491	4,534
Trade receivables, joint ventures/associates	19	43
Trade receivables, finance service	638	629
Contract assets from contracts with customers	40	36
Derivative instruments	235	178
Other operating receivables from joint ventures/associates	0	11
Other current receivables	611	670
Prepayments and accrued income	454	567
Total	6,488	6,668

Age analysis of trade receivables

MSEK	2019	2018
Receivables, not yet due	4,551	4,593
<i>Receivables, past due</i>		
< 30 days	494	585
31-60 days	65	64
61-90 days	23	27
> 91 days	116	66
Total	5,249	5,335
Allowance for expected credit losses	-101	-129
Total	5,148	5,206

Trade receivables include the financing service, which means that the credit period may be extended by up to 11 months.

Note 20 continued

MSEK	2019	2018
Allowance for expected credit losses		
Allowance at beginning of year	-129	-80
New allowance for expected losses	-15	-61
Utilization of allowance for established losses	8	13
Reversal of unrealized loss	37	1
From acquired, divested companies	0	-1
Exchange differences	-2	-1
Allowance at end of year	-101	-129

The cost of doubtful debts for the year is positive at MSEK 22 (-60) and is recognized in other operating expenses.

For information about credit quality of trade receivables, see [note 24](#).

Prepayments and accrued income

MSEK	2019	2018
Prepaid rent	51	39
Prepaid insurance	37	37
Accrued bonuses and discounts	23	20
Other prepayments	182	271
Other accrued income	161	200
Total	454	567

Note 21 Current interest-bearing assets and cash and cash equivalents

MSEK	2019	2018
Receivables from joint ventures/associates	2	2
Interest-bearing receivables	28	20
Derivative instruments	87	1
Other current financial assets	6	16
Total	123	39

Cash and cash equivalents

MSEK	2019	2018
Cash and bank balances	1,014	630
Short-term investments < 3 months	169	90
Total	1,183	720

Receivables with a maturity of up to one year and investments with maturities between three months and one year are recognized as current interest-bearing assets.

As short-term investments normally have a fixed rate period of less than three months, they carry very little interest rate risk.

Note 22 Equity

MSEK	Reserves					Retained earnings	Equity attributable to members of the economic association	Equity attributable to NCI	Total equity
	Contributed capital	Other contributed capital	Hedge reserve	Reserve for financial assets at fair value through OCI	Translation reserve				
Equity, January 1, 2018	2,464	3,010	12	85	133	9,122	14,826	89	14,915
Net income for the period after tax	-	-	-	-	-	1,176	1,176	6	1,182
Actuarial gains and losses on pension plans	-	-	-	-	-	-30	-30	-	-30
Financial assets at fair value through OCI									
- remeasurement for the year	-	-	-	-62	-	-	-62	-	-62
- transferred to balance sheet	-	-	-	-7	-	-	-7	-	-7
Cash flow hedges									
- remeasurement for the year	-	-	45	-	-	-	45	-	45
- transferred to income statement	-	-	-15	-	-	-	-15	-	-15
Exchange differences on translation of foreign operations	-	-	-	-	281	-	281	-	281
Net gain on hedge of net investment in foreign operations									
- net income for the year	-	-	-	-	-50	-	-50	-	-50
- transferred to income statement	-	-	-	-	-	-	0	-	0
Tax relating to components of other comprehensive income	-	-	4	5	11	7	27	-	27
Other comprehensive income for the period, net of tax	0	0	34	-64	242	-23	189	0	189
Total comprehensive income	0	0	34	-64	242	1,153	1,365	6	1,371
Dividend paid ¹⁾	-	-	-	-	-	-356	-356	-3	-359
Refund and supplementary payment	-	-	-	-	-	-	0	-	0
Contributed capital paid in by members	161	-	-	-	-	-	161	-	161
Contributed capital paid out to members	-61	-	-	-	-	-	-61	-	-61
Appropriation of profit	100	100	-	-	-	-200	0	-	0
Other changes relating to non-controlling interests	-	-	-	-	-	-	0	-	0
Total equity, December 31, 2018	2,664	3,110	46	21	375	9,719	15,935	92	16,027
Changes due to amended accounting policies in associates						115	115		115
Equity, January 1, 2019	2,664	3,110	46	21	375	9,834	16,050	92	16,142
Net income for the period after tax	-	-	-	-	-	1,545	1,545	6	1,551
Actuarial gains and losses on pension plans	-	-	-	-	-	-298	-298	-	-298
Financial assets at fair value through OCI									
- remeasurement for the year	-	-	-	121	-	-	121	-	121
- transferred to balance sheet	-	-	-	0	-	-	0	-	0
Cash flow hedges									
- remeasurement for the year	-	-	-22	-	-	-	-22	-	-22
- transferred to income statement ²⁾	-	-	-38	-	-	-	-38	-	-38
Exchange differences on translation of foreign operations	-	-	-	-	347	-	347	-	347
Net gain on hedge of net investment in foreign operations									
- net income for the year	-	-	-	-	-31	-	-31	-	-31
Tax relating to components of other comprehensive income	-	-	2	-9	7	62	62	-	62
Other comprehensive income for the period, net of tax	0	0	-58	112	323	-236	141	0	141
Total comprehensive income	0	0	-58	112	323	1,309	1,686	6	1,692
Dividend paid ¹⁾	-	-	-	-	-	-213	-213	-4	-217
Refund and supplementary payment	-	-	-	-	-	-157	-157	-	-157
Contributed capital paid in by members	114	-	-	-	-	-	114	-	114
Contributed capital paid out to members	-69	-	-	-	-	-	-69	-	-69
Appropriation of profit	250	0	-	-	-	-250	0	-	0
Total equity, December 31, 2019	2,959	3,110	-12	133	698	10,523	17,411	94	17,505

¹⁾ Refers to contribution dividend concerning parent association members.

²⁾ The entire amount transferred to the income statement has been recognized in operating income.

Note 22 continued

Contributed capital refers to the contribution that a member is obliged to make in order to participate in the association in accordance with the Articles of Association (paid-in contribution) and the contribution that arises as a result of a contribution issue (issued contribution).

Restricted reserves are reported under other contributed capital in the Parent Company.

Where the hedged transaction has not yet occurred, the hedging reserve comprises the cumulative effective portion of gains or losses arising from remeasuring the hedging instruments at fair value. The hedging transactions included are cash flow hedges. The cumulative gain or loss recognized in the hedge reserve will be recycled to profit or loss when the hedged transaction affects profit or loss.

The reserve for financial assets at fair value through other comprehensive income includes the accumulated net change in fair value of assets classified as "financial assets at fair value through other comprehensive income" until the asset is sold, after which it is reported under retained earnings.

The translation reserve comprises all exchange differences arising on translation of financial statements of foreign operations to the Group's presentation currency (SEK). Gains and losses on hedging instruments that qualify as hedges of a net investment in a foreign operation are also included in the translation reserve and recognized there after deduction of tax.

Equity attributable to non-controlling interests is described in [note 1](#).

Management of the Group's capital

Lantmännen has two overall financial objectives:

- return on equity of at least 8 percent over a business cycle and with the present business portfolio
- equity ratio of at least 40 percent

To achieve these objectives, Lantmännen uses financial instruments for its operations and specific profitability targets for each business. These profitability targets are expressed as a percentage of operating capital and vary according to the type of business and profitability levels for comparable enterprises outside Lantmännen. It is Lantmännen's aim that each business will achieve a return on operating capital that is at least on a par with that of comparable enterprises outside the Group.

Future investments are allocated primarily to areas that meet the profitability target and have potential for profitable growth.

Note 23 Interest-bearing liabilities

Non-current interest-bearing liabilities

MSEK	Note	2019	2018
Non-current liabilities to credit institutions	24	3,048	3,799
Issued securities ¹⁾		-	1,248
Subordinated debentures		-	250
Financial liabilities, leases	29	2,101	112
Other non-current interest-bearing liabilities		71	61
Derivative instruments		41	23
Liabilities to joint ventures/associates		2	-
Total		5,263	5,493

Current interest-bearing liabilities

MSEK	Note	2019	2018
Current liabilities to credit institutions	24	793	759
Liabilities to members, savings		1,651	1,640
Deposits with Lantmännen Finans AB from the public		1,632	1,577
Issued securities ¹⁾		1,249	-
Financial liabilities, leases	29	411	8
Other current interest-bearing liabilities		7	18
Derivative instruments		143	-
Total		5,886	4,002
Interest-bearing liabilities, total		11,149	9,495

¹⁾ Recognized at amortized cost.

Deposits with Lantmännen Finans AB from the public are from companies, members, employees and other individuals. The deposit accounts offer unrestricted withdrawals, interest from the first SEK 1 and cover of SEK 950,000 under the national deposit guarantee scheme.

MSEK	2019	2018
Balance at beginning of year	9,495	8,364
Effect of introduction of new accounting policy for leases (IFRS 16) January 1	2,593	-
Cash flow	-1,035	1,136
Acquisitions/divestments	0	-57
Fair value changes	120	82
Other	-24	-30
Carrying amount	11,149	9,495

Note 24 Financial instruments and financial risk management

RISK MANAGEMENT

Lantmännen is exposed to different types of financial risk in the course of its international operations. Financial risk is the risk of fluctuations in the Group's earnings and cash flow as a result of changes in commodity market prices, exchange rates, interest rates and refinancing, and also includes credit and counterparty risks. Lantmännen conducts internal banking activities through the corporate function Group Treasury within Lantmännen ek för.

The main task of Group Treasury is to provide cost-effective financing, identify and efficiently minimize financial risks to which the Group is exposed in its daily operations, support management and Group companies and optimize the Group's net financial items and tied-up capital.

The financial policy governs how financial risks shall be handled and specifies the mandate, limits and which financial instruments may be used. The Group's financial policy is established annually by Lantmännen's Board of Directors.

The Group's Risk Committee receives regular reports on changes to the Group's financial risks. Group Treasury also handles Lantmännen's netting system and is responsible for handling the Group's liquidity via cash pools in banks. Only banks and credit institutions that have a high credit rating and essentially participate in the Group's long-term financing are accepted as counterparties to Lantmännen in financial transactions.

CAPITAL STRUCTURE AND FINANCIAL COVENANTS

Lantmännen is actively working on its capital structure to ensure long-term financial stability, meet the organization's need for capital at the lowest cost and ensure opportunities for future acquisitions. Lantmännen uses multiple financial performance measures to measure its capital structure and has, for example, a long-term objective that its equity ratio shall exceed 40 percent. To fund its activities, Lantmännen has loans from several banks and credit institutions. The credit conditions for the loans depend on Lantmännen's financial performance

Note 24 continued

and are described in the covenants contained in the agreements. For further information on Lantmännen's covenants, see "Refinancing risk" below.

Lantmännen also has loans where collateral is pledged as security, mainly in real estate mortgages. For further information, see note 34.

CURRENCY RISK

In the course of its operations, Lantmännen is exposed to currency risk, in the form of exchange rate fluctuations affecting the Group's earnings and financial position. The Group's currency exposure includes both transaction exposure and translation exposure. The Group's currency risk management is aimed at minimizing the short-term effect of exchange rate fluctuations and their adverse impact on the Group's earnings and financial position.

Transaction exposure

Transaction exposure is the risk of changes in exchange rates having an adverse effect on the Group's operating income. To address this risk, the Group's financial policy requires the Sectors' foreign currency sales and purchases to be hedged with Group Treasury. This can be done either by order or based on a rolling 12-month exposure forecast. The aim is to minimize the effects of currency fluctuations in the first instance by using foreign currency inflows for payments in the same currency. In addition, financial instruments are used to hedge forecast cash flows, in accordance with the guidelines contained in Lantmännen's financial policy.

Lantmännen is primarily exposed to the EUR, DKK, RUB, USD and NOK. The different currencies represent both inflows and outflows against the Swedish krona and a large proportion of them are hedged. Consequently, the transaction-related earnings impact of an exchange rate change is considered to be minimal.

On translation of operating income, a +/-10 percent change in the Swedish krona against the subsidiaries' currencies would have an approximate effect of MSEK +/- 127 (+/- 99) on operating income, all other things being equal. The calculation does not take into account any changes in prices and customer behavior caused by the exchange rate movements.

Risk	Change	Operating income effect, MSEK	
		2019	2018
EUR/SEK	-10 %	-67	-55
RUB/SEK	-10 %	-17	-14
NOK/SEK	-10 %	-15	-15
GBP/SEK	-10 %	-9	-6
USD/SEK	-10 %	-7	-4
Other	-10 %	-12	-5
Total		-127	-99

The currency derivatives used for hedging purposes are forward exchange contracts.

The currency distribution of the Group's outstanding forward contracts was as follows:

Currency distribution and payment structure, operating forward contracts				
MSEK	2020	2021	2022	2023
AUD	-31	-	-	-
EUR	-1,772	-6	-	-
NOK	114	-	-	-
DKK	378	-	-	-
GBP	241	-	-	-
USD	69	-	-	-
PLN	137	-	-	-
Total	-864	-6	-	-

The nominal net amount per currency is shown in the table above. Negative amounts represent sales of a particular currency and positive amounts represent purchases.

The average remaining maturity of the forward contracts at December 31, 2019 was 2 (3) months.

Translation exposure

Translation exposure is the risk to which Lantmännen is exposed when translating foreign subsidiaries' balance sheets into SEK. Currency hedging of investments in foreign subsidiaries is mainly managed through borrowing in the corresponding foreign currency. This is recognized at the closing rate on the reporting date. The Parent Company's exchange differences attributable to these hedges and translation differences from the net assets of subsidiaries are recognized in other comprehensive income and accumulated in consolidated equity ("Equity Hedge"). Only net investments with significant exposure to a currency are hedged. These are currently net investments in EUR and DKK.

If the Swedish krona weakened against other currencies by 10 percent, equity would increase by MSEK 1,154 (1,042), not taking into account the equity hedge. If the equity hedge is taken into account, equity would increase by MSEK 948 (823), all other things being equal.

PRICE RISK

Lantmännen uses the financial markets to manage price risk in commodity trading, such as trade in grain and feed raw materials, ethanol sales and energy purchases. The purpose of using price hedges to manage price risk is to increase predictability and even out price fluctuations, thereby ensuring the right prices are passed on to customers.

Commodity price risk

Lantmännen's main commodity price risk is associated with wheat, rape, barley, oats and soy. The pricing of commodities varies over time as a result of international supply and demand. Commodity risks are primarily attributable to Lantmännen Lantbruk's operations, Lantmännen Agroetanol's ethanol production, Lantmännen Cerealia's operations and Lantmännen Unibake's bakery operations. In addition to hedging prices by means of supply contracts, prices are also hedged by means of financial futures through commodity exchanges and banks. Pricing of most of Lantmännen's traded commodities is based on USD or EUR. Under Lantmännen's financial policy, the currency is considered to be part of the transaction's pricing and must be hedged on or before the transaction date.

Energy price risk

Through its energy-intensive operations Lantmännen is subject to risks associated with price fluctuations, particularly for electricity and gas. If the energy price risk is not hedged, these price fluctuations will have a direct impact on the Group's operating income. The Group's electricity consumption is therefore hedged on a gradual basis according to a strategy established by the corporate function Group Risk Management. The objective of the hedging strategies for electricity and gas is to reduce the volatility of the Group's energy costs. As electricity and gas are traded in EUR, this also gives rise to a currency risk. This is hedged on a continuous basis.

Electricity price hedging for Sweden, Denmark, Finland and Norway

Maturity year	2020	2021	2022	2023
Hedged share of forecast annual need	75 %	35 %	14 %	8 %

Electricity price hedging for UK

Maturity year	2020	2021	2022	2023
Hedged share of forecast annual need	75 %	25 %	0 %	0 %

The Group companies' total electricity consumption in 2019 was 619 (584) GWh. The share for the operations in Sweden, Denmark, Finland and Norway was 469 (446) GWh and the UK 29 (30) GWh. A +/-10 percent movement in the price of electricity would affect the valuation of the energy hedges by MSEK +/-21. The Group companies' natural gas consumption in 2019 was 271 (271) GWh. The share for the operations in Sweden, Finland and Denmark was 102 (105) GWh and the UK 24 (25) GWh. A +/-10 percent change in the price of gas would affect the valuation of the gas hedges by MSEK +/-1.6.

Note 24 continued

Price hedges via ethanol and gasoline contracts

Ethanol price hedges for Agroetanol in the Energy Sector were entered into regularly throughout 2019 in order to mitigate earnings fluctuations attributable to daily market price changes. The hedge ratio at December 31, 2019 was 24 percent. A +/-10 percent change in the price of ethanol would affect the valuation of the gasoline hedges by MSEK 33.8. Eurobob gasoline price hedges for Aspen in the Energy Sector were entered into regularly throughout 2019 in order to mitigate earnings fluctuations attributable to daily market price changes. Eurobob is priced in USD. The hedge ratio at December 31, 2019 was 28 percent. A +/-10 percent movement in the price of gasoline would affect the valuation of the gasoline hedges by MSEK 8.4.

INTEREST RATE RISK

Lantmännen's financing sources consist mainly of equity, member deposits, cash flow from operating activities and borrowing. Interest-bearing loans expose the Group to interest rate risk and changes in interest rates have a direct

impact on the Group's net interest income. The fixed-rate period is one of the more significant factors that affect interest rate risk.

The Group's debt management is dealt with by Group Treasury to ensure efficiency and risk control. GT ensures that the average fixed-rate period in the long-term debt portfolio remains within the range of 6-36 months. The Group uses interest rate derivatives to adjust fixed-rate periods in the interest-bearing borrowing portfolio. The strategy involves creating a spread in the maturity structure and arranging new borrowings in currencies in which the Group has large assets, such as SEK, EUR and DKK. In addition, the aim is to be active in capital markets, both in Sweden and abroad, in order to avoid excessive individual exposure to the Swedish banking and capital markets.

At the end of the year, the weighted average borrowing rate was 1.54 percent, excluding transaction fees. The Group's interest-bearing liabilities at December 31, 2019, including interest rate swaps, had a weighted average fixed-rate period of 23.1 (30.8) months.

HEDGE ACCOUNTING

Types of hedge accounting applied in the consolidated financial statements

Type of exposure	Type of hedged item	Hedged risk	Hedging instrument	Hedge accounting model ¹⁾
Currency exposure	Future foreign currency purchases and sales	Currency risk	Forward exchange contracts	Cash flow hedges
	Investments in foreign subsidiaries	Currency risk	Foreign currency loans	Hedging of net investments
Interest rate exposure	Loans with variable interest	Interest rate risk	Interest rate swaps	Cash flow hedges
Commodity exposure	Future purchases and sales of wheat	Wheat price risk	Wheat futures	Cash flow hedges
	Future purchases of electricity	Electricity price risk	Electricity futures	Cash flow hedges
	Future purchases and sales of rape	Rape price risk	Rape futures	Cash flow hedges
	Future sales of alkylate petrol	Gasoline risk	Eurobob futures	Cash flow hedges

¹⁾ Differences in critical conditions between hedging instruments and hedged items are the main source of ineffectiveness for all types of hedging.

Type of exposure	Type of hedged item	Hedged risk	Hedging instrument	Hedge accounting model ¹⁾	Balance sheet item where hedged item is reported	Balance sheet item where hedging instrument is reported	Income statement item affected by hedging of a net investment	Income statement item that includes ineffective portion of hedges	Income statement item affected by hedge reserve/income statement reclassification
Interest rate exposure	Loans with variable interest	Interest rate risk	Interest rate swaps	Cash flow hedging	Non-current/current interest-bearing liabilities	Non-current/current interest-bearing assets/liabilities	Net financial income	Net financial income	Net financial income
Currency exposure	Future foreign currency purchases and sales	Currency risk	Forward exchange contracts	Cash flow hedging	N/A		Net financial income	Net financial income	Net financial income
	Investments in foreign subsidiaries	Currency risk	Foreign currency loans	Hedging of net investments	Other financial assets (Parent)	Non-current/current interest-bearing liabilities	Net financial income	Net financial income	Net financial income
Commodity exposure	Future purchases and sales of wheat	Wheat price risk	Wheat futures	Cash flow hedging	N/A				
	Future purchases of electricity	Electricity price risk	Electricity futures	Cash flow hedging	N/A	Other non-current assets/Trade and other receivables	Other operating income/expenses	Other operating income/expenses	Other operating income/expenses
	Future purchases and sales of rape	Rape price risk	Rape futures	Cash flow hedging	N/A	Other non-current liabilities/Trade and other liabilities			
	Future sales of alkylate petrol	Gasoline risk	Eurobob futures	Cash flow hedging	N/A				

¹⁾ Differences in critical conditions between hedging instruments and hedged items are the main source of ineffectiveness for all types of hedging.

Lantmännen applies hedge accounting for the majority of the derivatives used to hedge various types of risks that arise.

Note 24 continued

Hedging instruments with associated hedged items and derivatives without hedge accounting

MSEK	Average hedging price/rate	Nominal amount		Assets				Liabilities		Changes in value for the year	Accumulated value change
		Remaining maturity		Nominal amount		Carrying amount		Carrying amount			
		<1 year	>1 year	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018		
Cash flow hedges ¹⁾											
Interest-related contracts											
Interest rate swaps	1.79 %	1,578	500	2,078	2,083	1	1	14	16	2	-13
Currency-related contracts											
Forward exchange contracts and currency swaps											
EUR	10.34	2,380	-	2,380	2,444	109	26	50	12	59	59
Other currencies	-	-47	-	-47	114	4	2	7	5	-3	-3
Commodity-related contracts											
Wheat futures	SEK 1.926/tonne	-840	-	-840	-1,353	42	22	59	27	-17	-17
Electricity futures	SEK 332/MWh	98	95	193	267	28	190	33	102	-93	-5
Rape futures	SEK 3.876/tonne	-71	-	-71	-122	7	5	15	2	-8	-8
Soy futures	SEK 3.265/tonne	-43	-	-43	-26	2	3	1	1	1	1
Eurobob futures	SEK 4.980/tonne	77	-	77	72	7	-	-	18	7	7
Ethanol futures	SEK 5.606/m ³	-303	-	-303	-	4	-	30	-	-26	-26
Total hedging instruments		2,829	595	3,424	3,479	204	249	209	183	-78	-5
Derivatives without hedge accounting											
Interest-related contracts											
Currency-related contracts		2,772	307	3,079	2,915	117	47	213	110		
Commodity-related contracts		56	11	67	108	9	9	24	3		
Total derivative instruments without hedge accounting		2,828	618	3,446	3,323	126	56	241	120		
Total derivative instruments		5,657	1,213	6,870	6,802	330	305	450	303		
Hedging of net investments in foreign operations											
Currency-related contracts											
Hedging instruments - Loans		-783	-1,079	-1,862	-1,834	-	-	1,862	1,834	-28	-11
Hedging instruments - Derivatives		-198	-	-198	-360	-	-	-	9	9	0
Hedged item - net investments in foreign operations		-	2,060	2,060	2,194	1,862	1,843	-	-	-19	11

¹⁾ Hedge accounting is only applied when all specified qualifying criteria for hedging instruments and hedged items are fully met. As a result, none of the outstanding cash flow hedges have any ineffective portions.

REFINANCING RISK, LIQUIDITY RISK AND LIQUIDITY RESERVE

Refinancing risk is the risk that costs will be higher and opportunities for financing limited when loans and other credit arrangements are renewed. Liquidity risk is the risk that the Group will encounter difficulty in discharging payment obligations. Lantmännen limits its refinancing risk by having a well-diversified group of counterparties and maturities for its loans. The weighted average maturity of loans with credit institutions including bond loans at the end of the year was 5.9 (6.0) years.

By constantly maintaining cash assets or unused credit facilities, the Group ensures it has a solid liquidity reserve, thereby reducing the liquidity risk. The Group's liquidity reserve (available line of credit) is calculated on the basis of Lantmännen's loan agreement and associated covenants signed with the syndication banks on July 9, 2015. Liquidity at December 31, 2019 was MSEK 6,716 (1,373).

Maturity structure of interest-bearing financial liabilities¹⁾

MSEK	Group		Parent Company	
	2019	2018	2019	2018
2019	-	835	-	809
2020	2,118	2,097	2,092	2,072
2021	55	52	29	26
2022	472	563	446	437
2023	759	2,820	530	2,256
2024-	2,094	-	1,749	-
Total	5,498	6,367	4,846	5,600

¹⁾ Including future interest payments but excluding lease liabilities.

Maturity structure of lease liabilities¹⁾

MSEK	2019
2020	450
2021	388
2022	296
2023	225
2024-	1,394
Summa	2,753

¹⁾ Nominal values.

MTN program

A medium term note (MTN) program was established in December 2015. The bond program has a loan limit of SEK 3 billion for issues on the Swedish equity market. On 12/31/2019, a nominal amount of MSEK 1,250 was outstanding, with a maturity of 5 years.

Schuldschein

In April 2018, the Schuldschein was issued in the German capital market. The Schuldschein is a German debt instrument that includes a basket of bilateral loan contracts/private placements. The documentation is drawn up under German law and the loan is unsecured. On 12/31/2019, a nominal amount of MEUR 49.5 was outstanding, distributed as follows: MEUR 19.5, maturity of 5 years, MEUR 15, maturity of 7 years, and MEUR 15, maturity of 10 years.

The Group has an investment grade rating (BAA3) from Moody's.

Note 24 continued

Maturity structure of loan liabilities to credit institutions by currency

MSEK	Total	2020	2021- 2022	2023- 2024	2025-
EUR	1,208	791	417	0	0
DKK	1,348	25	50	37	1,236
SEK	1,070	17	34	1,019	0
Total	3,626	833	501	1,056	1,236
Of which interest	295	37	60	41	157
Total excl. interest	3,331	796	441	1,015	1,079

The table above refers to undiscounted contractual amounts, which deviate from the liabilities reported in the balance sheet.

External currency swaps related to financing of Group companies, MSEK	Group	
	2019	2018
AUD	300	0
EUR	2,470	2,574
DKK	661	816
NOK	0	123
USD	0	0
SEK	-4,610	-4,485
PLN	626	502
RON	98	116
RUB	388	407
Total	-67	53

All external currency swaps related to the financing of Group companies are in the Parent Company, Lantmännen ek för.

Other interest-bearing liabilities, savings and capital account

Other current liabilities include members' savings of MSEK 1,651 (1,640). Deposits into the capital account totaled MSEK 1,632 (1,577), of which MSEK 1,632 (1,577) was through Lantmännen Finans AB. These liabilities are formally short-term and the deposits may be withdrawn with one day's notice. However, experience shows little movement in these liabilities. See note 23.

Other non-current interest-bearing liabilities, consisting mainly of long-term lease liabilities, amount to MSEK 2,101 (173).

During the year, Lantmännen negotiated a waiver of its covenants under credit agreements with banks. According to the waiver, Lantmännen's net debt/EBITDA for 2020 must be below 4.25 (3.75) at the end of the year, and thereafter below 3.75. If Lantmännen fails to meet the covenants, the bank is entitled to terminate the credits prematurely. On December 31, 2019, net debt/EBITDA according to the bank syndicate's definition was 2.25 (3.25).

Maturity structure of derivative instruments, nominal amounts, 12/31/2019

MSEK	2020	2021	2022	2023-	Fair value
Currency derivatives	5,105	307	0	0	-40
Interest rate derivatives	1,733	0	100	545	-17
Energy derivatives	98	55	25	15	-5
Commodity derivatives	-843	11	0	0	-31
Ethanol derivatives	-281	0	0	0	-27
Total	5,812	373	125	560	-120

Maturity structure of derivative instruments, nominal amounts, 12/31/2018

MSEK	2019	2020	2021	2022-	Fair value
Currency derivatives	4,104	1,101	268	-	-52
Interest rate derivatives	-	1,783	0	600	-22
Energy derivatives	101	82	55	29	88
Commodity derivatives	-1,410	9	3	1	-18
Ethanol derivatives	76	-	-	-	6
Total	2,871	2,975	326	630	2

CREDIT AND COUNTERPARTY RISK

Credit and counterparty risk is the risk that the counterparty in a transaction will be unable to discharge its obligations, thereby causing a loss for Lantmännen. The Group's main credit and counterparty risk arises from bank funds, derivative instruments with positive market values and trade receivables. The Group's maximum credit risk corresponds to the carrying amount of the financial assets, as reported in the consolidated balance sheet. Counterparty risk is limited by only accepting counterparties with high creditworthiness according to the established financial policy and by defining the maximum exposure per counterparty according to the counterparty's creditworthiness.

Financial counterparties are selected on the basis of rating criteria, taking into account the spread of counterparty risk and other mutual business interaction. The table below shows the Group's bank funds at 12/31/2019, according to the counterparty's rating at the reporting date.

The Group continuously assesses expected credit losses for bank funds, mainly based on the counterparty's rating. As a result of the counterparties' creditworthiness and the fact that invested bank funds are available on demand, the expected credit losses at the reporting date are immaterial.

Lantmännen has entered into ISDA and CSA agreements with most of the counterparties with which the Group conducts derivative transactions, with the aim of reducing counterparty risk.

Customer credit risk

The credit risk associated with trade receivables is managed through special credit rating reviews. Lantmännen has credit control procedures in place and obtains information about the financial position of customers from various credit-rating agencies. Lantmännen's customer base is well-diversified as a result of the Group having different business areas and operating in several countries and different markets. Lantmännen also conducts active monitoring of trade receivables in order to minimize customer defaults and ensure payment precision. The Group's credit risk in trade receivable is further reduced by the fact that in many cases the Group's customers are also members of the parent association and as such have capital that can be utilized if a customer is unable to discharge its obligations to the Group.

The main basis for the Group's expected credit losses on trade receivables is an individual assessment of each receivable (risk of counterparty failing to discharge its obligation) together with an overall assessment based on the Group's loss history for receivables with similar credit risk.

Lantmännen Finans AB has transferred its leasing and hire purchase contracts to Swedbank on an ongoing basis. Swedbank has limited recourse. At 12/31/2019, recourse was MSEK 62 (79). However, the consolidated balance sheet is only affected by the expected loss, which is MSEK 6. The amount is reported under other liabilities in the balance sheet.

Further information about trade receivable and the allowance for expected credit losses can be found in note 20.

Financial assets and liabilities measured at fair value in the statement of financial position, 12/31/2019

Assets, MSEK	Level 1	Level 2	Level 3	Total
Derivatives with positive fair value	243	87	-	330
Other financial assets measured at fair value	465	-	117	582
Total assets	708	87	117	912
Liabilities, MSEK				Total
Derivatives with negative fair value	266	184	-	450
Total liabilities	266	184	-	450

Note 24 continued

Financial assets and liabilities measured at fair value in the statement of financial position, 12/31/2018

Assets, MSEK	Level 1	Level 2	Level 3	Total
Derivatives with positive fair value	296	9	-	305
Other financial assets measured at fair value	257	-	106	363
Total assets	553	9	106	668
Liabilities, MSEK				
Derivatives with negative fair value	186	117	-	303
Total liabilities	186	117	0	303

Fair value hierarchy with information on inputs used to measure fair value

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than the quoted prices included in level 1 that are observable for the asset or liability, i.e. quoted prices or data derived therefrom.

Level 3: Unobservable inputs for measurement of the asset or liability.

Assets in Level 3 refer to other shares and interests and have been measured at cost of acquisition, which is considered a good reflection of the fair value at the closing date.

As the interest-bearing assets and liabilities of the Parent Company are consistent in all material respects with those of the Group, no special disclosures are provided for the Parent Company.

Financial assets and liabilities by measurement category, 12/31/2019

MSEK	Financial assets/ liabilities at fair value through profit or loss	Financial assets/ liabilities at amortized cost	Financial assets/ liabilities at fair value through OCI	Derivatives used in hedge accounting	Other derivatives	Total carrying amount	Fair value
ASSETS							
Other shares and interests		8	-	574	-	582	582
Other financial assets		-	38	-	-	38	38
Other non-current assets		-	129	-	8	137	137
Trade and other receivables		-	5,799	-	226	6,034	6,034
Current interest-bearing assets		-	36	-	87	123	123
Cash and cash equivalents		168	1,014	-	-	1,182	1,183
Total assets		176	7,016	574	321	8,096	8,097
LIABILITIES							
Non-current interest-bearing liabilities		-	5,222	-	41	5,263	5,429
Other non-current liabilities		-	-	-	11	14	14
Current interest-bearing liabilities		-	5,743	-	-	5,886	5,929
Trade and other payables		-	7,713	-	252	7,965	7,965
Total liabilities		-	18,678	-	304	19,128	19,337

Financial assets and liabilities by measurement category, 12/31/2018

MSEK	Financial assets/ liabilities at fair value through profit or loss	Financial assets/ liabilities at amortized cost	Financial assets/ liabilities at fair value through OCI	Derivatives used in hedge accounting	Other derivatives	Total carrying amount	Fair value
ASSETS							
Other shares and interests		1	-	363	-	364	364
Other financial assets		-	257	-	8	265	265
Other non-current assets		-	7	-	50	57	57
Trade and other receivables		-	5,923	-	169	6,101	6,101
Current interest-bearing assets		-	4	-	-	39	39
Cash and cash equivalents		90	630	-	-	720	720
Total assets		91	6,821	363	227	7,546	7,546
LIABILITIES							
Non-current interest-bearing liabilities		-	5,470	-	23	5,493	5,598
Other non-current liabilities		-	13	-	27	43	43
Current interest-bearing liabilities		-	4,002	-	-	4,002	3,999
Trade and other payables		-	7,442	-	123	7,565	7,565
Total liabilities		-	16,927	-	173	17,103	17,205

Derivatives are also reported under Accruals and deferred income (127) and Prepayments and accrued income (34).

Note 24 continued

Offsetting of financial assets and liabilities, 12/31/2019

ASSETS MSEK	Recognized in statement of financial position	Gross amount for financial assets offset against financial liabilities	Amounts not offset in statement of financial position	Net amount
Derivatives ¹⁾	330	-	167	163
Total	330	-	167	163

LIABILITIES MSEK	Recognized in statement of financial position	Gross amount for financial liabilities offset against financial assets	Amounts not offset in statement of financial position	Net amount
Derivatives ¹⁾	450	-	167	283
Total	450	-	167	283

Offsetting of financial assets and liabilities, 12/31/2018

ASSETS MSEK	Recognized in statement of financial position	Gross amount for financial assets offset against financial liabilities	Amounts not offset in statement of financial position	Net amount
Derivatives ¹⁾	305	-	60	245
Total	305	-	60	245

LIABILITIES MSEK	Recognized in statement of financial position	Gross amount for financial liabilities offset against financial assets	Amounts not offset in statement of financial position	Net amount
Derivatives ¹⁾	303	-	60	243
Total	303	-	60	243

¹⁾ Trading in derivatives is subject to the ISDA agreement, which also regulates the netting of liabilities and receivables in the course of operations and in situations such as breaches of contract or early termination.

Note 25 Provisions for pensions

Lantmännen has both defined contribution and defined benefit pension plans. The defined benefit plans, which are reported in Lantmännen's statement of financial position, are funded and unfunded. The largest defined benefit plans are ITP 2 pensions, which are book reserve pensions.

These pensions are insured through PRI Pensionsgaranti and are secured by a pension fund. PRI Pensionsgaranti is a mutual insurance company that guarantees employees' future pensions. The Grodden pension fund was established in December 2011, when Lantmännen transferred assets into the fund. As the assets are in a separate fund, the obligations can be reduced by the market value of the fund's assets when reported in the statement of financial position. Six of Lantmännen's Swedish companies are connected to the fund. There is no obligation for the companies in the fund to make additional contributions to the fund. Lantmännen pays a lower risk premium to PRI Pensionsgaranti for the parts of the pension liability that are funded in Grodden.

There are also funded pension plans in Norway, where one of the companies has pension obligations safeguarded by funds.

Defined benefit obligations and value of plan assets in the Group:

Defined benefit plans MSEK	2019	2018
<i>Funded plans:</i>		
Defined benefit obligations under Swedish PRI Pensionsgaranti plans	2,883	2,457
Other defined benefit obligations	85	84
Fair value of plan assets	-2,083	-1,983
Total net value of funded plans	885	558
Funded plans recognized as a provision	885	558
<i>Unfunded plans:</i>		
Other unfunded obligations	57	53
Total unfunded plans	57	53
Provisions for pensions, net	942	611

Pension plans by country MSEK	2019			2018		
	Obligations	Plan assets	Pension liability	Obligations	Plan assets	Pension liability
Sweden	2,885	-2,007	878	2,460	-1,909	551
Norway	85	-76	9	84	-74	10
Germany	42	-	42	39	-	39
Other countries	13	-	13	11	-	11
Total	3,025	-2,083	942	2,594	-1,983	611

Note 25 continued

Pension cost in the income statement		
MSEK	2019	2018
<i>Defined benefit plans</i>		
Cost of pensions accrued during the year	37	41
Interest expense, interest income, net	14	12
Cost of defined benefit plans	51	53
Cost of defined contribution plans	376	342
Total pension cost in the income statement	427	395
<i>The cost is recognized on the following lines in the income statement</i>		
Employee benefits expense	413	383
Finance costs	14	12
Total cost relating to pensions	427	395

Pension-related remeasurements in OCI		
MSEK	2019	2018
<i>Defined benefit plans</i>		
Return on plan assets in excess of what is recognized as interest income in the income statement	141	84
Experience-based adjustment of obligation	-43	-27
Effects of changes in demographic assumptions	-	34
Effects of changes in financial assumptions	-396	-121
Total actuarial gains (+) and losses (-)	-298	-30
Tax on above items	62	7
Total recognized in OCI	-236	-23

The following summary explains how obligations, assets and the net amount changed during the year:

MSEK	2019			2018		
	Defined benefit obligations	Plan assets	Net	Defined benefit obligations	Plan assets	Net
Opening balance	2,594	1,983	611	2,486	1,932	554
Service cost during the year	37	-	37	41	-	41
Interest recognized in income statement	64	50	14	60	48	12
Payment of pension benefits	-112	-6	-106	-112	-8	-104
Compensation paid to employer ¹⁾	-	-93	93	-	-93	93
Payment of contributions by employer ¹⁾	-	6	-6	-	18	-18
Return on plan assets in excess of recognized interest	-	141	-141	-	84	-84
Remeasurement of pension obligations recognized in OCI	439	-	439	114	-	114
Effects of acquired/divested operations	1	-	1	-	-	-
Translation differences	2	2	0	5	2	3
Closing balance, pension liability	3,025	2,083	942	2,594	1,983	611
<i>Of which funded plans</i>			885			558
<i>Of which unfunded plans</i>			57			53

¹⁾ Compensation from the Swedish pension fund consists of MSEK 93 (93) to 3 (3) companies in 2019. No Swedish companies made payments into the pension fund in 2019. MSEK 6 (5) was paid into Norwegian plans.

Specification of plan assets

	2019 MSEK	2018 MSEK	2019 %	2018 %
Property	819	1,081	39 %	55 %
Fixed-interest investments	566	367	27 %	19 %
Equity investments	457	401	22 %	20 %
Hedge funds	119	92	6 %	5 %
Cash and cash equivalents	122	42	6 %	2 %
Total	2,083	1,983	100 %	100 %

Equity investments include subordinated debentures of MSEK 0 (70) in Lantmännen ek för. Other holdings under equity investments are mainly related to listed shares.

Actuarial assumptions ²⁾	2019	2018
Discount rate	1.75 %	2.5 %
Future salary increases	2.75 %	2.75 %
Inflation	2.0 %	2.0 %
Life expectancy assumptions, Sweden	DUS14	DUS14
Duration	18 years	17 years

²⁾ Weighted average, corresponding to the Swedish assumptions, as Swedish plans dominate.

A 0.25 percent decrease in the discount rate would increase the Swedish pension obligation (which is 95 percent of the total) by approximately MSEK 121, while a 0.25 percent increase in the interest rate would reduce it by approximately MSEK 114. A change of one year in mortality assumptions would increase the obligation

by approximately MSEK 119 in the case of a longer life expectancy and would reduce it by the same amount in the case of a shorter life expectancy. A 0.25 percent change in inflation would reduce the obligation by approximately MSEK 101 in the case of a fall in inflation and would increase it by approximately MSEK 107 in the case of a rise. A 0.25 percent change in salary growth assumptions would increase the obligation by approximately MSEK 27 in the case of a higher assumption and would reduce it by approximately MSEK 26 in the case of a lower assumption. The Swedish pension fund's return was about 11 (7) percent in 2019, and a 1 percentage point change in the return would increase or decrease the value of the plan assets by about MSEK 22 (21).

The Swedish funded plans include active members, 14 (14) percent, paid-up policyholders, 36 (36) percent, and retired persons, 50 (50) percent.

Expected payments of pensions under defined benefit pension plans in 2020 are MSEK 106 (103).

For certain employees in Sweden insurance premiums are paid to Alecta with regard to commitments under the traditional ITP (individual supplementary pension) plan. The plan is a multi-employer defined benefit plan. At present, Alecta is unable to disclose the information that is required to recognize this plan as a defined benefit plan. Consequently, pensions insured through Alecta, are recognized as a defined contribution plan. Of the above cost of MSEK 375 (343) for defined contribution plans, MSEK 25 (26) relates to Alecta premiums for traditional ITP plans. Alecta's surplus may be distributed to the policyholders and/or the insured. At the end of the year, Alecta's surplus in the form of its collective funding ratio amounted to 148 (142) percent. The collective funding ratio reflects the market value of Alecta's assets as a percentage of its insurance obligations, calculated in accordance with Alecta's actuarial assumptions, which do not follow IAS 19.

Information on pensions for senior executives can be found in [note 6](#).

Note 26 Other provisions

MSEK	Warranty commitments	Actuarial provisions	Restructuring measures	Other	Total 2019	Total 2018
Opening balance	106	101	79	600	886	944
Provisions during the period	44	6	69	123	242	146
Amounts utilized during the period	-32	0	-45	-31	-108	-108
Reversals during the period	-5	-	-13	-	-18	-89
Reclassifications	-	-	-	-2	-2	0
Effects of divested, acquired operations	-	-	-	-	-	-8
Translation differences	0	0	1	0	1	1
Carrying amount at end of period	113	107	91	690	1,001	886
Of which current provisions	104	3	76	567	750	678
Of which non-current provisions	9	104	15	123	251	208

MSEK 209 of the non-current provisions is expected to be used in 2022 and thereafter.

Increases in previously existing provisions are included in the period's provisions.

The majority of the year's restructuring provisions relate to measures in the Food Sector, most of which are expected to be used in 2020.

Provisions under the heading Other include the provision reported in previous years in the Energy Sector in connection with the EU Commission's investigation of Lantmännen Agroetanol and two other ethanol producers. In 2019, the

provision was adjusted up by MSEK 60 due to a weaker Swedish krona, making a total provision of MSEK 500.

MSEK 63 (78) of the provisions under Other relates to the estimated costs of closing down grain elevators. In 2018, a provision of MSEK 25 was recognized for grain elevators.

In corporate groups the size of Lantmännen, there are normally a number of ongoing disputes. Lantmännen has assessed the most likely outcome of the disputes currently at issue, and where an outflow of financial resources is probable, a corresponding amount has been recognized as a provision.

Note 27 Other non-current liabilities

MSEK	2019	2018
Non-current derivative instruments, operating	14	30
Non-current liabilities to joint ventures/associates	-	11
Other non-current operating liabilities	0	2
Total	14	43

Note 28 Trade and other payables

MSEK	2019	2018
Trade payables	5,777	5,588
Trade payables, joint ventures/associates	17	17
Contract liabilities from contracts with customers:	1,139	1,010
Other operating liabilities, associates	8	0
Other current liabilities	772	827
Derivative instruments	252	123
Accruals and deferred income	1,749	1,715
Total	9,714	9,280
Accruals and deferred income		
MSEK	2019	2018
Accrued personnel-related costs	817	759
Other accruals	755	695
Deferred income	177	261
Total	1,749	1,715

Note 29 Leases - lessees

The Group is both a lessor and a lessee. The Group's commitments as a lessee are reported in this note. The Group as a lessor is reported in note 30, Leases - lessors.

Reconciliation and disclosure of operating leases under IAS 17 and lease liabilities recognized under IFRS 16	MSEK
Commitments under operating leases, December 31, 2018	2,341
Short term and low-value leases	-93
Effects of new assessment of extension and termination options etc.	616
Discounting effect	-271
Effect of IFRS 16 introduction on lease liabilities, January 1, 2019	2,593
Financial lease liabilities, December 31, 2018	120
Lease liabilities recognized, January 1, 2019	2,713

In the transition to IFRS 16, the Group has used the practical expedient to exclude initial direct costs in the measurement of the right-of-use asset on initial application. Information on lease liabilities can be found in note 23, Interest-bearing liabilities, and a maturity analysis of lease liabilities is presented in note 24, Financial instruments and financial risk management.

Recognized in income statement	MSEK	2019
Depreciation of right-of-use assets		502
Interest expenses, lease liabilities		58
Costs attributable to short-term leases		18
Costs attributable to low-value leases		47
Costs attributable to variable lease payments not included in the lease liability measurement		97
Revenue from subleasing of right-of-use assets		143

Note 29 continued

The Group has leases for assets such as premises, construction machinery, trucks and cars. Most of these leases contain extension and termination options. The options are negotiated by management to provide flexibility in management of the lease portfolio and adaptation to the Group's needs. Management assesses whether it is likely that these extensions and termination options will be exercised and included in the lease term. To determine the lease term, management considers all available information that creates an incentive to exercise the extension option or terminate a contract. Assessments of extension and termination options are primarily relevant for the Group's property leases. Extension options have been considered in all material respects and are included in the liability.

In the first instance, the discount rate used is the interest rate implicit in the lease. If this cannot be readily determined, Lantmännen's incremental borrowing rate is used, which differs according to the underlying currency and lease term. On transition to IFRS 16 on January 1, 2019, Lantmännen's incremental borrowing rate was used for all leases, in accordance with the guidelines in IFRS 16. The average discount rate for 2019 was 2.0 percent.

The Group has leases for assets with terms of 12 months or less and low-value leases. For these leases, the Group applies the practical expedients in IFRS 16.

Total cash flow for leases, including variable payments and low-value leases, amounted to MSEK 674, of which MSEK 18 was attributable to costs of leases with terms of 12 months or less and MSEK 47 million to low-value leases.

Note 9, Finance income and costs, contains information on interest expenses on lease liabilities.

The carrying amount of the right-of-use assets at the reporting date is reported in note 13, Property, plant and equipment.

Operating leases

Recognized costs of operating leases

MSEK	2018
Minimum lease payments	805
Variable lease payments	33
Total	838

Future obligations under non-cancelable operating leases are reported below.

Minimum lease payments due

MSEK	2018
Within one year	505
Between one and five years	1,029
After five years	807
Total	2,341

Finance leases

Liabilities under finance leases are recognized as interest-bearing liabilities in the consolidated statement of financial position. Payments due within one year are recognized as current financial liabilities, while payments due after one year are non-current financial liabilities.

Recognized costs and payment of finance leases

MSEK	2018
Minimum lease payments	
- reported as interest	11
- reported as payment (reduction of liability)	10
Variable lease payments	0
Total payments under finance leases	21

The carrying amount of the leased assets at the reporting date is reported in note 13, Property, plant and equipment.

Future minimum lease payments (payment and interest) by period

MSEK	Payment	2018 Interest	Total charge
MSEK			
Maturity	8	11	19
Within one year	17	43	60
Between one and five years	95	116	211
After five years	120	170	290
Total			

Note 30 Leases - lessors

Lantmännen's main leasing operations comprise the Real Estate Business Area's leasing of premises and the Swecon Business Area's construction machinery rental operations. The construction machinery rental business is mainly in Swecon's international operations.

Swecon's machinery rental customers (lessees) are obliged to ensure that the machines are regularly maintained and are returned in good condition. If the lessee uses the machine in addition to the agreed hours, these hours will also be also invoiced. It is not permitted to sublease a machine or transport it abroad.

Leasing out of assets under finance leases occurs to a very limited extent, and outstanding receivables are well below MSEK 1 for both years.

Operating leases

For machines and premises leased to customers and tenants under operating leases, future payments under non-cancelable leases fall due as follows:

Minimum lease payments due

MSEK	2019	2018
Within one year	209	180
Between one and five years	389	372
After five years	111	122
Total	709	674

The total minimum lease payments are distributed as follows: premises MSEK 469 (520) and machinery MSEK 240 (154).

Lease revenue in 2019 amounted to MSEK 653, of which MSEK 26 was attributable to variable lease payments.

Note 31 Related party transactions

The association's Board members have significant influence over the Parent Company and are therefore considered to be related parties.

The purpose of an economic association is to promote its members' economic interests through trade with them. To this end, purchases and sales of goods and services are conducted with individual Board members who are also members of the association. Similarly, these individual Board members also participate in the financing of the association. As all these transactions have occurred in accordance with the association's purpose and under the conditions applicable to other members, the amounts involved are not disclosed.

Salaries and similar benefits received by senior executives are reported in → note 6. Dividends from subsidiaries and joint ventures/associates are shown in → notes 16 and 39. Receivables from and liabilities to joint ventures/associates are shown in → notes 17, 20, 21, 23, 27 and 28.

Related party transactions	2019	2018
Intra-group purchases, share of total purchases, %	11	11
Intra-group sales, share of total sales, %	8	9
Purchases of goods and services from joint ventures and associates, MSEK	773	515
Sales of goods and services to joint ventures and associates, MSEK	453	419
Transfer of capital to Lantmännens Gemensamma Pensionsstiftelse Grodden (pension fund), MSEK	-	13
Transfer of capital from pension fund to Lantmännen, credited, MSEK	93	93
Rent paid to pension fund, MSEK	71	69
Sales of goods and services to pension fund, MSEK	54	25
Divestment of property to pension fund, MSEK	95	-

During the year, Lantmännen sold a property in Malmö to Grodden pension fund, in which Lantmännen will lease premises after the completion of an office building.

Note 32 Government grants

MSEK	2019	2018
Grants recognized as revenue	18	15
Grants that reduced expenses	32	30
Total	50	45
Grants during the year that reduced the value of non-current assets	2	4

Note 33 Acquisitions and divestments

Acquisitions 2019

The following acquisitions of subsidiaries were made in 2019.

Company	Operations	Acquisition date	Purchase price, MSEK	Acquisition-related costs, MSEK	Goodwill, MSEK	Other intangible assets, MSEK	Property, plant & equipment, MSEK	Annual sales, MSEK	Number of employees	Acquired interest	Holding after acquisition
Bakery Du Jour Pty Ltd	Bakery	Jan 19	461	4	243	232	25	200	90	100 %	100 %
Acquisition of oat business	Oats	Mar 19	31	2	-	-	115	50	35	-	-

Lantmännen acquired the Australian pastry manufacturer Bakery Du Jour (renamed Lantmännen Unibake Australia), based in Melbourne, Australia. The company is a leading manufacturer of frozen croissants and Danish pastries for the retail and food service sectors, with sales under both its own and customers' brands.

Lantmännen acquired the UK company Tate & Lyle's oat business in Kimstad. The acquisition included production of mainly beta glucan and oat proteins, non-current assets, personnel and their associated personnel liabilities, and supplier and customer contracts. The fair value of assets and liabilities, apart from the mechanical equipment, was estimated as corresponding to the purchase price.

The mechanical assets have been valued, partly through access to the seller's fixed asset register, which specifies costs of acquisition and acquisition dates, and partly using Lantmännen's experience and knowledge of corresponding equipment. The fair value is MSEK 115, i.e. MSEK 80 higher than the purchase price for these assets. The result of the adjustment has been recognized in the income statement as follows: MSEK 80 in Other operating income and MSEK -17 in Tax, i.e. MSEK 63 net.

Bakery Du Jour is consolidated as a subsidiary using the acquisition method.

For information on the fair value of net assets in acquired operations, not including Other smaller acquisitions, see below and note 35 Notes to the statement of cash flows.

Note 33 continued

Acquisition balance sheet

MSEK		
Acquisition price	2019 ¹⁾	2018 ²⁾
Cash/Loan repayment	493	314
<i>Acquired assets and liabilities at fair value</i>		
Property, plant and equipment	140	144
Intangible assets	232	95
Inventories	13	82
Trade receivables	13	45
Other current and non-current assets	2	19
Trade payables	-8	-55
Other liabilities including deferred tax	-85	-40
Net assets acquired, total	307	290
Cash and cash equivalents	6	11
Financial liabilities	0	-57
Acquired net debt	6	-46
Goodwill	243	70
Bargain purchases	-63	-
Total	493	314
Acquisition-related costs, reported as		
Other operating expenses	-	7

The above values include fair value adjustments to the carrying amounts of the companies' identifiable assets and liabilities made when preparing the acquisition balance sheets. These adjustments are shown below:

MSEK		
	2019 ¹⁾	2018 ²⁾
Property, plant and equipment	80	0
Intangible assets	232	95
Deferred tax liabilities	-81	-19

¹⁾ Includes acquisition of Bakery Du Jour and acquisition of oat business.

²⁾ Includes acquisition of Raisioagro.

Acquisitions 2018

The following acquisitions of subsidiaries were made in 2018.

Company	Operations	Acquisition date	Purchase price, MSEK	Acquisition-related costs, MSEK	Goodwill, MSEK	Other intangible assets, MSEK	Property, plant & equipment, MSEK	Annual sales, MSEK	Number of employees	Acquired interest	Holding after acquisition
Raisioagro Oy (renamed Lantmännen Feed Oy)	Feed, Agriculture	Nov 18	314	7	70	95	144	770	70	100 %	100 %

Lantmännen acquired the Finnish company Raisio's cattle feed business through the acquisition of shares and non-current assets including two properties. The company has a market share of about 35 percent of the Finnish cattle feed market.

Divestments 2019

Only minor divestments of subsidiaries took place during 2019.

Divestments 2018

Only minor divestments of subsidiaries took place during 2018.

Effect of acquired companies on the consolidated income statement

MSEK		
	2019 ¹⁾	2018 ¹⁾
Net sales	274	126
Operating income from companies	42	-1
Operating income from acquisition adjustments, excluding acquisition costs	-27	-1
Operating income, total	15	-2

Sales and income if acquisition had been at the beginning of the year

MSEK		
	2019 ¹⁾	2018 ²⁾
Net sales	290	770
Operating income from companies	42	26
Operating income from acquisition adjustments, excluding acquisition costs	-28	-6
Operating income, total	14	20

Effect on the Group's cash and cash equivalents

MSEK		
	2019 ¹⁾	2018 ²⁾
Consideration paid for the year's acquisitions/ loan repayments	493	314
Takeover of loans	0	57
Cash and cash equivalents in acquired companies	-6	-11
Total	487	360

¹⁾ Includes acquisition of Bakery Du Jour and acquisition of oat business.

²⁾ Includes acquisition of Raisioagro.

Note 34 Pledged assets and contingent liabilities

Pledged assets

MSEK	For own financial liabilities	Other commitments	Total pledged assets	
			2019	2018
Real estate mortgages	1,440	-	1,440	1,456
Bank accounts	-	88	88	108
Other	-	26	26	3
Total	1,440	114	1,554	1,567

Contingent liabilities

MSEK	2019	2018
Guarantees for		
- joint ventures	556	675
Other contingent liabilities	81	60
Total	637	735

Real estate mortgages have been provided for the liabilities of the Parent Company in the amount of MSEK 1,440 (1,456), of which MSEK 983 (1,003) relates to properties owned by subsidiaries.

Note 35 Notes to the statement of cash flows

MSEK	2019	2018
1) Interest paid and dividends received		
Dividends received	7	10
Interest received	101	76
Interest paid	-278	-265
Realized exchange gains/losses	-19	-50
Other financial payments	-21	-5
Total	-210	-234
2) Acquisition of operations		
<i>Assets and liabilities acquired</i>		
Property, plant and equipment	60	144
Intangible assets, including goodwill	475	165
Inventories	13	82
Trade receivables	13	45
Other current and non-current assets	2	19
Cash and cash equivalents	6	11
	569	466
Financial liabilities	-	57
Trade payables	8	55
Operating liabilities	65	40
	73	152
Net assets acquired	496	314
Repayment of loans in acquired companies	-	57
Purchased interests in associates*	179	13
Purchase consideration paid	675	384
Cash and cash equivalents in acquired operations	-6	-11
Effect on cash and cash equivalents	669	373

MSEK	2019	2018
3) Divestment of operations		
Other current and non-current assets	33	15
	33	15
Capital gains/losses	7	-25
	7	-25
Consideration received	26	40
Repayment of loans in divested companies	170	-
Effect on cash and cash equivalents	196	40

Further information on divested operations can be found in [note 33](#).

4) Change in interest-bearing liabilities and pensions		
Change in interest-bearing liabilities, net	-1,035	1,136
Change of pensions	-19	-29
Total	-1,054	1,108
5) Cash and cash equivalents		
Cash and bank balances	1,015	630
Short-term investments, maturity less than 3 months	168	90
Total	1,183	720

The Group's total liquidity reserve, defined as cash, bank deposits and credit available under the provisions of applicable loan agreements, was MSEK 6,716 (1,373) at the end of the year.

Further information on acquired operations can be found in [note 33](#).

* Including shareholder contributions

Notes to the Parent Company's financial statements

Note 36 Breakdown of revenue

MSEK	2019	2018
Net sales		
Sales of goods	13,085	11,573
Service contracts	415	391
License revenue, seed and forages	63	73
Leasing activities	64	62
Total	13,627	12,099
Other operating income		
Services	157	138
Capital gains	1	0
Government grants	1	2
Other license revenue	76	118
Other	17	19
Total	252	277

Services and Other license revenue are primarily revenue from Group companies. Customers outside Sweden accounted for approximately 21 (18) percent of the Parent Company's total net sales.

Note 37 Fees and reimbursement of expenses to auditors

MSEK	2019	2018
Ernst & Young		
Annual audit	5	5
Tax consultancy services	2	2
Other services	1	1
Total	8	8
Elected auditors		
Annual audit	1	1

Note 38 Operating income

Related party transactions

Related party transactions in the Parent Company's operating income are shown below. In this context, transactions with members in accordance with the Association's objectives are not considered related party transactions. Salaries and similar benefits received by senior executives are reported in note 6. Dividends from subsidiaries and associates are shown in note 39.

	2019	2018
Intra-group purchases, share of total purchases, %	4	4
Intra-group sales, share of total sales, %	23	23
Purchases of goods and services from joint ventures/associates, MSEK	764	515
Sales of goods and services to joint ventures/associates, MSEK	292	256
Receipts from Grodden pension fund, MSEK	65	65

Leases

Operating expenses include operating lease costs of MSEK 74 (42). Future obligations under non-cancelable operating leases are reported below.

Note 38 continued

Minimum lease payments due MSEK	2019	2018
Within one year	131	42
Between one and five years	425	130
After five years	277	111
Total	833	283

Note 39 Income from investments in Group companies and joint ventures/associates

Income from investments in Group companies MSEK	2019	2018
Dividend	641	19
Capital gain on disposal of shares	7	2
Impairment	-623	-2
Total	25	19

The main dividends received are from Dirual AG, Doofmas & Co AB and Lantmännen Cerealia Norge AS. The impairment of shares during the year is related to the holdings in Doofmas & Co AB, Lantmännen Cerealia Oy and Lantmännen Maskin Sydost AB. The previous year's figures include dividends from Dirual AG and Gyllebo Gödning AB and impairment of shares in Lantmännen Energi AB.

Income from investments in joint ventures/associates

MSEK	2019	2018
Dividend	56	58
Impairment	-20	-
Total	36	58

Dividends were received from Lantmännen Dansk Landbrugs Grovvarerelskab International AB and Viking Malt Oy. Impairment of shares during the year is related to the holding in Lantmännen Dansk Landbrugs Grovvarerelskab International AB. The previous year's figure includes dividends from HaGe Kiel AG, Scandbio AB and Viking Malt Oy.

Note 40 Income from other securities and receivables classified as non-current assets

MSEK	2019	2018
Dividend	1	4
Capital gain on disposal of shares	-	6
Impairment	-	-8
Total	1	2

Note 41 Exchange differences affecting income

MSEK	2019	2018
Exchange differences affecting operating income	-70	-108
Exchange differences in financial items		
Exchange differences in financial items, external	-791	225
Exchange differences in financial items, internal	729	-292
Total	-62	-67

Note 42 Taxes

Tax on net income for the year			Reconciliation of effective tax			
MSEK	2019	2018	Percent	2019 MSEK	Percent	2018 MSEK
Current tax expense (-)/tax income (+)				836		567
Tax expense/income for the period	-2	-				
Total current tax	-2	0				
Deferred tax expense (-)/tax income (+)						
Deferred tax arising from changes in temporary differences	46	2				
Deferred tax arising from changes in tax rates and tax laws	-	-3				
Deferred tax expense from utilization of previously capitalized loss carryforwards	-101	-16				
Other deferred taxes	12	-1				
Total deferred tax	-43	-18				
Total recognized tax expense	-45	-18				
Tax items recognized through other comprehensive income						
MSEK	2019					
Deferred tax						
Cash flow hedges	2					
Total tax effects in other comprehensive income	2					
			Income before tax			
			Anticipated tax according to enacted Swedish tax rate	21.4 %	-179	22.0 %
			Non-deductible expenses	0 %	-1	0 %
			Impairment of shares	16 %	-138	0 %
			Tax-exempt capital gains/losses	0 %	2	0 %
			Tax-exempt dividend	-18 %	149	-3 %
			Other non-taxable income	0 %	0	0 %
			Tax attributable to prior years	-1 %	12	0 %
			Effect of changes to tax rates and tax rules	0 %	-	1 %
			Effect of special tax rules for economic associations	-10 %	81	-18 %
			Effect of temporary differences on which deferred tax is not recognized	0 %	-	1 %
			Effect of negative net interest income taken over from Group companies	-3 %	28	0 %
			Other	0 %	1	0 %
			Recognized effective tax	5 %	-45	3 %

Deferred tax asset/tax liability

MSEK	2019			2018		
	Deferred tax asset	Deferred tax liability	Net	Deferred tax asset	Deferred tax liability	Net
Land and buildings	-	3	-3	-	3	-3
Other provisions	20	-	20	18	-	18
Loss carryforwards	21	-	21	64	-	64
Other	1	1	0	-	-	-
Total	42	4	38	82	3	79
Offsetting of assets/liabilities	-4	-4	0	-3	-3	0
Total, net deferred tax asset	38	0	38	79	0	79

Deferred tax assets and deferred tax liabilities are offset against each other and the net receivable is recognized in the balance sheet.

Change in deferred tax on temporary differences and loss carryforwards

MSEK	Amount at beginning of year	2019			Amount at beginning of year	2018	
		Recognized in income statement	Recognized in OCI	Amount at end of year		Recognized in income statement	Amount at end of year
Land and buildings	-3	-	-	-3	-3	-	-3
Other provisions	18	2	-	20	17	1	18
Loss carryforwards	64	-45	2	21	83	-19	64
Other	0	0	-	0	-	-	0
Total	79	-43	2	38	97	-18	79

Loss carryforwards

Loss carryforwards amounted to approx. MSEK 96 (298) at the end of the year, all of which were included in the computation of deferred tax assets.

Note 43 Intangible assets

MSEK	Patents, licenses and trademarks		Capitalized development expenses		Total intangible assets	
	2019	2018	2019	2018	2019	2018
Accumulated cost of acquisition	300	547	474	395	774	942
Accumulated amortization	-60	-242	-212	-178	-272	-420
Accumulated impairment	-	-	-48	-45	-48	-45
Carrying amount	240	305	214	172	454	477
Balance at beginning of year	305	332	172	167	477	499
Investments	-	-	88	40	88	40
Sales and disposals	-45	-	-	-	-45	-
Regular amortization for the year	-20	-27	-43	-35	-63	-62
Impairment for the year	-	-	-4	-	-4	-
Reclassifications	-	-	1	-	1	-
Carrying amount	240	305	214	172	454	477

The Korvbrödsbagarn brand is owned by Lantmännen ek för. This brand is of strategic importance and has an amortization period of 20 years in the Parent Company. It is classified as an asset with an indefinite useful life in the consolidated financial statements, and as such is not amortized. In 2019, the Schulstad brand was transferred to another company in the Group.

Note 44 Property, plant and equipment

MSEK	Land ¹⁾		Buildings		Total land and buildings	
	2019	2018	2019	2018	2019	2018
Accumulated cost of acquisition	157	136	826	819	983	955
Accumulated depreciation	-59	-57	-619	-610	-678	-667
Accumulated impairment	-	-	-25	-25	-25	-25
Carrying amount	98	79	182	184	280	263
Balance at beginning of year	79	74	184	183	263	257
Sales and disposals	-2	-	-	-	-2	0
Regular depreciation for the year	-2	-2	-11	-10	-13	-12
Reclassifications	23	7	9	11	32	18
Carrying amount	98	79	182	184	280	263

¹⁾ Including land improvements.

MSEK	Plant and machinery		Equipment, tools, fixtures & fittings		Construction in progress		Total other non-current assets	
	2019	2018	2019	2018	2019	2018	2019	2018
Accumulated cost of acquisition	3,079	3,085	498	525	158	114	656	639
Accumulated depreciation	-2,612	-2,637	-438	-460	-	-	-438	-460
Accumulated impairment	-134	-136	-19	-19	-	-	-19	-19
Carrying amount	333	312	41	46	158	114	199	160
Balance at beginning of year	312	375	46	47	114	31	160	78
Investments	-	-	-	-	185	130	185	130
Regular depreciation for the year	-82	-87	-9	-9	-	-	-9	-9
Impairment for the year	-	-1	-	-	-	-	-	-
Reclassifications	103	25	4	8	-141	-47	-137	-39
Carrying amount	333	312	41	46	158	114	199	160

Note 45 Investment property

MSEK	Land ¹⁾		Buildings		Total investment properties	
	2019	2018	2019	2018	2019	2018
Accumulated cost of acquisition	7	7	24	24	31	31
Accumulated depreciation	-3	-3	-14	-14	-17	-17
Carrying amount	4	4	10	10	14	14
Balance at beginning of year	4	5	10	14	14	19
Regular depreciation for the year	-	-	-	-1	-	-1
Reclassifications	-	-1	-	-3	-	-4
Carrying amount	4	4	10	10	14	14

¹⁾ Including land improvements.

Properties where less than 10 percent of the space is used for the Parent Company's own activities are classified as investment properties.

Changes in fair value		
MSEK	2019	2018
Fair value at beginning of year	45	73
Fair value changes	2	-1
Reclassifications	-	-27
Fair value at end of year	47	45

All investment properties have been valued according to hierarchy level 3, i.e. based on unobservable inputs and according to the methods described below.

Fair value has been determined on the basis of internal assessments. Property sales carried out during the year have also been reconciled.

The value has been estimated using the following measurement methods:

- In the majority of cases the market price method has been used, where sales of equivalent properties in the market are used to support the valuation.
- Net present value, using cash flow calculations, where the properties' future net operating income and estimated residual value have been calculated at the present value.
- In certain cases, net present value using the net capitalization method has been calculated, where a normalized figure for net operating income is seen in relation to a market-adjusted direct return requirement.

Investment properties' impact on income for the period		
MSEK	2019	2018
Rental income	5	5
Direct costs, including costs for repair and maintenance		
- Properties that generate rents	-3	-2
Net operating income	2	3

Investment properties with a carrying amount of MSEK 10 are pledged as security for the Parent Company's borrowing. The estimated fair value is MSEK 26.

Note 46 Investments in Group companies

MSEK	2019	2018
Accumulated cost of acquisition	12,581	10,754
Accumulated write-ups	200	200
Accumulated impairment	-1,769	-1,146
Carrying amount	11,012	9,808
Balance at beginning of period	9,808	7,795
Acquisitions/shareholder contributions	1,827	2,015
Impairment for the year	-623	-2
Carrying amount	11,012	9,808

The item Acquisitions/shareholder contributions includes shareholder contributions of MSEK 1,811 and MSEK 16 related to the acquisition of Lantmännen Industrifastigheter i Bjuv AB. Shareholder contributions were as follows: MSEK 7 to Lantmännen Functional Foods AB, MSEK 30 to Lantmännen Swedish Oats AB, MSEK 1,571 to Lantmännen Unibake Holding AB, MSEK 3 to Cgrain AB and MSEK 200 to Dirual Försäkrings AB. Impairment for the year is distributed as follows: Lantmännen Cerealia Oy, MSEK 360, Lantmännen Maskin Sydost AB, MSEK 25 and Doofmas & Co AB, MSEK 238. Impairment is recognized in the income statement under Income from investments in Group companies.

Note 46 continued

Parent Company and Group holdings of interests in Group companies, 12/31/2019

This overview comprises directly-held subsidiaries, as well as indirectly-held companies with revenues exceeding MSEK 200.

Company name <i>Shares and interests in Swedish subsidiaries</i>	Corporate ID no.	Domicile	Number of participations	Share, %	Carrying amount, MSEK
Lantmännen Agroetanol AB	556028-0611	Norrköping	50,000	100.0	634
Lantmännen Agrovärme AB	556229-5666	Enköping	10,000	100.0	2
Lantmännen Animalieinvest AB	556951-0687	Stockholm	160,529	100.0	166
Lantmännen Aspen AB	556329-9519	Gothenburg	3,850	100.0	180
Lantmännen BioAgri AB	556056-1283	Enköping	20,000	100.0	8
Lantmännen Bränsleteknik AB	556301-2771	Örebro	50,000	100.0	31
Lantmännen Cerealia AB	556017-2222	Malmö	200,000	100.0	662
Lantmännen Cerealia A/S	69120717	Vejle	1	100.0	
JSC Lantmännen Axa	378537	Boryspil	1,265,212,746	100.0	
Lantmännen Energi AB	556118-3954	Stockholm	400	100.0	38
Lantmännen Fastigheter AB	556017-8443	Stockholm	3,000	100.0	34
Lantmännen Finans AB	556664-8118	Stockholm	2,000,000	100.0	250
Lantmännen Functional Foods AB	559199-5104	Stockholm	50,000	100.0	7
Lantmännen Industrifastigheter i Bjuv AB	556679-2353	Malmö	3,650	100.0	16
Lantmännen Innovation AB	556043-7088	Järna	1,000	100.0	0
Lantmännen Invest AB	556003-3192	Stockholm	440,000	100.0	61
Lantmännen Kraft AB	556156-4039	Malmö	5,000	100.0	1
Lantmännen Maskin AB	556005-7639	Malmö	10,000	100.0	10
Lantmännen Maskin Sydost AB	556067-3443	Malmö	1,000	100.0	0
Lantmännen Medical AB	556530-9720	Stockholm	100	100.0	39
Lantmännen Reppe AB	556000-1538	Växjö	25,000	100.0	28
Lantmännen Service AB	556831-3695	Stockholm	500	100.0	0
Lantmännen SW Seed AB	556001-5272	Svalöv	298,667	100.0	160
Swecon Baumaschinen GmbH	HRB 48780	Monheim	1	100.0	
Lantmännen Oats AB	556813-6773	Stockholm	50,000	100.0	30
Lantmännen Unibake Holding AB	556992-5752	Stockholm	1,000	100.0	6,512
Lantmännen Schulstad A/S	10245613	Copenhagen	100,300	100.0	
Oy Lantmännen Unibake Ab Finland	1463476-8	Helsinki	100	100.0	
Lantmännen Unibake Australia Pty Ltd.	ABN 42,082,982,483	Mordialloc	12	100.0	
Lantmännen Unibake Denmark A/S	29219354	Horsens	100,000	100.0	
Lantmännen Unibake GmbH & Co KG	HRA 27086HB	Bremen		100.0	
Lantmännen Unibake LLC	1045002352130	Egoryesvsk		100.0	
Lantmännen Unibake Londerzeel NV	BE 0427,655,479	Londerzeel	4,250	100.0	
Lantmännen Unibake Mouscron	BE 0461,118,402	Moeskroen	18,000	100.0	
Lantmännen Unibake Norway AS	989135082	Langhus	3,405,694	100.0	
Lantmännen Unibake Poland Sp. z o.o	KRS8038	Poznan	23,250	100.0	
Lantmännen Unibake Sweden AB	556186-7796	Örebro	100,000	100.0	
Lantmännen Unibake UK Ltd	3358553	Milton Keynes	48,010,000	100.0	
Lantmännen Unibake USA, Inc	36-4034179	Chicago	50,000	100.0	
AS Leibur	10224864	Tallinn	740	100.0	
UAB Vilniaus douna	125374462	Vilnius	1,000	100.0	
Vaasan Oy	1098322-3	Helsinki	3,995,398	100.0	
Cgrain AB	556932-8023	Uppsala	45,830	72.4	12
DataVäxt AB	556733-2969	Grästorp	1,000	50.1	72
Dirual Försäkring AB	516406-1078	Stockholm	50	100.0	250
Doofmas & Co AB	556547-7394	Stockholm	3,400,000	100.0	0
Gyllebo Gödning AB	556179-2911	Lidköping	2,000	66.7	0
Munalos AB	556066-1687	Kävlinge	1,000	100.0	0
Nötcenter Viken AB	556559-4503	Falköping	9,000	100.0	7
Rural Patent Svenska AB	556530-9654	Stockholm	100	100.0	0
Swecon Anläggningmaskiner AB	556575-1137	Eskilstuna	500,000	100.0	402
Thermoseed Global AB	559071-9810	Uppsala	451	90.2	1
Vegolia AB	556020-6574	Falkenberg	1,000	100.0	0
Åhus Foder HB	969723-3394	Åhus		70.0	0
<i>Shares and interests in foreign subsidiaries</i>					
Lantmännen Agro A/S	10095921	Nyborg	500	100.0	10
Lantmännen Agro Oy	2825061-8	Helsinki	250	100.0	200
Lantmännen Feed Oy	2136048-6	Raisio	100	100.0	
Lantmännen Cerealia AS	910629085	Nesttun	17,968,129	100.0	222
Lantmännen Cerealia Oy	2725608-1	Helsinki	240,100	100.0	898
Lantmännen Fastigheter Naverland A/S	35530592	Glostrup	1,000,000	100.0	11
Lantmännen Maskin AS	914109981	Jessheim	3,000	100.0	27
Dirual AG	CH-0203002	Baar	199,997	100.0	31
Total, Parent Company					11,012

Note 47 Inventories

MSEK	2019	2018
Raw materials and consumables	277	466
Products in progress	404	372
Finished goods	1,216	1,552
Merchandise	416	412
Advances to suppliers	77	87
Total	2,390	2,889

MSEK 19 (43) of the total value of inventories relates to goods measured at net realizable value.

Note 48 Trade receivables

Age analysis of trade receivable incl. receivables from joint ventures/associates

MSEK	2019	2018
Receivables, not yet due	1,526	1,644
<i>Receivables, past due</i>		
- < 30 days	150	149
- 31-60 days	37	35
- 61-90 days	9	14
- > 91 days	45	19
Total	1,767	1,861
Allowance for expected credit losses	-27	-31
Total	1,740	1,830

Trade receivables include the financing service, which means that the credit period may be extended by up to 11 months.

Allowance for expected credit losses

MSEK	2019	2018
Allowance at beginning of year	-31	-33
New allowance for expected losses	-8	-3
Utilization of allowance for established losses	3	5
Reversal of provisions no longer required	9	-
Allowance at end of year	-27	-31

For information about credit quality of trade receivables, see → note 24.

Note 49 Prepayments and accrued income

MSEK	2019	2018
Prepaid expenses	112	113
Accrued bonuses and discounts	16	19
Other accrued income	45	81
Total	173	213

Note 50 Equity

The Board of Directors of Lantmännen ek för proposes that the Parent Company's unappropriated earnings of TSEK 8,234,310 be allocated as follows:

TSEK	2019	2018 ¹⁾
Refund and supplementary payment	205,000	156,684
Contribution dividend	236,685	213,116
Contribution issue	288,300	249,994
Dividend on subordinated debentures	16,250	13,125
Carried forward	7,488,075	7,393,931
Total	8,234,310	8,026,850

¹⁾ Outcome.

Note 51 Other appropriations and untaxed reserves

MSEK	2019	2018
Untaxed reserves		
Accelerated accumulated depreciation/amortization		
- Intangible assets	202	155
- Machinery and equipment	264	311
Total	466	466

Other appropriations

MSEK	2019	2018
Reversal of excess amortization of intangible assets		
Excess amortization of intangible assets for the year	47	-
Excess depreciation of property, plant and equipment for the year	-47	-
Total	0	-

Note 52 Pensions

All of the Parent Company's defined benefit pension obligations are governed by the Pension Obligations Vesting Act (Tryggandelagen).

Lantmännen ek för's defined benefit pension obligations have been secured by assets in Lantmännens Gemensamma Pensionsstiftelse Grodden since 2011.

As these pension obligations are secured through a fund, which is completely outside Lantmännen Group, the obligation is offset against Lantmännen ek för's share of the market value of the fund's assets. The fair value measurement of the fund's assets is conducted by external valuers.

The pension liability recognized in the statement of financial position is as follows:

MSEK	2019	2018
Value of pension obligations under fully funded pension plans	901	899
Fair value of Lantmännen ek för's share of pension fund	-901	-899
Net obligation	0	0
Other unfunded pension plans	1	2
Total	1	2

Note 52 continued

Specification of changes in recognized pension liability during the year:

MSEK	2019	2018
Liability at beginning of year	2	3
Pension costs for the year	65	65
Pension payments	-66	-66
Liability at end of year	1	2

The calculation of pension obligations under funded pension plans was carried out by PRI Pensionsgaranti according to their own adopted actuarial assumptions.

Specification of pension-related costs for the period:

MSEK	2019	2018
Book reserve pensions		
Current service cost	31	29
Interest expenses	34	36
	65	65
Compensation received	-65	-65
Total book reserve pension costs	0	0
Pension through insurance		
Insurance premiums	65	65
Net pension costs for the year, excluding taxes	65	65

MSEK	2019	2018
Pensions costs recognized as employee benefits expense in operating income	31	29
Pensions costs recognized as interest expense in net financial items	34	36
Total	65	65

Fair value of Lantmännen ek för's share of the pension fund's assets:

MSEK	2019	2018
Property	500	657
Fixed-interest investments	321	194
Equity investments	276	239
Hedge funds	74	56
Cash and cash equivalents	67	22
Total	1,238	1,168

The difference between the value of Lantmännen ek för's share of assets in the fund and recognized pension obligations above, is attributable to over-consolidation in the fund. Under the current rules, pension liability is not recognized as an asset. Consequently, only assets equivalent to the value of the liability reduce debt. Over-consolidation at the end of the year was MSEK 337 (269).

Equity investments include subordinated debentures of MSEK 0 (43) in Lantmännen ek för.

Next year's projected payments under defined benefit pension plans amount to MSEK 63 (64).

Note 53 Other provisions

MSEK	Restructuring measures	Other	Total	
			2019	2018
Carrying amount at beginning of period	7	86	93	122
Provisions during the period	-	3	3	31
Amounts utilized during the period	-4	-16	-20	-25
Reversals during the period	-3	-	-3	-35
Carrying amount at end of period	0	73	73	93

MSEK 63 (78) of the provisions under Other relates to the estimated costs of closing down grain elevators.

About 10 percent of the total provisions are expected to be utilized in 2020.

Note 54 Current interest-bearing liabilities

Current interest-bearing liabilities include savings liabilities to members of MSEK 1,651 (1,640).

Note 55 Accruals and deferred income

MSEK	2019	2018
Accrued personnel-related costs	149	145
Other accruals	158	282
Deferred income	33	7
Total	340	434

Note 56 Financial instruments

Financial assets and liabilities by measurement category, 12/31/2019 MSEK	Financial assets/ liabilities at amortized cost	Financial assets at fair value through OCI	Derivatives used in hedge accounting	Other derivatives	Total carrying amount	Fair value
Financial assets at fair value through OCI	-	300	-	-	300	300
Financial assets at amortized cost						
Non-current interest-bearing receivables from Group companies	4,694	-	-	-	4,694	4,694
Other non-current interest-bearing receivables	10	-	8	-	18	18
Trade receivables	2,177	-	-	-	2,177	2,177
Current interest-bearing receivables from Group companies	7,051	-	-	-	7,051	7,051
Other current interest-bearing receivables	91	-	196	39	326	326
Short-term investments	6	-	-	87	93	93
Cash and bank balances	550	-	-	-	550	550
Total	14,580	-	204	126	14,910	14,910
Other financial liabilities						
Non-current interest-bearing liabilities	3,056	-	5	34	3,095	3,302
Interest-bearing securities	1,249	-	-	-	1,249	1,271
Current interest-bearing liabilities to Group companies	5,503	-	-	-	5,503	5,503
Other current interest-bearing liabilities	2,440	-	8	134	2,582	2,591
Total interest-bearing liabilities	12,249	-	13	168	12,430	12,667
Other current interest-bearing liabilities	2,759	-	-	-	2,759	2,759
Total interest-bearing liabilities	2,759	-	-	-	2,759	2,759

Derivatives are also reported under Accruals and deferred income (35), Prepayments and accrued income (19) and Other non-current and current liabilities (266).

Financial assets and liabilities by measurement category, 12/31/2018 MSEK	Financial assets/ liabilities at amortized cost	Financial assets at fair value through OCI	Derivatives used in hedge accounting	Other derivatives	Total carrying amount	Fair value
Financial assets at fair value through OCI	-	154	-	-	154	154
Financial assets at amortized cost						
Non-current interest-bearing receivables from Group companies	4,906	-	-	-	4,906	4,906
Non-current interest-bearing receivables from joint ventures/associates	161	-	-	-	161	161
Trade receivables	2,265	-	-	-	2,265	2,265
Current interest-bearing receivables from Group companies	8,415	-	-	-	8,415	8,415
Other current interest-bearing receivables	10	-	-	-	10	10
Cash and bank balances	105	-	-	-	105	105
Total	15,862	-	-	-	15,862	15,862
Other financial liabilities						
Non-current interest-bearing liabilities	3,794	-	-	-	3,794	3,794
Interest-bearing securities	1,248	-	-	-	1,248	1,248
Current interest-bearing liabilities to Group companies	4,990	-	-	-	4,990	4,990
Other current interest-bearing liabilities	2,399	-	-	-	2,399	2,399
Total interest-bearing liabilities	12,431	-	-	-	12,431	12,431
Trade payables	2,562	-	-	-	2,562	2,562
Total	2,562	-	-	-	2,562	2,562
Interest-bearing liabilities, MSEK	2019	2018				
Balance at beginning of year	12,431	13,326				
Cash flow	-166	-891				
Other	165	-4				
Carrying amount	12,430	12,431				

➔ Note 24 also contains other information about the Parent Company's financial instruments.

Note 57 Pledged assets and contingent liabilities

Pledged assets MSEK	For own financial liabilities	Other commitments	Total pledged assets	
			2019	2018
Real estate mortgages	457	-	457	453
Bank accounts	-	88	88	107
Total	457	88	545	560
Contingent liabilities				
MSEK			2019	2018
Guarantees for				
- Group companies			2,364	1,742
- joint ventures			556	675
Other contingent liabilities			39	44
Total			2,959	2,461

Statement pursuant to Chapter 13, Section 6, of the Swedish Economic Associations Act (2018:672)

Following the Board's proposed appropriation of profit of MSEK 746, as presented in note 50 on page 132, the Board hereby issues the following statement pursuant to Chapter 13, Section 6, of the Economic Associations Act (2018:672).

The Board finds that there is full coverage for the association's restricted equity, in accordance with Chapter 12, Section 3 (1), of the Economic Associations Act, after the proposed dividend.

It is the Board's assessment that the proposed dividend is justifiable in view of the requirements that the nature, scope and risks of the operations place on the size of the association's and the Group's equity. The Board has considered, among other things, the association's and the Group's historical and planned development, and the economic situation. The Board's proposal is in line with the dividend policy updated at the Board meeting on November 22, 2018.

The Board has examined the association's and the Group's financial situation and, after closer consideration, concludes that a distribution of profits is justifiable in view of the precautionary principle in Chapter 12, Section 4 (2) and (3), of the Economic Associations Act.

The assessment is that, after the adopted and proposed dividend, the association's and the Group's equity ratio is also expected to be good in relation to the industry in which the Group is active.

It is also the assessment that, after the dividend, the association and the Group will have satisfactory liquidity, and consolidation requirements that may be considered satisfied. The dividend will not affect the association's and the Group's ability to discharge their payment obligations in the short or long term. Nor will the adopted the proposed dividend affect the association's and the Group's ability to make any necessary investments.

Following an overall assessment of the association's and the Group's financial circumstances, the Board considers that there is nothing to preclude the distribution of a dividend. The Board of Directors hereby certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the Group's financial position and performance. The Parent Company's financial statements have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the Parent Company's financial position and performance.

The Board of Directors' Report for the Group and Parent Company provides a true and fair overview of the development, financial position and performance of the Group and Parent Company, and describes significant risks and uncertainties faced by the Group, the Parent Company and companies belonging to the Group.

Stockholm, February 19, 2020

Per Lindahl
Chairman

Hans Wallemyr
Vice chairman

Gunilla Aschan
Board member

Sonat Burman-Olsson
Board member

Johan Bygge
Board member

Johan Mattsson
Board member

Henrik Wahlberg
Board member

Per Wijkander
Board member

Tommy Brunsärn
Board member
Employee representative

Pär-Johan Lööf
Board member
Employee representative

Tomas Welander
Board member
Employee representative

Per Olof Nyman
President & CEO

Our audit report was submitted on February 19, 2020

Ernst & Young AB

Anders Kriström
Authorized Public Accountant

Maude Fyrenius
Member representative Auditor

Gustav Jansson
Member representative Auditor

Jimmy Grinsvall
Member representative Auditor

The annual financial statements for the Group and Parent Company will be presented for adoption at the Annual General Meeting on May 7, 2020.

Audit Report This is a translation from the Swedish original

To the annual general meeting of Lantmännen ek för, Corporate identity number 769605-2856

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Lantmännen ekonomisk förening for the year 2019. The annual accounts and consolidated accounts of the association are included in this document on pages 60-136.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent association as of December 31, 2019 and its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual general meeting adopt the income statement and balance sheet for the parent association and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report submitted to the parent association's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinion

We conducted the audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent association and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of the annual accounts and consolidated accounts as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

The description below of how the audit was conducted with regard to these matters should be read in this context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The result of our audit procedures, including the procedures performed to address the matters below, provides the basis for our audit opinion on the accompanying financial statements.

Valuation of goodwill and other intangible assets with indefinite useful lives

The value of goodwill and other intangible assets with indefinite useful lives was MSEK 7,382 as of December 31, 2019, corresponding to 18 % of the Group's assets. The association conducts impairment testing annually and also in cases where an indication of impairment has been identified. It was the association's assessment that, as of December 31, 2019, the discounted present value of projected cash flows exceeded the carrying amount of cash-generating units, and therefore no impairment existed. The recoverable amount of each cash-generating unit is determined as the value in use, which is calculated based on the discounted present value of future cash flows. Key assumptions used in these calculations include future growth, gross profit and the discount rate applied. Impairment testing is a key audit matter, as the process is inherently based on estimates, particularly estimates concerning how the Group's operations will be affected by the market's future development and other economic events, and as the underlying calculations are complex.

In our audit, we evaluated and reviewed the key assumptions, the application of measurement theory, the valuation model used, the discount rate and other source data used by the association. For example, we have compared these with external data sources, such as expected inflation or future market growth, and assessed the sensitivity of the association's valuation model. We have used our valuation specialists in this process. We have focused particularly on the sensitivity of the calculations and have made an assessment of whether there is a risk that a reasonably likely course of events could give rise to a situation where the recoverable amount would be lower than the carrying amount. We have also assessed the association's historical forecasting ability. Finally, we have assessed the appropriateness of the information provided in note 7 (Depreciation, amortization and impairment of assets) and note 15 (Intangible assets) in the Group's notes, in particular regarding the information about which of the stated assumptions are most sensitive when calculating value in use.

Valuation of inventories

Inventories represent a significant part of total assets. The value of inventories, after necessary reserves for obsolescence etc., was MSEK 6,561 as of December 31, 2019, corresponding to 16 % of the Group's assets. The association's inventories are reported at the lower of cost and net realizable value. Net realizable value reflects estimated write-offs of obsolete products, older items, stock surplus and costs to sell. The association's areas of business that hold inventories are spread among four different Sectors/Business Areas with different operations and conditions. Overall, this means that the valuation of inventories represents a key audit matter of the audit.

We carried out examinations of the costs of different parts of the inventories, from components to finished goods. The examination included an age analysis and inventory turnover analysis for each product area, and finally an analysis of obsolete goods. We conducted an analytical examination of changes in the value of inventories, including changes in reserves for internal profits. We also examined whether the association has made appropriate disclosures in note 19 (Inventories) regarding the valuation of inventories.

Fines for infringement of competition law

The association and its subsidiary Lantmännen Agroetanol AB have been under investigation by the European Commission for alleged infringement of competition law in the European ethanol market.

The European Commission's sanctions against companies that violate current competition laws normally take the form of fines.

The association's overall assessment of the size of a possible fine is MSEK 500. A provision for this amount has been recognized in the accounts as of December 31, 2019. See also note 26 (Provisions). This is a key audit matter of the audit with regard to the relative size of the amount, combined with the uncertainty about the estimates and assumptions underlying the provision amount.

Our audit procedures have involved examining the viewpoints and analyses made by the association's internal and external lawyers based on the European Commission's ongoing investigation, in order to assess whether the association's conclusions regarding the provision for the fine amount are consistent with the rules of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and assessing the suitability of the disclosures provided in note 26 Provisions.

Information other than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts, which is presented on pages 1-59 and 140-189. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure, we also take into account our knowledge otherwise obtained in the audit and assess whether the information appears to be materially misstated.

If, based on the work performed concerning this information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and for ensuring that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the association's ability to continue as a going concern. They disclose, as applicable, matters related to the going concern and use of the going concern basis of accounting. The going concern basis of accounting is, however, not applied if the Board of Directors and the Managing Director intend to liquidate the association, cease operations, or have no realistic alternative but to do so.

The Board's Audit Committee shall, without prejudice to the Board's responsibilities and tasks in general, among other things, oversee the association's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted

in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these annual accounts and consolidated accounts. The elected auditors conducted the audit in accordance with generally accepted standards for elected auditors in Sweden.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the Company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- draw a conclusion on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause a company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform them of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the

annual accounts and consolidated accounts, including the most important assessed risks of material misstatement, and these are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Lantmännen ekonomisk förening for the financial year 2019 and the proposed appropriations of the association's profit or loss.

We recommend to the annual general meeting that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinion

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent association and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of association's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the parent association's and the Group's type of operations, size and risks place on the size of the parent association's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the association's organization and the administration of its affairs. This includes, among other things, continuous assessment of the association's and the Group's financial situation and ensuring that the association's organization is designed so that accounting, management of assets and the association's financial affairs are otherwise controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions, and, among other matters, shall take measures that are necessary to fulfill the association's accounting in accordance with law and to conduct the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect has:

- undertaken any action or been guilty of any omission which could give rise to liability to the association; or
- in any other way acted in contravention of the Economic Associations Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the association's profit or loss, and thereby our opinion about this, is to assess with a reasonable degree of assurance whether the proposal is in accordance with the Economic Associations Act.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the association, or that the proposed appropriations of the association's profit or loss are not in accordance with the Economic Associations Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the association's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment, with the starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the association's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the association's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Economic Associations Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed Lantmännen ekonomisk förening's auditor at the Annual General Meeting on May 8, 2019 and has been the association's auditor since 2006. Lantmännen ekonomisk förening became a public interest entity in 2015.

Stockholm, February 19, 2020

Ernst & Young AB

Anders Kriström
Authorized Public Accountant

Gustav Jansson
Member representative Auditor

Maude Fyrenius,
Member representative Auditor

Jimmy Grinsvall
Member representative Auditor

Description of financial performance measures

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

Sustainability Report

President's comments

Lantmännen has long been a driver of development towards sustainable food and bioenergy systems. We work to increase resource efficiency in Swedish farming, and since 2009 have established ambitious targets for reducing the climate impact from our own production. In 2019, Lantmännen's Board of Directors adopted a new climate target for farming – to create the conditions for sustainable primary production by halving the climate impact every decade and achieving climate neutrality by 2050.

To achieve this target, we will offer our business partners products with leading climate performance, drive the development of new knowledge, technology and cultivation methods, and develop products and services that enable agricultural companies to produce even more sustainably.

We see that we can increase harvests by 2050 and at the same time achieve the climate targets, but this requires cooperation, extensive research activity, market demand and political will and drive. The new target gives us a platform for working towards farming of the future, where issues such as increasing resource scarcity, climate and sustainability challenges can be addressed.

Responsibility and sustainability are central to Lantmännen's strategy from Field to Fork 2030. Lantmännen is driving the development towards more circular business and increased resource efficiency. Recycling of bread waste from bakeries for the production of renewable ethanol continues, more climate-efficient feed with domestic raw materials will be developed, as will the conversion to renewable fuels in

our production, and we are strengthening our responsibility in the role of business partner. Through research and development, we are leading the way towards increased value of grain from field to fork. Research is needed to meet challenges of the future and ensure continuing competitiveness for Swedish agriculture.

We place great emphasis on further development for our employees and we continue to improve leadership, health and safety at our workplaces. A low level of sick leave and declining work accidents are priorities and important success factors for us. The results of this year's employee survey show that we are exceeding our targets in terms of employee satisfaction and leadership. These are very good ratings for our employees, our organization and culture.

We signed the Global Compact's principles for responsible business back in 2009. We also support Agenda 2030 and see that we can contribute to several of the global goals by taking a leading role in the activities we conduct.

Work on sustainable business development continues. In close cooperation with our members and other stakeholders, we are working purposefully to continue strengthening our responsibility, while successfully commercializing the sustainable added values we can offer.

Stockholm, February 2020

Per Olof Nyman
President & CEO, Lantmännen

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Introduction

About the Report

Lantmännen's sustainability report describes our sustainability work throughout the value chain, which means everything from plant breeding, agri-supply, cultivation, raw materials purchasing and processing to sales and consumption of the products we offer.

The Board issues the sustainability reporting and the statutory Sustainability Report.

Reporting framework and communication for initiatives

Lantmännen has reported according to the GRI guidelines, including the Food Processing sector supplement, for several years. This report has been prepared in accordance with GRI Standards, Core option. Learn more about GRI at globalreporting.org

Lantmännen supports the recommendations for voluntary disclosures of climate-related risks and opportunities from a financial perspective, the Task Force on Climate-related Financial Disclosures (TCFD). We are working to include these in our future reporting.

In 2009, Lantmännen signed the Global Compact, the UN initiative for responsible business, which involves a commitment to implement the Global Compact's ten principles for responsible business. The Global Compact also requires annual disclosure of progress and performance in the form of a Communication on Progress. Lantmännen's Annual Report with Sustainability Report is structured in such a way as to meet the requirements. The GRI Index on [pages 159-162](#) contains references to how we work with the principles. Learn more about Global Compact at unglobalcompact.org

Lantmännen supports Agenda 2030 and the UN Sustainable Development Goals, and has analyzed what they mean for Lantmännen's operations and businesses. Five of the goals are directly linked to Lantmännen's mission and business: Zero hunger, Affordable and clean energy, Responsible consumption and production, Climate action and Life on land. Several other of the goals are important for our impact and operations.

The GRI Index on [pages 159-162](#) contains page references to descriptions of our work on the global goals. More information can be found on our website lantmannen.com/sustainable-development.

Membership of initiatives such as the Haga Initiative, RSPO and RTRS involves annual reporting in the particular area of commitment, such as emissions or purchases of palm oil or soy. Reporting is submitted directly to the organizations.

Sustainability reporting legislation

Reporting for all Group companies covered by the Swedish Annual Accounts Act's sustainability reporting requirements is

contained in Lantmännen's Annual Report with Sustainability Report. This reporting can be found on [pages 22-30, 141-163, and 179-182](#) The auditor's opinion regarding the statutory sustainability report is on [page 163](#).

External review of the sustainability report

Lantmännen's sustainability report for 2019 has undergone an external assurance. Read the Assurance report on [page 163](#).

Contact information

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Lantmännen's sustainable development work

Materiality analysis

Lantmännen places greatest focus on topics that are of importance to our stakeholders and where we can drive sustainable development through profitable business. A materiality analysis has been used to prioritize the most important issues, based on strategies and knowledge about operations, Agenda 2030 and the UN's Global Compact goals, external and market trends, and results from stakeholder dialogue. The analysis forms the basis of our sustainability strategy and sustainability reporting under the Global Reporting Initiative framework.

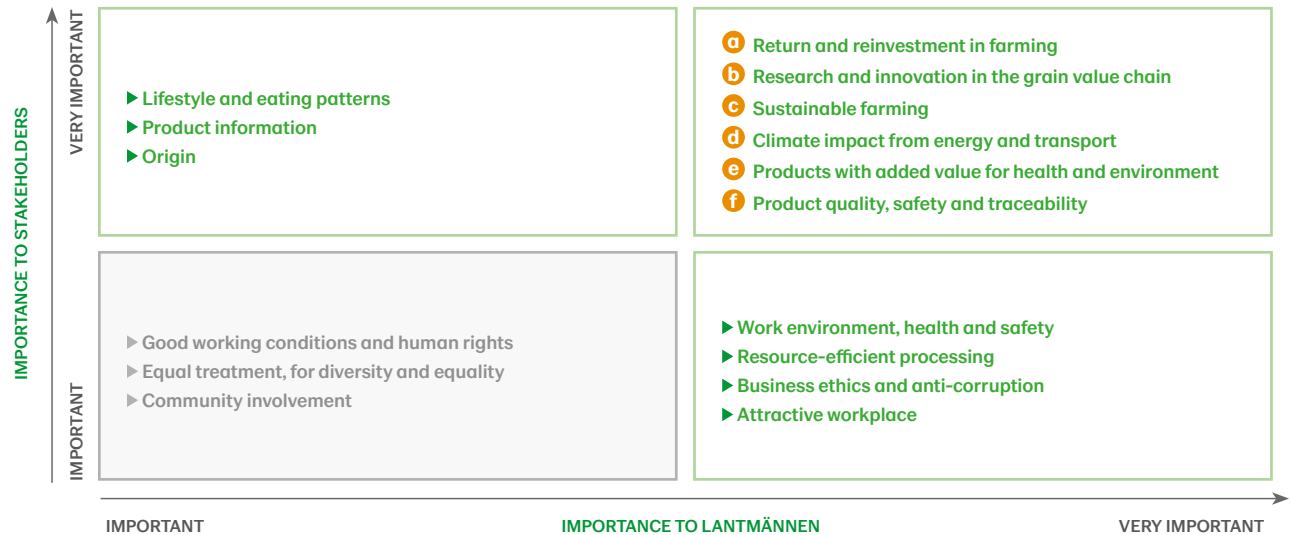
Lantmännen's ambition

Based on the materiality analysis and Lantmännen's assignment, vision and Field to Fork 2030 strategy, we have formulated an ambition for sustainable development: Lantmännen creates value from arable land resources with a leading sustainability performance and contributes to sustainable solutions for food, energy and bio-based materials. To achieve our ambition, we must join with customers and suppliers in developing sustainable cultivation methods, optimize cultivation and its yields with minimal impact on people and the environment, utilize side flows and switch to bio-based circular business.

The cooperative ownership model provides the right conditions for both a business focus and long-term sustainability work.

For good results we need focus and work. Lantmännen works in four areas encompassing our important responsibility issues throughout the value chain and where we manage opportunities and challenges. It is also within the focus areas that we have defined targets for what we want to achieve. The four focus areas are *Sustainable farming*, *Safe and resource-efficient production*, *Products with sustainable added values* and *Responsibility in the supply chain*. Learn more on [page 23](#) and at lantmannen.com/sustainable-development

Materiality analysis



The most important issues for Lantmännen to drive and develop – our material topics – are in green text. The topics are described below. The topics in the upper right box have equal priority. More information about management and outcomes for the material topics is set out on the pages that follow.

a) Return and reinvestment in farming

Lantmännen's mission is to make farming thrive. The cooperative model is central to economic stability and endurance. The operating surplus gives benefits in the form of a return that goes back to the members' activities, and investments in research and development.

b) Research and innovation in the grain value chain

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

c) Sustainable farming

Sustainable farming is about reducing climate and environmental impact in parallel with good returns. It includes issues such as land use, water, plant nutrients and plant protection and the impact on biodiversity. Lantmännen works for the development of sustainable cultivation methods. For certain imported raw materials, there are also social risks associated with working conditions and human rights, and Lantmännen therefore sets requirements depending on the risks when sourcing raw materials.

d) Climate impact from energy and transport

Climate-affecting emissions arise in our industrial operations, primarily through use of energy and transport. Our climate strategy means continued investment in energy efficiency and the transition to renewable energy sources and fuels.

e) Products with added value for health and environment

New profitable products with a high environmental performance, or other sought-after health and environment-promoting properties are an important part of Lantmännen's business development. Our work on innovation and product development has resulted in several successful examples.

f) Product quality, safety and traceability

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



Lantmännen's approach to specific issues

There are several issues that are of particular interest to our stakeholders such as customers and consumers.

Learn more about our approach and work on these issues at lantmannen.com/sustainable-development.

Organization and governance

Group-wide policies and governing documents

Lantmännen's Code of Conduct applies to the entire operations, all employees, the Board and elected representatives. The Code of Conduct describes how Lantmännen must conduct itself and make decisions to take responsibility from an environmental, social and business ethics perspective. The Code also describes how we work for sustainable consumption and development with our products. All employees undergo training in the Code of Conduct. The Code of Conduct and training are available in 17 languages.

The Code also provides guiding principles for Board members and elected representatives, and for Board members who represent Lantmännen in partly-owned enterprises.

Lantmännen's Supplier Code of Conduct applies to all suppliers. Suppliers with an annual purchase volume over MSEK 1 or with high risk must be approved based on a self-assessment. Learn more on [pages 145-146](#).

For distributors, there is a special Distributor Code of Conduct and we are working on implementation and establishment of monitoring procedures.

In addition to the Code of Conduct, guidance in several areas is provided in policies and guidelines. Read more under each special area in the sustainability report.

Organization, responsibility and monitoring

Lantmännen's Board of Directors is ultimately responsible for responsibility and sustainability work. Responsibility and sustainable business development are a part of strategic business planning that is adopted and monitored in both Group management and the Board.

Monitoring and analysis of business development is conducted at different levels and frequencies.

The Group's CSR Committee, headed by the Executive Vice President, has overall responsibility for ensuring that the organization is able to implement and monitor the Code of Conduct and the areas covered by the Code. The CSR Committee consists of representatives from Group management and other managers responsible for specific areas in the Code of Conduct. The Committee meets four times a year.

Each business unit is responsible for systematic work on risk management and responsibility. Group management follows up responsibility issues with management of the business units on a four-monthly basis by means of key figures for minimum responsibility requirements and discussions with the managers during sustainability business reviews.

Lantmännen's work in the area of being a good and

attractive employer is conducted by managers and Group management with the support of Group Human Resources. Learn more on [pages 29 and 152-153](#).

Lantmännen's business ethics compliance program includes compliance with competition and anti-corruption legislation. Regular risk assessments, communication, control and monitoring and training are carried out under the program.

Lantmännen also has a risk-based due diligence process for managing sustainability risks, with a particular focus on counterparty corruption. Lantmännen's Group Compliance function reports regularly to the Board and Group management on compliance, identified risks and the status of compliance work in the business ethics compliance program.

During acquisitions, areas contained in the Code of Conduct are included in the due diligence process and implementation of the Code is part of the integration of new businesses.

An annual quality review of Lantmännen's production is conducted, which includes product quality and processes, sustainability performance, purchase and sales agreements, and product-specific requirements. Part of the review is an analysis of how food production has implemented governing documents with criteria for responsibly produced food.

Compliance with the Code of Conduct is reviewed annually by Group management and the Board follows up deviations from the Code. All employees can report any deviations from the Code through a whistleblower system or some other method of reporting.

Lantmännen strives for transparency towards its stakeholders. We conduct active stakeholder dialogue and have several channels in which to pick up issues concerning our business.

Risk management

Lantmännen's businesses and operations have impacts throughout the value chain. With the impacts come risks of negative effects on people, the environment and/or society and therefore our business.

We identify and assess sustainability-related risks based on the Code of Conduct's areas and special issues. The risk assessment is part of Lantmännen's annual Group-wide Enterprise Risk Management process.

It is every business manager's responsibility to implement and monitor the risk work in the daily operations. Sustainable business development work is an answer to, and a part of, strategic and operational risk management.

Learn more about Lantmännen's risk management and risk analysis, and important strategic and operational risks on [pages 179-182](#).

Economic topics

Return and reinvestment in farming plays a key part in Lantmännen's assignment and our mission to make farming thrive. By conducting responsible and profitable business, we can create value for our owners and suppliers and many other stakeholders in our value chain.

Economic performance

Management approach

Lantmännen's assignment is to contribute to the profitability of owners' farms and optimize the return on their capital in the association. The dividend policy and financial objectives and policies govern the work in this area. See → pages 16-17 and 22.

Created and distributed economic value is not reported in accordance with GRI. See → *Group net sales and earnings* and *Consolidated income statement* in the financial statements and the Dividend table on page 16. These pages show the value of products and services sold, personnel expenses, dividends to owners, supplier purchases, other operating expenses and taxes.

Financial implications and other risks and opportunities due to climate change (GRI 201-2)

Climate-related risks and opportunities are described in the following sections: *"Our strategy from Field to Fork 2030"*, *"Sustainable business development"*, *"Farming of the future"*, *"New climate target for primary production"*, *the Board of Directors' report* and *"Risks and risk management"* on → pages 20-21, 23-27, 66 and 179-181.

Sourcing

Management approach

Lantmännen's sourcing is governed by the sourcing policy. The evaluation and selection of suppliers is governed by the procurement process. Lantmännen's Supplier Code of Conduct is one of several support tools for evaluating and selecting suppliers. The Code is signed by the supplier as part of the contractual process. To ensure compliance with the requirements, we monitor suppliers' performance through risk-based assessment, which may be followed by self-assessment and/or third party audits and background checks in the form of due diligence.

Additional requirements apply to certain companies – e.g. suppliers of raw materials for food, special product categories such as palm oil or suppliers in high-risk countries. The requirements are monitored and reported based on Lantmännen's specific commitments and objectives.

In addition to requirements and supplier monitoring, we assess sustainability risks for materials, based on factors such as country of origin, cultivation and/or production methods. The assessment may be followed by an analysis which provides a detailed description of the risks for our



most important purchasing categories and is used as a basis for risk management decisions such as audits, switching to other materials or suppliers, or specific measures such as certification.

Plans that prioritize which suppliers are to be audited are produced annually. The Group's sourcing committee ensures that the audit is carried out and reports to Group management. Training for purchasers, product managers and other relevant professional roles is provided as needed.

Percentage of purchased volume from suppliers compliant with company's sourcing policy (G1-FP1)

Definition: "Compliant" means that the supplier has the Supplier Code of Conduct (SCoC) in the contract and an approved self-assessment and/or third-party audit.

Percentage of purchased volume from suppliers compliant with company's sourcing policy (G1-FP1)

Outcome: Supplier Code of Conduct (SCoC) requirement

%	2019	2018	2017	2016	2015
Proportion of purchase volume (SEK)	92 %	92 %	90 %	83 %	80 %

Comments: The objective, which applies to all Lantmännen's purchases of goods and services, both direct (inputs) and indirect, is for all suppliers to have SCoC in their contract and for all suppliers with an annual purchase volume over MSEK 1 or high-risk suppliers over SEK 300,000 to be monitored by self-evaluation and/or a third-party audit. The outcome shows that 92 (92) percent have been monitored and approved, which is in line with 2018 and above the target of 90 percent. During the year, a monitoring new system was introduced, which will improve accuracy and enable more frequent monitoring.

Since our supplier audit work began, 39 audits have been conducted, 3 (4) of which were in 2019. The aim is to further increase the work on audits. In 2019, Lantmännen, together with other players, established the Responsible Shipping Initiative, a cross-industry cooperation that promotes responsible shipping transport through joint inspections and common standards.

Percentage of purchased volume verified as being in accordance with credible, internationally recognized responsible production standards (GRI-FP2)

Lantmännen reports this indicator for two raw materials: soy as an ingredient in feed and palm oil based products as an ingredient in food and feed.

Soy as an ingredient in feed:

Definition: Responsibly produced according to the industry-wide Swedish Soy Dialogue agreement. Certification according to a credible system such as RTRS, ProTerra, organic

soy according to I FOAM approved certification, Donau Soji/Europe Soya or verification through special methodology.

Outcome and comments: Lantmännen continues its work to ensure responsibly produced soy for import as a feed raw material. The objective is 100 percent purchases of responsibly produced soy as defined by the Soy Dialogue. In 2019 the outcome was 100 percent and the total volume of purchased soy was 141,700 (122,600) tonnes. The increase is driven by demand for feed after the poor harvest year in 2018. For several years, Lantmännen has been working on alternative raw materials to soy, and synthetic amino acids have proved to be a success factor in reducing use of soy in feed while increasing feed efficiency.

The Soy Dialogue is a collaboration between participants in the Swedish food value chain – from feed companies, slaughterhouses, dairies, to retailers, industry associations and the WWF. Learn more about the Soy Dialogue at soj-dialogen.se

Learn more about our work on the soya issue at lantmannen.com/sustainable-development

Learn more about RTR, Round Table on Responsible Soy, at responsiblesoy.org

Learn more about ProTerra at proterrafoundation.org

Palm oil as an ingredient in food:

Definition: Purchased volume of palm oil certified under RSPO (Roundtable on Sustainable Palm Oil).

Outcome:	2019	2018	2017	2016	2015
Purchased volumes of palm oil as an ingredient in food, tonnes	10,300	10,300	9,600	9,900	6,800
Proportion of RSPO-certified	100 %	100 %	100 %	100 %	100 %
of which RSPO Book & Claim	-	-	0.5 %	9 %	17 %
of which RSPO Mass Balance	2 %	1 %	0.5 %	-	12 %
of which RSPO Segregated ¹⁾	98 %	99 %	99 %	91 %	71 %

¹⁾ Segregated and traceable RSPO-certified palm oil

Palm oil as an ingredient in feed:

Definition: Purchased volume of palm kernel expeller

Outcome:	2019	2018	2017	2016	2015
Palm kernel expeller as an ingredient in feed, tonnes	19,300	16,000	13,500	14,750	15,700

Comments: Our palm oil strategy is to ensure responsibly produced palm oil for the volumes we use in our food products. We achieve this by only purchasing RSPO-certified palm oil, which we have been doing since 2011. The target is a full transition to physically traceable certified palm oil, according to the certification level RSPO Segregated. For 2019, the outcome was 98 (99) percent. The transition is still to be completed for all volumes in the production of brands we produce for other players. We are also working to accelerate the market's transition together with companies in the industry and stakeholders.

For palm kernel expeller, a by-product of oil palm used in feed production and other areas, the market for certified raw materials is so far not as well developed. Lantmännen engages in dialogue with other industry players to ensure responsible management of this flow and to replace the products with more sustainable alternatives. For some feed, Lantmännen can replace palm kernel expeller with Swedish raw materials such as bran in a cost-effective way. The result is more climate-smart and efficient feed. In absolute figures, expeller increased in 2019, but the proportion in manufactured feed declined, despite the poor harvest in 2018 having affected the supply of alternative raw materials. Learn more about our work on the issue at lantmannen.com/sustainable-development

Learn more about the Roundtable on Responsible Soy at rspo.org

Anti-corruption

Management approach

Corruption affects people, the environment, organizations, companies and countries in negative ways. Lantmännen rejects all forms of corruption, bribery, money laundering and illegal competition. Business ethics is included as an area of Lantmännen's Code of Conduct. There are also special policies and a business ethics compliance program. Learn more in the Board of Directors' report on [pages 66-68](#).

Annual risk assessments are conducted based on, among other things, available and independent international risk indexes, and the analysis is reported to Lantmännen's Management and Board. The analysis shows that the majority of Lantmännen's businesses operate in industries and countries with a relatively low risk of corruption. However, there is risk exposure, particularly in the agriculture and food businesses, through direct operations in high and medium-risk countries (e.g. Russia, Ukraine and Baltic countries), in risk sectors and through counterparties operating in high and medium-risk countries. There are some risks associated with competition law, as several of Lantmännen's businesses operate in markets that involve contact with competitors. Lantmännen adjusts its risk management to the assessed risk exposure.

Targeted in-depth training in anti-corruption and competition law is carried out on a regular basis, with a focus on senior positions, particularly vulnerable positions and countries, and key personnel. The training is provided at the start of employment (onboarding) and then every two years.

For distributors, there is a special Distributor Code of Conduct that communicates Lantmännen's expectations of these parties.

Communication and training about anti-corruption policies and procedures (GRI 205-2)

Definition: Percentage of employees having completed the current version of training in the Code of Conduct.

Outcome: 88 (90) percent of Lantmännen's employees have completed training in Lantmännen's Code of Conduct, slightly under the target of 90 percent. See table below.

Number and percentage of employees having received training in the Code of Conduct

	2019		2018		2017	
	Number	%	Number	%	Number	%
Nordic countries	5,325	90 %	5,404	92 %	5,580	87 %
Rest of Europe	3,042	84 %	3,317	88 %	2,909	75 %
Other countries	407	95 %	179	98 %	163	88 %
Total	8,775	88 %	8,900	90 %	8,652	83 %

Comments: The results for completion of Code of Conduct training are affected by businesses that do not have access to Lantmännen's platform for e-learning. A new version of the training with better accessibility will be launched in 2020. In 2019, Lantmännen's anti-corruption and competition law e-learning courses were completed by 91 (95) percent of the target group covered by requirements for in-depth business ethics training. The target group consists of key personnel and employees in leading and/or particularly vulnerable positions. As the in-depth business ethics training is carried out at two-year intervals, and the majority of the target group completed the training in 2018, it was mainly new employees and employees in acquired operations who completed the training in 2019.

Confirmed incidents of corruption and actions taken (GRI 205-3)

Outcome and comments: A total of 12 (15) reports from five countries were recorded through the whistleblowing function in 2019. None (2) of the cases concerned suspected corruption. All cases coming in through the whistleblowing function 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 strengthened leadership, briefing and training of managers and improved local procedures.

Systematic follow-up of compliance with the anti-corruption policy is conducted through screening, analyses and internal control systems, and annual company questionnaires on issues such as the occurrence of corruption incidents. All 67 (all 63) companies answered the questions in 2019. During the year, Lantmännen had 0 (1) confirmed corruption incidents.

Environmental topics

Lantmännen is active in the grain value chain and is dependent on natural resources and well-functioning ecosystems. At the same time, we have an impact on the environment through our production and cultivation.

Management approach

We engage in systematic efforts to continuously improve operations and reduce our environmental impact. Our measures are based on the precautionary principle and life cycle thinking. Energy consumption, emissions into the air, soil and water, impacts from transport, impacts on land and biodiversity in our operations, and through our purchasing in the supply chain, are issues that are particularly important. Our Code of Conduct clarifies our approach, special policies and guidelines, while goals and strategies govern the focus of work.

Lantmännen's Group-wide climate targets mean a reduction in emissions that is in line with the Paris Agreement. The rate required to achieve this is to halve carbon dioxide emissions every decade from 2020, referred to as the Carbon Law curve. In 2019, a climate target for primary production was adopted, which, like our other climate targets, follows the Carbon Law reduction rate. Lantmännen's climate target for its own production is to reduce carbon dioxide emissions by 40 percent in the period 2015-2020. The target for reducing emissions from purchased transport is 70 percent in the period 2009-2030. The targets focus on fossil-free production and transport, continuing energy efficiency and investments and measures to reduce the carbon footprint throughout the value chain. Learn more under Energy, Emissions to air and on the following pages.

Lantmännen's Group strategy for organic business includes a target to double trading in organic grain for animal feed and food by 2020. Learn more on [page 25](#).

Materials

Materials used by weight or volume (GRI 301-1)

Definition: Lantmännen reports the use of our most important raw materials: grain and flour, but also soy as an ingredient in feed and palm oil as an ingredient in food as they have special sustainability challenges. Materials include weighed grain from Lantmännen's farmers, including pulses, oilseeds and flour.

Outcome: Materials used, grain and flour

Thousand tonnes	2019	2018	2017	2016	2015
Total volume of weighed grain	2,261	1,819	2,720	2,400	2,710 ¹⁾
Grain grown according to					
Climate & Nature	34	59	78	70	55
Organic grain	131	73	126	98	91
Grain grown according to Natur+	146	127	158	132	-
Purchased flour	374	395	430	-	-

¹⁾ The figure of 2,900 in the 2015 report was incorrect as it also included other grain flows (imports and trade).

Comments: The Swedish grain harvest in 2019 was large and of good quality until the end of August when rain resulted in poorer quality for all crops.

Climate & Nature is Lantmännen's cultivation program for farming of the future and in 2019 the cultivation criteria were updated with fossil-free fuel in farming and further activities to promote biodiversity. The lower outcome compared with previous years is due to better matching between production and demand. Lantmännen continues to invest in premium crops such as Natur + and Climate & Nature and sees increased demand for sustainable raw material from both customers and consumers. Learn more about Climate & Nature on [page 25](#).

The organic grain volume increased and was in line with the record harvest year 2017. Lantmännen's target is to double trading in organic grain in the period 2016-2020. Learn more on [page 25](#).

More information on our grain concepts can be found at lantmannenlantbruk.se

For soy and palm oil, see under Sourcing [pages 146-147](#).

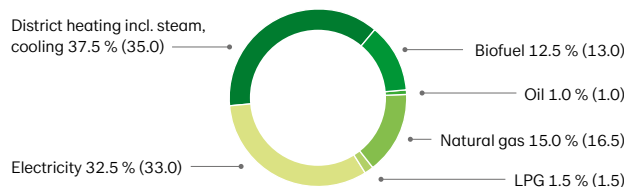
Energy

Energy consumption within the organization (divided into renewable and non-renewable energy sources) (GRI 302-1)

Definition: The indicator includes all Lantmännen's producing facilities.

Outcome:	2019		2018		2017		2016		2015 (base year)	
	TJ	GWh	TJ	GWh	TJ	GWh	TJ	GWh	TJ	GWh
Energy consumption, producing facilities										
Non-renewable fuels	1,122	312	1,119	311	1,326	368	1,289	358	1,240	344
of which Oil	61	17	60	17	140	39	115	32	120	33
of which Natural gas	975	271	974	271	1,069	297	1,066	296	988	275
of which LPG	86	24	84	23	117	32	108	30	132	37
Renewable fuels	816	227	778	216	686	191	714	198	691	192
Indirect energy	4,520	1,255	4,068	1,130	4,310	1,197	4,120	1,144	3,805	1,057
District heating	2,410	,669	2,092	581	2,343	651	2,249	625	2,000	556
of which renewable	2,157	599	1,873	520	2,060	572	-	-	-	-
Electricity	2,110	586	1,976	549	1,967	546	1,870	520	1,805	501
of which renewable	1,981	550	1,729	480	1,683	468	1,468	408	1,385	385
of which sold electricity and heating	539	150	476	132	436	121	390	108	437	121
Total net energy	6,457	1,794	5,965	1,657	6,322	1,756	6,123	1,701	5,736	1,593

Energy consumption in 2019 by energy type



Comments: The large, but, in many parts of the country, wet harvest has led to increased energy consumption, mainly from district heating, due to the need for drying. A general increase in production, notably in the Food Sector, also increases energy consumption. The transition to renewable energy continued during the year, with a move to origin-labeled electricity in Estonia, Latvia, Belgium and Germany, and we are well-placed to achieve our targets for fossil-free production in Sweden and Norway before the target year 2025. Work remains on finding alternatives to natural gas in the bakery ovens and establishing a long-term fossil phase-out plan. The work on energy efficiency is in progress in the businesses, with a target of 3 percent per year. The proportion of renewable energy increased to 77 (73) percent.

Emissions to air

Direct (Scope 1) GHG emissions, Energy indirect (Scope 2) GHG emissions and Other indirect (Scope 3) GHG emissions (GRI 305-1, 305-2 and 305-3)

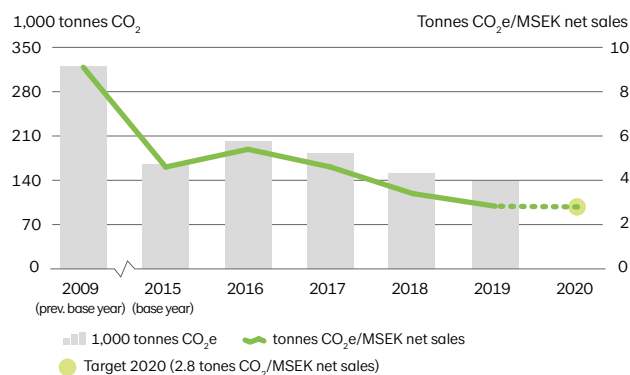
Definition: Lantmännen reports direct emissions of carbon dioxide from the use of fuels produced at its facilities and in its vehicles, indirect emissions from use of electricity and emissions from transport, fuel and electricity production, and business travel.

Greenhouse gas emissions intensity: Carbon dioxide emissions in relation to sales (GRI 305-4)

Definition: Lantmännen reports intensity as: CO₂ emissions, total, tonnes per MSEK net sales.

Outcome: See diagram and table below.

Carbon dioxide emissions in relation to net sales



Carbon dioxide emissions in relation to net sales

	2019	2018	2017	2016	2015
CO ₂ use of fuel from facilities, production and vehicles (thousand tonnes)	138	151	184	200	167
Tonnes CO ₂ /MSEK net sales	2.85	3.43	4.63	5.38	4.68
Target 2020	2.80	2.80	2.80	2.80	2.80

Definition: Lantmännen's target is a 40 percent reduction in emissions for the Group's producing facilities and transport (scope 1 and 2) from 2015 to 2020.

Comments: The indicator for emissions has fallen by 39 (26) percent from the base year 2015 and the rate of improvement is in line with the climate target for 2020, which is 2.8 tonnes CO₂e/MSEK net sales.



GHG emissions, scope 1, 2 and 3

CO ₂ e emissions, thousand tonnes	2019	2018	2017	2016	2015
Scope 1 (Fuel incl. own transport)	66.5	66.3	79.9	78.1	66.7 ¹⁾
Scope 2 (Electricity and heating)	45.5	57.8	73.4	94.7	75.8
Scope 3 (Production (LCI) of electricity and fuel, transport/travel)	26.2	26.9	30.4	27.4	24.3 ¹⁾
Scope 3 (Purchased freight transport) ³⁾	120	120 ³⁾	119	122	106
Scope 3 (Business travel)	6.7	7.3	2.7	-	-
Total, including origin-labeled (market-based)	265	278 ²⁾	306	322	273
Total, excluding origin-labeled (location-based)	338	-	-	-	-

¹⁾ Adjustment from 2017 figure.

²⁾ Adjustment from 2018 figure. The 2018 outcome for the key figure has been adjusted from a 4 percent reduction to an 8 percent increase.

³⁾ Some included information relates to November 2018–November 2019, rolling 12 months.

For boundaries, see → Reporting principles.

Comments: The Group is working for a reduction in carbon dioxide emissions from its own operations (energy and transport), calculated as tonnes of CO₂e per MSEK net sales.

The previous target of –40 percent for the period 2009–2020 was achieved in 2015. Lantmännen has therefore set a target for a further 40 percent reduction in emissions from its own production by 2020, with 2015 as the base year.

Emissions from production show a decline of 8 percent from the previous year in absolute figures. This is a consequence of the transition to origin-labeled electricity and a number of conversions to renewable energy. Just over half of the total emissions come from use of natural gas in the bakery operations. Lantmännen Lantbruk's emissions have increased, due to a significant need for drying after the large but wet harvest and new Finnish feed production that uses district heating, some of which comes from fossil natural gas. For emissions by Sector and Business Area, see the descriptions from → page 33 onwards.

In 2019, transport increased due to increased production, centralization of production and warehousing and the return of exports to normal volumes after the 2018 drought. Despite this, climate emissions remain at the same level due to a higher proportion of biofuels in the Nordic region. Emissions from shipping transport in the Agriculture Sector and the Danish bakery operations increased. As a result of improved reporting, additional transport by truck and also by sea to the US has been included. The outcome for the target to reduce climate emissions from purchased transport by 70 percent in relation to net sales in the period 2009–2030 is in line with the base year 2009. To achieve the ambitious target, we are working together with logistics partners and the industry to find solutions for fuel conversion and efficiency improvements. The 2018 outcome for the indicator has been adjusted from a 4 percent reduction to an 8 percent increase.

Emissions from business travel have declined from 2018, which is mainly due to improved reporting enabling the category of company cars to be moved.

Water

Water withdrawal

Outcome:

Water withdrawal, 000 m ³	2019	2018	2017	2016	2015
Total	2,114	2,189	2,043	1,972	1,682

Comments: Collection of data is not yet complete. Water comes mainly from the municipal water supply.

In addition to water consumption monitoring, all facilities undergo regular risk screening for impacts on water supplies using WBSCD's (World Business Council for Sustainable Development) Water Tool.

In a 2017 analysis, four of Lantmännen's facilities were identified as located in high-risk areas with regard to water consumption: – one seed plant and one workshop in Sweden, and two bakeries in the UK.

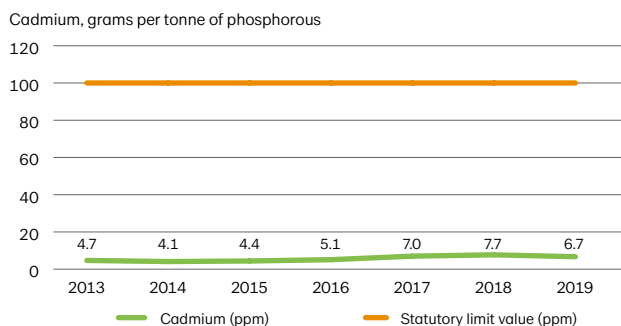
Products and services, environmental impact in the cultivation stage

Lantmännen's specific key figures regarding our products, with a link to the environmental impact in the cultivation stage.

Cadmium in phosphate fertilizer

Definition: X ppm Cd in phosphorus = grams/tonne phosphorus (in fertilizer)

Outcome: 6.7 (7.7) grams of cadmium per tonne of phosphorus in fertilizer in 2019.



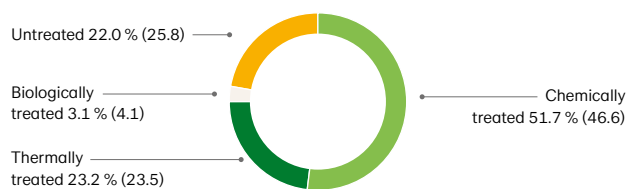
Comments: Cadmium content in mineral fertilizers is still at a low level, between 4-8 mg Cd/kg phosphorus, and has been for over ten years. This is well under the statutory limit value of 100 mg Cd/kg phosphorus. It is important to ensure minimal cadmium input to Swedish arable land. The slightly higher values in recent years are due to a change in demand for certain products and a slightly higher average value of large-volume products.

Seed treatment (proportion of biologically treated, thermally treated, chemically treated and untreated)

Definition: Percentage in tonnes/total grain seed produced, tonnes. Alternatives to chemical seed treatment are biological treatment using natural micro-organisms (Cedomon and Cerall methods) and thermal treatment (with heat, ThermoSeed method) to achieve increased resistance to pests.

Outcome: Non-chemically treated seed accounted for 48 (53) percent of the total treated seed.

Seed treatment (calculated as percentage of volume in tonnes)



Comments: A large proportion of the total volume of seed was winter seed, which requires chemical treatment to a greater extent. A new ThermoSeed facility in Skänninge will start production in 2020 and this will increase the proportion of thermally treated seed in 2021. Learn more on [page 36](#).

Organic seed

Definition: (Sales of organic seed, tonnes/total sales of seed, tonnes) • 100 = % organic seed.

Outcome:

	2019	2018	2017	2016	2015
Proportion of organic seed	12.2 %	13.3 %	12.7 %	11.7 %	9.6 %

Comments: Production and sales of organic seed remain at about the same volumes as in previous years. Lantmännen has seed and varieties that are adapted for organic farming. As sole supplier, we are also able to effectively eradicate seedborne infection with the ThermoSeed technology, which is approved for organic farming.

Organic feed

Definition: (Sales of organic feed, tonnes/total sales of feed, tonnes) • 100 = % organic feed.

Outcome:

	2019	2018	2017	2016	2015
Proportion of organic feed	9.8 %	9.7 %	9.5 %	9.4 %	7.8 %

Comments: Sales of organic feed continued to increase. Conventional production of feed also increased, which is why the organic proportion is at the same level, 9.8 (9.7) percent of the volume. The 2018 drought continues to have a positive impact on organic volumes and Nötfor accounts for the largest increase. There is a balance between production and sales for beef and pork, but some overproduction of organic eggs, which means that the volume of feed for laying hens declined slightly in 2019, although the market share was maintained. Learn more on [page 36](#).

Environmental compliance

Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations (GRI 307-1)

Definition: Significant fines are penalties which, due to their level or the nature of the non-compliance, may significantly affect the Group's finances or reputation.

Outcome: No (0) significant fines or non-monetary sanctions in 2019.

Labor Practices and Decent Work

Lantmännen is a responsible player and aims to be an attractive employer. We work systematically for a good and safe work environment, and for equal treatment, gender equality and diversity.

Occupational health and safety

Management approach

Lantmännen has Group-wide goals for work environment management. We have a zero vision for work-related accidents and ambitious targets for job satisfaction, motivation and leadership. No employee shall be exposed to danger or injured at the workplace. Despite this, during the year, a tragic car accident occurred on a public road, in which a Lantmännen employee died. Our health and safety work follows national legislation in the countries where we operate, but in many cases we maintain a higher standard in order to achieve defined business goals. Lantmännen has a new injury rate target of <1 by 2030. This will be achieved with a risk-based and proactive approach, in which health and safety are part of the day-to-day work, with a focus on continuous improvement. Our work on health and safety is characterized by close collaboration between management, employees, the safety organization, occupational health and other partners.



Health and safety training is provided continuously in all operations. With information measures, we strengthen a culture where safety is crucial and we work to integrate risk management as a natural part of daily work and to increase

reporting of risk observations as a preventive measure. We also invest in wellness activities. Lantmännen's operations have access to health care in the different countries where we operate.

Regular monitoring of work environment management is conducted at all operations, and includes safety inspections and about 60 injury prevention inspections per year. Inspections are conducted at Lantmännen's production facilities, primarily with a focus on financial risks, but with work environment as an important factor. We use the IA system as a tool for reporting, investigating and monitoring work environment and safety. Twice a year, we survey and grade significant risks at the different operations. Investigation of incidents includes an analysis of the underlying causes. All incidents reported in the IA system are investigated.

A survey of Lantmännen's employees is conducted every two years and is a way of monitoring the effectiveness of employee participation and leadership. The result is the basis for continuous improvement work at each level and each manager's area of responsibility.

Learn more on [pages 29-30](#).

Work-related injuries (GRI 403-9)

Outcome:

Sick leave, % of normal working hours	2019	2018	2017	2016	2015
Group, total	4.3 %	4.5 %	4.4 %	4.8 %	4.0 %
Agriculture Sector ²⁾	2.7 %	3.6 %	-	-	-
Food Sector	4.9 %	4.9 %	4.9 %	5.7 %	4.7 % ¹⁾
Energy Sector	2.4 %	2.5 %	2.7 %	2.2 %	2.2 %
Swecon Business Area ²⁾	4.2 %	4.4 %	-	-	-
Real Estate Business Area	0.5 %	1.0 %	0.5 %	0.9 %	4.5 %

¹⁾ Boundary: Vaasan, which was acquired by Lantmännen in spring 2015 and is now integrated into Lantmännen Unibake and Lantmännen Cerealia, is not included in the reported data for 2015.

²⁾ New organization from 2018.

Sick leave, % of normal working hours	2019	2018	2017	2016	2015
Women	5.3 %	5.6 %	5.7 %	6.1 %	4.9 %
Men	3.7 %	3.8 %	3.7 %	4.2 %	3.6 %
Total	4.3 %	4.5 %	4.4 %	4.8 %	4.0 %

Comments: Total sick leave has fallen to 4.3 (4.5) percent. Sick leave for women continues to be higher than for men, but has declined since 2018 to 5.3 (5.6).



Sick leave for men has fallen to 3.7 (3.8) percent. The decline in women's sick leave is mainly attributable to parts of the Agriculture Sector, Food Sector and Swecon Business Area. For men, the decline is mainly in the Agriculture Sector.

Accidents and incidents	2019	2018	2017	2016	2015
Number of fatalities due to work-related injuries	1 ¹⁾	0	0	0	0
Number of accidents ²⁾	221	227	231	239	202
Injury rate ³⁾	12.8	13.4	13.9	14.5	15.2
Number of reported incidents ⁴⁾	3,027	2,896	2,869	3,072	1,686
Number of reported risk observations	5,334	4,834	4,895	4,181	2,034

¹⁾ During the year, a tragic car accident occurred on a public road, in which a Lantmännen employee died. The causes of the accident were beyond Lantmännen's control.

²⁾ Work-related accident resulting in at least one day's absence after the accident occurred.

³⁾ Injury rate is defined as the number of accidents per million actual hours worked.

⁴⁾ Incidents are defined as unintended events that could have resulted in ill health or an accident.

Comments: During the year, a tragic car accident occurred on a public road, in which a Lantmännen employee died.

The injury rate continues to decline, and was 12.8 (13.4). The number of accidents has fallen to 221 (227). Common accidents are falls, cuts and trapped fingers.

Awareness has increased about how and why reporting should be done, and there is more understanding of the difference between a non-lost time accident, incident and risk observation. This explains part of the increase in the number of reported risk observations and incidents.

Work on further development of Lantmännen's main reporting system (IA) continued during 2019. Employees are encouraged to report incidents, and in particular risk observations, as part of the preventive work.

Incidents per accident are not now reported, having been replaced by risk observations, where there is a Group target.

Diversity and equal opportunity

Management approach

We actively promote equal treatment, gender equality and diversity. We do not accept discrimination, intimidation, oppression or harassment in any form. Lantmännen works on long-term initiatives to improve equality in recruitment and career development. Lantmännen has implemented a tool for more objective and inclusive potential assessment.

Our employee survey includes a question about whether discrimination has been experienced in the organization, and if so in what way. This is done in order to identify and manage risks and areas of improvement. Any deviations are followed up in the form of reported cases through the whistleblowing and HR functions. Learn more on [pages 30, 147](#).

It is important that each employee understands Lantmännen's assignment and goals, so that they can contribute in their work and continuously develop their skills. All employees are required to have regular evaluation and monitoring of their performance and career development through performance appraisals with their managers at least twice a year. One of the questions in the employee survey is about whether an appraisal has been held.

Diversity of governance bodies and employees (GRI 405-1)

For more information, see [pages 29, 179-180](#), note 6 and the Sector and Business Area descriptions.

Outcome:

	Number of women/men		Women/men, %	
	2019	2018	2019	2018
Group Board ¹⁾	2/10	2/9	17/83	18/82
Group Management	3/7	3/7	30/70	30/70
Managers	358/853	342/827	30/70	29/71
Employees	3,572/6,678	3,414/6,526	35/65	34/66

¹⁾ Including 3 employee representatives.

Employee data is based on average number of employees, data for others is based on numbers.

Age distribution	Managers, %		Employees, %	
	2019	2018	2019	2018
<30 years	2	-	14	15
30-50 years	59	-	50	51
>50 years	39	-	36	34

Data from October 31, 2018 and December 31, 2019.

Lantmännen works in a long-term framework to increase gender equality. All Sectors and Business Areas have defined targets and action plans.

Human rights

Lantmännen has a significant responsibility for human rights as a player in all stages of the grain value chain. Human rights can be affected directly and indirectly through land use, environmental impacts, in the supply chain, in production and in the marketing and use of our products.

Management approach

We support and respect internationally proclaimed human rights and work on the basis of the UN's guiding principles for business and human rights, which we are integrating into our governance and processes.

We work actively to ensure that our employees are treated fairly, equally and with respect, and to manage human rights risks in our operations. We expect our suppliers and business partners to act in the same way towards their employees and the people affected by the operations. This is made clear in the Code of Conduct and Supplier Code of Conduct, which reflect Lantmännen's view on work environment and social conditions, including freedom of association, working hours, salaries, forced labor, child labor, discrimination and oppression.

Lantmännen works to establish and implement procedures and systems that identify risks associated with human rights throughout our value chain. We have chosen to integrate risk screening into existing internal processes and into our Group-wide Enterprise Risk Management process. All risks in the Group's operations are assessed on the basis of the impact on people and we use the criteria in the UN's guiding principles for business and human rights. We endeavor to maintain an up-to-date analysis of our significant human rights risks and their management. Learn more on → pages 33, 41, 45, 53, 57, 66 and 179-181.

Our risk assessment is based on, for example, available and independent international risk indexes covering both our own operations and suppliers, materials, products and services as business partners. Based on these independent international risk indexes, Russia, Ukraine and Latvia have been identified as high-risk countries in terms of human rights for our own operations. Some of Lantmännen's food business is in these countries, but we do not have any indications of violations of the code of conduct in terms of human rights.

In our supply chain – e.g. in the production of raw and other materials, there are risks of human rights violations. We analyze risk materials and suppliers based on the Code's areas, and special handling is required in the case of high risk. Learn more in the Sourcing section on → pages 145-147.

For food, there are special requirements on food safety in production and Lantmännen's own policy with criteria for responsibly produced food. The criteria include origin,



safety, high-risk countries and materials, and ingredients and nutrition.

For acquisitions, areas such as human rights, corruption and other financial crimes are part of the due diligence process.

An important factor in ensuring responsibility is competence and capacity within Lantmännen to identify and manage risks. Responsibility for managing risks lies with management of the business units, supported by central functions with relevant expertise. We work to increase understanding and knowledge of risks, and Lantmännen's responsibility in all parts of the organization.

Employees can report cases of violations or complaints through the whistleblowing function. Learn more on → page 147. Due to significantly different risks and a differentiated value chain, Lantmännen does not have a Group-wide routine and management for externally received complaints and compensation.

Society and Product Responsibility

Lantmännen conducts responsible business and offers safe and healthy products. We may decide to define higher standards for our own business than those required by local laws when we consider this to be appropriate.

Management approach

Lantmännen's products and services must be of good quality and safe for the user. We comply with international standards in food and feed to protect our customers, consumers and animals. Our responsibility is based on the precautionary principle.

We work systematically to continuously improve our products and services and to develop and offer sustainable solutions to customers, consumers and partners. Our research and development activities must ensure a level of knowledge and skills that enables us to be competitive.

Lantmännen's green sprout on the packaging is a guarantee of responsibly produced food. We create more sustainable food consumption by developing products and ranges, and by spreading knowledge and inspiration. The focus is on foods that promote good health and wellbeing. We also develop foods with special, documented health benefits.

The Nutrition policy and Guidelines for health and nutrition provide criteria on how products can contribute to good health. Increased whole grain content, reduced amounts of salt and sugar, and reduced proportion and use of saturated fat are criteria for health.

For food, there are special requirements on food safety in production and Lantmännen's policy for responsibly produced food. The policy includes origin, safety, risks associated with sourcing and procurement, and ingredients and nutrition. All products must be traceable in accordance with applicable regulatory requirements and industry standards.

We follow rules and good practice in the marketing of our products. All Lantmännen's product information and marketing must be correct and in compliance with existing legal frameworks and other guidelines. Added value in the form of health-promoting or environmental benefits is communicated only when these benefits are well documented and scientifically proven. Read more under Materials, Organic seed and Organic feed. Learn more on [↗](#) pages 148 and 151.

We conduct regular risk analyses and have systems for identifying and, where necessary, recalling faulty products that may pose a risk to the user. Product deviations and complaints are identified through several customer service and customer contact channels and are dealt with according to the processes of each business areas. For products that are critical to our customers' operations, delivery contingency

plans shall be drawn up and be in place. At various stages of our production, waste and residual products arise. We are working on identifying and limiting waste, and increasing recycling of waste for other uses, such as ethanol production and feed.

Our distributors, who are often the party that consumers of Lantmännen's products meet in a marketplace, must comply with our Distributor Code of Conduct. The Code is based on our Code of Conduct and Supplier Code of Conduct. Learn more on [↗](#) pages 67 and 145-147.

Customer and consumer health and safety

Percentage of production volume manufactured in sites certified according to food safety standards (FP5)

Outcome: All, 100 (100) percent, of Lantmännen's food producing facilities are certified according to international standards for food safety, either ISO or approved by the Global Food Safety Initiative (GFSI) and are reviewed by third parties.





Labeling

Type of product information required and percentage of products subject to such information requirements (GRI 417-1)

Outcome: Information on nutritional content and ingredients is provided on all, 100 (100) percent, of Lantmännen's food and feed products. We endeavor to identify the origin of the ingredients, for example, where the main raw materials come from. Questions about origin, nutritional content and ingredients, in addition to the information on the packaging, can be directed to Lantmännen's consumer contact or via the web. Some work still remains to be done in providing information about packaging recycling and sorting on consumer packaging.

Healthy and affordable food.

Definition: Responsibly produced food that promotes good health and wellbeing.

Outcome and comments: Lantmännen conducts leading-edge research¹⁾ in areas such as the health effects of eating habits, carbohydrates and fiber. We work for increased knowledge and awareness among consumers about diet, health and environment by spreading information, new knowledge and inspiration based on official recommendations and science.

¹⁾ Lantmännen invests significant amounts in research and development. Health and food is a priority area. Learn more on → page 27 and at lantmannen.com/research-and-innovation

Some examples of the results of our work during the year:

- Swedish beans, bean pasta and flour made from root crops
- Increased bread range based on rye and whole grain
- Large breakfast selection with oats as the main ingredient
- Many products with health labeling such as the Nordic keyhole, the Finnish heart symbol and the Danish whole grain partnership
- Broader range for persons with celiac disease
- Participation in national initiatives for reducing sugar and salt content in products
- Inspiration and collaboration with public customers for more climate-smart cooking and more healthy snacks
- Recipes and inspiration for healthy foods – e.g. online and the Matsamtalet podcast
- The magazine Cerealier with research news on grains and health for those whose work involves food and health advice. More information can also be found at → lantmannen.se/bramat

Socioeconomic compliance

Non-compliance with laws and regulations in the social and economic area (GRI 419-1)

Definition: Significant fines are penalties which, due to their level or the nature of the non-compliance, may significantly affect the Group's finances or reputation.

Outcome: No significant fines or sanctions were imposed on Lantmännen in 2019 (0).

Reporting principles

Scope of the report

The reporting refers to the 2019 calendar year, unless otherwise specified. The report is issued annually and refers to the Lantmännen Group, which reports by Sector or Business Area. The organizational changes during the year do not affect the 2019 report. Companies/operations acquired in 2019 and reported in the financial statements are included in the sustainability report. Associates and joint ventures are not included.

Reporting takes place by segment for relevant key figures, such as carbon dioxide emissions, sick leave and gender distribution.

Data collection

Data collection is primarily conducted through LUPP, Lantmännen's proprietary reporting system. LUPP covers all Lantmännen's facilities and collects environmental and energy data, production data such as volumes, certifications and other information about the business ethics compliance program and working conditions.

Emissions from purchased transport are calculated according to the TRIM model, which is based on transport work per tonne-km, purchase amounts in SEK and emission factors.

Data on monitoring compliance with the supplier code of conduct comes from Contract Management System (CMS), a system for managing purchase contracts, and SPEND, a proprietary system for monitoring purchasing.

HR-related data comes from HR's system and Nuview. Work-related accidents, injuries and incidents are reported in the IA work environment reporting system, a web-based system provided by AFA Försäkring, although Lantbruk uses a separate reporting system from where data is entered into Lantmännen's work environment reporting. Both employees and entrepreneurs and others working in our operations are covered by work environment management and accident reporting. However, only Lantmännen's employees are included in the external reporting.

The number of employees having undergone various e-learning courses is collected directly from the E-campus e-learning platform.

Data on legislative compliance is collected from the business through LUPP and from the Legal Affairs and HR departments.

Definitions and boundaries

Facility

The term "Facility" refers to production facilities within the Agriculture, Energy and Food Sectors and Lantmännen Agrovärme in the Real Estate Business Area, and workshops in the machinery operations in the Agriculture Sector and Swecon.

Work-related accidents, incidents, risk observations and sick leave

Work-related accidents are defined as accidents that result in at least one day's absence after the accident occurred (travel accidents to and from work are not included). Lost-time accidents are counted as serious accidents.

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

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

Risk observations are defined as identified risks that could have resulted in ill health or an accident.

Sick leave is days on which employees are absent from work due to illness as a percentage of normal working hours.

Reporting of accidents, incidents, risk observations and sick leave includes Lantmännen employees in each Sector, Business Area and country.

Consultants and temporary workers are covered by the monitoring of work environment-related incidents but are not included in external reporting.

Certificates, certification

Certificates and certification relate to third-party certification that guarantees a certain sustainability performance, such as RSPO for palm oil and KRAV for organic produce. Food certifications refer to international standards such as ISO 22000 or standards in line with the Global Food Safety Initiative.

Energy

Energy consumption encompasses Lantmännen's producing facilities but does not include energy consumption in Lantmännen Fastigheter's externally leased premises, Lantmännen Agro Oy's franchise-run stores, Lantmännen Maskin's and Swecon's workshops and Lantmännen's office properties and district cooling (only cooling for the office in Stockholm). Energy consumption for the non-included units has been calculated and comes to about 5 percent of total consumption.

LPG is an abbreviation of Liquefied Petroleum Gas and refers to liquefied pressurized gas, such as propane or butane. In Sweden, Norway, Finland, Denmark, the UK, Estonia, Latvia, Belgium and Germany, Lantmännen only purchases origin-labeled green electricity, from renewable sources.

Compliance

Describes legal compliance and compliance related to laws, international declarations, conventions or agreements, regional and local legislation and regulations in environmental and socio-economic areas. Non-compliance with the law is an infringement that incurs administrative or legal penalties such as sanctions, injunctions and/or significant fines. Significant fines are penalties which exceed SEK 500,000 or which, due to or the nature of the non-compliance, may significantly affect the Group's finances or reputation.

Supplier

The reporting includes suppliers with an annual purchase volume (goods and services, both direct as inputs and indirect) of MSEK 1 and high-risk suppliers over SEK 300,000 on a rolling 12-month basis. About 90 percent of the purchase volume is covered by the reporting (registered in the Contract Management System). Suppliers from owners, authorities and industry associations are not included in the follow-up and reporting.

An approved supplier is defined as a supplier that has the Supplier Code of Conduct in its contract and has an approved self-assessment and/or third-party inspection/audit.

Equal treatment

The definition of equal treatment and discrimination is based on Lantmännen's Code of Conduct, and the number of incidents of discrimination refers to cases reported to HR, the whistleblowing function, the immediate supervisor or a judicial body, which are considered to be infringements.

Anti-Corruption

Corruption cases are counted as cases confirmed during the current year, i.e. reported cases where investigations are in progress.

Employees

Employees refers to persons employed at Lantmännen. Consultants and temporary workers are included in the reporting to varying degrees. See the scope for each indicator. Most of Lantmännen's employees are permanent employees. The Agriculture Sector uses seasonal workers, mainly during summer and fall. In the information about the number of employees, the average is used.

Material

Lantmännen reports on the use of our most important raw materials: grain for food production, feed and energy, flour, soy and palm oil, all defined as renewable materials. Packaging materials are not reported; data not available.

Reported volumes of grain refer to weighed grain, including pulses (legumes), to the Agriculture Sector. Other grain flows, e.g. from trading or imports, are not included and constitute about 10 percent of the traded grain volume. Flour includes purchased flour and other grain-based raw materials in Cerealia and Unibake.

The volumes of soy refer to use in feed production, not use in food, where the share is insignificant, less than 0.5 percent of the total soy volume.

The volumes of palm oil refer to use in food production. Palm kernel expeller, the residue from pressed palm kernels, used for animal feed production, is not included in the measurable goals and indicators for certified palm oil but is reported as volume.

Human rights

Human rights refers to internationally declared human rights such as the UN's Universal Declaration of Human Rights and the ILO Conventions.

Training

Refers to completed training, for permanent Lantmännen employees, who are registered for follow-up. The compulsory training in Lantmännen's Code of Conduct must be completed no later than three months after the start of employment.

Water

Reporting of water covers Lantmännen's production facilities. Lantmännen Real Estate's externally leased premises, Lantmännen Agro Oy's franchise-run stores, Lantmännen Maskin's workshops and Lantmännen's office properties are not included. There are deficiencies in the quality of the data, both in number of reporting units and specification of water sources. However, the assessment is that the majority of the unspecified water sources category is from the municipal water supply. Water is used for ethanol production processes, in the bakery operations as an ingredient and for cleaning. Total water withdrawal and a risk analysis for operations in areas of water scarcity are reported.

Emissions to air

Lantmännen reports direct emissions of carbon dioxide. Reporting is in CO₂ equivalents, and where data is present, all greenhouse gases are included. In some cases, emissions other than CO₂ may be missing – e.g. for business travel in Scope 3. Emissions in accordance with WBCSD GHG Protocol in Scope 1 include emissions from energy use in Lantmännen's own facilities and its own vehicles. Indirect emissions

from use of electricity, cooling and district heating in producing units are reported in Scope 2.

Emissions from purchased transport, business travel and production of fuel and electricity are reported in Scope 3. Emissions from the cultivation of grain and other raw materials are not included in the reporting.

In Scope 2, Emissions from electricity consumption do not include Lantmännen Real Estate's externally leased premises, Lantmännen Agro Oy's franchise-run stores, Lantmännen Maskin's and Swecon's workshops and Lantmännen's office properties and district cooling. Data is missing as systematic reporting has not been implemented. Emissions for the non-included units have been estimated and account for about 5 percent of total emissions. Emissions for purchased electricity and heating are reported using both the market-based and location-based method. The latter means that emissions from purchased electricity and heating are calculated with an average value for the grid in question, regardless of whether there are guarantees of origin. From 2017, a new calculation method with other conversion factors for emissions from electricity use has been used, which means that the previous base year 2009 will have a slightly higher calculated value for emissions. Emission factors for electricity in Sweden are taken from the Haga Initiative, based on IEA. For origin-labeled electricity, factors are taken from the product specification. For Nordic countries, emissions are calculated based on Nordic residual electricity, with data from the Swedish Energy Markets Inspectorate and for electricity in other countries, emissions are calculated based on national electricity mix, with data from the Association of Issuing Bodies. Emission factors for district heating are taken from Energiföretagen, Norsk Fjernvarme, Finnish Energy or the relevant heating supplier.

Energy consumption for 2015 has been adjusted from previous reports due to a miscalculation during the integration of Vaasan. Learn more on [👉](#) pages 149-150.

The Scope 3 category of business travel includes air and rail travel in the Nordic region and car hire in Sweden booked through a travel agency. For air and rail business travel, the reporting covers Dec 1, 2018 to Nov 20, 2019. Travel and car rental in the Nordic region not booked through travel agencies, all coach, boat and taxi journeys, air and rail travel and car rental in countries outside the Nordic region are not included; data is not available. Business travel not included is estimated at 20 percent. Emissions from company cars cover the whole of Lantmännen, apart from operations in the US and Australia. Company cars are included in Scope 3, business travel. Emissions from company cars will be added to Scope 1 in the coming years. Emissions from business travel using private cars are not included. Business travel emissions are calculated based on data from suppliers, i.e. travel companies, car rental companies' reports of kilometers driven and actual fuel consumption, and emission factor for fuel according to EU standards and car manufacturers' data on emissions per car model.

The targets for emissions from purchased transport include trucks and other transport, such as maritime transport. The calculations are based on the best available data, with standard calculations having been used in some cases. Reporting is based on internally registered transport volumes in tonne-km and on standardized data.

For emission factors (per tonne-km), actual fuel consumption from transporters is used, and calculated values from NTM, the Network for Transport Measures. The calculation of CO₂e/MSEK net sales includes net sales for the corresponding units that are included in the calculation of emissions data. Net sales for the non-included units have been calculated at about 20 percent, which is estimated at 10 percent of total emissions.

GRI Index

Lantmännen has reported according to the Global Reporting Initiative guidelines for several years, including the sector-specific GRI Food Processing Sector Supplement. This report has been prepared in accordance with GRI Standards: Core option, version 2016, unless otherwise indicated. Learn more about GRI at globalreporting.org

The following cross-reference index indicates the compulsory and selected GRI disclosures that are included in Lantmännen's Sustainability Report for 2019, and where the information is reported. For some disclosures, the reporting and/or comments are submitted directly in the index table. The index also contains references to the UN Global Compact's principles as Lantmännen's Sustainability Report represents our Communication on Progress to the UN Global Compact and the UN's sustainability goals.

The references point to Lantmännen's 2019 Annual Report with Sustainability Report.

Agenda 2030 and the global goals

In 2015, nations of the world signed Agenda 2030, comprising the UN's 17 sustainable development goals. Joint efforts are required at international, national and local level

to achieve these goals. All companies and enterprises are encouraged to implement the sustainability goals in their strategy and reporting.

Lantmännen supports Agenda 2030 and the global sustainable development goals, and has analyzed their implications for Lantmännen's operations and businesses. Five of the goals are directly linked to Lantmännen's assignment and business, see below. References to the goals for different sustainability issues that Lantmännen works with are set out on the pages that follow.



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

GRI Content Index Standards, Core Option, with supplement for the Food Sector

GENERAL DISCLOSURES					
Disclosure	Description	Comments	Page	UN Global Compact principle	Agenda 2030
Organizational profile					
102-1	Name of the organization	Lantmännen ekonomisk förening			
102-2	Activities, brands, products and services		pages 2, 6, 20-21		
102-3	Location of headquarters	Stockholm			
102-4	Location of operations		page 4, note 4, note 6		
102-5	Ownership and legal form		page 61		
102-6	Markets served		pages 4, 18, 33-57 for each Sector and business		
102-7	Scale of the organization		pages 4-5, note 4, note 6		
102-8	Information on employees and other workers		pages 29-30, 69, 152-153, note 6	Principle 4	12
102-9	Supply chain		pages 145-147, 158		12
102-10	Significant changes to the organization and its supply chain		note 33		
102-11	Precautionary principle or approach	For chemicals-related issues, and internal environmental and health and safety work, the precautionary principle is applied.	pages 66-68, 179-181	Principle 7	12 13 15
102-12	External initiatives		pages 28, 142	Principles 1 and 8	
102-13	Membership of associations		page 28	Principles 1 and 8	

GENERAL INFORMATION cont.					
Disclosure	Description	Comments	Page	UN Global Compact principle	Agenda 2030
Strategy					
102-14	Statement from senior decision-maker		pages 10-13, 141	CEO Statement	
Ethics and integrity					
102-16	Values, principles, standards and norms of behavior		pages 66-68, 144	Principles 1-10	
Management approach					
102-18	Management approach		pages 20-23, 142-144, 172-173		
Stakeholder engagement					
102-40	List of stakeholder groups		pages 28, 142	Principle 8	
102-41	Collective bargaining agreements	There are several different collective agreements for manual and non-manual workers within Lantmännen. In Sweden, 99 percent of the employees are covered by collective agreements. For the total Group, the figure is about 73 percent.		Principle 3	12
102-42	Identifying and selecting stakeholders		pages 28, 142		
102-43	Approach to stakeholder engagement	No special dialogue has been conducted for the sustainability report.	pages 28, 142-143		12
102-44	Key topics and concerns raised		pages 142-143		
Reporting practice					
102-45	Entities included in the consolidated financial statements		note 46, page 157		
102-46	Defining report content and topic boundaries		pages 142-143		
102-47	List of material topics		page 143		
102-48	Restatement of information	Any changes are commented on for each key figure.	page 157		
102-49	Changes in reporting	GRI 201-1 is not reported in accordance with GRI from 2019.	page 157		
102-50	Reporting period	Full year 2019.			
102-51	Date of most recent report	February 2019.			
102-52	Reporting cycle	Annual.			
102-53	Contact point for questions regarding the report	Claes Johansson, Director Sustainability, Lantmännen.	page 142		
102-54	Claims of reporting in accordance with the GRI Standards	Reporting according to GRI Standards, Core option.			
102-55	GRI index	See this index.			
102-56	External assurance		page 163		

MATERIAL TOPICS, BOUNDARIES, MANAGEMENT AND INDICATORS					
Disclosure	Description	Deviations and explanation	Page	UN Global Compact principle	Agenda 2030
Financial statements – Includes Lantmännen's own businesses, suppliers, customers, owners and society				Principles 7-9	
103-1 - 103-3	Management approach	Economic value generated and distributed, 201-1, is no longer reported in accordance with GRI. For Lantmännen's value creation and distribution, see references on page 145.	pages 16-17, 22, 144-145		
201-2	Financial implications and other risks and opportunities due to climate change	Quantification of impacts and risks; data not available.	pages 20-21, 24-26, 66, 179-182		7 12 13 15
FP procurement practices – Covers Lantmännen's own operations and suppliers				Principles 1-10	
103-1 - 103-3	Management approach		pages 66-67, 144-146		
G4-FP1	Percentage of purchased volume from suppliers compliant with organization's sourcing policy		pages 66-67, 146		12 15
G4-FP2	Percentage of purchased volume verified as being in accordance with internationally recognized responsible production standards		pages 146-147		12 15
Anti-corruption – covers Lantmännen's own operations and suppliers and other business partners				Principle 10	
103-1 - 103-3	Management approach		pages 66-68, 144, 147, 180-181		
205-2	Communication and training on anti-corruption policies and procedures	Not reported by employment type as this is not registered and the training is mandatory. Distribution by regions not reported, data not available. Business partners not reported; they sign the Supplier Code of Conduct and this is reported in FP1. All, 100%, members of the Board participate and are trained in the Code of Conduct and anti-corruption.	page 147		12
205-3	Confirmed incidents of corruption and actions taken		page 147		12
Material – Covers Lantmännen's own operations				Principles 7-9	
103-1 - 103-3	Management approach		pages 144, 148		
301-1	Materials used by weight or volume	Packaging materials are not reported; data not available.	page 148		2 7 12 13 15
Energy – Covers Lantmännen's own operations				Principles 7-9	
103-1 - 103-3	Management approach		pages 26, 144, 148, 180-181		
302-1	Energy consumption within the organization (divided into renewable and non-renewable energy sources)	Deviation for cooling and energy from Real Estate's externally leased premises, Maskin's and Swecon's workshops and our offices. Data not available.	pages 148-149		7 13
Emissions into the air – Includes Lantmännen's own operations and suppliers				Principles 7-9	
103-1 - 103-3	Management approach		pages 22, 24-26, 144, 148, 180-181		
305-1	Direct (Scope 1) greenhouse gas Scope 1	Deviation for cooling and energy from Real Estate's externally leased premises, Maskin's and Swecon's workshops and our offices. Data not available.	pages 149-150		13
305-2	Indirect (Scope 2) GHG emissions	Deviations see above.			13
305-3	Other indirect (Scope 3) GHG emissions	For scope and deviations, see Reporting principles. Adjustment of 2018 outcome for emissions from transport.	pages 149-150		13
305-4	Greenhouse gas emissions intensity: CO ₂ added and sales	See above. Description of efficiency measures, see Reporting Principles in Sustainability Report.	pages 22, 26, 149-150		13

MATERIAL TOPICS, BOUNDARIES, MANAGEMENT AND INDICATORS					
Disclosure	Description	Deviations and explanation	Page	UN Global Compact principle	Agenda 2030
Own issue Products and services - Covers Lantmännen's own operations and owners				Principles 7-9	
103-1 - 103-3	Management approach		page 148		
Own indicator	Cadmium in phosphate fertilizer		page 151		12 13 15
Own indicator	Seed treatment (proportion of biologically treated, thermally treated and untreated seed, and chemically treated seed)		page 151		12 13 15
Own indicator	Proportion of organic seed		page 151		12 13 15
Own indicator	Proportion of organic feed		page 151		12 13 15
Compliance – environmental – Covers Lantmännen's own operations				Principles 7-9	
103-1 - 103-3	Management approach		pages 68, 144, 148, 181		
307-1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		page 151		12 13 15
Work environment, health and safety – Covers Lantmännen's own operations (2018 version)				Principles 1-2	
103-1 - 103-3	Management approach		pages 30, 69, 144, 152		
403-9	Work-related injuries	Deviation for key figure for lost days, data not available.	pages 30, 153, 180		12
Diversity and equal opportunity – Covers Lantmännen's own operations				Principles 1-2, 6	
103-1 - 103-3	Management approach		pages 29, 69, 144, 152		
405-1	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	Deviation for breakdown according to employee categories, data unavailable, and deviation for minority group membership and other indicators of diversity, illegal to register these.	pages 29, 153, 180		
Human rights risk assessment – Covers Lantmännen's own operations, suppliers, customers and consumers				Principles 1-6, 10	
103-1 - 103-3	Management approach	No indicator.	pages 144-145, 154, 181		12
Own topic Healthy and affordable food – Covers Lantmännen's own operations, suppliers, customers and consumers				Principles 1-2, 7-8	
103-1 - 103-3	Management approach	No indicator.	pages 23, 155-156, 180		12 15
Customer and consumer health and safety – Covers Lantmännen's own operations, suppliers, customers and consumers				Principles 1-2, 10	
103-1 - 103-3	Management approach		pages 23, 144, 155, 181		
FP5	Percentage of production volume manufactured in sites certified according to food safety standards	Volume not reported; data unavailable. Percentage of sites reported.	page 155		2 12
Marketing and labeling – Covers Lantmännen's own operations				Principles 1-2, 7-8	
103-1 - 103-3	Management approach		pages 144, 155		
417-1	Type of product information required and percentage of products subject to such information requirements	Proportion of labeling of raw material origin not reported; data not available.	page 156		2 12
Socioeconomic compliance – Covers Lantmännen's own operations				Principles 1-10	
103-1 - 103-3	Management approach		pages 144, 155, 180-181		
419-1	Monetary value of significant fines and number of non-monetary sanctions for non-compliance with laws and regulations		page 156		12

Auditor's Limited Assurance Report on Lantmännen ek för's Sustainability Report and statement regarding the Statutory Sustainability Report

This is the translation of the auditor's report in Swedish.

To Lantmännen ek för, Corp Id 769605-2856

Introduction

We have been engaged by the Board of Directors of Lantmännen ek för to undertake a limited assurance engagement of Lantmännen ek för's Sustainability Report for the year 2019. Lantmännen ek för has defined the scope of the Sustainability Report to the pages referred to in the GRI index on pages 159-162, the Statutory Sustainability Report is defined on page 68.

Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 157-158 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our review is limited to the information in this document and to the historical information and does therefore not include future oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR12. The auditor's opinion regarding the statutory sustainability report. A limited assurance engagement and an examination according to RevR 12

is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Lantmännen ek för in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited review performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, February 19, 2020

Ernst & Young AB

Anders Kriström
Authorized
Public Accountant

Charlotte Söderlund
Authorized
Public Accountant



Corporate Governance Report 2019

Lantmännen ek för is a Swedish cooperative economic association headquartered in Stockholm, Sweden. The Group's governance is based on the Association's Articles of Association, the Swedish Economic Associations Act and other applicable laws and rules. In 2019, Svensk Kooperation (Cooperatives Sweden) developed a code for the governance of cooperatives and mutual undertakings. The code has not yet been adopted by Lantmännen's AGM but serves as inspiration in the work on the Corporate Governance Report. Lantmännen's Board of Directors and executive management endeavor to ensure the enterprise is able to respond in the best possible way to the openness and information that members, employees and other stakeholders expect.

Members

The Group's Parent Company is Lantmännen ek för, an agricultural cooperative, which had 19,690 members as owners at the end of 2019.

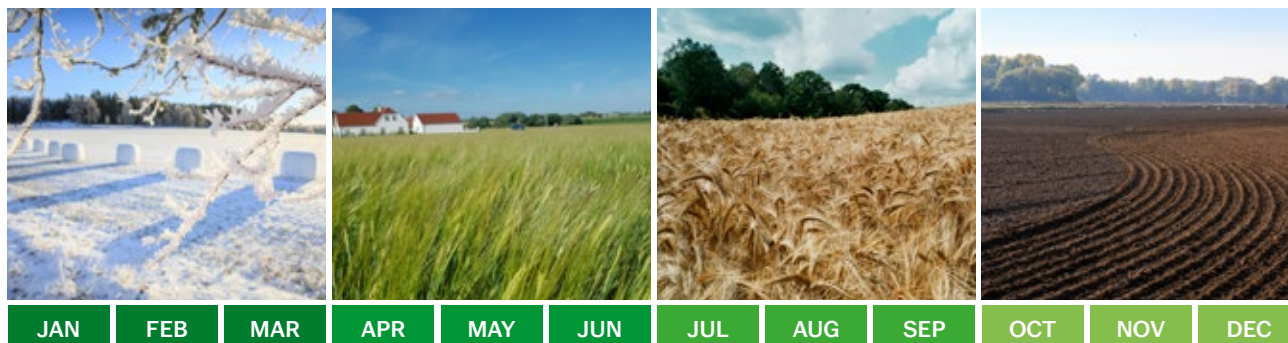
Members of Lantmännen can be both direct members and local associations. A direct member is assumed to be a natural person or legal entity conducting business in Sweden. Pursuant to the Articles of Association, the members shall be engaged in farming, food production or have as their principal activity the sale of services to agriculture, e.g., agricultural contractors. The district meeting and different members' meetings provide an opportunity for members to express their views to the Board of Directors and management in various ways, including motions and written communication. A resolution adopted by the 2018 AGM was implemented in 2019 and means that a member must have an average contribution-based annual turnover of SEK 10,000 during the most

recent five-year period. There have previously been rules for minimum turnover, but the Meeting has now set a minimum turnover boundary.

Contributed capital and voting rights

Each member of the Association has one vote, regardless of turnover or size of investment. The members' obligation to invest is based on the turnover value of purchases from and deliveries to the Association. The Board of Directors decides the product areas that will constitute the basis for calculating the obligation to invest. The individual member's obligation to invest is 15 percent of the average value of the turnover with the Association over the last five years. However, the minimum obligation to invest is SEK 10,000. Of the total contributed capital of MSEK 2,959, MSEK 1,373 has been paid in and MSEK 1,586 issued from distributable capital in the Association. Total equity in the Association is MSEK 14,303.

Activities during the members' year 2019



Feb 6 Year-end Report
Feb 21 Council of Trustees
Feb 21 Annual Report
Mar 11-22 District General Meetings

May 8 Annual General Meeting
May 9 Council of Trustees, statutory
May 29 Interim Report, Period 1
May Training elected representatives

Summer meetings
 District meetings

Oct 2-3 Council of Trustees
Oct 3 Interim Report, Period 2
Nov 28-29 District Board Conference
Oct-Nov Regional Nomination Committee run-ups
 Fall meetings, districts

Annual General Meeting

The Annual General Meeting is Lantmännen's supreme decision-making body. The Meeting consists of representatives of members, delegates, who are elected at the district meetings. The districts are the basis of the members' role as owners of the Association. Delegate seats are distributed on the basis of a divisor in proportion to the number of members in a district. The chairmen of the district boards are always delegates. If a district has only one delegate seat, the district vice chairman may join the meeting, but without voting rights. The number of delegates must not be less than 101, and each delegate has one vote at the meeting. The Annual General Meeting has a quorum when more than half of the full number of delegates are in attendance. Each member is entitled to have business considered by the Meeting.

The Annual General Meeting shall be held within six months of the end of the financial year. The Association's Board of Directors, Nomination Committee and auditors are elected at the Annual General Meeting. Other obligatory business to be considered by the Meeting includes adoption of the income statement and statement of financial position, allocation of the Association's profit or coverage of its loss, discharging the Board of Directors and CEO from liability, and determination and adoption of Directors' and auditors' fees.

2019 Annual General Meeting

The Annual General Meeting was held on May 8 in Stockholm. Board members of Lantmännen ek för are elected for two-year terms. The terms of office for Ulf Gundemark, Per Lindahl, Johan Mattsson, Gunilla Aschan, Henrik Wahlberg and Hans Wallemyr expired. The Meeting resolved that the Board of Directors of Lantmännen ek för would consist of nine elected members. Per Lindahl, Johan Mattsson, Gunilla Aschan, Henrik Wahlberg and Hans Wallemyr were re-elected to the Board. Johan Bygge and Per Wijkander were elected as new members. Per Wijkander was elected for one year. They succeeded Ulf Gundemark, who declined re-election, and Kerstin Arnemo who resigned at her own request in October 2018. The auditors are elected for one year at a time. Gustav Jansson and Maude Fyrenius were elected as member representative

auditors. Jimmy Grinsvall was elected as a new member representative auditor to succeed Anders Åbyhammar, who declined re-election. The accounting firm EY was re-elected as the Association's authorized auditor. The Meeting also passed a resolution on the remuneration of the Board and other elected representatives, including fixed annual remuneration as well as per diem and travel compensation. The Meeting also appointed nine members to the Nomination Committee for the period up to and including the 2020 AGM.

The Meeting approved a contribution dividend totaling MSEK 213 to be distributed between paid-in and issued contributed capital. The Meeting also adopted a contribution issue of MSEK 250. In addition to the contribution dividend and contribution issue, the Meeting also adopted the Board's proposal for a refund and supplementary payment of MSEK 156.

The Meeting also adopted a dividend on subordinated debentures of MSEK 13.

The total number of appointed delegates was 101, and 101 delegates and deputies were present at the Meeting. All serving Board members and all elected auditors were present at the Meeting.

Council of Trustees

The Association has a Council of Trustees. The chairmen of the district boards serve on the Council of Trustees. The Group Board participates in the Council of Trustees meetings. The five largest districts in terms of members are entitled to appoint two persons. In addition, the Group Board may appoint additional members. The role of the Council of Trustees is to advise the Group Board on development issues of a more long-term nature as well as communicate information between the Board of Directors and the districts. The Council of Trustees is also charged with the preparation of matters of principle and the nomination of members to the Association's Nomination Committee at the Annual General Meeting.

Council of Trustees in 2019

In addition to the obligatory members as stated above, the Board of Directors appointed one representative of the local



Per Lindahl, Chairman of the Lantmännen Board



Magnus Kagevik, Head of the Energy Sector

associations, the elected auditors and the Nomination Committee chairman to the Council of Trustees. The Council of Trustees had three minuted meetings during the year.

Nomination Committee

The Nomination Committee is tasked with preparing and presenting proposals for the election and remuneration of Group Board members and auditors, and making recommendations on the remuneration of other elected representatives. According to Lantmännen's articles of association, the Nomination Committee shall consist of 7-9 members, to be elected by the Annual General Meeting. The Nomination Committee elects a chairman from among its members.

Based on the Association's current situation and future direction, the Nomination Committee assesses whether the Board is appropriately composed with regard to collective expertise. This assessment is based in part on an evaluation of the Board's work methods and decision processes performed by an independent party at the request of the Chairman of the Board. Any new recruitment to the Board is conducted according to a competence profile prepared by the Nomination Committee. During the year, the Nomination Committee worked on diversity and equality issues based on, among other things, Lantmännen's equality and diversity policy.

Nomination Committee 2019

In 2019, the Nomination Committee consisted of nine members: Kjell Eriksson (chairman), Marie-Louise Åhsell, Göran Brynell, Inge Erlandsson, Gunilla Carlsson, Leif Karlsson, Anders Rickardsson, Michael Hübsch and Kristina Glantz Nilsson.

The meeting decided that the Nomination Committee for the coming year would consist of nine persons. All members were re-elected. At the statutory meeting after the AGM, Kjell Eriksson was re-elected Chairman and Göran Brynell as Vice Chairman.

Owner Relations 2019

The Owner Relations Department had eight employees during the year – six member services staff, the editor of



Grodden and the member manager. The cost of the department and its total activities amounted to approximately MSEK 30.9 (31.2) in 2019. MSEK 9.3 of this amount related to costs for the 20 districts and included fixed fees of MSEK 3.9 (42 percent) adopted by the AGM and variable fees of MSEK 2.4 (26 percent).

The other MSEK 3.0 (32 percent) related to costs of the districts' various activities and travel. The cost of the Annual General Meeting, which also comes under the department's area of responsibility, was approximately MSEK 3.0. Other activities handled by the department include training of elected representatives, the Council of Trustees, District Board Conference, Nomination Committee and the owners' newsletter "Grodden".

During the year, the Lantmännen ambassadors project was launched, aimed at younger entrepreneurs. The department has also had main responsibility for communication with members who no longer meet the association's turnover requirements.

Board of Directors

The overall task of the Board of Directors is to manage the Association's affairs on behalf of its members, in such a way that their economic interests are served in the best possible way. The Board shall ensure that the Company's purpose and strategies are based on the members' views. The Board is responsible for the Association's organization and management of its affairs and for ensuring satisfactory control of the Association's accounting, asset management and financial affairs. The Board decides the Group's overall goals, strategic plans and significant policies and monitors their compliance and updating. The Board also decides on acquisitions, divestments and major investments and approves the annual accounts and interim reports. The Board is also tasked with overseeing the President & CEO and regularly assessing the performance of the Group Management. The Board shall ensure that there is an effective system for follow-up and control of the Association's operations and financial position, that external information is characterized by transparency



The Council of Trustees on a study visit to Kimstad

Board meetings, attendance 2019

	Feb 5	Feb 20	Apr 25	May 8	May 28	Jun 12	Jun 18-19	Aug 28	Oct 2	Nov 21	Dec 12-13
	☎			SBM ¹⁾	☎	Extra Board meeting					
Per Lindahl	●	●	●	●	●	●	●	●	●	●	●
Gunilla Aschan	●	●	●	●	●	●	●	●	●	●	●
Tommy Brunsårn	●	●	●	●	●	●	●	●	●	●	●
Johan Bygge ²⁾	-	-	-	●	●	●	●	●	●	●	●
Ove Gustafsson	●	●	●	●	●	●	●	○	○	○	○
Ulf Gundemark ³⁾	●	●	●	-	-	-	-	-	-	-	-
Pär-Johan Lööf	●	○	●	●	●	●	●	●	●	●	●
Sonat Burman-Olsson	●	●	●	●	●	●	●	●	●	●	●
Johan Mattsson	●	●	●	●	●	●	●	●	●	●	●
Henrik Wahlberg	●	●	●	●	●	●	●	●	●	●	●
Hans Wallemyr	●	●	●	●	●	●	●	●	●	●	●
Tomas Welander	○	○	●	●	●	●	●	●	●	●	○
Per Wijkander ²⁾	-	-	-	●	●	●	●	●	●	●	●

● Attended ○ Did not attend ¹⁾ Statutory Board meeting. ²⁾ Newly elected at 2019 AGM. ³⁾ Declined re-election at 2019 AGM.

and objectivity, that there is adequate monitoring of compliance with laws and regulations and that the necessary ethical guidelines are in place.

The work of the Board is directed by a work plan that governs the division of work and responsibility between the Board of Directors, the Chairman and the President & CEO. The work plan is updated and adopted annually at the statutory meeting of the Board. According to the articles of association, the Board of Directors of Lantmännen shall consist of a minimum of 7 and a maximum of 11 members elected by the AGM. The Board elects a chairman and vice chairman from among its members. The Board has an Audit Committee, a Remuneration Committee and an Owner Committee. The purpose of the committees is to develop and streamline the Board's work as well as prepare business within the respective areas. The committees are advisory to the Board and do not have any decision-making power. Members of the committees are appointed by the Board at the statutory Board meeting.

The work of the Board of Directors in 2019

At the AGM on May 8, 2019, nine Board members were elected and three employee representatives were announced. The Head of the Legal & Compliance corporate function serves as the Board's secretary. The CEO attends Board meetings as rapporteur. None of the elected Board members has an employment-like relationship with Lantmännen. Per Lindahl was elected Chairman of the Board and Hans Wallemyr Vice Chairman. The composition of the Board is shown in the presentation on → pages 174-175.

The Board held 11 meetings during the year, two of which were by telephone. The table shows Board members' attendance at the meetings. All of the Association's auditors attended two of the meetings. The Board also participates actively in district meetings, fall meetings, Council of Trustees and more.

Audit Committee

The Audit Committee is tasked with preparing materials for the Board in matters relating to risk assessment, internal



control, financial reporting and auditing. It also serves as a forum for dialogue between different parties, such as external and internal auditors. The Committee also works to ensure appropriate risk management, compliance with established financial reporting and internal control principles and the maintenance of proper relations with external auditors. The Committee also ensures that the independence of external auditors is maintained, evaluates the audit and informs the Nomination Committee of the results. The Group's internal audit unit reports directly to the Audit Committee.

Before the AGM, the Committee consisted of Hans Wallemyr (chairman), Gunilla Aschan and Johan Mattsson. The Committee's composition was unchanged after the 2019 AGM. The Head of Lantmännen's Internal Audit is secretary of the Audit Committee. Members are appointed for one year at a time. In addition to distributing the minutes of Audit Committee meetings to the Board of Directors, the committee chairman gives an oral report on all important issues at the subsequent Board meeting. The Committee held three minuted meetings. The table below shows members' attendance.

Audit Committee, attendance and meetings 2019

	Feb 4	May 27	Oct 1
Hans Wallemyr (chairman)	●	●	●
Gunilla Aschan	●	○	●
Johan Mattsson	●	●	●

● Attended ○ Did not attend

Remuneration Committee

The Remuneration Committee is tasked with preparing matters and drafting principles related to pay and other terms of employment for Group Management. These principles must be approved by the AGM. The committee prepares and submits decision-support material to the Board of Directors concerning conditions of employment for the President & CEO, and to the President & CEO for the other members of Group Management.

Before the AGM, the Committee consisted of Per Lindahl (chairman), Sonat Burman-Olsson and Ulf Gundemark, with



President & CEO Per Olof Nyman as rapporteur. After the 2019 AGM, Ulf Gundemark was replaced by Johan Bygge. The Group's Senior Vice President Human Resources serves as secretary. Members are appointed for one year at a time. In addition to distributing the minutes of Remuneration Committee meetings to the Board, the Committee chairman makes an oral report on all important issues at the subsequent Board meeting.

The Committee held five minuted meetings during the year. The table below shows the attendance of the members at the meetings.

Remuneration Committee, attendance and meetings 2019

	Feb 7	Jun 3	Jul 3	Sep 30	Dec 3
Per Lindahl (Chairman)	●	●	●	●	●
Sonat Burman - Olsson	●	●	●	●	●
Ulf Gundemark	●	-	-	-	-
Johan Bygge ¹⁾	-	●	●	●	●

● Attended ○ Did not attend ¹⁾Newly elected at 2019 AGM.

Owner Committee

The Owner Committee is tasked with preparing matters relating to members and the member organization in the Group. The Committee's work is aimed at ensuring that member issues and democratic processes are dealt with in accordance with the Economic Associations Act and the Articles of Association. The Committee also works to ensure that the Articles of Association, organization and relationship with elected representatives and members are developed in such a way as to ensure that the operations are marked by transparency and adapted to changes in society and the business environment.

Before the AGM, the Committee consisted of Ove Gustafsson (chairman) and Henrik Wahlberg. After the 2019 AGM, the Committee consisted of Ove Gustafsson, Henrik Wahlberg and Per Wijkander. The Head of the Legal & Compliance corporate function also attends the meetings. The Group's member manager serves as the secretary of the Committee. Members are appointed for one year at a time. In addition to



distributing the minutes of Owner Committee meetings to the Board, an oral report of all important issues is presented at the subsequent Board meeting. The Committee held six minuted meetings during the year. The table below shows the attendance of the members at the meetings.

Owner Committee, attendance and meetings 2019

	Feb 1	Apr 1	May 21	Aug 16	Sep 16	Nov 7
Ove Gustafsson	●	●	●	●	○	○
Henrik Wahlberg	●	●	●	●	●	●
Per Wijkander ¹⁾	-	-	●	●	●	●

● Attended ○ Did not attend ¹⁾Newly elected at 2019 AGM.

President & CEO and Group Management

The President & CEO is appointed by the Board and is responsible for the Association's day-to-day management. The division of work between the Board and the President & CEO is regulated in the Board's work plan. Group Management currently consists of 10 members. The composition of Group Management is shown in the presentation on → pages 176-177. Group Management normally meets about 10 times a year and as required.

Internal Audit

The internal audit is an independent body in the Group, which is engaged in objective assurance and advisory activities. The internal unit team makes systematic and structured assessments to help to increase the efficiency of the Group's risk management, governance and control, as well as its management processes.

The internal audit unit reports material observations and improvement proposals to the Group Board, both through the Audit Committee and directly to the operating units. It also audits the entire Group and acts as an independent review function for Lantmännen Finans AB in accordance with the requirements of the Swedish Financial Supervisory

Authority. In addition to performing reviews and audits in accordance with the internal audit plan, the unit supports the Group's Board and Management by providing analyses and advice.

In 2019, the internal audit unit identified overall risks in the Group, performed audits of the Sectors and corporate functions and prepared an internal audit plan for 2020. The internal audit unit also participates in various steering groups and committees in order to obtain essential information and serve as a consultation body in the areas of risk management and internal control.

External audit

The auditors are tasked with auditing the annual report, consolidated financial statements, accounting records and administration of the Board and President & CEO. There are four regular auditors. One is authorized and the other three are member representative auditors. All auditors are elected by the AGM for one year at a time. The authorized auditor is the accounting firm Ernst & Young AB. The member representative auditors are Maude Fyrenius, Gustav Jansson and Jimmy Grinsvall.

In addition to their work on the statutory audit, the member representative auditors focus on conducting the audit of operations from a members' and operational viewpoint. They report briefly on the operations to the AGM, as well as regular reporting to the Council of Trustees, the Board of Directors and the Audit Committee. The member representative auditors and authorized auditors meet the Group Board twice a year without management being present.



Board of Directors' report on internal control over financial reporting

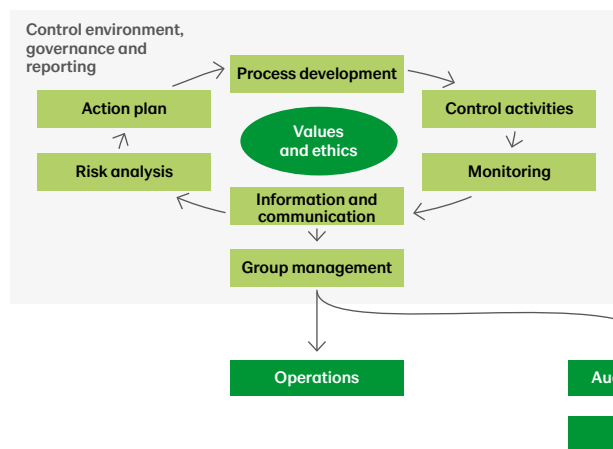
The Board has overall responsibility for internal control over financial reporting. The Board has adopted a written work plan that clarifies the responsibilities of the Board and governs the division of work between the Board and its committees. An Audit Committee regularly reports to the Board.

Lantmännen's process for internal control over financial reporting is designed to provide assurance of the reliability of the financial reporting. The process has been prepared in accordance with generally accepted accounting standards and

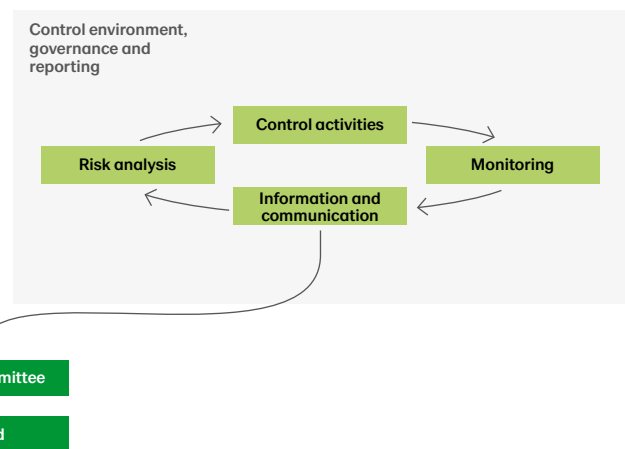
applicable laws and regulations. Internal control over financial reporting involves the Group Board, the Audit Committee, the President & CEO, management and other employees. The overall aim of internal control is to protect members' capital and interests in the Association.

In 2019, internal control work involved in a major project to improve the standard processes in economy and finance at Lantmännen. The aim of the project is to create uniform and more efficient processes with improved internal control.

Preventive internal control



Internal Audit



Description of the main features of internal control:

The control environment constitutes the basis of internal control and is made up of the values and ethics that the Lantmännen Group communicates and applies. This includes the organizational structure, leadership, decision-making channels, responsibility, authority and the expertise possessed by employees.

Risk assessment includes identifying and assessing the risk of material errors in accounting and reporting at the Group and Sector levels, and also at the local level. To support the units, a financial manual has been produced and contains supporting policies and guidelines, including the Code of Conduct, Financial Policy, Anti-Corruption Policy and Policy for Internal Control over Financial Reporting.

Control activities are part of normal control and financial reporting activities at all levels and play an important role in ensuring reliability of financial information.

Internal audit conducts regular audits in accordance with

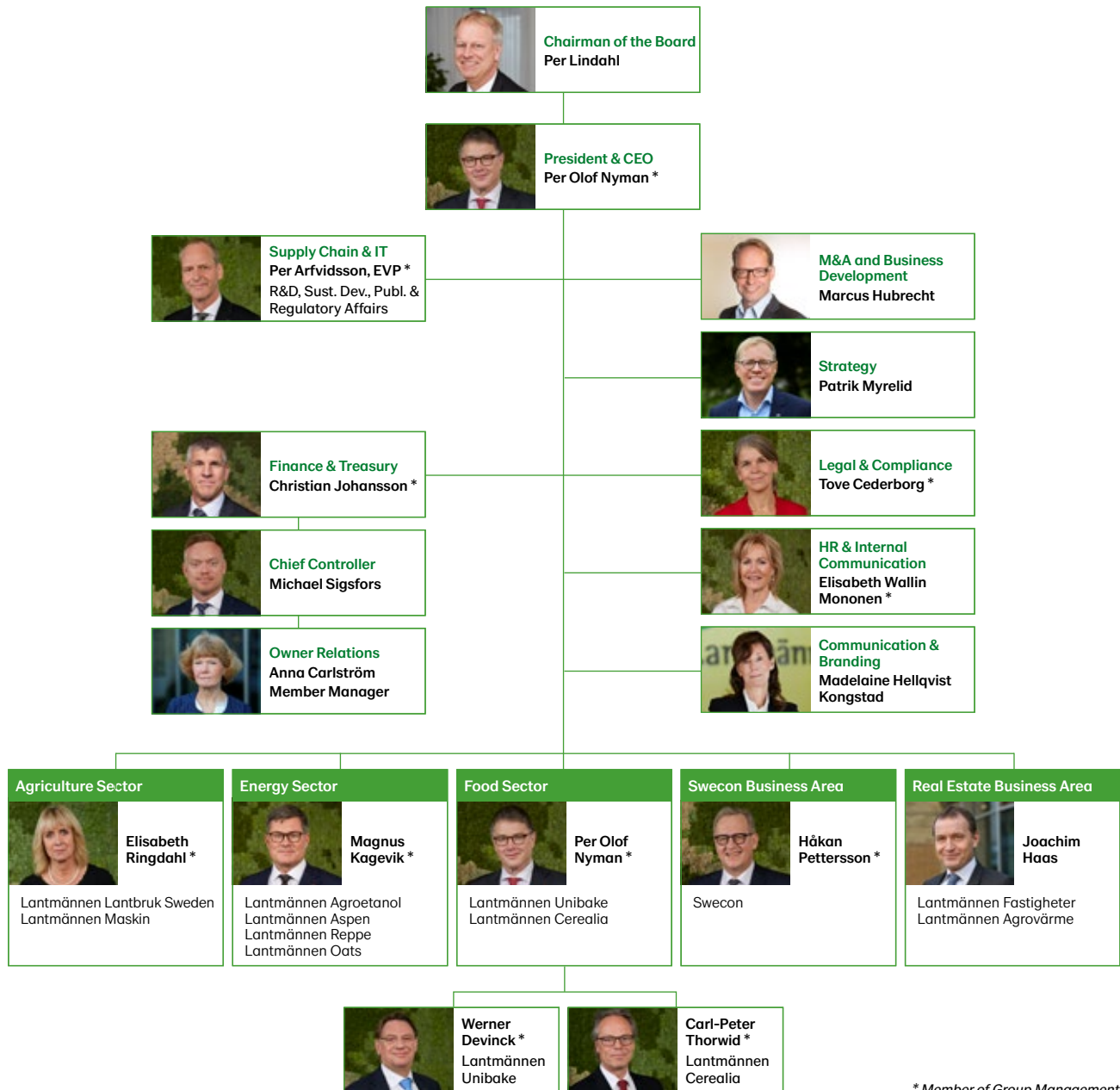
the annual audit plan adopted by the Board. The internal audit unit reports material observations and improvement proposals to the Group Board, the Audit Committee and the operating units.

Information and communication is conducted through Lantmännen's financial manual, which contains reporting and accounting handbooks and other guidelines for financial reporting. In addition, there are policies in place for important areas, which define responsibility, authority and procedural guidelines. The policies are available on Lantmännen's intranet. The IC coordinators at the different levels are also responsible for reporting changes and non-conformances in internal control.

Regular monitoring is conducted, in order to ensure the efficiency of internal control over financial reporting. The monitoring process includes analysis of regular financial reports against historical figures, budgets and forecasts as well as monitoring of reported activities. Monitoring takes place at company, business area, Sector and Group levels.

Organization and structure

The Board decides the Group's overall goals, strategic plans and significant policies and monitors their compliance and updating. The President & CEO is appointed by the Board and is responsible for the Association's day-to-day management. Lantmännen's operations are structured in three Sectors and two Business Areas.



* Member of Group Management

Our corporate functions

Lantmännen's corporate functions pursue their own key issues and support Group management and the Sectors in Group matters. The corporate functions are responsible for establishing a regulatory framework and ensuring compliance with these rules. Operational responsibility lies with each Sector and Business Area.

Finance & Treasury

Finance & Treasury handles the Group's economic and financial management and reporting. Also includes controlling, strategy, finance, risk management and tax. Owner relations is included in the corporate function and is responsible for Lantmännen's member communication. The department works on coordination and support for elected representatives in district boards, nomination committees and communication between elected representatives and members.

R&D – Research and development

Runs Lantmännen's strategic work on research, innovation and early business development. The department also provides administration of Lantmännen's Research Foundation, which funds research within food, agriculture, energy and green materials.

HR & Internal Communication

Supports the work to ensure Lantmännen can access the right skills and leadership to enable the Group to achieve its business objectives. This includes responsibility for driving, developing and implementing policies, processes and tools for recruitment, equality & diversity, skills and leadership development, work environment and health. The department also has main responsibility for the Group's employment law, employer issues and compensation & pay. Another area of responsibility is internal communication and internal communication channels, such as Inside, the employee magazine.

Sustainable development

Develops strategies and supports Lantmännen's businesses with sustainable development expertise, in order to protect and strengthen Lantmännen's brand and contribute to business value in both the short and the long term. The department also has overall responsibility for Lantmännen's Code of Conduct.

Legal & Compliance

Assists Lantmännen's businesses with legal advice from its own or external legal experts and handles all legal issues concerning acquisitions and disposals, intellectual property rights, disputes and major business negotiations. The department also includes the Compliance function, which

supports and facilitates the implementation of monitoring and compliance with anti-corruption and competition laws and the General Data Protection Regulation (GDPR). The Board Secretary is also a member of the department.

Communications & Branding

Works on building and developing the Lantmännen brand, thereby enhancing the Group's competitiveness and supporting its business objectives. Responsible for the brand, marketing communication and external communication, media training, PR, community and media contacts and social media. Also works continuously on the development of digital channels, and external, market, customer and consumer understanding.

IT

Develops, manages and ensures the operation of stable and cost-effective IT solutions. Runs projects within digitalization to strengthen the Group's competitiveness and support the business goals in line with adopted strategies.

Supply Chain

Initiates, manages and supports change processes within the entire Lantmännen supply chain. The department's work includes the purchase of products and services for the Group, supply chain development between Lantmännen companies, and project and change management within production, planning, logistics and purchasing in order to continue to develop cost leadership in their sectors.

M&A and Business Development

M&A stands for mergers & acquisitions, but also includes divestments. M&A supports all the Group's units in identifying and carrying out activities within the area and helps with business development projects.

Public and Regulatory Affairs

Monitors, analyzes and engages in active dialogue in political processes in Sweden and the EU that could affect the conditions for Lantmännen's business and strategies. The work is conducted in cooperation with other functions and Lantmännen companies, but also to a large extent with external parties such as industry organizations and other companies.



Tomas Welander, Johan Bygge, Johan Mattsson, Gunilla Aschan, Per Lindahl

Board of Directors

The Board consists of nine members and three employee representatives. Board members of Lantmännen ek för are elected for two-year terms. The Annual General Meeting will be held on May 7, 2020.

Holdings of contribution issues are reported in SEK, as at Dec. 31, 2019. Holdings of subordinated debentures are reported as at Jan. 28, 2020.

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 Aktieföretag and Fellow of The Royal Swedish Academy of Agriculture and Forestry (KSLA)
Contribution issues: SEK 2,674,734*
Subordinated debentures: SEK 300,000*

Hans Wallemyr *Vice Chairman*

Falköping
 Born: 1956
 Director since 2007
 Member of Lantmännen
Other functions at Lantmännen: Audit Committee, Lantmännen Research Foundation.
Education: Agriculture and economics
Main occupation: Farmer
Production: Wind power, potatoes, forestry, breeding/training showjumpers and dressage horses
Directorships: Källeberg Vind AB (Chairman), Scandbio AB and Åsle Vind AB
Contribution issues: SEK 517,848*

Gunilla Aschan

Linköping
 Born: 1960
 Director since 2015
 Member of Lantmännen
Other functions at Lantmännen: Audit Committee
Education: Agricultural Economics, Swedish University of Agricultural Sciences
Main occupation: Farmer
Production: Forestry, crops, beef
Directorships: Landshypotek Bank AB, Fyrklövern ekonomi och juridik AB and Ellen Key's Stiftelse Strand.
Contribution issues: SEK 40,084*
Subordinated debentures: SEK 300,000*

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
Directorships: PostNord AB, NESTE Corporation and Lindab International AB.

Johan Bygge

Lidingö
 Born: 1956
 Director since 2019
 Not a member of Lantmännen
Other functions at Lantmännen: Remuneration Committee
Education: MBA, Stockholm School of Economics
Main occupation: Directorships and Industrial Advisor at EQT
Directorships: PSM Ltd (Chairman), Nobina AB (publ) (Vice Chairman), AP3 and Getinge AB.
Subordinated debentures: SEK 250,000

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: Båretofta AB (Chairman), Swedpig AB (Chairman), Handelsbanken's Forestry and Agriculture Board (Chairman), Handelsbanken's Regional Board for South-east Sweden, AB Marsvinsholms Gärd, Viking Malt AB and Raja Gärd AB.
Contribution issues: SEK 605,154
Subordinated debentures: SEK 5,000,000*

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



Sonat Burman-Olsson, Hans Wallemyr, Per Wijkander, Henrik Wahlberg, Pär-Johan Lööf, Tommy Brunsårn

Henrik Wahlberg

Soukoljärvi, 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: Övertorneå Energi Försäljning AB,

Sparbanken Nord, Övertorneå Energi AB and

Luttugården AB.

Contribution issues: SEK 231,868*

Per Wijkander

Upplands-Bro

Born: 1977

Director since 2019

Member of Lantmännen

Other functions at Lantmännen: Ownership Committee,

Beirat (Advisory Board) HaGe Kiel

Education: Agricultural Economics, Swedish University of

Agricultural Sciences

Main occupation: Farmer

Production: Crops

Directorships: 4 Tunnländ AB, Hätunaholm AB,

Hätunaholm H.T.H. AB and Håbo Häradssällmanning.

Board deputy: Westerås Skogsbyrå AB, Egendoms-

konserterna i Stockholm AB and Hätuna HTH Holding AB.

Deputy auditor, Maskinringen Mälardalen, ek för.

Contribution issues: SEK 2,063,566*

Subordinated debentures: SEK 1,500,000

Employee Representatives

Tommy Brunsårn

Södertälje

Born: 1959

Director since 2007

Employee representative Unionen

Main occupation: Lead Buyer MRO/Capex

Pär-Johan Lööf

Uppsala

Born: 1966

Director since 2013

Employee representative the Union for Professionals

Education: Agriculture, Swedish University of Agricultural

Sciences

Main occupation: Innovation Project Manager

Lantmännen R&D

Directorships: Naturbutiken på Öland AB, non-profit

association Cultivation in Balance (Odling i Balans) and

Stiftelsen Jordbruks- och Miljöteknisk Forskning (SJMFF).

Subordinated debentures: SEK 100,000

Tomas Welander

Gothenburg

Born: 1961

Director since 2012

Employee representative IF Metall

Main occupation: Service technician, Swecon

Other directorships: Employee representative, Swecon

Anläggningsmaskiner AB

Board Secretary

Tove Cederborg

Head of Legal Affairs

Born: 1964

Hired: 2011

Education: LLB, Lund University 1992

Directorships: Pensionsstiftelsen Grodden AB.

Auditors

Member representatives

Maude Fyrenius

Lärbro

Born: 1973

Auditor for Lantmännen since 2014

Education: Agrotechnician

Main occupation: Farmer, Consultancy and skills develop-

ment, Gotland County Administrative Board

Production: Crops, lamb and beef, nature conservation

Contribution issues: SEK 54,533*

Gustav Jansson

Enköping

Born: 1967

Auditor for Lantmännen since 2012

Education: Agriculture

Main occupation: Farmer, accounting consultant

Production: Crops, forestry

Contribution issues: SEK 777,487

Jimmy Grinsvall

Sätla

Born: 1974

Auditor for Lantmännen since 2019

Education: Agricultural and Rural Management

Main occupation: Farmer

Production: Beef, crops and forestry

Contribution issues: SEK 198,376

Authorized Public Accountant

Anders Kriström

Ernst & Young AB, Stockholm

Born: 1974

Auditor since 1999

Auditor for Lantmännen since 2015

Other assignments: Adecco, Canal Digital, HL Display,

Stanley Security

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



Carl-Peter Thorwid, Elisabeth Wallin Mononen, Håkan Pettersson, Per Arfvidsson, Tove Cederborg

Group Management

Holdings of subordinated debentures are reported as at January 28, 2020.

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: Svensk Kooperation ek för, Hauptgenossenschaft Nord AG, and HK Scan Oyj.

Subordinated debentures: SEK 4,000,000

Per Arfvidsson

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

Born: 1962

Hired: 2011

Education: M.Sc. (Mechanical Engineering, Industrial Organization & Logistics) Chalmers University of Technology

Directorships: Sweden Food Arena (Chairman), Foodhills AB and Lund University.

Subordinated debentures: SEK 2,000,000

Werner Devinck

Senior Vice President Lantmännen Unibake

Born: 1958

Hired: 2013

Education: Economist, University of Leuven, Belgium

Christian Johansson

Senior Vice President & Group CFO since February 2020 *

Born: 1963

Hired: 2020

Education: M.Sc. (Business and Economics), Stockholm University INSEAD (Fontainebleau, France)

Directorships: Corporate Advisory Board, School of Business Economics and Law, University of Gothenburg.

* Ulf Zenk, CFO until October 4, 2019.

Michael Sigfors acting CFO, Oct. 2019 to Feb 3, 2020.

Magnus Kagevik

Head of Energy Sector

Born: 1967

Hired: 2018

Education: M.Sc. (Mechanical Engineering) Linköping Institute of Technology

Directorships: PEMA Sweden AB, Viking Malt Oy, Scandbio AB and SPBI Service AB.

Subordinated debentures: SEK 2,000,000

Håkan Pettersson

Head of Swecon Business Area

Born: 1956

Hired: 2002

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

Subordinated debentures: SEK 200,000



Werner Devinck, Elisabeth Ringdahl, Per Olof Nyman, Magnus Kagevik, Christian Johansson

Elisabeth Ringdahl

Head of Agriculture Sector

Born: 1965

Hired: 2015

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

Directorships: Rezekne JSC (Chairman), ThermoSeed Global, Scandagra Group AB, Lantmännen BioAgri AB, NötCenter Viken AB and Scandagra Polska Sp. z o.o.

Subordinated debentures: SEK 500,000

Elisabeth Wallin Mononen

Senior Vice President Human Resources

Born: 1959

Hired: 2005

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

Directorships: Hagabergs Mekaniska Aktiebolag (Deputy).

Tove Cederborg

Head of Legal Affairs, Group General Counsel

Born: 1964

Hired: 2011

Education: LLB, Lund University

Directorships: Pensionsstiftelsen Grodden.

Subordinated debentures: SEK 300,000

Carl-Peter Thorwid

Senior Vice President Lantmännen Cerealia

Born: 1964

Hired: 2016

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

Directorships: Swedish Food Federation, HKScan Oyj (Deputy).

Subordinated debentures: SEK 400,000

Overview and facts

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Risks and risk management

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

Continuous business intelligence and internal and external dialogue with stakeholders are crucial to risk identification. Each year, an Enterprise Risk Management process is implemented with all business units. Risks and measures are identified and evaluated during the process.

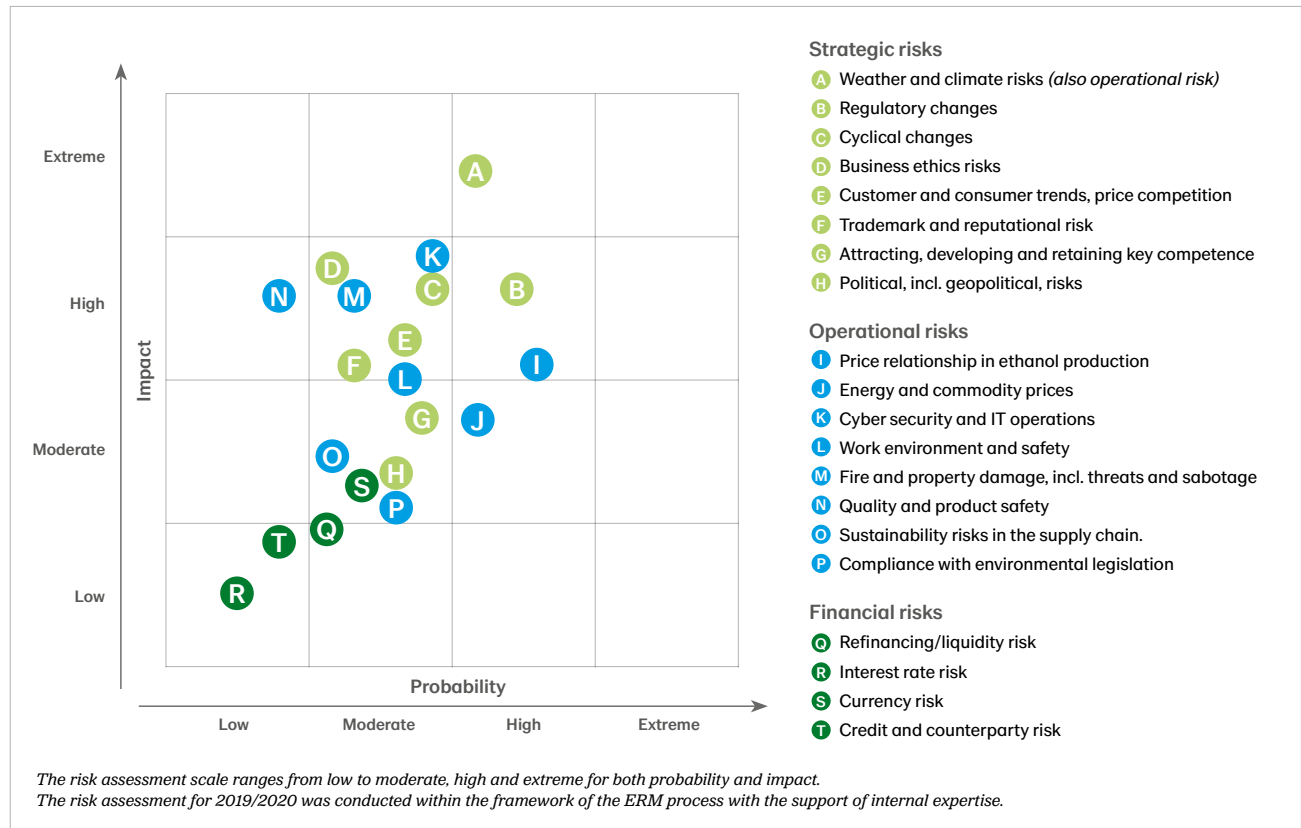
Strategic risks are associated with business development and long-term planning, and Lantmännen's brand. Strategic risks are largely dealt with as part of the annual strategy work.

Operational risks are part of the Lantmännen's day-to-day operations, and include risks of handling errors, compliance with laws and regulations, and in financial reporting and

internal control. 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 assessed and managed on the basis of established financial and risk policies.

Lantmännen's risk analysis



Strategic risks

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.

Weather and climate risks

Risk level¹⁾ ● Moderate probability ● Extreme impact

Climate change, with more extreme weather conditions such as drought and heavy precipitation, and more pressure from pests, affects growing conditions and profitability of the grain value chain operations. Weather can have a major impact on individual harvest seasons and create supply-demand imbalances.

Risk management: Climate change requires development of cultivation methods, plant breeding and geographical adaptation. Weather impacts require e.g. preparedness for grain trading, increased drying capacity in grain handling, production disruptions and supply disruptions for sensitive raw materials.

2019 outcome: New climate target for primary production adopted. Research, plant breeding and advisory services are focused on climate adaptation and reduction of impacts. Improvements in the grain handling infrastructure. Continuous updating of the risk mandate for risk diversification in the grain business.

Regulatory changes

Risk level¹⁾ ● High probability ● High impact

Laws, regulations and policy instruments for plant protection, plant breeding, biofuel production, use of fuel and environmental regulations for agriculture can affect production and profitability. The EU's so far negative view of crop-based biofuels is a risk in terms of new regulations. Brexit uncertainty and unpredictability represents a direct and indirect risk to Lantmännen's UK-related operations. Changed laws and regulations may restrict or result in higher requirements for Lantmännen's operations partly subject to permit.

Risk management: Each Sector and business monitors changes and adapts its operations, e.g. Unibake has run a Brexit preparatory project.

2019 outcome: No new regulation or supervisory measure is individually likely to affect the Group's revenue or earnings. In 2019, the EU Renewable Energy Directive II for 2021-2030 was adopted. It is important to, e.g., Agroetanol and creates good business opportunities.

Cyclical changes

Risk level¹⁾ ● Moderate probability ● High impact

Operations can be affected by cyclical changes and changing demand or by Lantmännen's relative competitiveness. Price competition is strong. A cyclical change also affects customers' purchasing power and purchasing patterns.

Risk management: Lantmännen monitors the economic situation and adapts costs accordingly. Action plans are in place for major changes in demand. We minimize and counteract price competition by working on price, mix and innovation and by brand building.

2019 outcome: In terms of portfolio strategy, the geographic footprint has been broadened by the acquisition of Raisio's cattle feed business in Finland and ThermoSeed Global.

Business ethics risks

Risk level¹⁾ ● Moderate probability ● High impact

Lantmännen operates in countries and industries with varying exposure to corruption and problems relating to competition law.

Risk management: Business ethics is part of the Code of Conduct, and there are policies and a business ethics compliance program. Risk analysis, targeted activities to manage risk areas, and systematic monitoring and reporting are conducted yearly.

2019 outcome: Training in bribery/corruption and competition law was provided. Risk assessments and integrity checks were ongoing activities.

Customer and consumer trends, price competition

Risk level¹⁾ ● Moderate probability ● High impact

Changed customer and consumer behavior presents opportunities and risks. The market is affected by external trends and competitor activities.

Risk management: Lantmännen identifies market and customer requirements and develops relevant services and products.

2019 outcome: Increased market demand for responsible, sustainable products and services, which Lantmännen is developing, but with increasing requirements for speed of development, content and investment levels, particularly in terms of sustainability. Continued external and intelligence analyses to understand how we can lead the development.

Trademark and reputational risk

Risk level¹⁾ ● Moderate probability ● High impact

Lantmännen's brand may be adversely affected if operations are not conducted sustainably, do not comply with laws and regulations, or do not live up to Lantmännen's brand promise. One trademark risk is that competition in sustainability and responsibility increases sharply.

Risk management: Lantmännen works to reduce adverse impacts on people and the environment. We impose requirements for raw materials, suppliers, products and services, and work on stakeholder dialogue and transparent reporting.

2019 outcome: The brand continues to strengthen its position, thereby increasing the intangible value.

Attracting, developing and retaining key competence

Risk level¹⁾ ● Moderate probability ● Moderate impact

Shortage of leadership and competence can leave Lantmännen unable to implement strategies, develop businesses and achieve defined business goals.

Risk management: Lantmännen pursues systematic, strategic work with a focus on succession planning and skills supply, and strengthening its employer brand among current and potential employees.

2019 outcome: Several global development programs for employees and managers were implemented. Talent identification and succession planning work continued. Investments were made in Lantmännen's employer brand and a trainee program was run.

Political, incl. geopolitical, risks

Risk level¹⁾ ● Low probability ● Moderate impact

Brexit uncertainty and unpredictability represents a direct and indirect risk to UK-related operations. Political instability in some EU Member States and eastern Europe, and a new European Commission and Parliament can affect our conditions in the short and long term. Global instability in international trade and trade agreements, largely due to US actions, has a major impact on trading in agricultural products. The situation is marked by uncertainty and large and sudden fluctuations in trade policy. The EU and the South American Mercosur trade bloc have adopted a draft trade deal that could lead to increased imports of cheap agricultural products into the EU. The process before any final adoption is politically sensitive, complicated and may take several years.

Risk management: Developments are constantly monitored and analyzed to adapt the business to changing conditions.

¹⁾ The risk assessment for 2019/2020 was conducted within the framework of the ERM process with the support of internal expertise.

Operational risks

Operational risks are part of the day-to-day operations, and include risks of handling errors, compliance with laws and regulations, in financial reporting and internal control. Several operational risks can be controlled, and are often regulated by policies, guidelines and instructions to provide consistent, effective safety. A large number of the risks are managed through insurance.

Price relationship in ethanol production

Risk level¹⁾ ● High probability ● High impact

Operating income for the Norrköping ethanol plant is greatly dependent on the relationship between prices of grain, feed and ethanol, and political decisions such as the EU tariff rules.

Risk management: Continuous hedging of grain, ethanol and feed (rapeseed meal) prices. Scope for ethanol hedging varies but has been improved by more liquidity in the futures market. Extensive development in the ethanol business to broaden the raw material base and product range means less dependence on the ethanol/grain price relationship.

2019 outcome: The EU Commission's proposal for a revised Renewable Energy Directive (RED II) limits the proportion of crop-based biofuels that can be reported to the EU to achieve national and EU targets on the share of renewables in the energy sector by 2030.

Energy and commodity prices

Risk level¹⁾ ● Moderate probability ● Moderate impact

Lantmännen's consumption of electricity and gas represents a large risk, as the price trend is quite volatile. Raw materials are a significant part of Lantmännen's costs. Price volatility is expected to increase due to strong demand for raw materials, limited global scope to increase land use for farming and more uncertainty about harvest outcomes due to climate change.

Risk management: Electricity and gas price reductions on a falling scale up to 36 months, depending on conditions, through active management in the futures markets to get the lowest possible price and increase predictability over time.

2019 outcome: The risk policy has been revised under the annual schedule. All commodities have been hedged in accordance with current rules and policies. The Larma commodity risk system is constantly developed, according to the needs of the business.

Cyber security and IT operations

Risk level¹⁾ ● Moderate probability ● High impact

The trend of increased cyber crime in our external environment is clear and something Lantmännen needs to address. As the incentives are often financially driven, prosperous companies are interesting targets for attacks. Lantmännen sees this and prioritizes cyber security work.

Risk management: All information is classified according to protection value. The classification is the basis for the choice of protection measures for information in IT systems and processes. Lantmännen also continuously trains all employees in safe handling of information.

2019 outcome: Basic IT system requirements have been addressed internally and with our suppliers, and compliance is constantly monitored. Risks linked to the cyber security threat have been assessed, documented and are monitored continuously.

Work environment and safety

Risk level¹⁾ ● Moderate probability ● Moderate impact

Some facilities have hazardous work environments and activities that could pose a danger or risk to health.

Risk management: Systemization, reporting and monitoring are a priority. Health & safety training is obligatory for all our managers.

2019 outcome: A continued focus on the IA system for reporting accidents, incidents and risk observations. Increased focus with ambitious targets to improve the safety culture. We also made about 60 workplace follow-ups ("Blue inspections").

Fire and property damage, incl. threats and sabotage

Risk level¹⁾ ● Moderate probability ● High impact

Lantmännen conducts operations with risk of fire, explosion, based on emerging threats through damage or sabotage. Property can be damaged, and production downtime affects earnings and market position.

Risk management: Lantmännen has insurance programs for operational risks and works on risk mitigation through, e.g., loss prevention inspections. Premium costs are reduced by channeling some of the insurance programs via the Group's own insurance company Dirual Försäkrings AB.

2019 outcome: No major damage, thanks to continued good proactive loss prevention work.

Quality and product safety

Risk level¹⁾ ● Moderate probability ● High impact

Product safety and quality are important in all businesses. Requirements are particularly high in the food and feed value chain and production follows standards. For grain, there are special risks such as salmonella, GMO, DON, pesticide residues and presence of cadmium.

Risk management: Continuous development of requirements and monitoring of qualities and volumes, food safety standards, contract farming, training, guidelines, routines, testing and monitoring, including third-party audits. Lantmännen's products are continuously assessed and are marked with clear product information. Organization, procedures and insurance in place for recalls.

2019 outcome: Product safety and quality work is managed and developed by each Group company. Follow-up at Group level.

Sustainability risks in the supply chain.

Risk level¹⁾ ● Moderate probability ● Moderate impact

Lantmännen has suppliers in, and purchases certain commodities from, high-risk countries and industries in terms of sustainability.

Risk management: The Supplier Code of Conduct clarifies our requirements and the process for approving suppliers. For special high-risk commodities such as soy and palm oil, there are programs to manage risk and ensure our responsibility.

2019 outcome: Work on active dialogue and supplier monitoring, including audits. Stronger risk identification for materials, commodities and suppliers, with a special focus on human rights.

Compliance with environmental legislation

Risk level¹⁾ ● Moderate probability ● Moderate impact

Lantmännen conducts operations that are subject to permit and notification requirements under the Environmental Code in Sweden and in accordance with national legislation in other countries. Changes to surrounding operations may lead to restrictions or higher requirements for Lantmännen's operations as a result of environmental legislation. An increase in production or a change in the type of production may affect permits.

Risk management: Continuous monitoring and reporting to authorities. Active work on chemical handling. Environmental inspections and surveying industrial land for the need for remediation.

2019 outcome: Work continued according to plan and in line with current legislation.

¹⁾ The risk assessment for 2019/2020 was conducted within the framework of the ERM process with the support of internal expertise.

Financial risks

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

Refinancing/liquidity risk

Risk level¹⁾ ● Low probability ● Low impact

When renewing loans and credit, there is a risk of higher costs and less access to refinancing. Liquidity risk is the risk of inability to discharge payment obligations due to insufficient liquidity.

Risk management: Refinancing risk is limited by having a spread of counterparties and maturity profiles of interest-bearing liabilities. Lantmännen's financial policy regulates liquidity risk by stipulating that guaranteed unused credit facilities and cash resources must exceed MSEK 1,500.

2019 outcome: The Group continues to finance operations with a good maturity structure spread.

Interest rate risk

Risk level¹⁾ ● Low probability ● Low impact

Changes in the market rate may have adverse effects on earnings and cash flows. The time it takes for interest rates changes to affect net interest depends on the fixed rate period for loans.

Risk management: Lantmännen's strategy is to take out loans with short fixed-interest periods but long maturities. Lantmännen has entered into a number of interest rate swaps and has extended the fixed-interest period for existing loans.

2019 outcome: Interest rate risks were hedged according to given policies and risk exposure remained within the set limits.

Currency risk

Risk level¹⁾ ● Moderate probability ● Moderate impact

Changes in exchange rates affect Lantmännen's earnings, equity and competitive situation. Payment flows and agreements in different currencies create currency risks.

Risk management: Lantmännen's currency risk is managed centrally and the aim is to minimize currency effects by using currency inflows for payments in the same currency. Financial instruments are used to hedge expected payment flows using the guidelines contained in Lantmännen's financial policy.

2019 outcome: Currency risks were hedged according to given policies and risk exposure remained within the set limits.

Credit and counterparty risk

Risk level¹⁾ ● Moderate probability ● Low impact

Lantmännen's financial transactions give rise to credit risks associated with financial and commercial counterparties.

Risk management: Lantmännen only works with banks that have a high credit rating and in particular those that participate in the Group's long-term financing. In order to minimize the credit risk associated with outstanding trade receivables, Lantmännen has a policy of conducting special credit checks. If there is a special need, customers are insured.

2019 outcome: Counterparty risk is continuously monitored, with monthly reporting to the Risk Committee.

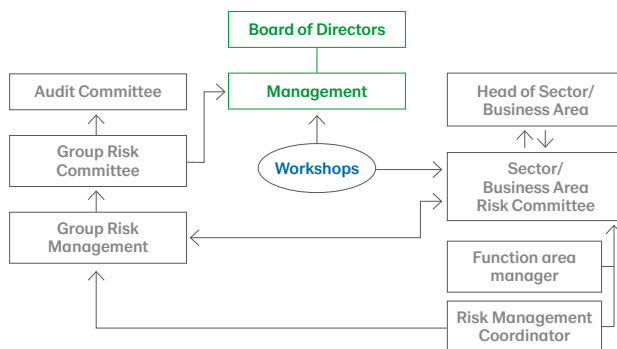
¹⁾ The risk assessment for 2019/2020 was conducted within the framework of the ERM process with the support of internal expertise.

Lantmännen's risk management process

Lantmännen's Board is responsible to the members for the Company's risk management. Group management regularly reports on risk issues to the Board and its Audit Committee.

The ongoing process of controlling risk mandates and policies takes place in the Risk Committee, which 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, when each business unit's risks are identified. Risk measures are established through workshops with each management team. The Group's risks are aggregated and the most significant identified risks are communicated to the Risk Committee, Group Management and the Board for ongoing monitoring.



The Group's Ten-year overview

Condensed income statements

MSEK	2019	2018 ¹⁾	2017 ¹⁾	2016 ¹⁾	2015 ¹⁾	2014 ¹⁾	2013 ¹⁾	2012 ¹⁾	2011 ¹⁾	2010 ¹⁾
Net sales	48,523	43,962	39,686	37,244	35,660	32,666	33,802	36,526	37,896	35,988
EBITDA	4,046	2,806	2,919	2,771	2,573	2,556	2,193	1,698	2,570	2,624
Depreciation, amortization and impairment	-2,063	-1,363	-1,242	-1,165	-1,222	-1,103	-2,104	-1,185	-1,366	-1,565
Operating income	1,983	1,443	1,677	1,606	1,351	1,453	89	513	1,204	1,059
Finance income and costs	-210	-193	-156	-149	-105	-111	-4	-182	-337	-237
Income after financial items	1,773	1,250	1,521	1,457	1,246	1,342	85	331	867	822
Tax, minority	-222	-68	-216	-183	-156	-117	15	-91	-147	-97
Net income for the year	1,551	1,182	1,305	1,274	1,090	1,225	100	240	720	725

Condensed statements of financial position

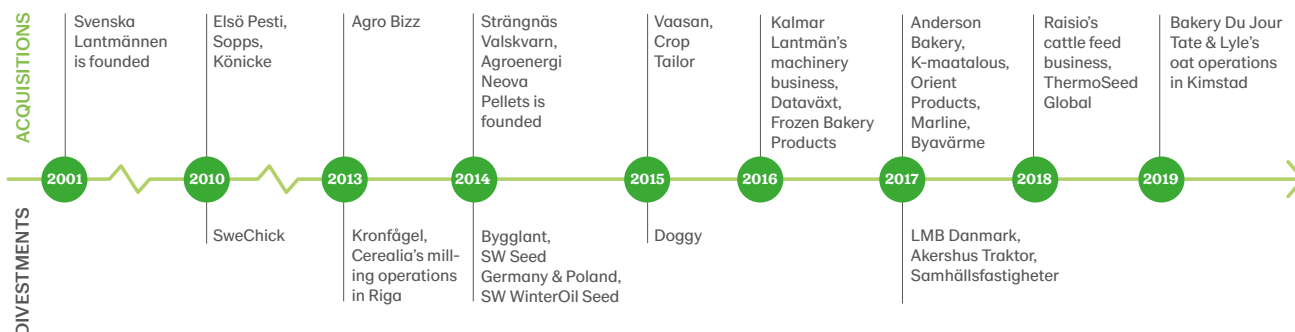
MSEK	2019	2018 ¹⁾	2017 ¹⁾	2016 ¹⁾	2015 ¹⁾	2014 ¹⁾	2013 ¹⁾	2012 ¹⁾	2011 ¹⁾	2010 ¹⁾
Property, plant and equipment	13,927	10,673	10,030	9,098	7,699	7,178	7,337	8,928	9,258	9,758
Goodwill	5,724	5,350	5,238	4,611	4,424	2,915	2,594	2,554	2,640	2,779
Other intangible assets	3,620	3,451	3,327	2,980	2,782	752	814	875	767	713
Other non-current assets	3,499	3,233	3,204	2,825	2,780	2,762	2,542	2,151	2,069	2,094
Total non-current assets	26,770	22,707	21,799	19,514	17,685	13,607	13,287	14,508	14,734	15,344
Inventories	6,561	6,943	5,948	5,270	5,545	5,379	5,249	5,946	5,506	5,224
Other current assets	6,680	6,725	5,866	5,933	5,599	5,087	5,170	5,561	5,642	5,572
Cash and cash equivalents	1,183	720	927	1,773	1,252	3,058	2,295	352	739	869
Total current assets	14,424	14,388	12,741	12,976	12,396	13,524	12,714	11,859	11,887	11,665
Total assets	41,194	37,095	34,540	32,490	30,081	27,131	26,001	26,367	26,621	27,009
Equity, members of the Parent	17,411	15,935	14,859	13,795	12,660	11,859	11,016	10,899	10,906	10,390
Equity, NCI	94	92	89	88	21	17	28	33	36	32
Total equity	17,505	16,027	14,948	13,883	12,681	11,876	11,044	10,932	10,942	10,422
Non-current liabilities	7,190	7,005	5,983	6,219	6,135	3,598	4,939	5,919	5,360	7,320
Current liabilities	16,499	14,063	13,609	12,388	11,265	11,657	10,018	9,516	10,319	9,267
Total equity and liabilities	41,194	37,095	34,540	32,490	30,081	27,131	26,001	26,367	26,621	27,009
Net debt	10,165	8,719	7,274	6,289	6,476	3,674	4,963	7,506	7,186	7,501
Refund and supplementary payment ²⁾³⁾	205	156	245	231	188	135	129	120	110	95
Extra dividend	-	-	133	-	-	-	-	-	-	-
Contribution dividend, contribution issue ³⁾	525	463	322	277	243	328	171	168	230	245

¹⁾ In accordance with previously applied accounting policies for leasing.

²⁾ Reported amounts may include adjustments compared with previous years' proposals.

³⁾ According to Board's proposal for 2019.

Lantmännen's major acquisitions, divestments and ownership interests



Continued

The Group's Ten-year overview

Key figures	2019	2018 ¹⁾	2017 ¹⁾	2016 ¹⁾	2015 ¹⁾	2014 ¹⁾	2013 ¹⁾	2012 ¹⁾	2011 ¹⁾	2010 ¹⁾
Operating margin, %	4.1	3.3	4.2	4.3	3.8	4.4	0.3	1.4	3.2	2.9
Capital turnover rate, times	1.7	1.8	1.8	1.8	1.8	2.1	2.0	2.0	2.1	1.9
Return on equity, %	9.1	7.6	9.0	9.6	8.9	10.6	0.9	2.2	6.7	7.0
Return on operating capital, %	6.8	6.0	7.8	8.0	7.5	9.1	0.5	2.8	6.5	5.7
Equity ratio, %	42.5	43.2	43.3	42.7	42.2	43.8	42.5	41.5	41.1	38.6
Net debt/EBITDA (bank definition)	2.25	3.25	2.70	2.53	2.85	2.02	2.62	4.31		
Net debt/equity ratio, times	0.6	0.5	0.5	0.5	0.5	0.3	0.4	0.7	0.7	0.7
Average number of employees	10,250	9,940	9,850	9,880	8,911	8,311	9,133	10,249	10,296	10,350

Excl. items affecting comparability	2019	2018 ¹⁾	2017 ¹⁾	2016 ¹⁾	2015 ¹⁾	2014 ¹⁾	2013 ¹⁾	2012 ¹⁾	2011 ¹⁾	2010 ¹⁾
Operating income, MSEK	2,087	1,580	1,708	1,697	1,351	851	805	747	1,063	1,223
Operating margin, %	4.3	3.6	4.3	4.6	3.8	2.6	2.4	2.0	2.8	3.4
Income after financial items, MSEK	1,877	1,387	1,552	1,548	1,246	740	683	565	841	946
Net income for the year, MSEK	1,652	1,289	1,353	1,457	1,066	595	494	457	634	804
Return on equity, %	9.7	8.2	9.4	11.0	8.7	5.1	4.4	4.2	5.9	7.8
Return on operating capital, %	7.2	6.6	7.9	8.4	7.5	5.3	4.7	4.1	5.7	6.5

Condensed statements of cash flows MSEK	2019	2018 ¹⁾	2017 ¹⁾	2016 ¹⁾	2015 ¹⁾	2014 ¹⁾	2013 ¹⁾	2012 ¹⁾	2011 ¹⁾	2010 ¹⁾
Cash flow from operating activities before changes in working capital	3,637	2,268	2,453	2,571	2,159	1,362	1,570	1,358	1,655	2,131
Cash flow from operating activities	4,226	1,023	2,398	3,136	2,167	1,767	2,294	983	1,015	2,157
Cash flow from investment in/sale of property, plant and equipment and intangible assets, net	-1,929	-1,626	-2,274	-1,884	-811	-697	-862	-1,163	-160	-684
Cash flow from operations	2,297	-603	124	1,252	1,356	1,070	1,432	-180	855	1,473
Cash flow from acquisitions and divestments of operations, net ²⁾	-473	-333	-852	-357	-4,154	1,065	1,196	0	0	-105
Cash flow before financing activities	1,837	-824	-703	826	-2,674	2,077	2,450	-222	876	2,692
Cash flow for the year	454	-219	-852	489	-1,775	778	1,943	-379	-128	512
Cash and cash equivalents at end of year	1,183	720	927	1,773	1,252	3,058	2,295	352	739	869

¹⁾ In accordance with previously applied accounting policies for leasing.

²⁾ 2019 includes acquisition of Bakery Du Jour and Tate & Lyles oat operations.

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 Volskvarn, 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, EcoBränstle and Conagri.

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

Sales

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

Costs

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

Operating income

This shows whether sales are profitable.

Financial items

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

Income

This is also called profit after tax.

MSEK	2019	2018 ¹⁾
Net sales	48,523	43,962
Other operating income	482	279
Changes in inventories of finished goods and work in progress	-207	-301
Raw materials and consumables	-14,298	-12,767
Merchandise	-16,734	-15,583
Employee benefits expense	-6,573	-6,037
Depreciation, amortization and impairment	-2,063	-1,363
Other operating expenses	-7,113	-6,866
Share of income of equity accounted companies	-34	119
Operating income	1,983	1,443
Finance income	112	96
Finance costs	-322	-289
Income after financial items	1,773	1,250
Tax	-222	-68
Net income for the year	1,551	1,182
Net income for the year attributable to:		
Members of the economic association	1,545	1,176
Non-controlling interests	6	6

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	2019	2018 ¹⁾
Net income for the year	1,551	1,182
Other comprehensive income		
<i>Items that will not be reclassified to the income statement</i>		
Actuarial gains and losses on defined benefit pension plans, net before tax	-298	-30
Financial assets at fair value through other comprehensive income, net before tax	121	-69
Tax attributable to items that will not be reclassified	53	12
Total	-124	-87
<i>Items that will be reclassified to the income statement</i>		
Cash flow hedges, net before tax	-60	30
Exchange differences on translation of foreign operations	317	198
Net gain on hedge of net investment in foreign operations, net before tax	-31	-50
Tax attributable to items that will be reclassified	9	15
Total	235	193
<i>Share of OCI in equity accounted companies</i>		
Items that will be reclassified to the income statement	30	83
Total	30	83
Other comprehensive income, net of tax	141	189
Total comprehensive income	1,692	1,371
Total comprehensive income attributable to:		
Members of the economic association	1,686	1,365
Non-controlling interests	6	6

Total comprehensive income

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

¹⁾ In accordance with previously applied accounting policies for leasing.

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 per cent 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	2019 Dec 31	2018 ¹⁾ Dec 31
ASSETS		
Non-current assets		
Property, plant and equipment	13,297	10,012
Investment properties	630	661
Goodwill	5,724	5,350
Other intangible assets	3,620	3,451
Equity accounted holdings	2,490	2,299
Non-current financial assets	620	629
Deferred tax assets	252	248
Other non-current assets	137	57
Total non-current assets	26,770	22,707
Current assets		
Inventories	6,561	6,943
Trade and other receivables	6,488	6,668
Current interest-bearing assets	123	39
Current tax assets	69	18
Cash and cash equivalents	1,183	720
Total current assets	14,424	14,388
TOTAL ASSETS	41,194	37,095

MSEK	2019 Dec 31	2018 ¹⁾ Dec 31
EQUITY AND LIABILITIES		
Equity		
Contributed capital	2,959	2,664
Other contributed capital	3,110	3,110
Reserves	819	442
Retained earnings incl. net income	10,523	9,719
Total equity attributable to members of the economic association	17,411	15,935
Non-controlling interests	94	92
Total equity	17,505	16,027
Non-current liabilities		
Non-current interest-bearing liabilities	5,263	5,493
Provisions for pensions	942	611
Deferred tax liabilities	720	650
Other non-current provisions	251	208
Other non-current liabilities	14	43
Total non-current liabilities	7,190	7,005
Current liabilities		
Current interest-bearing liabilities	5,886	4,002
Trade and other payables	9,714	9,280
Current tax liabilities	149	103
Current provisions	750	678
Total current liabilities	16,499	14,063
TOTAL EQUITY AND LIABILITIES	41,194	37,095

¹⁾ In accordance with previously applied accounting policies for leasing.

How to read the Statement of Cash Flows

Consolidated Statement of Cash Flows

Operating activities

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

Investing activities

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

Financing activities

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

MSEK	2019	2018 ¹⁾
OPERATING ACTIVITIES		
Operating income	1,983	1,443
Adjustment for non-cash items ²⁾	2,037	1,191
	4,020	2,634
Financial items paid, net	-210	-234
Taxes paid	-173	-132
Cash flow from operating activities before changes in working capital	3,637	2,268
<i>Cash flow from changes in working capital</i>		
Change in inventories	468	-857
Change in operating receivables	68	-588
Change in operating liabilities	53	200
	589	-1,245
Cash flow from operating activities	4,226	1,023
INVESTING ACTIVITIES		
Acquisitions of operations (incl. capital contribution)	-669	-373
Divestment of operations	196	40
Investment in property, plant & equipment	-2,086	-1,714
Investment in intangible assets	-115	-111
Sale of property, plant & equipment and intangible assets	272	199
Change in financial investments	13	112
Cash flow from investing activities	-2,389	-1,847
Cash flow before financing activities	1,837	-824
FINANCING ACTIVITIES		
Change in interest-bearing liabilities including pension provisions	-1,054	1,108
Paid-in contributed capital	114	161
Refunded capital contribution	-69	-61
Dividend paid	-374	-603
Cash flow from financing activities	-1,383	605
Cash flow for the year	454	-219
Cash and cash equivalents at beginning of year	720	927
Exchange differences in cash and cash equivalents	9	12
Cash and cash equivalents at end of year	1,183	720

¹⁾ In accordance with previously applied accounting policies for leasing.

MSEK	2019	2018
Adjustment for non-cash items		
Depreciation, amortization and impairment of non-current assets	2,063	1,363
Share of income of equity accounted companies	92	-58
Capital gains/losses on sale of non-current assets and operations	-130	-45
Other non-cash items	12	-69
Total	2,037	1,191

Glossary

For description of financial performance measures, see → page 140

Agenda 2030 ● The UN's 17 sustainability 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.

Carbon Law ● Researchers' name for the rate required to reduce the climate impact in line with the Paris Agreement target of keeping the global warming increase well below 2 degrees, with the ultimate aim of 1.5 degrees. To achieve this, the Carbon Law requires carbon dioxide emissions to be halved every decade from 2020.

CO₂e, carbon dioxide equivalents ● Measurements of greenhouse gas emissions. All emissions, apart from carbon dioxide, are multiplied by a Global Warming Potential (GWP) to allow comparisons for all greenhouse gases.

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

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.

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

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.

Genomic selection ● New plant breeding technology based on statistical models and genetic mapping.

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

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

IFRS ● International Financial Reporting Standards. Learn more at → ifrs.com

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. 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 levels Book & Claim, Mass Balance and Segregated can be found at rspo.org

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

Stem-shortening agent ● An agent that reduces the risk of crop lodging. A stem-shortening agent is basically the only plant 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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Paper: Scandia 2000 – produced in Lessebo Paper in Sweden.

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

This applies to every stage of the production chain

– from the felling of a tree to the departure of the finished product from the factory gate.

All carbon emissions involved in the production of this paper have been climate-compensated.



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**Together we take
responsibility
from field to fork**

