

Steps towards sustainability 2005



Lantmännen



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We make the best of the soil

It is Lantmännen's ambition to act as the engine for the economy's transformation of the energy sector, having a promotional and creative influence on the development of sustainable agricultural systems and being innovative in the product development of wholesome foods. We want to be associated with good health, exercise, nutritionally correct diets and good business ethics. We also want to be known as having a healthy work environment that promotes development, and employees who are proud of belonging to the Lantmännen Group.

An important foundation for achieving Lantmännen's vision is working actively on sustainable development and having a distinctly cohesive strategy: We make the best of the soil and offer all opportunities for a sounder life.

All operational supervisors within the Group are responsible for working strategically on the basis of Lantmännen's policy for sustainable development. In 2005, a Sustainability Advisory Board was formed, being tasked with presenting issues to the corporate management team and guaranteeing that these are established firmly within the Group.

Forceful work to bring about change

Increased international trade in foods and agricultural products, and a change in direction of the EU agricultural policy are factors behind the comprehensive process of change in which Lantmännen is currently involved.

We must act swiftly to become more customer- and business-oriented. We also have to make our production structure more efficient. In plain language, that means the closure or transfer of certain operations. The operations affected include our bakeries, grain business and animal feed production. The strain on both employees and owners is huge.

The changes include simplifying Lantmännen's organisation – fewer management levels, a more distinct organisation and greater

openness. The development is a precondition for Lantmännen being able to act as one cohesive Group. As from 2006, all companies within the Group will use one corporate, uniform graphical identity and the new corporate logo as one element in the process of strengthening Lantmännen's brand promise.

Identity and the enthusiasm for food

Many consumers would like clearer labels of origin on food packaging and increasingly are requesting also the values associated with the brand and the supplier's identity. Lantmännen is well on the way to becoming a model within this area. Anyone encountering Lantmännen packaging should feel assured that its contents consist of sound raw materials. By 2007, all of the Group's packaging, which comprises around 2,000 different items, will be bearers of the corporate symbol, acting as a guarantor of our taking responsibility from farmland to table.

In contrast to the anonymous origins of the raw materials that the retail trade's own-brands involve, Lantmännen is working actively to increase traceability. That means that the consumer knows who is responsible for the product, sometimes right down to farm level. Traceability is crucial in quality and safety issues but is also of great importance in increasing the enthusiasm for food.

A dish that has been beautifully and tastefully presented tastes better than if it has been dished up carelessly on a paper plate – that much is obvious. But we also experience a meal through more of our senses – wine tastes better after the sommelier has told the story of the crisp dryness of the south-facing slopes and the early frost...

In recent decades, the consumer of food has grown further and further away from its producer. We want to change that. Lantmännen wants to increase the enthusiasm for food.

Welcome to Lantmännen, one company from farmland to table!

Birgitta Johansson-Hedberg, President and Chief Executive Officer



Vision for a more sound society

Lantmännen's vision indicates the Group's long-term direction. It also reflects the company's ambition to contribute to a sound development for society and the individual. Operating throughout the food chain from farmland to table, and with considerable potential for development within the energy field, we have both the responsibility and opportunity to influence several important areas of society to move in a sustainable direction.

Sustainable development is all about working cleverly, to contribute to a better society, rapidly and safely, while still retaining profitability. For Lantmännen, this means ensuring that the Earth's power to feed us and keep us warm is used responsibly. There are no quick solutions to several of the challenges that Lantmännen has prioritised, such as the flow of raw materials, sustainable cultivation systems, gene technology and returning surplus and recycled materials to the land. To be able strategically to handle the challenges in both the long and short term, Lantmännen applies four principles which define ecological and social sustainability (see page 46). As a manager of the entire food chain – from farmland to table – Lantmännen has a responsibility to explain complex situations to interested parties and, through renewal, to be a leader of development. Some companies use terms such as community responsibility and CSR (Corporate Social Responsibility). All of these terms are covered within the framework of Lantmännen's work on sustainable development.

Organisation

The Sustainable Development Department is responsible for formulating and developing Lantmännen's strategy for sustainable development and for ensuring that the work is run in a coordinated, resource-efficient, well integrated way throughout the Group. Each business area has a coordinator responsible for sustainable development.

Sustainability analyses

Lantmännen's operations have made varying progress in their work

on sustainable development. To create a corporate platform, sustainability analyses are being carried out within all operations in 2005/2006. The analysis will bring out strengths and weaknesses, as well as threats and opportunities, in relation to the vision of a sustainable Lantmännen, thereby creating basic data for performance indicators, target formulations, management systems and for prioritising activities.

Corporate cooperation

The work on sustainability analyses creates a collective language within the Group and is also an important foundation for various collaborative projects. Projects for making energy usage more efficient and for converting to renewable sources of energy are being led and followed up by Lantmännen Energi. The equivalent applies to logistics projects, which are being led by the corporate logistics function. Working parties have also been established to find corporate positions on issues such as GMOs and society's biological waste products, such as sewage sludge.

Code of conduct

Lantmännen has developed into an international Group with a presence in 19 countries and with sub-suppliers from many more. Historically, the operations and companies have worked in a highly independent way but, in 2005, a comprehensive transformation of the organisation was implemented with the purpose of creating a distinct Group. A major brand project has been introduced and, in 2005, the Board took decisions on collective Group policies. Internationalisation and the new organisation create many opportunities but require effective tools that take into account differences in operations, culture and legislation. Preparations are being made to draw up a code of conduct, to guarantee that the policies are applied both in-house and by suppliers, and to ensure that all operations are imbued with the Lantmännen values.

Camilla Välimaa, Sustainable Development



Health-oriented leadership

Lantmännen's operations affect people's opportunities to meet their fundamental needs. It might be a matter of good health, participation at the workplace, safe products and sound foods. Lantmännen has an important role to play in society and the economy, not just as an exciting business partner and instigator but also as an attractive employer.

Lantmännen's strategy and initiatives within the employee field form the most distinct area within social sustainability. Creating a human resources function (HR) was one of several far-reaching processes of change within the Group, initiated in 2005. Previously, there was only sporadic cooperation between different units. The major changes currently facing the Group require collective processes and a shared view of several issues. Within the HR function, there are four principle areas: skills & management supply, employer issues & support, compensation & remuneration, as well as business development.

Surveys provide 'insikt' insight

As a tool in Lantmännen's process of change, comprehensive surveys were carried out in 2005, in which customers, owners and employees were able to provide feedback and award ratings to the business. The survey, in which participants included around 8,000 employees, of whom the majority were in Sweden, Norway and Denmark, has provided solid knowledge about the way owners, employees and customers view Lantmännen's business.

Our financial profits, analysis of the world around us and the results of the owner, customer and employee surveys have given us profound knowledge of our current position. Lantmännen's vision applies to the long-term objective. One of the required positions by the year 2009, is to have a sound work environment that promotes development, and employees who are proud of belonging to the Group.

The Lantmännen Health Academy

The term social sustainability also covers concentrating on the employees' health. The unique competence that the company possesses after its many years of experience in research, dietary advice and collaboration with Nordic elite athletics, will form the foundation for a corporate health programme for the whole of Lantmännen. In 2005, the first overall corporate health work started with a collective company health programme and the Lantmännen Health Academy. The investment, which is based on the cornerstones of food, exercise, mental training and education, has been started up by the health coaches who will be present at all of Lantmännen's operational locations. One first task is for the health coaches to map out the various workplaces in terms of diet and exercise, and also to propose alternative food experiences and to pass on tips about exercise.

Many women at the top

Despite the marked increase in the number of women in the corporate management, with five women and seven men, the Group is still a male-dominated organisation, currently having around 30 per cent female and 70 per cent male employees. The work on diversity is a strategic issue, concerning the supply of competence and profitability in the long term. In a first step, endeavours are being made to get more women into the organisation and, in parallel with this, also to start discussions on increased cultural diversity also.

Long-term supply of competence

One element in ensuring the supply of competence in the long term is the corporate trainee programme, in which 15 young academics are to be given the chance to discover the Group and the opportunities it can provide. Recruitment will start in spring 2006 in Sweden and Denmark.

Elisabeth Wallin Mononen, Human Resources





Lantmännen's vision

We make the best of the soil and offer all opportunities for a sounder life

We want to contribute to a good society for everyone to live in, a society in which we make responsible use of the Earth's power to feed us and keep us warm. And a society in which we develop thriving agriculture to benefit present and future generations.

We shall make healthy eating possible for us all without having to sacrifice our enjoyment of food or quality of life. It shall be easy and safe to choose good food for everyday life and for special occasions.

Sweden constitutes the basis of our business operations – the world is our marketplace. Our capacity to work and promote development from farmland to table has made us, and our brands, internationally famous.



Lantmännen is the farmer's partner in all areas of production, from seed and cultivation, to logistics solutions and machinery. Lantmännen's research and creative product development creates the foundations for sustainable agriculture.

Farm & Cultivation

Business areas: Svalöf Weibull, Lantmännen Anläggnings- & Lanbruksmaskiner, Lantmännen Lantbruk, Lantmännen Invest.

Home & Leisure

Business areas: Svalöf Weibull, Lantmännen Granngården, Lantmännen Invest.



People are investing more and more in their homes and spending quality leisure time, close to animals and nature. With companies in the fields of horticulture, wholesome petfood and the Granngården chain of shops, Lantmännen is leading a growth market.



Strong brands and innovation are what characterise Lantmännen. Producing wholesome, good food, making it available for people in their everyday lives, is one of Lantmännen's most important tasks.

Foods

Business areas: Lantmännen Mills, Lantmännen Axa, Lantmännen Unibake, Lantmännen Kronfågel, Lantmännen Invest.

Development & Renewal

Lantmännen is developing the energy and wholesome foods of the future. Successful research, innovative development of products and services together with Lantmännen's organisation that works closely with its customers, creates added value and confidence in all areas, from grower to consumer.

Energy

Business areas: Lantmännen Energi.



Lantmännen has a key role to play in the transformation of the energy sector. Bioenergy and renewable fuels have great developmental potential now that society is reducing its dependency on oil.



Farm & Cultivation

Agriculture and the food industry are being affected more and more by the successive expansion of the EU and free trade globally. Grain acreage in Sweden has decreased by nine per cent as compared to 2004, according to Sweden's Board of Agriculture, and there is also a clear trend towards diminishing volumes in livestock production. To meet this challenge, Lantmännen has initiated the 'Blue Light' project – its most comprehensive structure project yet.

The 'Blue Light' project is all about retaining a competitive grain business where one of the objectives is to increase paying power to farmers by SEK 0,10 per kilo for grain. In the long-term, Lantmännen has decided to continue operating 15 out of a total of 92 grain facilities. A further ten plants will be retained for between two and four more years.

In autumn 2005, 20 meetings were held with owners/farmers, to create knowledge and hold discussions about future changes. More meetings will be finalised in spring 2006. One of the major challenges is to find efficient logistics solutions. The consequence is going to be expanded storage capacity at farm level and more direct deliveries to customers. Lantmännen has therefore started an on-farm collection project with the objective of giving the farmer a good decision-base ahead of future changes and investments.

The requirements for environmental improvements and animal welfare are, in many respects, more ambitious in Scandinavia than in other countries.

Lantmännen participates in several different education projects, such as 'Greppa Näringen' (Grasp the Nutrients) in Sweden, which is taking place in collaboration with the Federation of Swedish Farmers.

'Greppa Näringen' is giving farmers knowledge about converting strictly specified requirements into production advantages and added value for the consumer in the form of even better food.

Developing seed and plant varieties

Lantmännen's commitment to the development of more sustainable agriculture starts with the plant breeders at Svalöf Weibull. It takes between 10 and 15 years to develop a new variety. Svalöf Weibull has the leading-edge skills that cold-climate



For more information, see pages 44-45.

Business area/ Company	No. of employees	Women	Men
Svalöf Weibull	636	226	410
Lantmännen Anläggnings- & Lantbruks- maskiner	1698	169	1529
Lantmännen Lantbruk	1125	103	1022
Lantmännen Invest			
Lantmännen BioAgri	11	6	5
Lantmännen Bygglant	48	5	43
Lantmännen SweHatch	53	25	28
Lantmännen SweChick	25	10	15



“An important challenge for Svalöf Weibull’s plant breeders is the acceleration of climate change”

agriculture needs for developing seed and plant varieties.

Plant breeding improves characteristics so that varieties with features such as high yields and improved resistance to disease are developed for agriculture. Improved resistance to disease can reduce the need for plant protection agents. Great emphasis is also placed on characteristics that are important for the end user, such as wheat varieties that produce good flour for bakeries or malting barley that works well in breweries. It is important that a new variety is grown under optimum conditions and with the right cultivation techniques. This is why experiments are carried out into cultivation techniques, as a basis for Lantmännen’s agronomic recommendations.

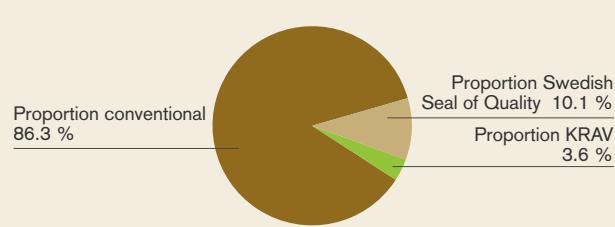
An important future challenge for Svalöf Weibull’s plant breeders is the acceleration in climate change. Preparations have been made for this change, in the form of broad genetic variation in the plant breeders’ material. There is still some uncertainty about how the climate will change in Scandinavia.

Seven to eight billion Swedish Kronor

Seven to eight billion Swedish Kronor – that is the size of the global market for chemicals used for impregnating (treating) seed. A market that is completely dominated by multinational chemicals companies but in which the Lantmännen subsidiaries, BioAgri and SeedGard, are in the process of becoming established.

Environmentally-adapted grain in Sweden

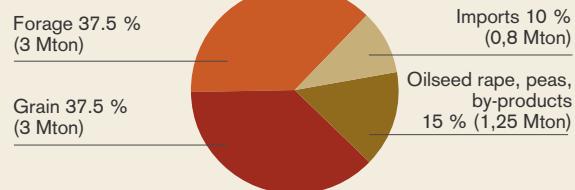
During the year, a total of 2,100,000 tons of grain were weighed in Sweden within Lantmännen Lantbruk. KRAV defines the criteria for organic grain cultivation in Sweden. The Swedish Seal of Quality guarantees production that lives up to specific requirements for quality, environmental responsibility and the open Swedish countryside.





Lantmännen BioAgri sells and develops products based on naturally occurring micro-organisms. One treatment agent, Cedomon, has already been launched and another, Cerall, is on its way. In 2005, work with the national registration authorities was time-consuming and, next year, marketing work will be placed more at the forefront of activities.

On 13 September 2005, the world's first ThermoSeed plant was inaugurated at Lantmännen in Skara. ThermoSeed is a new method in which seed is treated efficiently using warm, moist air instead of chemicals – and is a major step in the direction of sustainability. It has been developed in a partnership that includes Lantmännen and researchers at SLU (the Swedish University of Agricultural Sciences). The commercialisation of the ThermoSeed method is being run by SeedGard. In six years, 170 field trials have



Feed for Swedish animals

Swedish livestock consume around 8 million tons of feed per year, split into 3 million tons of forage and 5 million tons of concentrates. Up to 85 % of the concentrates (composed of ingredients such as grain, oilseed rape, peas, by-products of food and biofuel production, and soya) are of Swedish origin. Only 10 % of the total volume of feed consumed annually has been imported. The feed industry produces around 2,1 million tons of overall feed consumption, the remainder is produced directly on the farm or is made up of by-products from industry.

been carried out in seven countries with very good results. For several years, Lantmännen has been investing in the development of alternative methods of insect control. During this work, the mechanical pine weevil protection system, Conniflex, was invented. Every year, gnawing by pine weevils costs the Swedish forestry industry millions of Swedish Kronor. In order to reduce the use of chemical pesticides, therefore, the Sveaskog and Svenska Skogsplantor forestry companies acquired Conniflex from Lantmännen in 2005.

Flexible part-time agriculture

Modern, flexible buildings are essential to the part-time farmer. The farm work must not be allowed to take up too much time and it has to be possible to use the buildings for several different purposes, from organic pigs to storage for veteran cars. In the Jämtland region of Sweden, Lantmännen's consultancy company and total contractor, Lantmännen Bygglant, has been working on a project in which several farmers have invested in modern buildings for livestock. Coordination and joint purchasing resulted in costs being significantly reduced. Lantmännen Bygglant also develops buildings that are very energy-efficient and farm heating systems using local raw materials as fuel.

More efficient transportation

Lantmännen is one of Sweden's largest purchasers of transportation services. Within Lantmännen Lantrbruk, the logistics business is responsible for the Logistics Centres and for the procurement of transportation services. They actively work together with other operations such as the animal feed business in order to make transportation more efficient. Computer-based systems for route planning and amended pricing and delivery terms have resulted in transportation that is more cost-effective and more environmentally friendly.

Sustainability work operates with each individual supplier of transportation services by means of joint action groups. One of the objectives is for all drivers to have attended a training course in environmentally-adapted driving methods by the year 2007.

Unique use of by-products

To reduce dependency on imported soya for feed, a project is being carried out within Lantmännen, utilising skills from many areas of the Group, to increase the use of Swedish feed ingredients. Among the areas being targeted in this work is the use of by-products from the manufacture of ethanol, starch and RME. The nutritional requirements of the animals can thus have an influence on the design of facilities such as a new ethanol factory.

In parallel with this project, Lantmännen is working with other purchasers in Europe to hasten the transition to more sustainable production of soya in South America. In Scandinavia, sustainable development within agriculture is usually a matter of production methods, but in places such as South America other aspects also come into play. Low wages, corruption and a lack of monitoring by the public authorities create environmental and social problems.

To avoid incorrect feeding and therefore to save resources for farmers as well as reducing the environmental impact of substances like excess nitrogen, Lantmännen is also working on information and education. Another part of the feed business is working on

efficiencies – for example, the feed factories are participating in PFE (programme for energy-efficiency in energy-intensive industry) and in 2006 will be gaining certification for its energy management systems.

Risk assessment

To increase feed and food safety and to prevent health hazards, Lantmännen is working with a risk management system, HACCP (Hazard Analysis and Critical Control Points).

HACCP involves a risk assessment (HA) of the production process. This identifies critical control points (CCP) that have to be complied before the product is allowed to go further in the production chain, from the purchase of raw materials to delivery.

Since the 1980s, Lantmännen has been working in compliance with the HACCP principles as regards the risk of salmonella contamination in animal feed. The control programme will be extended to cover risk assessments throughout the production chain, from the purchase of raw materials to delivery.

Sustainable cultivation systems

Breadth and renewal are two important preconditions for



Lantmännen's continued development of sustainable cultivation systems on an increasingly internationalised market with intensive competition and more highly differentiated requirements from the processing industry. Lantmännen is therefore working on several different concepts for contract cultivation systems that are oriented towards ecologic sustainability and quality. Examples of this in Sweden are KRAV and the Swedish Seal of Quality, and in Denmark Natur+ and Økologiskt Statskontrollert. The grain



division's three new business concepts: Lantmännen Premium, Lantmännen Organic and Lantmännen Standard were launched in 2005 to meet the various specifications of the processing industry with regard to economics, quality and environment.

Premium contains various options for contract cultivation, tailored for customers with far-reaching requirements for technical quality, food safety, traceability, documentation and environmental adaptation. Examples of Premium contracts include Premium wheat starch and oilseed crops, plus IP Sigill (Swedish Seal of Quality).

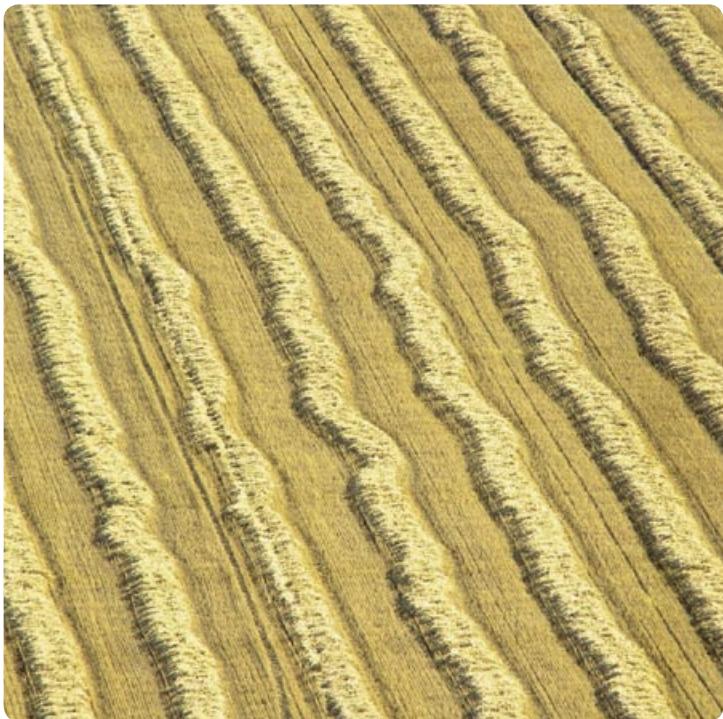
Lantmännen Organic is an internationally viable concept, produced in accordance with the regulations for KRAV. Organic cultivation involves the use of no chemical pesticides. Lantmännen is a relatively major player in organic grain in Europe. The organic grain produced by Swedish farmers finds markets in Sweden and in the rest of Europe as well as in the USA.

A reliable weather forecasting service is crucially important to farmers, to reduce the risks of overdosing with plant protection agents and to optimise the distribution of nutrients on the fields.

Using Lantmännen's Lantbruksväder (Farming Weather) service, the farmer can choose between three different ways of obtaining a forecast: by Internet, telephone or SMS. In spring 2006, a series of innovations are being introduced, above all within the services that can be obtained via the Lantmännen website (Lantmännen Direkt), examples are a new improved five-day forecast.

Efficient use of machinery

Lantmännen has extensive sales of agricultural and construction machinery. Swecon Anläggningsmaskiner, which has the agency for Volvo construction machinery, and Lantmännen Maskin, whose range includes tractors from Fendt and Valtra, is working on developing its servicing business. Advice to customers is one of the most important factors, both economically and environmentally. The machines are becoming fewer, larger and more and more technically complex. At the same time, customer requirements for accessibility are increasing. Each new machine is used for considerably more hours per season than previously, which increases the requirements for quick, competent servicing.



How well Lantmännen succeeds with its structural rationalisation will be crucial to opportunities for retaining initiative and power in the development of new concepts for ecologically and socially sustainable cultivation systems.





Foods

Interest in health and food safety is increasing while health problems are spreading. Stress-related illnesses are on the increase. Excess weight is another growing problem, not least among children and the youth of today. Eating habits have a huge impact on our health. How, when and what we eat has a significant impact on our wellbeing. Producing wholesome, good food, making it available for people in their everyday lives, is one of Lantmännen's most important tasks.

In recent years, the concept of health has been expanded. Certain people see health as inner harmony and a richly spiritual life. Others associate it with exercise, and others immediately think of wholesome food and products that contain less fat and sugar.

The challenge of capturing the good moments in life, doing things together, is what lies behind the 'Big Bake Day' in Denmark. Lantmännen is one of the companies behind the project that succeeded in getting 23 per cent of all families with children in Denmark together in the kitchen for one day.

Physical activity and good food are important basic conditions for children growing up to be healthy, strong individuals. Lantmännen has been contributing for many years to increasing knowledge about diet, exercise and health, and gives inspiration for a sound lifestyle.

Some examples of this are:

Maxa med Axa, (To the Max with Axa) a project in which Lantmännen, in collaboration with the Swedish School Sports Association, wants to establish new patterns of thinking about how to work with food in schools. In 2005, 27,000 5th year pupils took part in a multi-event competition with an athletics section and a food skills section.

Axa Sports Club focuses its attention on the importance of diet to people involved in sport. Within a short time, Axa Sports Club has grown into one of Scandinavia's largest and most attractive sports associations, and collaborates with world-class athletes stars like Peter Forsberg and Susanna Kallur.

Uppladdningen (Energising) is a project on which Lantmännen has been working for 20 years, with specially-adapted dietary advice, recipes and nutritional



For more information, see pages 44-45.

Business area/ Company	No. of employees	Women	Men
Lantmännen Mills	864	240	624
Lantmännen Axa	2906	787	2119
Lantmännen Unibake	1489	618	871
Lantmännen Kronfågel	1529	777	752
Lantmännen Invest			
Lantmännen Analycen	435	120	315
Lantmännen Reppe	61	10	51
Lantmännen Solanum	40	11	29
Lantmännen AS-faktor	2	1	1



“The Axa breakfast team with its breakfast ambassadors are in schools in Norway”

science directly linked to athletic performance.

The project is aimed both at people exercising and at competitive athletes. Among other things, there is close collaboration with the Swedish national cross-country skiing team. The good experience gained from Uppladdningen has been carried forward to Norway, where the project has been running for two years.

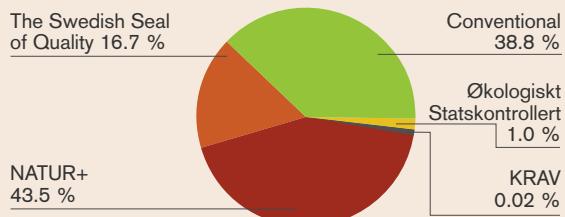
Lilla uppladdningen (Junior Energising) is an activity aimed at children aged between nine and twelve, dealing with the body, exercise and food. The purpose is to help children learn about their

bodies, to be stimulated into movement and to gain knowledge about the importance of preparing and eating good food.

The Axa breakfast team with its breakfast ambassadors are in schools in Norway, where Lantmännen is educating young teenagers. In 2005, Lantmännen introduced its new product line, Axa Balance, comprising items including pasta, bread, muesli and ready-meals. In conjunction with this, Lantmännen introduced a partnership with Master Training in which they are jointly opening a new fitness centre in 2006, Balance with Axa, in Stockholm.

Environmentally-adapted baker's flour

KRAV and Økologisk Statskontrollert define the requirements for organic flour in Sweden and Denmark. The Swedish Seal of Quality guarantees a production system that lives up to specific requirements for quality, environmental responsibility and the open Swedish countryside. Natur+ is a Danish quality and environment concept that prohibits the use of straw-shortening agents, among other things.





The new products will be sold at the fitness centre and Axa is contributing with on-site nutrition experts and dieticians.

Growing interest in locally-produced

The major trend in retailing is that companies are becoming larger and more international. The retail chains exercise severe pressure on prices on their suppliers. The retailers own-brand goods are increasing – a development that is leading to the origins of the ingredients becoming anonymous. In most cases, there are minimum

European requirements for the raw materials used in own-brand goods, which apply to quality, health and environment.

To counteract the low-price trend, the anonymity of the food and the hunt for original ingredients from exotic countries in recent years, there is a growing interest in foods that have been produced locally. Leading food designers are looking for origins, and often start collaborative projects with local producers. In several countries outside Scandinavia, independent shops selling locally-produced foods are growing into larger chains.

Lantmännen's principal supply of raw materials and production is in markets that are often subject to stricter animal welfare and environmental legislation than most other countries. Lantmännen brings that knowledge and tradition along when its operations are internationalised.

At the forefront of foods research

Lantmännen's familiar and traditional brands undergo constant development. Every year sees a thorough renewal of Lantmännen's product range within the foods area. In recent years, the growth and renewal has largely involved wholegrain.

For several years, Lantmännen has been financing groundbreaking research around wholegrain. There is a special industry body that reviews and approves statements concerning foods. Three years ago, Lantmännen was given approval to communicate the following: 'wholegrain reduces the risk of heart disease'.

In a comprehensive research programme, introduced in 2004, researchers in Uppsala and Umeå are involved in investigating the mechanisms that are assumed to lie behind the positive health-promoting properties of wholegrain. The research will be of significance to the development of new products with more clearly documented health properties and will contribute to making it possible to retain the positive properties during processing, cooking and storage.

Lantmännen was the first to launch wholegrain pasta, which has rapidly become a healthy everyday option for many people. Sales of wholegrain bread are also increasing strongly.

Wholegrain bread need not mean dark bread. Mild whole-



grain, white wheat, comes from a variety of wheat whose entire kernel is white. Wholegrain bread baked using white wheat can therefore be light in colour, despite it containing more fibre, vitamins and antioxidants than bread from sifted flour.

Lantmännen has a successful, long-term strategy for research and development in the food area. One example of this is the financing of research into the way different products affect the blood sugar balance, which was initiated as early as 1990. This is now generally known as GI, the glycemic index. Lantmännen is the only company in Sweden with approved products that promote the GI message.

Another research project, operated in conjunction with Sweden's National Food Administration, involves folic acid, a B-group vitamin that can minimise the risk of children being born with spina bifida. The research is into whether – and in such case how – products can be enriched with folic acid.

New brands

GoGreen is one of Lantmännen's new 'healthy-eating brands'

"Lantmännen is the only company in Sweden with approved products that promote the GI message"

which have quickly become established on the market. The range, which is vegetarian, contains everything from nutritious basic foods and wholesome dairy products, to exciting ready-to-eat meals.

Gooth! is a chain of shops with a concept that is entirely based on the consumer's desire for more wholesome, tastier and less expensive meals. Lantmännen began to develop a production method for fresh ready-to-eat meals in 2001. It is based on microwave-based technology that makes a high quality and safe product possible. A shelf-life of 20-25 days is possible thanks to a considerable reduction of oxygen inside the pack. In turn, that counteracts the development of bacteria. Using this technique as a foundation, the Operakällaren restaurant in Stockholm was commissioned to develop a menu for ready-meals in which the raw ingredients, as far as possible, come from Swedish farms and producers.

Kronfägel is a well-known brand that is now part of the Lantmännen Group. Lantmännen Kronfägel is Scandinavia's leading producer of foods based on chicken. The international situation is being characterised by much discussion about bird flu. Sales dropped in certain countries in southern Europe by just over 30 per cent in 2005.



Lantmännen Kronfågel has a comprehensive programme for traceability and inspection that is audited by an independent party, a certification body. Traceability in the chain leads back to the breeder – in addition, there is documentation for all chicken going back several generations. The Lantmännen Kronfågel programme for animal welfare and actions to prevent salmonella are unique in an international perspective. The requirements specified for imported chicken – for example, from Brazil and Thailand – differ considerably from Lantmännen Kronfågel's quality control. The few inspections that are made on imported chicken can be circumvented if the importer chooses to make seasonings to the chicken.

Modern mill gives logistical advantages

The new mill that Lantmännen Mills is building in the Danish town of Vejle will be Europe's largest and most modern mill. Among other things, the building will lead to less road transportation and an increased proportion of ship transportation, thanks to its proximity to many of the largest customers, access to locally

grown grain and to harbour facilities. The new mill will also fulfil the most stringent requirements for hygiene, food safety and the environment. In 2005, Lantmännen Mills also invested in new railway wagons that have Bra Miljöval (Good Environmental Choice) certification, as an element in motivating more customers to use the railway.

Management systems for quality and inspection

All food production is safeguarded by stringent quality and hygiene requirements. The Group's operations carry out preventive work to eliminate food hygiene health hazards through inspection, management and traceability. For a long time, many different recognised international standards have been used (see page 42). In autumn 2005, a new standard was published, ISO 22000 – a management system for food safety. Certain operations within the Group have already introduced the standard, others are evaluating its possible introduction. Initially, the options for integrating ISO 22000 with other systems are being investigated, for example environment and quality.





Development of sound new products is the precondition for being able to increase the use of ecologically and socially sustainable raw materials.





Home & Leisure

Research now proves what many people have felt for a long time, namely that a walk in the forest and pottering about in the garden reduces stress and sharpens concentration. At Alnarp, Sweden's University of Agricultural Sciences, cross-disciplinary research is now being conducted with occupational therapists, horticulturalists, landscape designers, doctors, psychologists and physiotherapists, creating what are known as therapy gardens to be used as treatments.

In Norway and the UK, there is a tradition of using gardens and nature within social care work. In Norway, they call it 'grøn omsorg' (green care) and gives people with psychological conditions and physical disabilities an opportunity to activities within natural environments.

Interest in these methods, and research within this field, is now spreading throughout the world. Some projects being run in Sweden are the therapy gardens at the rehabilitation clinics at the Danderyd and Sahlgrenska hospitals. Riding therapy has also been proven to be a successful treatment method in the case of psychological illness. When a person rides a horse, there is no option other than to control the horse and one's own body.

In the UK, not surprisingly, it is the dog that is at the centre of this. In London, for example, people who have been on sickleave for a long time can get an allowance to cover expenses for pets.

Sound living with nature, plants and animals

The fact that having close contact with nature and animals enhances the preconditions for healthy, sound living is an important starting point for Lantmännen's operations within Home & Leisure. Here, the Group's breadth of skill from professional growing and animal husbandry will be to the benefit of recreational growers and ordinary pet owners. In several companies, the activities are aimed both at professionals and at ordinary consumers.

Renewal within horticulture

Weibull Trädgård is the leading horticultural company in the Nordic area. As regards seeds, there are two well-known brands: Weibulls and Hammehögs. Weibulls offers a larger range, which is marketed via specialist



For more information, see pages 44-45.

Business area/ Company	No. of employees	Women	Men
Svalöf Weibull	636	226	410
Lantmännen	1021	405	616
Granngården			
Lantmännen Invest			
Lantmännen Doggy	155	50	105
Lantmännen Krafft	19	10	9



“Pet owners are often well aware of ethical and environmental aspects”

stores and horticultural experts. Hammehögs has a basic seed collection, which are sold in outlets such as grocery stores. Weibull Trädgård is leading the renewal within horticultural cultivation and, among its achievements, it took the initiative for the Weibulls Idéhus (House of ideas) project which came to an end in 2005.

At Hammehög, behind two-metre-high grass walls, eleven unique garden rooms were on display, totalling 3,000 square metres. The latest features in gardening were introduced here. New material and imaginative compositions, installations, new items in ground cover and planting, garden tools, garden design and naturally its own innovations. This year, Weibull Trädgård is focusing instead on having an ‘open house’ and will be providing opportunities to walk around the park and around Scandinavia’s largest flower fields with around 1,500 varieties. Some of Weibull Trädgård’s gardening experts participate in various circumstances when consumers need advice and give a personal profile to the company.

Increased focus on pet health

Lantmännen Doggy produces high quality dog and cat food. Sound raw materials are the company’s foremost competitive edge. Pet owners are often well aware of ethical and environmental aspects when they choose food for their pets. Overweight pets are a growing problem. The trends in petfood product development follow those we see within human foods, including the development of ‘light’ products. In 2005, Lantmännen Doggy was the first

company in the world to introduce moist cat food in Tetra Recart packaging. The new pack has several advantages as compared to the old can. It is lighter to carry home, it is resealable and takes up less space in waste treatment facilities since it can be folded up. The square shape of the pack also makes for considerably more efficient transportation.

Interest in horses on the increase

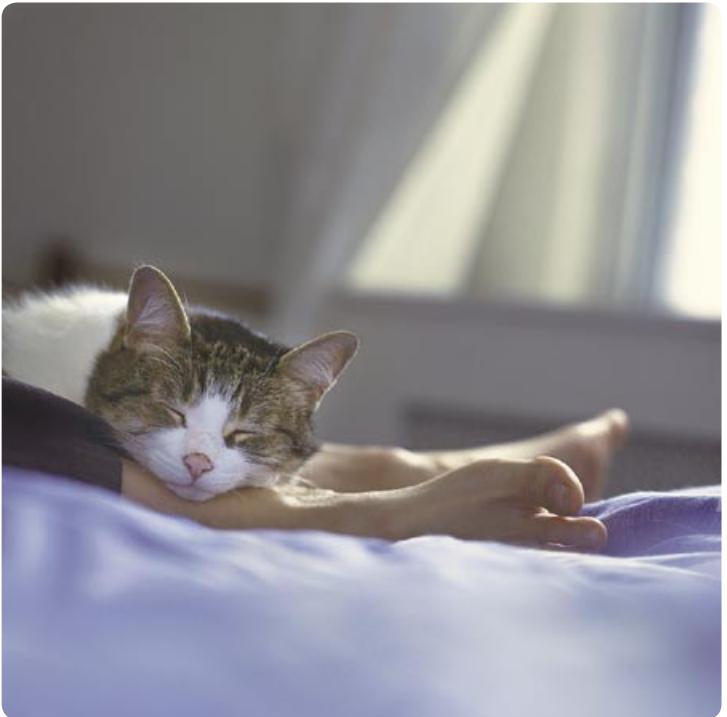
Business and leisure operations that are based on Sweden’s 280,000 or more horses form a large and growing sector. 28,000 people are occupied in breeding and rearing, livery stabling, pony trekking, children’s riding, trotting and horses as a hobby. The Lantmännen product range satisfies most of the demands of horse enthusiasts, from riding equipment, to feed from Lantmännen Krafft, which has long been based on high-fibre, sound Swedish raw materials.

For consumer and professional

Lantmännen Granngården is a nationwide chain of shops with 116 of its own and 55 distributor shops with ranges of goods within the areas of agriculture, pet food and gardening. Sales of bioenergy are on the increase, as are those of several environmentally-adapted products, such as lubricants, cleaning products and garden fertilisers. The Lantmännen Granngården operation, Park & Mark (parks and landscaping) is aimed at companies and local authorities. Lantmännen’s expertise within cultivation is the base for a unique expertise in landscaped areas and its clients include several golf courses.



There is increasing demand from consumers for closeness to animals and nature. The challenge is to use the Group's professional experience in cultivation and animal husbandry to offer an ecologically and socially sustainable range of products and services.





Energy

The four warmest years since records began to be introduced at the end of the 19th century are 1998 and 2002 to 2004. In the 20th century, the Earth's average temperature rose by approximately 0,6 degrees Celsius. Measurements also show that carbon dioxide levels in the atmosphere to date have increased by 30 per cent in comparison with the period before industrialisation.

Changing the energy sector to a sustainable course, to break the dependency on oil and reduce the greenhouse effect, is a challenge that requires collaboration between different areas of society. In autumn 2005, Sweden's Prime Minister, Göran Persson, appointed a commission with the task of 'acting in an advisory capacity and supporting the government by indicating routes to markedly reduce Sweden's dependency on oil by the year 2020'. Together with eight other persons, Lantmännen's President and Chief Executive Officer, Birgitta Johansson Hedberg, is a member of the new commission.

A growing proportion of domestic sources of energy are forming the basis for increased price stability, more secure supplies and reduced dependency on long-distance transportation. Energy production from farmland is providing many new business opportunities for

agriculture and the process industry. It provides an open countryside – a prerequisite for recreation and leisure – and makes it possible to have a more varied rotation of crops, thereby also supporting development towards more sustainable food production.

The potential for growing energy crops on farmland is extensive. In Sweden, only about two per cent of farmland is currently used for energy. If the land currently lying fallow, along with the land that corresponds to export grain, were to be used for energy, we would achieve about 20 per cent. There is also a major potential for development within crop technology and breeding. If positive market developments continue, then around 30 per cent (or 1 million hectares) of Swedish arable land could be used for the production of energy crops by around 2020.



For more information, see pages 44-45.

Business area/ Company	No. of employees	Women	Men
Lantmännen Energi	23	6	17
Lantmännen Agroetanol	42	4	38
Lantmännen Agroenergi	135	26	109
Lantmännen Agrovärme	15	4	11



“Agrodiesel 15 contains 15 per cent of bio-based products”

By-products into energy

One area that could be developed is the increased utilisation of by-products from agriculture and food production. There are large volumes that could be used more efficiently than currently, primarily for heating. At present, a fairly small proportion of straw, husks, bran and other dry by-products of agriculture are used for producing heat. Primarily at farm level, but also in district heating plants. The potential is considerable, around seven to eight TWh. Converted to electricity and heating in modern combined power and heating plants, this corresponds to the energy consumption of approximately 300,000 residential households. Lantmännen's target is to become one of the leading heat distributors from small and medium-sized thermal power plants. Lantmännen owns and runs 17 thermal power plants. The latest addition is Skurup's district heating plant in Skåne, which is fuelled by straw and is supplied with straw by local farmers.

Traditional agricultural crops

The traditional agricultural crops like grain and oilseed crops and, in the long-term, also sugar beet, are excellent raw materials from which to produce energy – primarily biofuel. There is considerable interest from individual farmers in these alternatives, since energy production based on the traditional crops provide the opportunity to utilise existing equipment and skills, and to improve crop rotation.

RME – rape methyl ester

RME, rape methyl ester from oilseed crops, is a product that will increasingly come to complement and replace ordinary fossil diesel. On the Continent, RME is an established product but development in Sweden has been dragging behind. The reasons for that include limitations within tax and environmental regulations. Lantmännen currently produces and markets a fairly small volume of RME. Against a background of an anticipated strong increase in the market over the next few years, Lantmännen Energi is building an RME production facility in Karlshamn with a capacity of 45,000 cubic metres. It is being brought into operation for summer 2006 and it is planned that a second stage will double capacity.

Biodiesel

Agro Light is a diesel fuel with an admixture of RME. Sales of Agro Light increased during the year from 70 to 77 per cent of Lantmännen's overall diesel sales. To increase the proportion of renewables in diesel fuel, Lantmännen has developed a new product called Agrodiesel 15, which is to be launched in autumn 2006. Agrodiesel 15 contains 15 per cent of bio-based products.

Ethanol

Lantmännen was the first to launch the concept of a low admixture of ethanol in petrol in Sweden, and since 2001 Lantmännen



Agroetanol has been operating a grain-based plant in Norrköping, which produces 55,000 cubic metres of ethanol per year.

Today, all 95-octane petrol in Sweden contains five per cent of ethanol. Sales of cars with engines adapted for driving on E 85, (85 per cent ethanol and 15 per cent petrol) are increasing rapidly. Lantmännen estimates that the ethanol market will increase strongly in Sweden and within the EU, and is planning a new grain-based plant, more than double the size of its current one, with operations starting in 2008. The raw material for ethanol production is grain, primarily wheat, but other types of grain are also used. The by-product is a valuable protein animal feed which could reduce the need to import soya.

Special energy crops

Within this field, the cultivation of salix (willow)/energy forests is most widespread. The EU agricultural reforms of 2005 are increasing interest in salix plantations. In total, salix is grown on



around 15,000 hectares in Sweden. Lantmännen's plant varieties is the best that can be had and the export market is growing rapidly. For example, a major biomass fuelled power station is now being built in Scotland. Lantmännen will be a leading supplier and outline agreements for planting around 4,000 hectares have been signed. Lantmännen is also actively working on developing other grain-based fuel products and development work is currently underway in using other energy crops such as canary grass, energy hemp and quick-growing species of tree.

By far the best and most highly developed bio-based products within Lantmännen Agroenergi, are fuels in the form of pellets, briquettes, biomass logs and powder, based on sawmill by-products.

The Swedish market for fuel pellets has doubled since 2002 and continues to show strong growth. In 2005, to make the transition from oil to pellets easier, a domestic concept was launched, in which all equipment, installation, operating controls, commissioning and three years consumption of pellets is included. As one element of an export focus, Lantmännen Agroenergi has also established a new production facility in Latvia in addition to its several production plants in Sweden.

Chemical engineering products

Globally, around ten per cent of oil is used for technical products. Since 1999, Lantmännen has been working on replacing oil-based lubricants, hydraulic oils, cutting fluids and paints with bio-degradable products. In 2005, Lantmännen Energi launched a unique hydraulic oil that has very good technical and environmental values – Mendo Longlife. The development work has been run in conjunction with Uppsala University and Lubrizol, one of the world's leading producers of additives for oil. Another example is ethanol from grain, which also has a good chance of becoming a basic raw material for the production of items such as plastics.

Company car policy

Lantmännen's new company car policy means that priority will be given to cars that can run on fuel produced within the Group, containing a high proportion of renewable raw materials.



Energy is the fastest growing business area within Lantmännen. The challenge is to be able to show that energy from our farmland is a strong alternative to imported bio-energy and that its production is based on ecologically and socially sustainable raw materials.



PERFORMANCE INDICATORS

The following is an overview of Lantmännen's work on performance indicators. Certain operations are in an introductory phase while others have made greater progress and can report more details. A green symbol indicates a positive outcome, a yellow symbol indicates unchanged and a red symbol a negative outcome. Sensitivity is three per cent. A blue symbol shows that the control figure is new for the year and that there is therefore nothing to compare it with.



Farm & Cultivation

Business area	Performance indicators	Comments	Results	Outcome
Lantmännen Invest (Lantmännen BioAgri)	Use of biologically treated seed	No. of hectares sown with biologically treated seed continues to increase, by 9 % in 2005. The increase is expected to continue in line with the product being approved for use in several countries.	2005: 300,000 ha 2004: 275,000 ha 2003: 240,000 ha	
Lantmännen Lantbruk	Proportion of alternatively treated seed	The increase in 2005 is due to the plant breeding division's conscious management to ensure the use of biological treatment with Cedemon, wherever possible. A further increase is expected because of the new items, Cerall and Thermoseed (heat treatment of seed).	2005: 42 % 2004: 35 % 2003: 25 %	
	Cadmium in mineral fertiliser	The content of cadmium in phosphate fertilisers continues to diminish in 2005 also. The reduction of 25 % is a result of the plant breeding division's purchasing policy.	2005: 4.7 ppm 2004: 6.3 ppm 2003: 8 ppm	
	Energy efficiency seed facilities	The reduction in energy usage, by 20.5 %, at the plant breeding division's seed facilities is mainly due to optimisation of energy-intensive work with surplus goods and compressed air powered conveyors.	2005: 84 kWh/ton 2004: 106 kWh/ton 2003: 101 kWh/ton	
	Proportion of environmentally-adapted fuel - trucks	100 % of the logistics division's trucks are powered by electricity or environmentally-adapted fuel, such as Agro Light.	2005: 100 % 2004: 89 % 2003: 35 %	
	Proportion of environmentally-adapted fuel - lorries	New control figure for 2005 as part of the logistics division's work to promote increased usage of alternative fuels for road transportation.	2005: 7 %	
	Proportion of Swedish Seal of Quality grain	The demand for Swedish Seal of Quality grain has decreased. A total of 2,100,000 tons of grain was weighed.	2005: 10.1 % 2004: 13.3 % 2003: 13.1 %	
	Proportion of KRAV grain	The proportion of KRAV-approved grain bought in is unchanged, on the whole, in comparison with 2004. A total of 2,100,000 tons of grain was weighed.	2005: 3.6 % 2004: 3.5 % 2003: 2.7 %	
	Energy efficiency – feed production	There has been a minor deterioration in energy efficiency in 2005. During the year, energy efficiencies have been implemented, meaning that the energy consumption, per calculated ton, has not increased appreciably despite the fact that the volume produced has reduced.		

Business area	Performance indicators	Comments	Results	Outcome
Lantmännen Lantbruk	Transportation efficiency – bulk feed	There has been a minor improvement in comparison with the previous year. The reasons for this include the development of route optimisation programs and structural rationalisation in agriculture.	2005: 1.22 tons/10 km 2004: 1.20 tons/10 km 2003: 1.15 tons/10 km	
	Origin – feed raw ingredient	The proportion of Swedish raw ingredients increased marginally in comparison with 2004. 55 % of feed ingredients are Swedish. Of the volume remaining, 24 % come from the rest of the EU and 21 % from countries outside the EU.	2005: 55 % 2004: 54 % 2003: 55 %	
	Waste oil collection	The reduction in the volume of waste oil gathered is probably due to a decrease in the developed requirement to dispose of waste oil this year as compared to previous years. In addition, collection of waste oil is carried out via Lantmännen Maskin workshops. These volumes are not included in the result.	2005: 421 m³ 2004: 560 m³ 2003: 660 m³	



Foods

Business area	Performance indicators	Comments	Results	Outcome
Lantmännen Mills	Environmentally-adapted grain raw material	Customer demand for environmentally-adapted grain raw material diminished by approx. 12 % during 2005.	2005: 28 % 2004: 32 % 2003: 30 %	
	Energy efficiency	The efficiency corresponds to 7 % and is due primarily to the fact that production has become more optimised, partly because production at Ringsted in Denmark has been moved to other plants.	2005: 0.18 MWh/ton 2004: 0.19 MWh/ton 2003: 0.19 MWh/ton	
	CO ₂ emissions-production	The reduction in carbon dioxide emissions per produced ton is due primarily to a new biofuel plant in Järna, Sweden.	2005: 16 kg/ton 2004: 32 kg/ton 2003: 34 kg/ton	
	CO ₂ emissions via transports	The volume of carbon dioxide emissions per ton of transported product is unchanged from 2004. The transports relate to deliveries from our plants to the customer.	2005: 8 kg/ton 2004: 8 kg/ton	
Lantmännen Axa	Proportion of environmentally-adapted flour raw material	The proportion of environmentally-adapted flour raw material is defined here as raw material approved in compliance with the Swedish Seal of Quality, KRAV, Økologiskt Statskontrollert and Natur+ concepts. The proportion increased marginally by 2.5 %.	2005: 77 % 2004: 75 % 2003: 87 %	
	Energy efficiency	In total, energy consumption has reduced at all bakeries. However, production levels have been smaller, primarily in Denmark and Sweden, involving a reduction of 3.3 % in energy efficiency.	2005: 0.93 MWh/ton 2004: 0.90 MWh/ton 2003: 0.88 MWh/ton	
	CO ₂ emissions-production	Carbon dioxide emissions per volume produced is largely the same as in previous years. The increase is equivalent to 1.1 % and is mainly due to a reduced production volume in comparison with previous years.	2005: 189 kg/ton 2004: 175 kg/ton 2003: 164 kg/ton	
	CO ₂ emissions-transport	Carbon dioxide emissions from transports for delivering bread have increased by a total of 24.7 %. The increase is due to structural rationalisation in Sweden, which has meant longer transportation distances. Transport efficiency in Denmark and Poland has also deteriorated due to smaller volumes being delivered over longer distances.	2005: 116 kg/ton 2004: 97 kg/ton 2003: 98 kg/ton	

Business area	Performance indicators	Comments	Results	Outcome
Lantmännen Unibake	Proportion of environmentally-adapted flour raw material	The proportion of environmentally-adapted flour raw material is defined here as raw material approved in compliance with the Swedish Seal of Quality, KRAV, Økologiskt Statskontrollert and Natur+ concepts. The reduction of 3.5 % is accounted for primarily by a reduced proportion of Swedish Seal of Quality for reasons such as amended product mixes.	2005: 38 % 2004: 39 % 2003: 52 %	
	Energy efficiency	The improvement of 3 % is due to an increased production volume and lower consumption of energy in total because of an increased focus on energy efficiency.	2005: 1.02 MWh/ton 2004: 1.05 MWh/ton 2003: 1.07 MWh/ton	
	CO ₂ emissions-production	The improvement of 9.7 % is due to an increased production volume and lower consumption of energy in total because of an increased focus on energy efficiency.	2005: 197 kg/ton 2004: 218 kg/ton 2003: 214 kg/ton	
	CO ₂ emissions-transport	Carbon dioxide emissions from transports for delivering bread increased by 15.4 %. Increases in the number of transports has taken place in Sweden, primarily.	2005: 31 kg/ton 2004: 27 kg/ton 2003: 35 kg/ton	
Lantmännen Invest (Lantmännen Reppe)	Energy efficiency	Energy consumption is dependent on how much of a particular product is produced. The most energy-hungry product is strong wheat flour, followed by starch syrup, agricultural alcohol and finally crude alcohol.	2005: 1.7 MWh/ton 2004: 1.7 MWh/ton 2003: 1.9 MWh/ton	
	Proportion of KRAV grain	Production of alcohol based on KRAV-cultivated grain increased during 2005. The reason is primarily increased customer demand.	2005: 2.7 % 2004: 1.5 % 2003: 1.4 %	
Lantmännen Invest (Lantmännen Analycen)	No. of trials that concern sustainable development	Trials constitute a basis for decisions on matters such as the production of safe, nutritious foods, applying fertiliser using the right method in the right quantities, using the right quantity of pesticide, having control over permits in lakes and watercourses. Trials of this type, concerning fields within sustainable development, increased by 18 % in Denmark, Sweden and Norway.	2005: 725,000 2004: 616,000	



Home & Leisure				
Business area	Performance indicators	Comments	Results	Outcome
Lantmännen Invest (Lantmännen Doggy)	Energy efficiency	In 2005 the use of electricity and oil increased by 5.2 %. The increase is due to our starting a new production line at the dry feed factory and one at the preserved food factory, while we also installed a new mill during the autumn. The preserved food factory's Tetra line is quite unique, which has involved many tests and trial runs.	2005: 0.50 MWh/ton 2004: 0.48 MWh/ton 2003: 0.43 MWh/ton	
Lantmännen Granngården	Proportion of environmentally-adapted lubricants	The change during 2005 is equivalent to 36 % and is mainly due to Biosåg. A vegetable saw chain oil based on rapeseed oil, whose sales increased markedly because of the clearance work required after the Gudrun storm. The other part is made up of biological hydraulic oil whose sales have reduced somewhat.	2005: 15 % 2004: 11 % 2003: 16 %	
	Proportion of MPG glycol	MPG is a glycol coolant based on propylene glycol. Because it has been adapted to be non-injurious to health there is no risk of serious poisoning if the product should end up in the wrong hands. Sales have increased in volume but reduced somewhat in relation to total volume.	2005: 11 % 2004: 12 % 2003: 10 %	



Energy				
Business area	Performance indicators	Comments	Results	Outcome
Lantmännen Energi	Production - ethanol	During the year, Lantmännen Agroetanol has been granted a new environmental permit which allows a 10 % increase in production volume. During the year, the process has been optimised further and energy efficiencies of around 8 % have been achieved in the production process.	2005: 55,000 m ³ 2004: 50,000 m ³ 2003: 50,000 m ³	
	Proportion of environmentally-adapted lubricants	The proportion of lubricants comprises hydraulic oils (570 m ³), saw chain oils (350 m ³) and degreasing agents (35 m ³). In total, demand for lubricants increased after the Gudrun storm, but the proportion of environmentally-adapted product diminished. The primary reason for this was that stocks of environmentally-adapted lubricants sold out.	2005: 25.0 % 2004: 26.0 % 2003: 25.7 %	
	Proportion of environmentally-adapted fuel	The proportion of environmentally-adapted diesel, Agro Light, has increased in comparison with 2004. The increase is due to a greater focus on environmental and technical advantages, and on the fact that the price difference compared to normal diesel has been marginal.	2005: 76.6 % 2004: 70.1 % 2003: 68.3 %	
	Plantation - Europe	Little salix is still being planted abroad – Lantmännen Agroenergi sold 1,056 ha in Europe. However, that will probably increase each year in future, as new agriculture and energy policies make a breakthrough.	2005: 1,056 ha 2004: 580 ha 2003: 510 ha	
	Harvested GWh salix chips	Over the year, Lantmännen Agroenergi increased the amount of harvested GWh by 15 %.	2005: 148 GWh 2004: 129 GWh 2003: 202 GWh	
	Internal transportation efficiency	The proportion of diesel in Lantmännen Agroenergi's internal transports has dropped by 5.6 % but not to the extent planned. This is mainly because of delays in the building of new warehouses, which resulted in more extensive handling of finished product.	2005: 1.6 kWh/MWh 2004: 1.8 kWh/MWh 2003: 1.7 kWh/MWh	
	Supplementary energy	In 2005, Lantmännen Agroenergi pellet production increased by just over 20 % to the detriment of briquette production. Pellets are a more highly processed product and require a considerably greater input of electricity. Despite this, the key figure for electricity has not increased - instead the redirection of the range has been balanced by the overall increase in production.	2005: 23 kWh/MWh 2004: 23 kWh/MWh 2003: 23 kWh/MWh	
	Supplied amount of heating from renewable biofuels	In 2005, the increase is, for the most part, due to the purchase by Lantmännen Agrovärme of the straw-fired district heating plant at Skurup. The proportion of renewable energy is equivalent to 93 % of the total heating supplied in 2005.	2005: 200 GWh 2004: 188 GWh 2003: 144 GWh	

Management systems

Our strategy (see page 46) is to approach sustainable operation step by step. The strategy involves our charting, working on and following up important issues within sustainable development.

One important condition for ensuring that everyone within the Group takes joint steps towards sustainable development is that good experience is spread, that opportunities for development of skills and solutions that make efficient use of resources are provided and developed. That obviously assumes clarity concerning visions, policies, guidelines and

issues that are important to control and to adhere to at different levels within the Group. Within certain areas, there are already established tools, such as management systems for environment, work environment, quality and food safety.

Different management systems and standards are used within the Group. Certain of these have certification and other do not.

During the first half of 2006, Lantmännen will be carrying out an in-depth analysis of existing management systems within the Group, to estimate continued development and extend collaboration between different operations.



Lantmännen Agroetanol's plant in Norrköping, Sweden.

ISO 14001 – an environmental management system.

ISO 9001 – a quality management system.

ISO 17025 – quality requirements for competence, measurement and calibration in laboratories.

HACCP – entails risk analysis and critical control points for removing food hygiene health hazards.

DS3027 – Danish standard for handling food safety based on HACCP.

BRC – British Retail Consortium, a technical standard for companies manufacturing branded goods for the retail trade. Among other things, it specifies the requirements for introducing HACCP.

IFS – International Food Standard, a German and French standard for suppliers in the food chain. Among other things, it specifies the requirements for introducing HACCP.

Mandatory certifiable operations requiring permits

Lantmännen operates businesses in Sweden and other countries. The table shows those parts of the Group that operate in Sweden and for which notification reports and permits are mandatory, in compliance with the regulation (1998:899) on environmentally

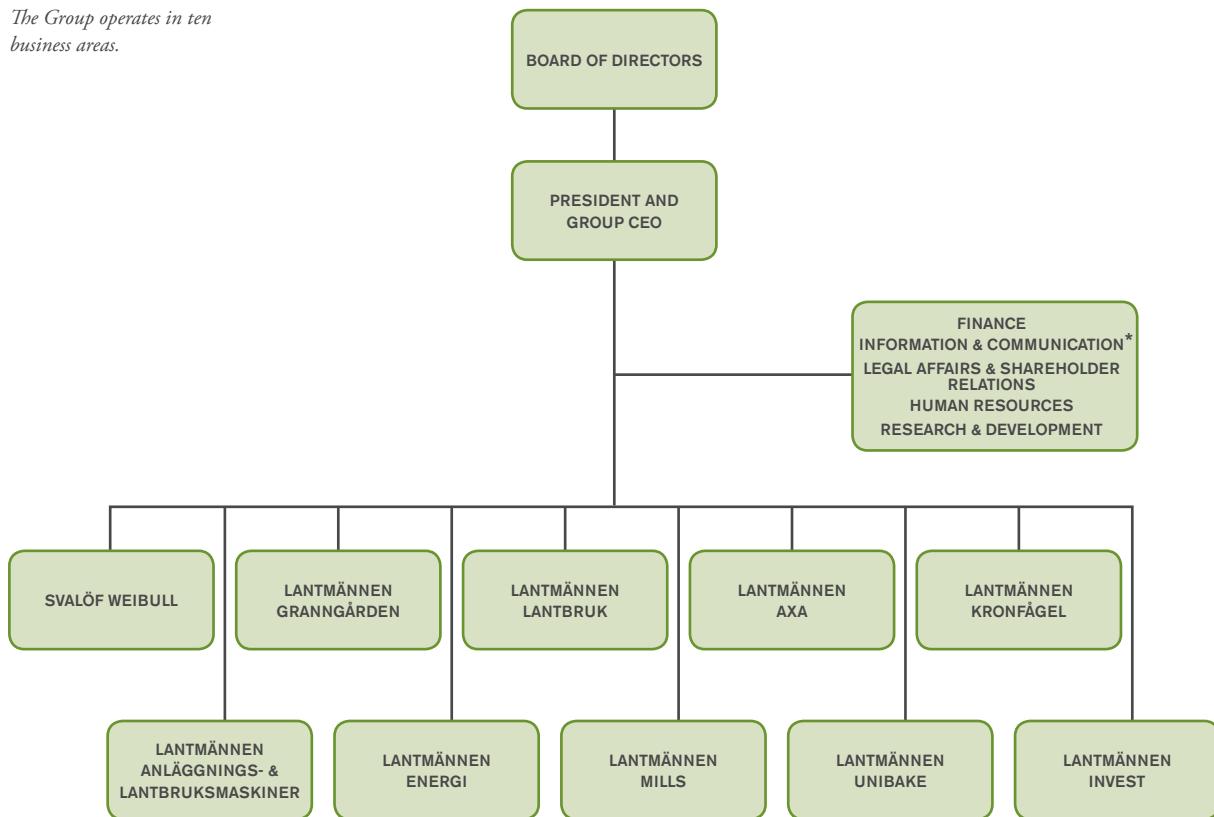
hazardous activities and health protection. The numbers of plants and countries are indicated for corresponding operations outside Sweden. The certifications cover the entire operation in Sweden and abroad, or parts thereof.

	OPERATION	Operations with mandatory report notification (Sweden)	Operations with mandatory report permits (Sweden)	Corresponding operations outside Sweden	OPERATION CONCERNED IN SWEDEN AND OTHER COUNTRIES	CERTIFICATIONS WITHIN ENTIRE OPERATION OR PARTS THEREOF
Farm & Cultivation	Svalöf Weibull	3	4		Greenhouses, laboratories, silo facilities, peat cutting, biological treatment of waste.	
	Lantmännen Lantbruk	47	22		Seed cleaning facilities (5+0), logistics centres (0+2), silo facilities (41+11), feed factories (1+9).	ISO 14001, ISO 9001
	Lantmännen Anläggnings- & Lanbruksmaskiner	22		17	Vehicle washing facilities. Corresponding operation in Germany (13), Estonia (2), Latvia (1) and Lithuania (1).	ISO 14001, ISO 9001
Food	Lantmännen Mills		4	9	Mills, pasta and breakfast cereal production. Corresponding operation in Denmark (4), Norway (3), Latvia (2).	ISO 14001, ISO 9001, BRC/IFS, DS 3027/HACCP
	Lantmännen Axa	6	1	6	Bakeries, food production. Corresponding operation in Denmark (4), Poland (1) and Ukraine (1).	ISO 14001, ISO 9001, BRC, DS 3027/HACCP
	Lantmännen Unibake	2		11	Bakeries. Corresponding operation in Denmark (7), Norway (1), Germany (2) and Poland (1).	BRC/IFS, DS 3027/HACCP
	Lantmännen Reppe*		2		Production of starch products, glucose syrup, gluten and ethanol.	ISO 14001, ISO 9001
	Lantmännen Solanum*		1		Washing potatoes, handling of the washing water.	
	Lantmännen Kronfägel		2	3	Poultry slaughtering and processing. Operation in Denmark (3).	ISO 14001, BRC/IFS
	Lantmännen Analycen*	1		2	Laboratories. Corresponding operation in Norway (1) and Denmark (1).	ISO 14001, ISO 9001, ISO 17025
Home & Leisure	Lantmännen Doggy*	1	1		Animal feed production.	ISO 14001, ISO 9001
	Lantmännen Granngården				Shops for pet care and gardening, no requirement for public authority approval.	ISO 14001, ISO 9001
Energy	Lantmännen Energi	24	2	1	Ponds for storing sludge (2) with corresponding operation in the UK (1). Fuel factories (6+1), boiler facilities (16) and ethanol factory requiring a permit (1).	ISO 14001, ISO 9001

* part of Lantmännen Invest.

Organisation

The Group operates in ten business areas.



**Organisatorisch, die Sustainable Development Department gehört zur Information & Communication staff.*

Business areas

Svalöf Weibull

SW has two core operations – agriculture and horticulture. Within agriculture, SW is one of Europe's leading plant breeding and seed companies. SW develops, produces and markets new varieties and seed for areas with cold temperate climates. Weibull Trädgård is the Nordic area's leading horticultural company, with the Weibulls and Hammehögs brands. SW is owned partly by Lantmännen (60 %) and partly by BASF of Germany (40 %).

Lantmännen Anläggnings- & Lantbruksmaskiner

Lantmännen Anläggnings- & Lantbruksmaskiner comprises the companies Lantmännen Maskin and Swecon Anläggningsmaskiner. Lantmännen Maskin imports, markets and sells tractors, equipment and combine harvesters. Servicing and spare parts sales are important features of the business. Lantmännen markets the tractor brands Valtra and Fendt. Swecon Anläggningsmaskiner is a dealer for Volvo construction machinery in Sweden. The Swecon Group also has representation in the Baltic countries and in parts of Germany.

Lantmännen Granngården

Lantmännen Granngården is a nationwide chain with 116 shops in Sweden. Apart from Lantmännen's own shops, there are around 60 more shops that are run in accordance with the Granngården concept 'We know the most about pets and gardens'. Pets: sales of food and accessories for dogs, cats and rabbits, horse feed, stable equipment, fencing as well as clothing and accessories for horse and rider. Gardens: sales of compost, lime, fertiliser, seeds, accessories, tools and machines. Lantmännen Granngården also owns the mail order company Nordpost.

Lantmännen Energi

Within Lantmännen Energi, Lantmännen has brought together all of its energy sector operations – from development to marketing. The Lantmännen Agroenergi operation covers non-refined products like wood chips and salix, and more highly refined biofuels such as pellets, briquettes and powder. It also includes the production of small- and large-scale district heating. Lantmännen Agroetanol runs the country's largest grain-based ethanol plant just outside Norrköping. Lantmännen Energi is an oil company that sells to the agricultural, forestry and construction sectors. The company is developing its own fuels, primarily with admixtures of biocomponents, using oilseed rape from Swedish farmland as a raw material.

Lantmännen Lantbruk

The Group's core business is operated within Lantmännen Lantbruk, encompassing the purchase and sale of grain, sales of necessary items for plant breeding (particularly plant feed, seed and plant protection) and producing and selling animal feed products.

Lantmännen Mills

Lantmännen Mills is northern Europe's largest player within foods based on flour and grain. Lantmännen Mills develops and produces flours, rolled oats, flour mixes, breakfast cereals and pasta for bakeries, the food industry and consumers. It has plants in Sweden, Denmark, Norway and Latvia. It has important partners in Finland and Germany, due to its participation in the Melia and VK Mühlen milling companies, respectively, with subsidiaries in Poland.

Lantmännen Axa

Lantmännen Axa brings together the majority of the Group's brands within the fields of flour, breakfast cereals, mixes, bread, pasta and ready-meals concepts, including vegetarian dishes. The business comprises the entire chain from product development and production to marketing and sales. Lantmännen Axa operates in Sweden, Denmark, Norway, Latvia, Ukraine, Estonia, Finland and Poland. Familiar brands are Kungsörnen, Axa, Start, Bageri Skogaholm, Schulstad, GoGreen and Gooch!

Lantmännen Unibake

Lantmännen Unibake is aimed at customers throughout the world, with a complete range of hotdog and hamburger rolls, instore bakery bread and frozen bread. Lantmännen Unibake operates in Sweden, Denmark, Norway, Finland, Poland, Russia, Spain, the Baltic States, the USA, Japan and South Korea. Lantmännen Unibake is the world's largest producer of Danish pastries. Well-known brands are Korvbrödsbagarn, Hatting, Schulstad bake-off and Schulstad Royal Pastry.

Lantmännen Kronfågel

Lantmännen Kronfågel has a wide, varied range of healthy, tasty poultry-based meals. Lantmännen Kronfågel is the largest chicken producer in the Nordic area with market-leading positions in Sweden and Denmark. The products are marketed under the brands of Kronfågel and Danpo.

Lantmännen Invest

Lantmännen Invest includes a number of companies with various operations that are united by direct/indirect links to production from the Lantmännen owners' farms and produce from the arable land. Some of the companies further refine grain; others develop, market and sell different types of goods and services. Lantmännen Invest includes Lantmännen Byggplant, Lantmännen Analycen, Lantmännen SweHatch, Lantmännen SweChick, Lantmännen Kraft, Lantmännen Doggy, Lantmännen BioAgri, Lantmännen AS Faktor, Lantmännen Solanum and Lantmännen Reppa.

Strategy for sustainable development

To create a sustainable operation and contribute to redirecting the food and energy sectors onto a sustainable course, Lantmännen uses a long-term strategy with a clear target image of a sustainable Lantmännen.

The target image is based on four principles for sustainability – a framework that the operation should be guided by if it is to be sustainable. With the purpose of identifying the areas that are significant to sustainable development, a survey is being carried out of all of Lantmännen's operations. The survey, the sustainability analysis, also covers factors in the surrounding world and uses the Lantmännen target image as its starting point. The result will form the basis for the actions, linked to sustainable development, which are introduced into the common business planning. The business planning covers

the prioritisation of actions that constitute profitable steps towards sustainability.

Following up actions and targets is carried out by means of performance indicators, which are integrated into Lantmännen's various systems of monitoring. A selection of the material is reproduced in this annual report.

Policy – sustainable development

Lantmännen shall actively contribute to the development of a sustainable society by creating the best possible conditions for a sustainable operation. Our strategy is to step by step carry out actions that improve profitability, have development potential and guide our operations in a sustainable direction, based on four principles for a sustainable society.



Principles of sustainability:

In the sustainable society nature is not subject to systematically...

- 1** ...increasing concentrations of substances from the Earth's crust.
- 2** ...increasing concentrations of substances produced by society.
- 3** ...increasing degradation by physical means.

And, in the sustainable society people are not subject to conditions that systematically...

- 4** ...undermine their capacity to meet their needs.

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*Production: Upstairs Communication,
Springtime, and Lantmännen Information
& Communication.*

*Photo: Magnus Fond/Johnér, Philip Laurell/
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