

We make farming thrive



**Lantmännen Annual Report
including Sustainability Report 2016**



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Lantmännen's Annual General Meeting

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

Financial Reporting

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

Listen to us!

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

Sustainability Report

Lantmännen reports in accordance with the Global Reporting Initiative guidelines for sustainability reporting, GRI G4. Learn more on [page 158](http://lantmannen.com/gri) and at lantmannen.com/gri

Distribution & Ordering

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

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

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

All reports are available in Swedish and English.

Views and comments on the Annual Report

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

A photograph of a breakfast meal. In the foreground, a white bowl is filled with golden-brown granola, including oats, almonds, and small pieces of dried fruit. To the left, a clear glass is filled with white milk. In the background, there are several green limes and a bunch of yellow lemons, all slightly out of focus. A silver spoon rests on a white napkin to the right of the bowl.

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

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

Lantmännen 2016

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

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

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

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

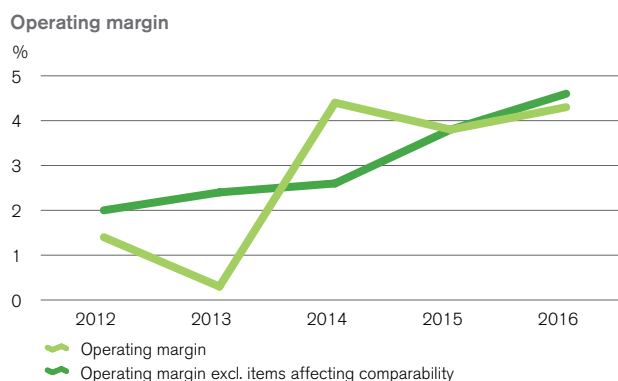
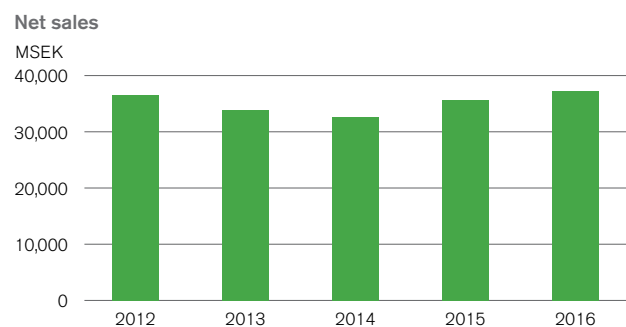
Cash flow from operating activities for the year was MSEK 3,136 (2,167). Cash flow from investing activities was MSEK -2,310 (-4 841). Investments in non-current assets totaled MSEK 2,333 (1,256). Total cash flow including financing activities was MSEK 489 (-1,775).

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

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

Alternative performance measures

Lantmännen has introduced the new European guidelines from ESMA (European Securities and Markets Authority) on the reporting of alternative performance measures. The purpose of APMs is to facilitate the analysis of business results and position not directly derived from the financial reports. Definitions and explanations of alternative performance measures can be found on [▶ page 135 of this Annual Report](#), under the heading "Description of financial performance measures".



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

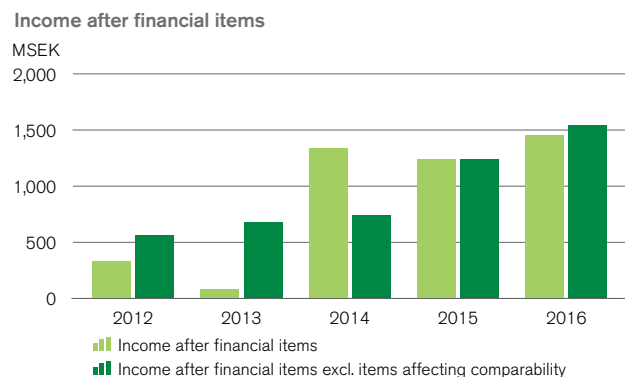
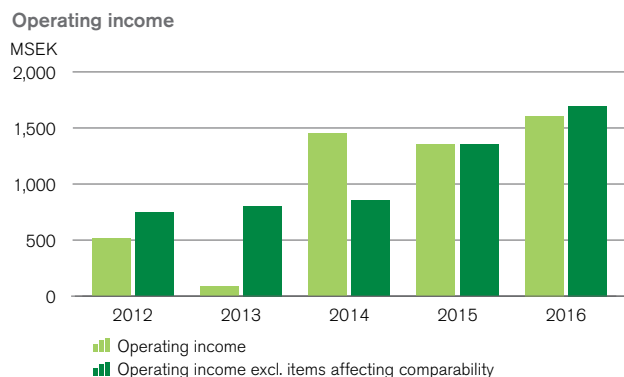
Lantmännen's key figures	2016	2015
Net sales, MSEK	37,244	35,660
Operating income, MSEK	1,606	1,351
Operating margin, %	4.3	3.8
Income after financial items, MSEK	1,457	1,246
Net income for the year, MSEK	1,274	1,090
Cash flow before financing activities, MSEK	826	-2,674
Return on equity, %	9.6	8.9
Return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

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

Description of financial performance measures  see page 135.



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



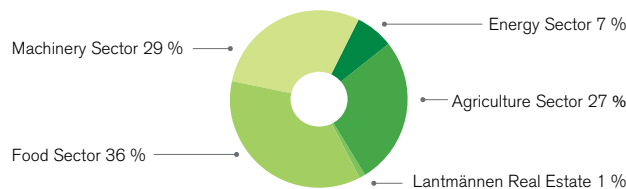


Lantmännen's structure and business

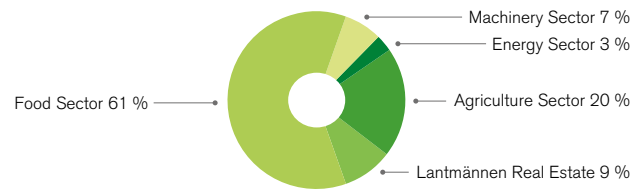
Lantmännen is an agricultural cooperative and Northern Europe's leader in agriculture, machinery, bioenergy and food products. Owned by 25,000 Swedish farmers, we have 10,000 employees, operations in over 20 countries and an annual turnover of SEK 37 billion. With grain as our basis, we create value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

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

Percentage of the Group's sales 2016

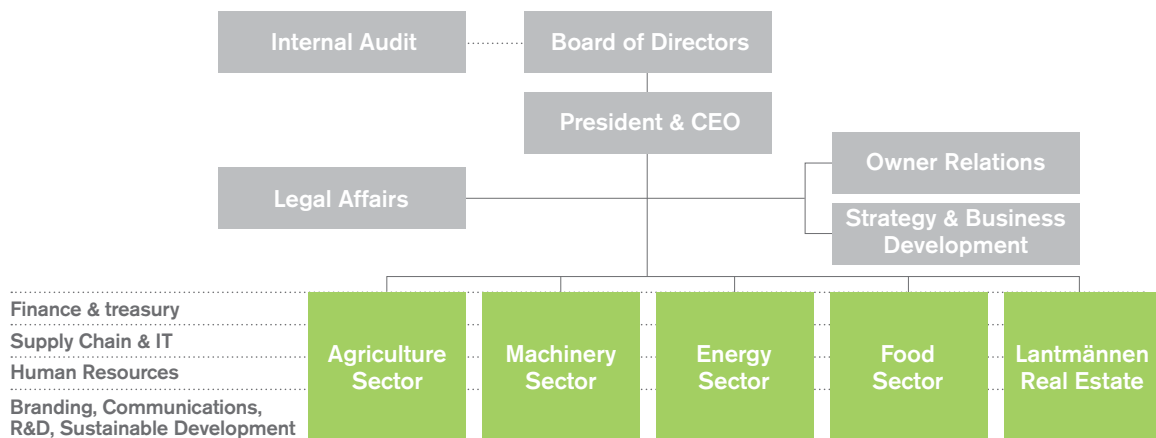


Percentage of the Group's operative capital 2016

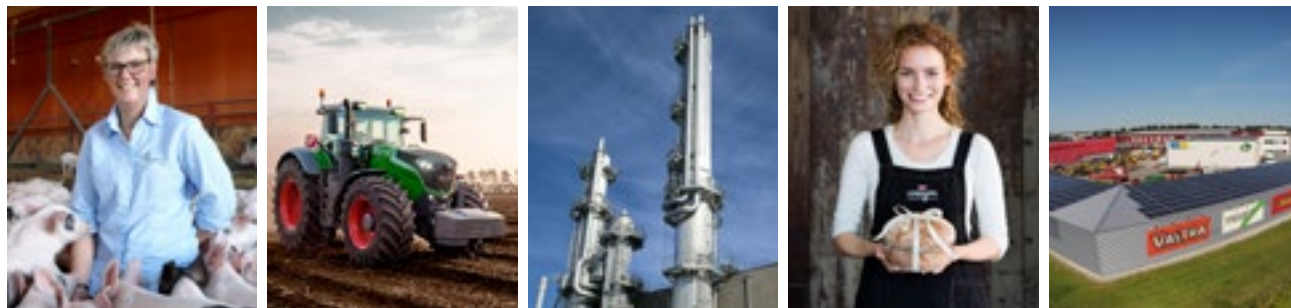


Organization

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



Lantmännen's business



Agriculture Sector [▶ page 34](#)

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



27% of
the Group's
sales

Elisabeth Ringdahl
Head of Agriculture Sector



Machinery Sector [▶ page 39](#)

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



29% of
the Group's
sales

Håkan Pettersson
Head of Machinery Sector



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

Excl. items affecting comparability

Operating income, MSEK	318	237
Operating margin, %	3.0	2.2
Return on operating capital, %	7.8	5.7

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

Excl. items affecting comparability

Operating income, MSEK	316	255
Operating margin, %	2.8	2.5
Return on operating capital, %	17.8	14.0

Energy Sector [▶ page 45](#)

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



7 % of
the Group's
sales

Carl von Schantz
Head of Energy Sector



Food Sector [▶ page 49](#)

The Food Sector develops, processes and markets products such as flour, breakfast foods, pasta, frozen and fresh bread, crispbread and ready-to-eat meals. The Sector has its base in the Baltic Sea region, but has a presence in about 20 countries. The Sector's business areas are *Lantmännen Cerealia* and *Lantmännen Unibake*. The Sector is also responsible for Lantmännen's ownership interests in the partly-owned company *Viking Malt*.



36 % of
the Group's
sales

Per Olof Nyman
President and CEO
Head of Food Sector



Lantmännen Real Estate [▶ page 56](#)

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



1 % of
the Group's
sales

Joachim Haas
Head of
Lantmännen Real Estate



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

Excl. items affecting comparability

Operating income, MSEK	304	218
Operating margin, %	11.3	7.6
Return on operating capital, %	31.4	19.2

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

Excl. items affecting comparability

Operating income, MSEK	849	733
Operating margin, %	6.0	5.6
Return on operating capital, %	6.7	7.1

Key figures	2016	2015
Net sales, MSEK	455	454
Operating income, MSEK	281	314
Operating margin, %	-	-
Return on operating capital, %	16.2	20.1
Investments in non-current assets, MSEK	383	299
Average number of employees	39	39
of which women, %	32	29
Total CO ₂ emissions, thousand tonnes	11	-
Total sick leave, %	0.9	4.5

Excl. items affecting comparability

Operating income, MSEK	188	187
Return on operating capital, %	10.9	12.0

Lantmännen's annual overview

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

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

Per Olof Nyman
President & CEO, Lantmännen

Good quality in the year's harvest

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

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



World-unique pasta innovation!

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



Focus on oats during Chinese visit



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

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

Lantmännen is developing the strategy for our already large organic businesses



Research and development

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



New feed for organic pig production

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



LM² Gathering all digital services in one portal

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

Blue and pink bales and tractors support cancer research



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

Events in brief



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



LM² was launched at Borgeby Fältdagar 2016.

Period 1 January – April

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

Period 2 May – August

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



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



Durum wheat cultivation on Gotland.

Period 3 September – December

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

2017 After year-end

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



Chairman's comments

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

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



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

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


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

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

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

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

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



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

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

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

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

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

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

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

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

Klockrike, February 2017

Bengt-Olov Gunnarson
Chairman, Lantmännen

President's overview

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

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



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

How our Sectors performed

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

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

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

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

Strategy 2020 and initiatives for Swedish farming

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

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

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



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

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

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

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

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

Stockholm, February 2017

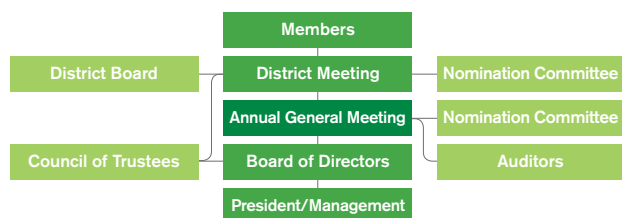
Per Olof Nyman
President & CEO, Lantmännen

Farmer-owned and governed

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

New district organization

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



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

Council of Trustees

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

Annual General Meeting

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

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

District Board Conference

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

Increased owner involvement

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



2016 Annual General Meeting

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

The dividend makes a difference

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

Owner value

Where are earnings created?

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

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

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



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

Dividend policy

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

How are earnings distributed?



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

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

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

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

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



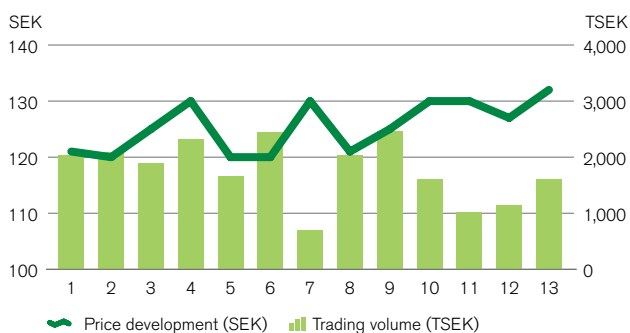
Contributed capital – paid-in and issued

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

Owning Lantmännen – Trading in contribution issues

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

Contribution issues – trading and price trend



Member contributions

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

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

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

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

Lantmännen's Group strategy



Focus

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

Lantmännen's grain strategy

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

Business development with the agricultural company at the center

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

Brand position from field to fork

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

Innovation that supports Strategy 2020

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

Development of portfolio strategy, new markets and market channels

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

Skills, leadership, organizational efficiency

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

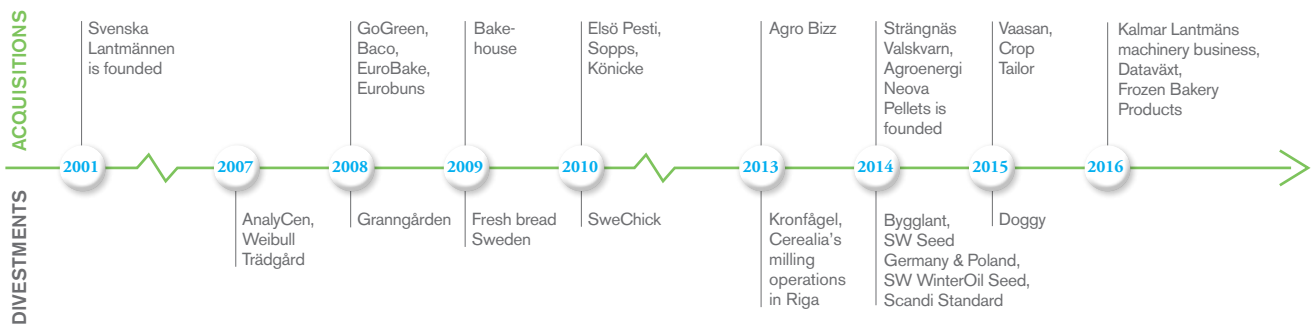
Strategy and ownership dialogue on the Lantmännen of tomorrow

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

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



Lantmännen's major acquisitions, divestments and ownership interests



Activities to achieve the goals of Strategy 2020

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

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

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

Our mission: We make farming thrive.

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

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

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

Our values: Openness, a holistic view and drive.



Lantmännen's profitable growth

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

Increased requirements on brands

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

Lantmännen matches drivers and trends

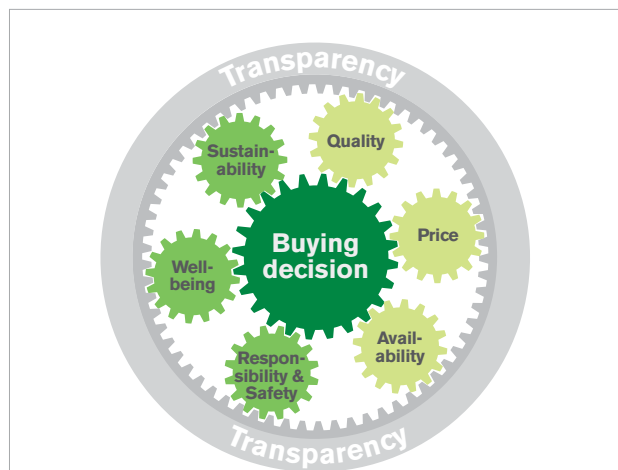
Lantmännen continuously builds up trust in relation to origin, our owners, farmers and the responsibility from field to fork. Our surveys show increasing knowledge and interest for the values we stand for.

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

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



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



New emerging drivers

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

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

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

Top ranking in Sustainable Brand Index

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

Learn more at sb-index.com



Second place in the food category

Market and mega trends

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

Varying growth in Lantmännen's main markets

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

Growing middle class in Asia and Africa

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

Volatile price trends for agricultural commodities

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

Demography

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



Lantmännen develops and conducts both conventional and organic farming. ”

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

Consumer trends

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

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

“ Population growth is the driving force behind increasing food consumption

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

Climate change

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

Digitization for farming, customers and consumers

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

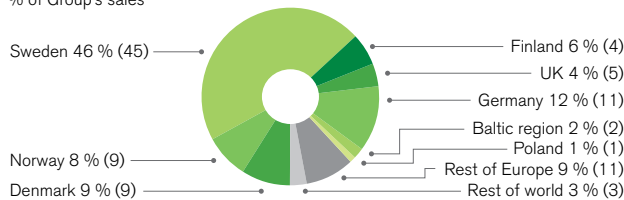
Opportunities for Swedish farming

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



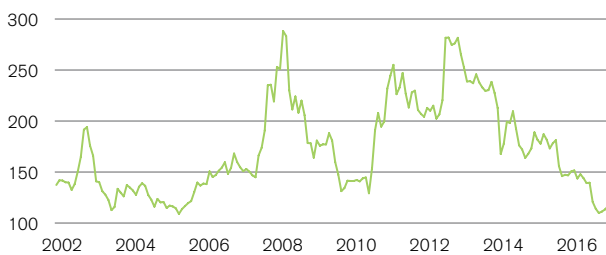
Lantmännen's markets

% of Group's sales



Price development, MATIF wheat

EUR/tonne

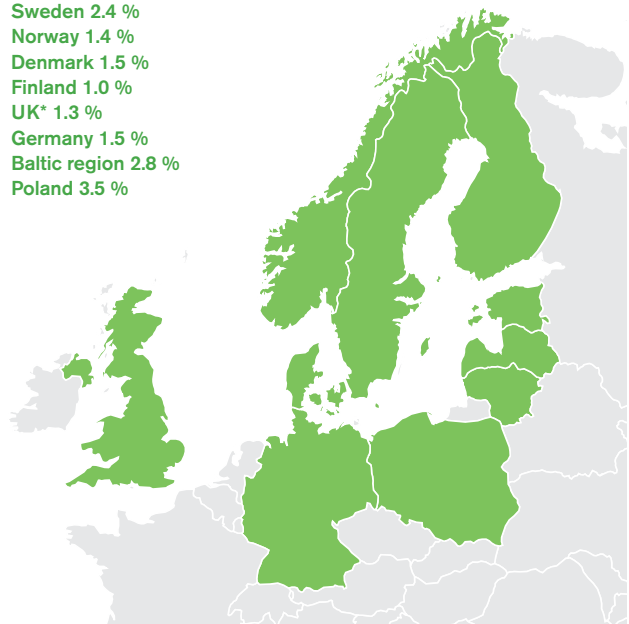


Source: Worldbank

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

Forecast GDP growth in 2017

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



* Impact of Brexit remains to be assessed.

Target and target monitoring

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

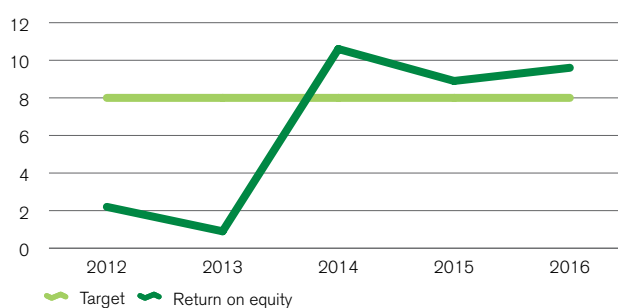
Return on equity

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

2016 outcome

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

Target 8.0 % Outcome 9.6 %



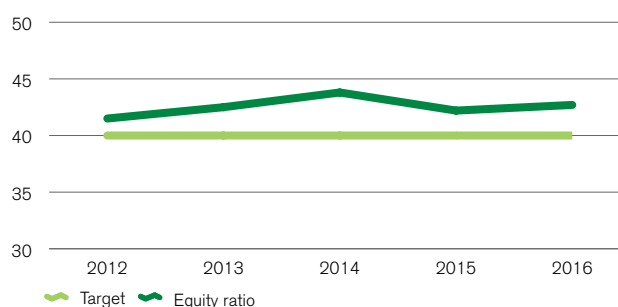
Equity ratio

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

2016 outcome

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

Target 40 % Outcome 42.7 %



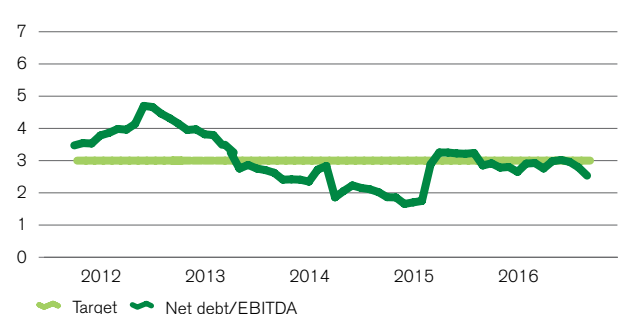
Net debt*/EBITDA*

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

2016 outcome

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

Target < 3.0 Outcome 2.53



* According to bank definition.

Description of financial performance measures, see [page 135](#).



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

Climate target

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

2016 outcome

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

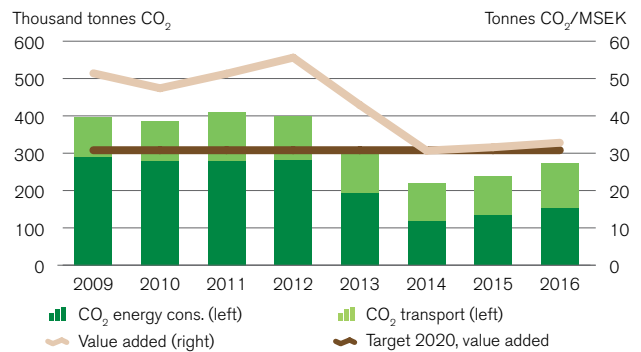
Employee target

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

Outcome

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

Target –40 % Outcome –36 %



Target 70 Outcomes 68 and 72



Our responsibility – from field to fork

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

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

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

Governance and approach

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

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

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

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



Our contribution to Agenda 2030

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

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



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

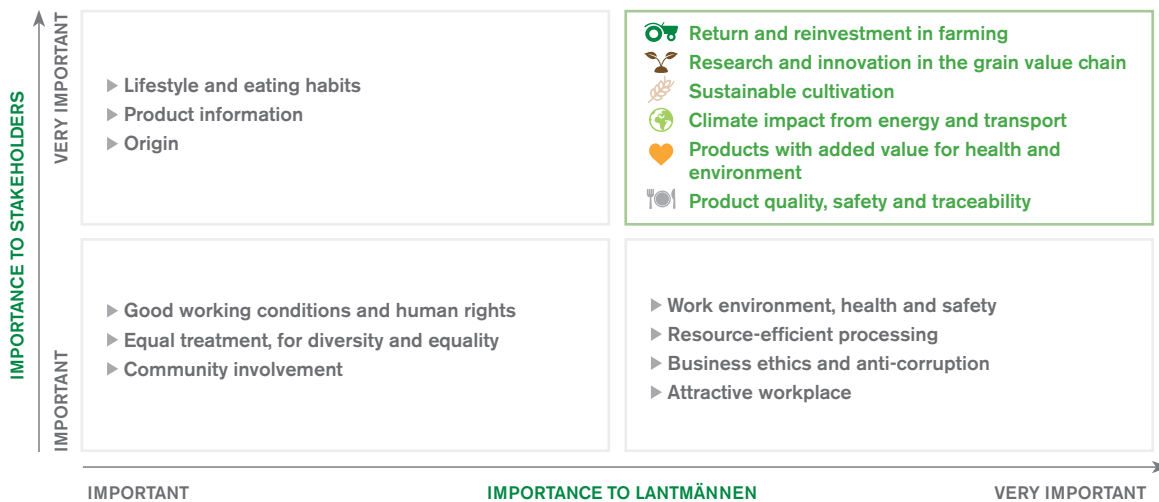
Several other goals are significant to our impact and responsibility, and are well integrated into Lantmännen's Code of Conduct. Learn more about the UN goals in their entirety at

un.org/sustainabledevelopment

Materiality analysis

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

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



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

Return and reinvestment in farming

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

Research and innovation in the grain value chain

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

Sustainable cultivation

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

Climate impact from energy and transport

A large part of the climate impact for Lantmännen's products is in the cultivation stage, but our own processing activities also cause climate-affecting emissions, primarily through use of energy and

transport. Our climate strategy means continued investment in energy efficiency and the transition to renewable energy sources and fuels.

Products with added value for health and environment

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

Product quality, safety and traceability

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

▶ Other important issues

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

Our responsibility with profitable added values

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

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

Focus on the cultivation stage

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

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

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

Focus on both conventional and organic

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

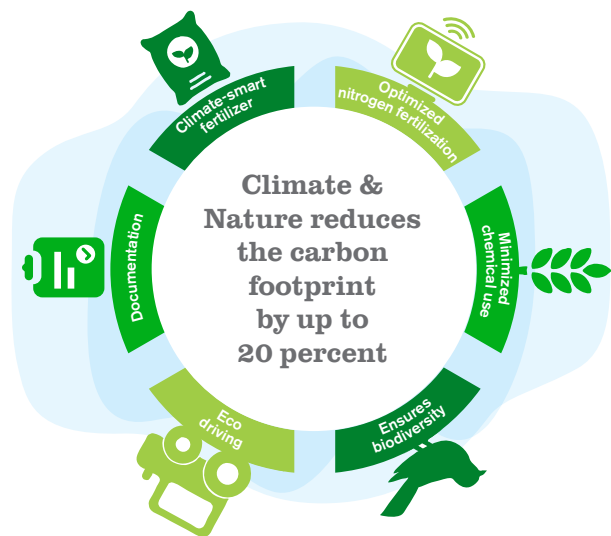
Climate & Nature cultivation method

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



Climate-smart mycoprotein

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



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

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

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

Friendlier wheat & Friendlier rye

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



Research & innovation in the grain value chain

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

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

Lantmännen Växthus

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

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

Increased focus on Lantmännen’s organic value chain

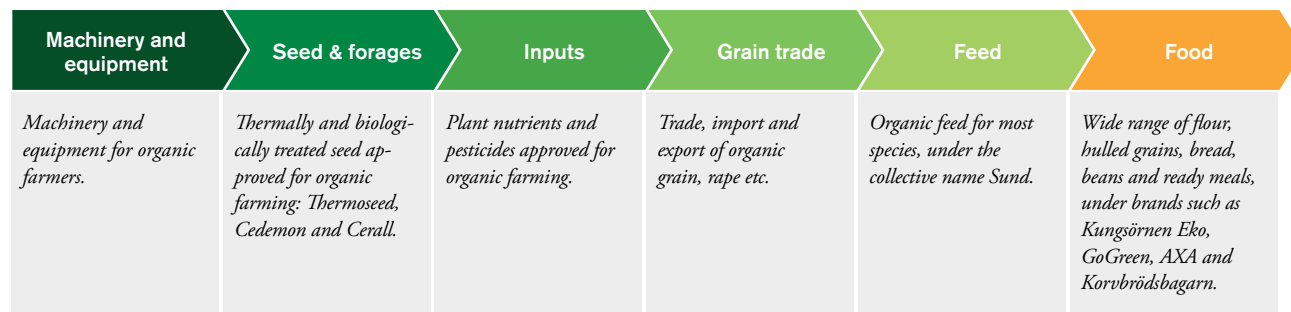
Based on strong market growth and increased demand, Lantmännen has developed a new organic strategy, with the following overall objective:

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

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

Major player in the organic market

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



Next step in climate work

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

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

“

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

New climate strategy with high ambition level

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

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

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

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

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



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



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



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

Active dialogue and advocacy

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

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

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

Presence in public and regulatory affairs

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

Sustainable Food Chain

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



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

Almedalen week and EAT Forum

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

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

Important social arenas

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

Examples of current issues in 2016

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



Organizations and networks in which Lantmännen conducts active dialogue

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

Our employees

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

The right skills and leadership

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



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

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

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

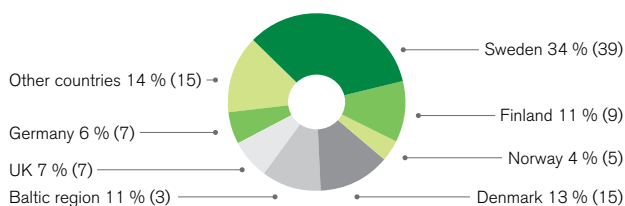
To secure skills and leadership in the Group, it is important to provide sufficient challenge and development for employees, to develop younger leaders and to increase internal mobility. The proportion of young managers increased during the year, and internal candidates accounted for 44 percent of managerial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

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

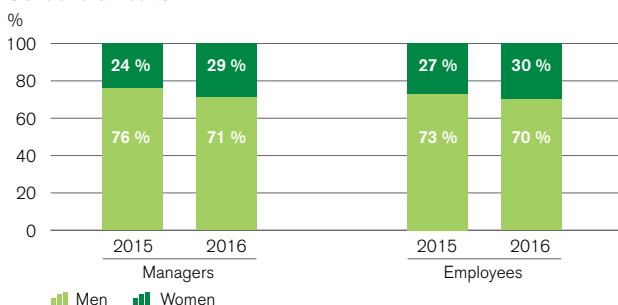
An attractive employer

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

Employees – Geographic distribution



Gender distribution



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

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

Effective strategic work

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

Safe work environment and proactive health work

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

Implementation of web-based system support for reporting,

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

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

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

Whistleblowing in a web-based reporting system

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

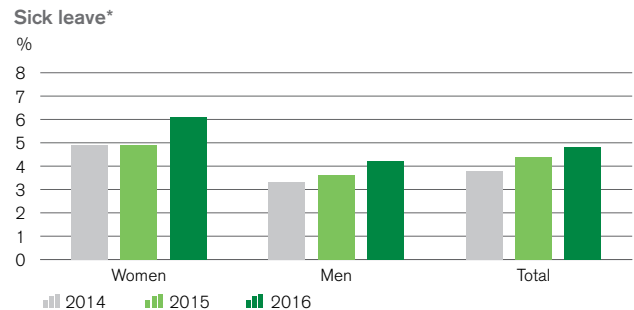
A total of 12 reports from six different countries were recorded in 2016. All cases were dealt with by Lantmännen's Whistleblowing committee and investigations were made. Six of the reports led to labor law measures or penalties.

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

¹ Work-related accident resulting in at least one day's absence after the accident occurred.

² Injury rate is defined as the number of accidents per million actual hours worked.

³ Incidents are defined as unintended events that could have resulted in ill health or an accident.



*2015 excluding Vaasan



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

.....

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

Agriculture Sector

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

The Agriculture Sector is based in Sweden and with its international ownership interests also has a strong position in the Baltic Sea region. The Agriculture Sector is responsible for Lantmännen's ownership interests in the German group *HaGe Kiel*, *Scandagra Group* in the Baltic region and *Scandagra Polska*. See [▶ page 60](#).

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

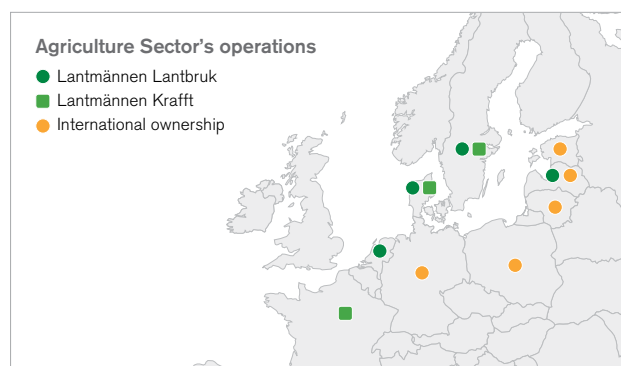
In 2016, intensive efforts were devoted to creating a new digital portal, LM², for our owners. The portal is a tool that provides an overview and provides smart, digital services that enable farmers to take advantage of existing data and use it in their daily work. The tool is also adapted for use on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

Market and business environment

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

Outlook for 2017

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



Agriculture Sector's brands



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

¹ Including intra-Group sales

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

Agriculture Sector

Lantmännen Lantbruk Sweden

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

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

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

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

Grain

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

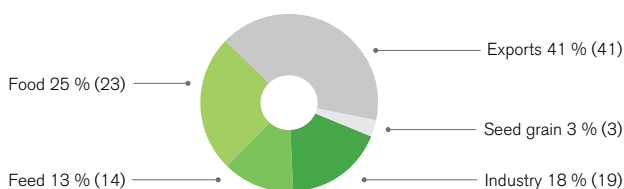
Conditions for spring sowing in 2016 were good, and

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

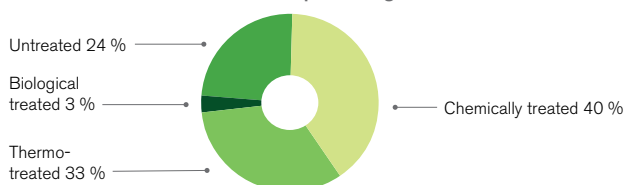
¹ Including intra-Group sales

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

Use of total volume of sold grain



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





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

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

Animal feed

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

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

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

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



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

Seed & Forages

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

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

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

“

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

Merchandise

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

Lantmännen Krafft

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

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

Lantmännen Lantbruk – international operations

Lantmännen Agro

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

Lantmännen SW Seed BV

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



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

.....

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



Machinery Sector

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

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

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

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

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

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

Outlook for 2017

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



Machinery Sector's brands



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

¹ Including intra-Group sales

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

Machinery Sector

Lantmännen Maskin

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

Operations

Sweden

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

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

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

“

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

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

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

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



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

Norway

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

Denmark

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

Business environment

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



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

Market

Sweden

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

Norway

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

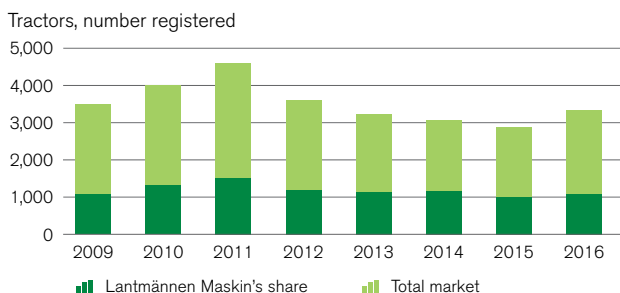
Denmark

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

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

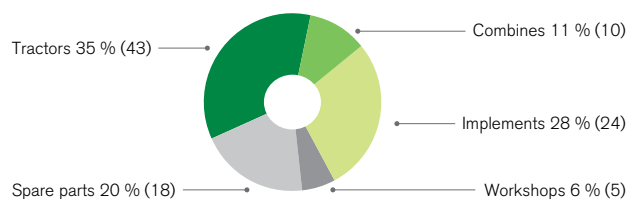
¹ Including intra-Group sales

Total market for tractors in Sweden

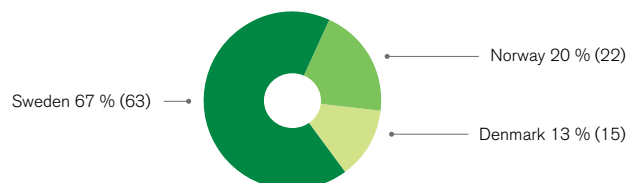


Excl. items affecting comparability	2016	2015
Operating income, MSEK	-10	-10
Operating margin, %	-0.3	-0.3
Return on operating capital, %	-1.0	-1.2

Sales by product category in Scandinavia



Sales by market



Machinery Sector

Swecon

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

Operations

Sweden

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

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

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

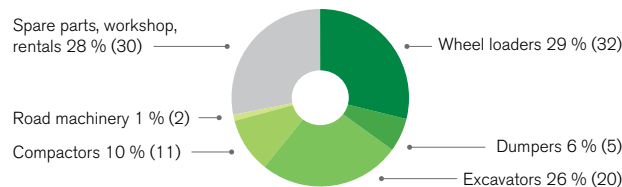
Baltic region

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

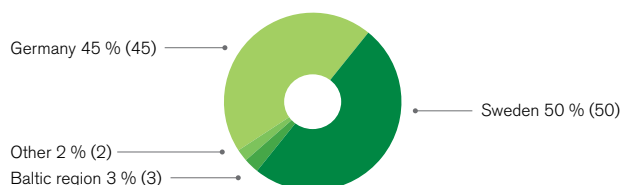
Swecon, Key figures	2016	2015
Nett sales, MSEK ¹	6,639	5,693
Average number of employees	995	956
of which women, %	11	11

¹ Including intra-Group sales

Sales by product category



Swecon, sales by market



Germany

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

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

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



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

Business environment

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

Market

Sweden

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

Baltic region

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

Germany

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

Machinery Sector Agro Oil

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



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

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

¹ Including intra-Group sales.

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

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

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

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

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

Energy Sector

The Energy Sector is Sweden's largest producer of bioenergy products and accounts for 7 percent of the Group's sales. The Sector's companies manufacture and market sustainable ethanol, protein feed, renewable carbon dioxide, glucose syrup, starch products, alkylate petrol, vodka and gluten. The Sector is responsible for Lantmännen's ownership interests in the partly-owned company Scandbio.

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

Business environment and market

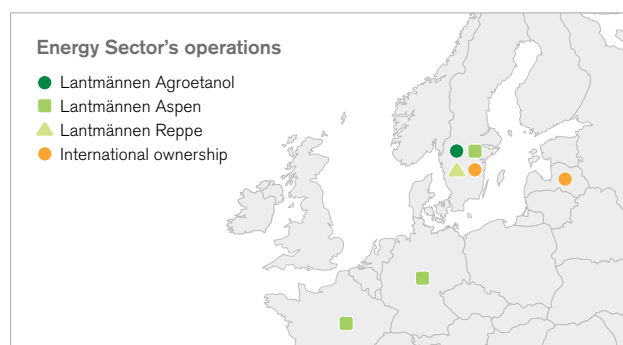
Bioenergy is Sweden's most widely used type of energy, accounting for about a third of the country's energy consumption. The transport sector is dependent on fossil energy, and sustainable transport is a key challenge in reducing carbon dioxide emissions. The Energy Sector produces ethanol with world-leading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

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

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

Outlook for 2017

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



Energy Sector's brands



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

¹ Including intra-Group sales

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

Energy Sector

Lantmännen Agroetanol

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

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

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

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

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

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

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

¹ Including intra-Group sales

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



Energy Sector

Lantmännen Aspen

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

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

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



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

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

¹ Including intra-Group sales.

Energy Sector

Lantmännen Reppe

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

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

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

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

Learn more at repe.se/en

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

¹ Including intra-Group sales.

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

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



Good food from
Lantmännen



The Food Sector

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

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

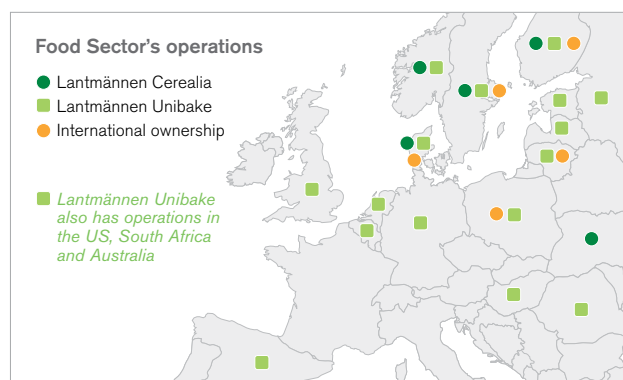
Business environment and market

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

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

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

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



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

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

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

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

The Food Sector

Lantmännen Cerealia



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

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



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

Business environment

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

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

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

Market and market performance

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

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

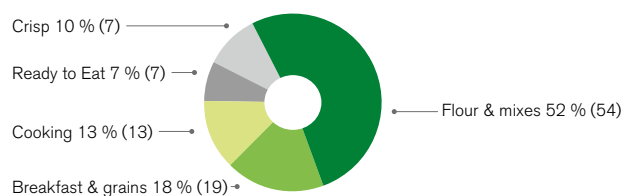
Customers and consumers are increasingly demanding change and renewal, which means that innovation and product and business development are essential for Lantmännen Cerealia.

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

¹ Including intra-Group sales

² Including Vaasan from June 1, 2015.

Lantmännen Cerealia Sales by product category



Lantmännen Cerealia's brands



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

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

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

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

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

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

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

Work on resource efficiency and structure

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

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

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

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

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

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

Outlook for 2017

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



The Food Sector

Lantmännen Unibake



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

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

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

Trends in the market

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



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

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

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

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

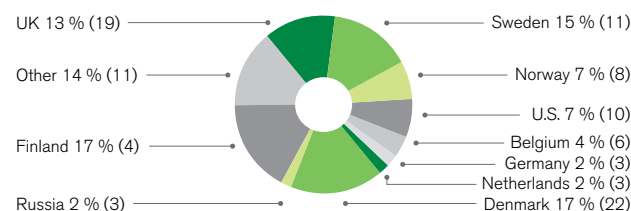
¹ Including intra-Group sales

² Including Vaasan from June 1, 2015.

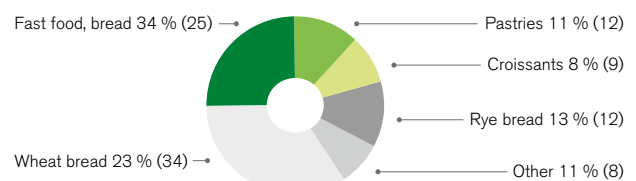
Lantmännen Unibake's brands



Lantmännen Unibake Sales by market



Lantmännen Unibake Sales by product category





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

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

“

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

Bread that gives customers added value

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

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

Lantmännen Unibake has developed colored burger buns



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

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

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



Unibake has
36
bakeries in
15 countries

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

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

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

Development of operations in Eastern Europe

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

Research and sustainability in bread production

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

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

“

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

Digitization brings new opportunities

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

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

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

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

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



Lantmännen Real Estate

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

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

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

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

Lantmännen Agrovärme

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

Market developments

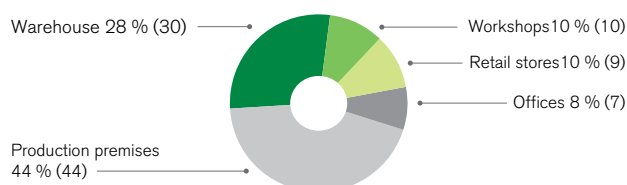
Market rents in Sweden continued to rise in 2016, but with reduced demand for premises, the upward trend is expected to come to a halt in 2017. Land prices continued to increase in 2016, mainly for attractive locations where housing demand is high. Land with local development plans is in demand, as this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

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

¹ Including intra-Group sales

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

Lantmännen Real Estate, surface distribution





Lantmännen's international ownership

Strong international cooperation

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

Lantmännen and the Danish agricultural company DLG (Dansk Landbrugs Grovvarereselskab) strengthened and expanded the existing agricultural cooperation by establishing a new jointly-owned company for international operations, Lantmännen DLG International (LDI). Lantmännen and DLG each own 50 percent of the new company. The purpose of the new company is both to expand the position in markets and businesses where Lantmännen and DLG already have a strong partnership and to expand into new, mainly European, markets by concentrating efforts in the joint company.

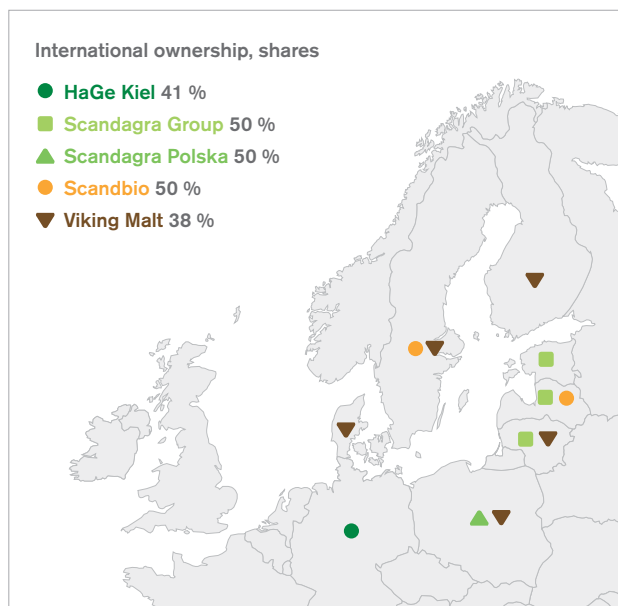
Lantmännen's partly-owned company HaGe Kiel in Germany acquired all of the remaining shares in Roth Agrarhandel GmbH during the year, making it the sole shareholder of the company. The acquisition gives HaGe Kiel further scope for increasing efficiency in its operations and for its customers.

“

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

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

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



Part of Agriculture Sector



HaGe Kiel

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

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

Part of Agriculture Sector



Scandagra Group

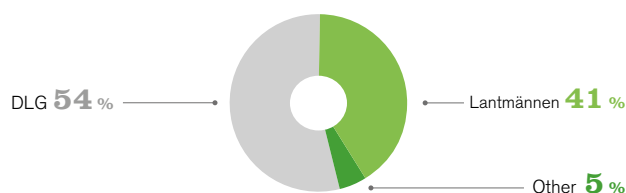
Scandagra Group AB operates in the three Baltic countries. The Group has an annual turnover of approximately SEK 2.4 billion and about 300 employees. The company, which is jointly owned (50-50) by Lantmännen and DLG, is part of the Agriculture Sector. The operations are conducted through three sales companies – Scandagra Eesti, Scandagra Lietuva and Scandagra Latvia. The sales companies engage in the sale of crop production inputs and the purchase and sale of grain. Scandagra Eesti also has a feed plant with a production capacity of just over 100,000 tonnes.

Scandagra Polska

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



Ownership HaGe Kiel



Ownership Scandagra Group and Scandagra Polska



Part of Energy Sector



Scandbio (formerly Agroenergi Neova Pellets)

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

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

Part of Food Sector



Viking Malt

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

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



Ownership Scandbio



Ownership Viking Malt



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Board of Directors' Report

The Board of Directors and President & CEO of Lantmännen ek för, Corporate Identity No. 769605-2856, hereby present the annual report for the 2016 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.

The Group's business and organization

Lantmännen is an agricultural cooperative and Northern Europe's leader in agriculture, machinery, bioenergy and food products. The Group is divided into four sectors: the Agriculture Sector, the Machinery Sector, the Energy Sector and the Food Sector, and Lantmännen Real Estate.

Lantmännen is owned by 25,000 farmers, who are also business partners and important customers. Lantmännen creates value from farmland resources in a responsible manner and is part of food consumers' everyday life.



The Group in brief

- ◆ **Net sales** for the Group amounted to MSEK 37,244 (35,660), an increase of 4 percent. Adjusted for acquired and divested operations, net sales were 1 percent higher than in the previous year.
- ◆ **Operating income** was MSEK 1,606 (1,351) and adjusted for items affecting comparability MSEK 1,697 (1,351).
- ◆ **Income after financial items** was MSEK 1,457 (1,246) and adjusted for items affecting comparability MSEK 1,548 (1,246).
- ◆ **Net income after tax** amounted to MSEK 1,274 (1,090).
- ◆ **Investments** totaled MSEK 2,333 (1,256).
- ◆ **Cash flow before financing activities** was MSEK 826 (-2,674).
- ◆ **Total refunds and final price adjustments** for 2016 were MSEK 232 (188).
- ◆ **The Board** proposes a contribution dividend of MSEK 207 (193) and a contribution issue of MSEK 70 (50).

Description of financial performance measures ◆ see page 135.

Agriculture Sector, MSEK 10,767

The Agriculture Sector constitutes Lantmännen's core business, with products and services for competitive farming and conducts trading in grain, oilseeds and pulses with farmers, grain traders and industry in the Baltic Sea region. The Agriculture Sector is based in Sweden but is also active internationally, with Northern Europe as its growth market. The Sector accounts for 27 percent of Lantmännen's sales and is also responsible for Lantmännen's ownership interests in the German group *HaGe Kiel*, *Scandagra Group* in the Baltic region and *Scandagra Polska*.

Lantmännen Lantbruk is a major player in the grain market, trading in the Swedish and international industry, and offers a wide range of products for livestock and crop production. The products are marketed under the brands Nötfor, Piggfor, Pullfor, Fårfor, Renfor, Protect and SW.

Lantmännen Krafft is Sweden's largest horse feed supplier and a well-known brand. The products are available in about ten countries in addition to Sweden.

Lantmännen Agro is part of Lantmännen's grain unit and its main task is the purchase of grain in Denmark.

Lantmännen SW Seed BV in the Netherlands conducts plant breeding of triticale and potato.

Machinery Sector, MSEK 11,343

The Machinery Sector's operations are concentrated on agricultural machinery, construction machinery and lubricants. The Sector accounts for 29 percent of Lantmännen's sales. The implementation of a new strategy for agricultural machinery involves major changes for the Sector and its employees as the Sector leaves the import operations in Norway and Denmark to concentrate on Swedish customers and the partnership with the agricultural equipment manufacturer AGCO. The Sector's operations comprise three business areas:

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

Svecon is a dealer and partner of Volvo Construction Equipment and engages in marketing, sales and servicing of agricultural machinery in Sweden, Germany, Estonia, Latvia and Lithuania.

Agro Oil, with the Agrol brand, is a major supplier of lubricants to the professional market.



Energy Sector, MSEK **2,698**

The Energy Sector is Sweden's largest producer of bioenergy products and accounts for 7 percent of the Group's sales. The Sector is active in a global market, with the main focus on Europe, and offers responsibly produced environmentally smart energy, food and industrial products and related services. The Energy Sector is responsible for Lantmännen's ownership interests in the partly-owned company *Scandbio*. The Energy Sector's operations comprise three business areas:

Lantmännen Agroetanol processes grain and starchy waste products into ethanol for fuels and technical products, and protein products for the feed market.

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

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

Food Sector, MSEK **14,048**

The Sector has its base in the Baltic Sea region, but has a presence in about 20 countries. The Food Sector accounts for 36 percent of Lantmännen's sales and consists of *Lantmännen Cerealia* and *Lantmännen Unibake*. The Sector is also responsible for Lantmännen's ownership interests in the partly-owned company *Viking Malt*.

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

Lantmännen Unibake is Europe's second-largest bakery group, with 36 bakeries in 15 countries. Lantmännen Unibake offers frozen and fresh bakery products for food retail and food service outlets in more than 60 countries.

Lantmännen Real Estate, MSEK **455**

Lantmännen Real Estate is one of Sweden's major property companies with 150 investment properties in 80 locations. Lantmännen Real Estate manages Lantmännen's properties in Sweden.

The properties are commercial premises, such as offices, shops, workshops and warehouses. Premises are rented out both externally and internally with the strategy of increasing the proportion of external rental income, which was achieved in both 2015 and 2016. *Lantmännen Agrovärme*, which produces and sells ready heat and district heating, is also part of Lantmännen Real Estate.

Changes in the Group structure in 2016

Kalmar Lantmän's machinery business was acquired in January. The acquisition included inventories, equipment and about 40 employees. The business has an annual turnover of approximately MSEK 160.

A number of properties in Eskilstuna and Norrtälje were divested in January, and industrial properties in Uppsala where Lantmännen Lantbruk and Lantmännen Cerealia currently operate were divested in March. Some of Lantmännen's operations in the properties will continue for another few years.

In May, a property in Moscow was acquired in which Lantmännen Unibake has conducted bakery production over a long period.

In September, Lantmännen Unibake acquired the Romanian company Frozen Bakery Products, a burger bun bakery in Bucharest, Romania. The company has a turnover of approximately MSEK 80 and 80 employees.

In October, Lantmännen Lantbruk acquired a 50.1 percent holding in the technical services company Dataväxt, with the aim of jointly driving digital development in agriculture. Dataväxt has a turnover of approximately MSEK 65 and 25 employees.

The acquisition balance sheets for the acquired companies are still preliminary.



Long-term financial targets and achievement of objectives

Lantmännen defines the overall profitability target as a return on equity of 8 percent. Return on equity was 9.6 percent and adjusted for non-recurring items 11.0 percent in 2016.

Lantmännen's equity ratio target is an equity ratio of at least 40 percent. The equity ratio was 42.7 percent at the end of 2016.

Election of the Board

Members of the Board of Lantmännen ek för are elected for two-year terms. The Board consists of twelve members: nine AGM-elected members and three employee representatives. Pauline Lindwall was elected to the Board at the Annual General Meeting in May, replacing Helle Kruse Nielsen who did not seek re-election. At the meeting, Ulf Gundemark, Thomas Magnusson and Björn Wallin were re-elected to the Board. At the statutory Board meeting, Bengt-Olov Gunnarson was re-elected Chairman and Per Lindahl Vice Chairman.

Other significant events in 2016

During 2016, Lantmännen's member organization was divided into 19 districts with new forms of work and closer cooperation with Lantmännen Lantbruk and Lantmännen Maskin. The membership increased to a total of 20 districts with the addition of Kalmar-Öland in fall.

On April 26, Kalmar Lantmän requested to leave Lantmännen ek för.

Lantmännen and the Danish agricultural company DLG (Dansk Landbrugs Grovvarereselskab) strengthened and expanded the existing agricultural cooperation by establishing a new jointly-owned company for international operations, Lantmännen DLG International (LDI). Lantmännen and DLG each own 50 percent of the new company. The purpose of the new company is both to expand the position in markets and businesses where Lantmännen and DLG already have a strong partnership and to expand into new, mainly European, markets by concentrating efforts in the joint company.

Lantmännen's partly-owned company HaGe Kiel in Germany acquired all of the remaining shares in Roth Agrarhandel

GmbH, making it the sole shareholder of the company. The acquisition gives HaGe Kiel further scope for increasing efficiency in its operations and for its customers. Roth Agrarhandel GmbH is one of Germany's leading private agricultural companies in the areas of inputs and grain.

In the Sustainable Brand Index survey for 2016, Lantmännen took second place in the food category and tenth place overall.

Lantmännen Lantbruk and Lantmännen Maskin jointly participated in the Borgeby and Brunnby agricultural fairs. "LM² – the tool for entrepreneurs of the earth", a digital offering for Swedish farmers, was launched at Borgeby. LM² is aimed at strengthening the competitiveness of agriculture by increasing productivity and profitability.

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

Lantmännen BioAgri, a leader in biological crop protection in the Baltic Sea region, entered into a strategic partnership with the Dutch company Koppert. The partnership enables more farmers to use sustainable products, while joint research and development provides good opportunities for establishing new products in the market.

Lantmännen's Director of Sustainable Development Claes Johansson was named Sweden's best Sustainability Director in 2016 by the magazine "Aktuell Hållbarhet".

Production at the rebuilt bakery in Londerzeel in Belgium began during fall and the new plant is now in the start-up phase.

Elisabeth Ringdahl took over as Head of the Agriculture Sector, after having been Acting Head of the Sector for a period.

A seminar was held for female elected representatives in Lantmännen, with the aim of broadening skills, increasing diversity and engaging more female elected representatives.

Lantmännen acquired a shareholding with high voting power, corresponding to 10.1 percent of the votes, in HKScan from Sveriges Djurbönder.

Towards the end of 2016, the first pilot users started to use the LM² tool, which will gather in one portal all of Lantmännen's digital services for owners. The aim is for a broad launch of



LM² in 2017. The tool will bring together existing and new services to increase usability and focus on the farmer's needs. It includes both agribusiness and machinery business, as well as financial services and information from Lantmännen to the owners and elected representatives. In October, to further strengthen the digital position, Lantmännen acquired a majority in the company Dataväxt, a leader in digital crop production services.

Sustainable business development

Lantmännen's Group strategy has a clear emphasis on sustainable business development, with a focus on the grain value chain. 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.

During the year, Lantmännen continued its focus on cultivation concepts with added values for health and the environment. Kungsörnen's *Friendlyer wheat*, produced using Lantmännen's Climate & Nature cultivation method, which has an up to 20 percent lower carbon footprint, was supplemented in the fall with *Friendlyer rye*, based on the same cultivation method. Another example is Lantmännen Agroetanol's cooperation with Scania, which has resulted in Etha, a brand new concept for sustainable truck transport.

Lantmännen has also begun the process of producing a new enhanced strategy for the organic offering, with the aim of developing and driving the organic market in all parts of the value chain.

Lantmännen started work on a new climate strategy and a new climate target in 2016. The strategy focuses on fossil-free production and transport, continuing energy efficiency and investments and measures to reduce the carbon footprint throughout the value chain.

Ensuring responsibility – implementation of the Code of Conduct

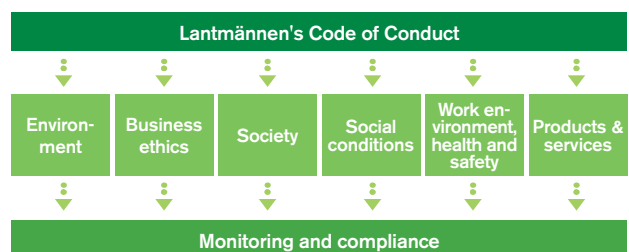
The Code of Conduct applies to Lantmännen's entire operations and all employees are trained in the Code. The Code also applies to Board members and elected representatives in the

owner organization, and in applicable parts to suppliers and partners. All employees can report any deviations from the Code through a whistleblower system. Compliance with the Code is monitored annually by Group Management.

Lantmännen's Code of Conduct is also the guiding principle for the behavior and decisions of Board members who represent Lantmännen in our partly-owned enterprises. In addition, it forms the basis for evaluation of potential acquisitions and holdings. Work is in progress to more clearly integrate the Code of Conduct into Lantmännen's mergers and acquisitions process. Implementation of the Code of Conduct is part of the integration process for acquisitions of new businesses.

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. An updated version of the Code was issued and communicated during the year. The Supplier Code of Conduct is included in all supplier contracts. All suppliers with an annual purchase volume over MSEK 1 or with high risk are also required to complete a self-assessment and obtain approval based on this. In 2016, 83 (80) percent of Lantmännen's purchase volume came from suppliers assessed and approved in this way.

Lantmännen's Supplier Code of Conduct contains general guidelines to ensure a good work environment and social conditions, environmental responsibility, good business ethics, and safely and responsibly produced products. The Code of Conduct



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



emphasizes that there is zero tolerance for violation of anti-corruption or competition laws.

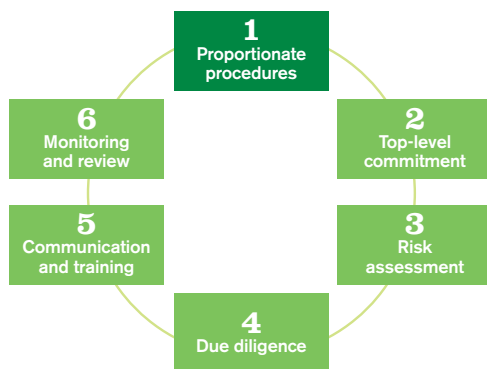
Supplier monitoring is also done through independent third-party audits, in which supplier and purchasing categories with high risk and significant improvement potential are prioritized. Imported raw materials such as soy and palm oil are important categories in view of the impacts and risks from a sustainability perspective. Lantmännen takes responsibility and supports responsible production by only purchasing RSPO-certified palm oil and RTRS-certified or ProTerra-certified soy.

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

Compliance and monitoring

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

Lantmännen's Business ethics compliance program



The compliance program is based on six main principles. The first (1) means that activities within the framework of the program should be proportional to the risks involved in each business. The other five principles (2-6) provide guidance on how the first principle should be applied.

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

In Sweden, Lantmännen conducts operations subject to permit requirements at 7 plants, and operations subject to notification requirements at 17 plants, all of them 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 GRI and Global Compact

Lantmännen reports its sustainability performance annually in the framework of the Global Reporting Initiative (GRI) guidelines. Lantmännen's Annual Report including Sustainability Report and the information on Lantmännen's website also fulfill the requirements on Communication on Progress (COP), which is a disclosure on progress made in implementing the Global Compact principles on responsible business.

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. In 2016, Lantmännen invested approximately MSEK 200 in different research and innovation projects, ranging from product and process development to strategic Group-wide research projects. The investments are mainly in the grain value chain from field to fork.

Human resources

The average number of employees during the year was 9,880 (8,911), and the number of full-time employees at December 31, 2016 was 9,764 (9,706). 3,413 (3,437) of the average number of employees were employed in Sweden. Lantmännen's goal 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



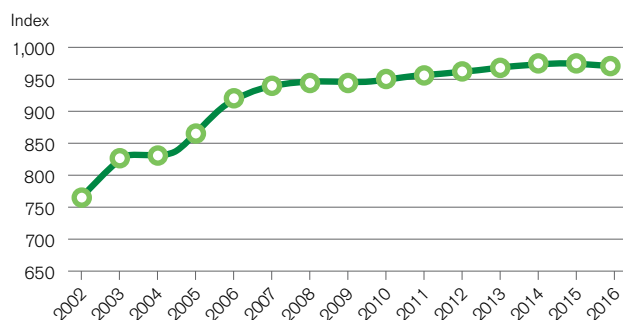
states that the Group shall safeguard and value the skills, qualities and experience of all employees, regardless of gender, age, ethnicity, beliefs, sexual orientation, disability or other individual differences. In addition, it states that the Group will not tolerate any bullying, harassment or discrimination.

Health, work environment and safety program

Lantmännen sees proactive health and wellness initiatives as important to a sustainable work environment. Health monitoring is carried out continuously, providing a basis for continuing efforts at individual and group level. The results are processed at management level in each company, where goals and action plans are defined.

A safe work environment is a high priority and Lantmännen works continuously to identify and address risks in this area. Monitoring of work environment programs is conducted throughout the organization, with annual reporting to Group management. Constant improvements in work environment and safety training at the facilities, and loss prevention inspections have resulted in a significant improvement in the safety level and employees' safe behavior. This has resulted in a lower risk of personal injuries and production disruptions, and the number of workplace accidents per year has fallen by 12 percent since 2014. In addition to

Safety level, facilities



The graph shows how Lantmännen's loss prevention leads to continuous improvement. We constantly sharpen requirements in order to achieve a higher safety level. Plants acquired in 2015 had a negative effect on the overall safety level in 2016.

improving life for our employees, Lantmännen's systematic safety work is also favorably viewed by insurance companies, both during claim settlements and in premium negotiations.

Remuneration policy

Defined in Lantmännen's remuneration policy is the objective that compensation within Lantmännen will contribute towards engaging, motivating and retaining the employees Lantmännen needs for success in our business operations. Remuneration within Lantmännen must always be considered and assessed from a total remuneration perspective. Total remuneration includes everything that may have a perceived value for employees in their employment, and non-monetary components are therefore also included in offers of employment. The total remuneration that is offered is always more important than any individual component. Decisions on remuneration within Lantmännen should always be made on the basis of our 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.

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.

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

The main strategic risks include external risks, notably



changes in the economy, trends, competition, climate and overall brand positioning, as well as political decisions and regulatory changes in the markets in which Lantmännen is active. The security situation may affect the association's operations, earnings, financial position and prospects.

Operational risks

Operational risks are a part of the Sectors' day-to-day operations, and include risks of handling errors that compromise quality and safety, risks associated with compliance with laws and regulations, and risks in the areas of financial reporting and internal control. Several operational risks can be controlled, and are often regulated by policies, guidelines and instructions in order to provide consistent and effective safety in the Group. A large number of the operational risks are insurable. As handling errors can also occur at Lantmännen's suppliers' premises, it is important to conduct audits with follow-up of our suppliers and the goods we purchase.

As a *risk-prevention measure*, important facilities are inspected regularly on the basis of Lantmännen's policies and guidelines.

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, which is Lantmännen's overall governing document for financial risks. Financial status reporting and compliance with the financial policy are regularly reported to Group Management and the Group Board. Agreements have been signed with a number of banks in order 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 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.

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. 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 then sold to external customers or internally to Lantmännen's industries. A constantly changing market price exposes Lantmännen to risk when buying and selling. Commodity risk is minimized by matching purchases and sales or by price hedging in the financial markets. This is compared with the risk that each business unit is allowed to take under the established risk policy.

Financial and risk policies are evaluated and ratified by the Group Board. Financial risk management is described in more detail in [note 24](#).

Risk management process

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

A Risk Committee ensures compliance with the Group Board's adopted risk mandates, and reports to the Board's Audit Committee on a monthly basis. The business managers are responsible for implementing risk management in the daily operations, while risk identification and continuity planning are an important part of every manager's responsibility.

Lantmännen has a risk screening tool for managing risks associated with the Code of Conduct. Risk screening is conducted by type of business, country and raw material and is then measured against available risk indexes from established organizations, such as Transparency International's corruption index and the World Business Council for Sustainable Development's water resources survey.

Lantmännen's Board has ultimate responsibility for the Company's risk management. A *CSR committee* with representatives from Group Management has overall responsibility for implementation, monitoring and decision preparation on policies for the Code of Conduct.



Events after the end of the reporting period

Lantmännen's company with importing responsibility for Claas in Denmark has been divested.

The baguette bakery Anderson Bakery (PS Bageri AB) in Huddinge, Sweden, has been acquired. The company has a turnover of MSEK 75 and 30 employees. The transaction will be completed in March 2017.

Joachim Haas took over as the new Head of Lantmännen Real Estate.

Business environment

The external environment has been marked by political uncertainty in 2016 and this is expected to continue in 2017. Weaker global growth is the principal external factor that affects Lantmännen's main markets in the short and medium term. Slower global demand for food and raw materials, combined with an increased rate of production from the world's agricultural companies, leads to lower prices, with increased competition as a result.

Lantmännen's Group strategy – Strategy 2020

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

Outlook

The long-term trend of a growing global middle class is the primary driver of increased demand for food in the longer term. It is mainly Asia and Africa's large populations and

emerging economies that are driving demand for agricultural commodities and food products through imports.

Urbanization is a strong trend throughout the world and is also continuing in Sweden. This has major effects, particularly on what products and services are in demand.

The Agriculture Sector is focused on being a profitable and leading player in agribusiness in the Baltic Sea region. This will be achieved by working on business development with agricultural entrepreneurs at the center, and by strengthening existing business, generating growth around the Baltic Sea and creating the conditions for long-term profitable agricultural business.

The Machinery Sector's markets and construction machinery growth are expected to remain good, due to large infrastructure projects in Sweden and Germany, while a certain upward trend is expected in the Baltic region. Volumes for the Swedish agricultural machinery market are expected to be unchanged. Lantmännen Maskin is well equipped for the future.

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

The Food Sector is planning several new product launches from Lantmännen Cerealia such as pasta based on 100 per cent durum wheat from Gotland. Work continues in the areas of innovation and business and product development, with a focus on health and sustainability. Within Lantmännen Unibake, the commercial initiatives continue and work is progressing on the new production facilities in Poland, Russia, Romania and Belgium, while there is a focus on growth and continuing increases in profitability in mature markets. Implementation of the new IT platform began during the year.

Lantmännen Real Estate expects growth in market rents in Sweden to slow down in 2017, due to reduced demand for premises. However, land with local development plans is in demand, as this type of project has short lead times and low risk.

Group Net sales and earnings

- ▶ Lantmännen's net sales amounted to MSEK 37,244 (35,660)
- ▶ Operating income increased to MSEK 1,606 (1,351)
- ▶ Adjusted for items affecting comparability, operating income increased to MSEK 1,697 (1,351)

Net sales

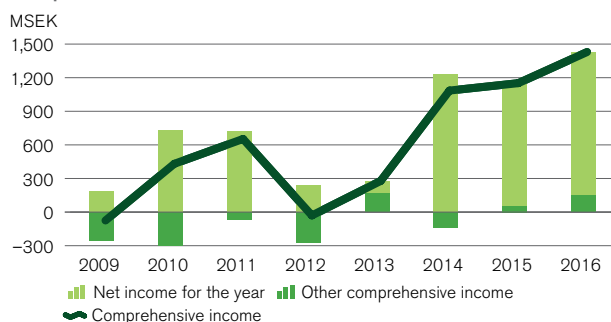
Lantmännen's net sales for the year amounted to MSEK 37,244 (35,660), an increase of 4 percent. Adjusted for acquired and divested operations, net sales were 1 percent higher than in the previous year. Currency effects had a marginal effect on net sales for the year.

Operating income

Lantmännen's operating income was MSEK 1,606 (1,351) and adjusted for items affecting comparability MSEK 1,697 (1,351). On a net basis, items affecting comparability had an impact of MSEK –91 (0) on operating income. In the Food Sector, insurance compensation for the burnt-down bakery in Londerzeel in Belgium had a positive impact of MSEK 357 on operating income for the year. A restructuring provision of MSEK 87 has been made in the Food Sector as a result of changes in Vaasan's fresh bread operations in Finland and Lantmännen Cerealia's decision to close the facility in Odense and transfer cake and bread mix production to Sweden, and the decision to relocate pancake production from Ockelbo to Laholm. The Sector was also affected by costs of MSEK 61 associated with property acquisitions in Russia. A provision of MSEK 300 has been made in the Energy Sector in connection with the European Commission's ongoing investigation of Lantmännen Agroetanol and two other ethanol producers for alleged infringement of EU competition law.

The previous year's net items affecting comparability were 0, and consisted of a capital gain of MSEK 110 on the divestment of Lantmännen Doggy, restructuring costs of MSEK –45 in the Agriculture Sector and costs of MSEK –65 associated

Comprehensive income



with the integration of Lantmännen and Vaasan's operations. Operating income adjusted for items affecting comparability improved in all Sectors, with the largest increase in the Agriculture and Energy Sectors. The Real Estate Sector's operating income was lower than the previous year as a result of lower capital gains on property sales. Currency effects had an impact of MSEK –11 on operating income.

Net financial income and income after financial items

Net financial income amounted to MSEK –149 (–105). The decline in net financial income is due to increased interest expenses arising from new financing for acquisitions in 2015 and 2016 and continuing negative currency effects as a result of a volatile Swedish krona. Income after financial items was MSEK 1,457 (1,246) and adjusted for items affecting comparability MSEK 1,548 (1,246).

Tax and income after tax

Tax expense for the year was MSEK 183 (156). Lantmännen's tax expense was affected by a non-taxable capital gain and the fact that dividends from economic associations are tax deductible. The Group's income after tax amounted to MSEK 1,274 (1,090), with MSEK 1,273 (1,088) of this figure attributable to members of the economic association and MSEK 1 (2) to non-controlling interests (minority ownership) in the Group's subsidiaries.

The Group's items affecting comparability¹⁾

MSEK	2016	2015
Recognized operating income	1,606	1,351
<i>Items affecting comparability in operating income:</i>		
Insurance compensation, Food Sector	357	-
Restructuring costs, Food Sector	-87	-
Property acquisitions, Food Sector	-61	-
Provision, Energy Sector	-300	-
Capital gains on sale of operations	-	110
Restructuring costs, Agriculture Sector	-	-45
Restructuring costs, Vaasan acquisition ²⁾	-	-65
Total items affecting comparability in operating income	-91	0
Operating income, adjusted for items affecting comparability	-1,697	1,351
Recognized income after financial items	1,457	1,246
Items affecting comparability in operating income according to above	-91	-
Income after financial items, adjusted for items affecting comparability	1,548	1,246
Net income for the year, adjusted for items affecting comparability	1,457	1,066
Return on equity, adjusted for items affecting comparability, %	11.0	8.7
Return on operating capital, adjusted for items affecting comparability, %	8.4	7.5

¹⁾ See also note 10 ²⁾ MSEK 41 of which is reported in the Food Sector

Consolidated **Income statement**

MSEK	Note	2016	2015
Net sales	4, 5	37,244	35,660
Other operating income	5	800	796
Changes in inventories of finished goods and work in progress		-300	57
Raw materials and consumables		-11,104	-11,384
Merchandise		-11,874	-11,508
Employee benefits expense	6	-5,578	-5,169
Depreciation, amortization and impairment	7	-1,165	-1,222
Other operating expenses	8	-6,515	-5,982
Share of income of equity accounted companies	16	98	103
Operating income	10, 11	1,606	1,351
Finance income	9	165	106
Finance costs	9	-314	-211
Income after financial items		1,457	1,246
Tax	12	-183	-156
Net income for the year		1,274	1,090
Net income for the year attributable to:			
Members of the economic association		1,273	1,088
Non-controlling interests		1	2

Consolidated **Statement of Comprehensive Income**

MSEK	Note	2016	2015
Net income for the year		1,274	1,090
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		-162	211
Tax on actuarial gains and losses		36	-46
Total		-126	165
<i>Items that will be reclassified to the income statement</i>			
Available-for-sale financial assets, net of tax		81	13
Cash flow hedges, net of tax		22	62
Exchange differences on translation of foreign operations		193	-189
Net gain on hedge of net investment in foreign operations, net of tax		-68	56
Tax attributable to items that will be reclassified		2	-34
Total		230	-92
<i>Share of OCI in equity accounted companies</i>			
Items that will be reclassified to the income statement		51	-12
Total		51	-12
Other comprehensive income, net of tax		155	61
Total comprehensive income		1,429	1,151
Total comprehensive income attributable to:			
Members of the economic association		1,428	1,149
Non-controlling interests		1	2

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

	Agriculture Sector		Machinery Sector		Energy Sector		Food Sector ²⁾		Lantmännen Real Estate		Lantmännen Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
MSEK												
Net sales	10,767	10,907	11,343	10,323	2,698	2,874	14,048	13,073	455	454	37,244	35,660
Operating income	318	192	316	255	4	218	1,058	692	281	314	1,606	1,351
Return on operating capital, %	7.8	4.6	17.8	14.0	0.4	19.2	8.4	6.7	16.2	20.1	8.0	7.5
Operating income, adjusted for items affecting comparability	318	237	316	255	304	218	849	733	188 ¹⁾	187 ¹⁾	1,697	1,351
Return on operating capital, adjusted for items affecting comparability, %	7.8	5.7	17.8	14.0	31.4	19.2	6.7	7.1	10.9 ¹⁾	12.0 ¹⁾	8.4	7.5

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

²⁾ Including Vaasan from June 1, 2015.

Lantmännen Lantbruk Sweden

MSEK	2016	2015
Net sales	10,587	10,798
Operating income	225	96
Return on operating capital, %	8.2	3.2
Operating income, adjusted for items affecting comparability	225	141
Return on operating capital, adjusted for items affecting comparability, %	8.2	4.7

Lantmännen Maskin Sweden

MSEK	2016	2015
Net sales	3,362	3,137
Operating income	-10	-10
Return on operating capital, %	-1.0	-1.2
Operating income, adjusted for items affecting comparability	-10	-10
Return on operating capital, adjusted for items affecting comparability, %	-1.0	-1.2

Agriculture Sector

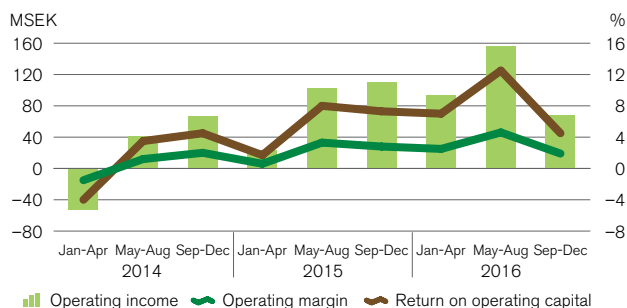
The Agriculture Sector's net sales are in line with the previous year, while operating income adjusted for items affecting comparability is MSEK 318 (237). The improved result is largely due to an increased customer focus and a stronger local presence. Lantmännen's position in the competitive agricultural markets has been strengthened, with increased market share and good sales. Well-implemented efficiency measures and cost reductions, which produced full effects in the Swedish operations during the year, also contributed positively.

Lantmännen's 2016 harvest work has been successful, with high volumes received and good quality. The new grain receiving facilities that were opened in Umeå, Säffle and Karlstad

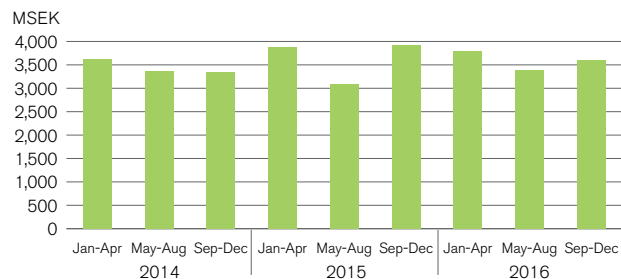
during the year were well received. Lantmännen Lantbruk has also decided to open a grain receiving facility with drying and storage capacity in Hargshamn, and two new grain receiving facilities in the Uppsala area replacing the central facility in Uppsala, which will be closed in a few years.

The feed business developed positively, with higher sales and increased market shares. New conventional feed varieties for cattle, pigs and poultry were launched during the year. New feed ranges for organic livestock production were also launched. Krafft horse feed was relaunched towards the end of the year, with its packaging, logo and marketing communications having been updated to make the brand more attractive.

Agriculture Sector, adjusted for items affecting comparability



Agriculture Sector, net sales





The range of fall and spring seed has been strengthened in 2016, with items such as winter wheat for organic cultivation and malting barley for whisky. New varieties of malting and feed barley have been launched for spring sowing in 2017, as well as grass seed for meadow fescue and timothy. Fertilizer sales have been relatively high during the year, particularly during the summer, although there is still intense price competition in the market.

During the year, Lantmännen Lantbruk opened a sales office in Kalmar for both crop production and feed. The establishment has attracted keen interest and trading volumes have developed positively.

Earnings for the international holdings were lower than in the previous year. HaGe Kiel has faced challenges, mainly in the form of lower grain trading, pressure on prices and lower margins on merchandise. Scandagra Group has performed positively, despite a weak harvest in the Baltic region, while Scandagra Polska has faced increased challenges in the form of a relatively weak harvest and a declining total market for plant protection and plant nutrition during the year.

In October, Elisabeth Ringdahl took over as Head of the Agriculture Sector and is now a member of Lantmännen's Group Management.

Machinery Sector

The Machinery Sector's net sales were higher than in the previous year. Operating income amounted to MSEK 316 (255).

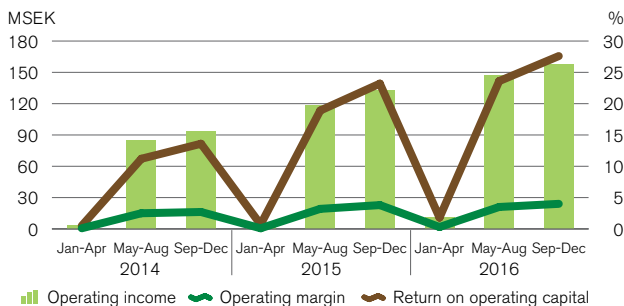
The Sector has developed positively during the year, both in agricultural and construction machinery. In Lantmännen Maskin Sweden, intensive efforts have been carried out to adapt the business to the updated supplier agreement with AGCO.

To achieve a stronger focus on Swedish customers, with increased accessibility and proximity, Lantmännen's import companies for Valtra in Norway and Denmark were phased out in 2016, as planned. In October, Lantmännen's agreement with Claas in Norway ceased, according to plan. AGCO's central warehouse has been relocated from Copenhagen to Malmö and a new warehouse system has been introduced – the measures have been successful, although project costs have had a negative impact on income for the year.

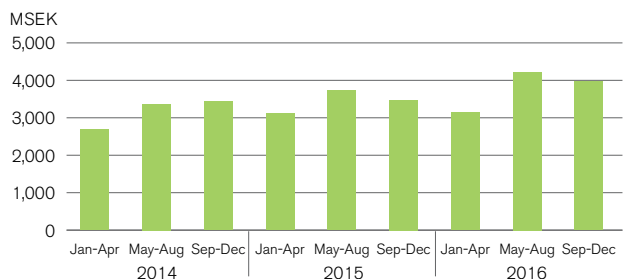
Total sales of tractors in Sweden increased during the year, but the market is still difficult to predict. Lantmännen Maskin has defended its market position for tractors and combines, and the introduction of Fendt new combines has been well received. Valtra finished the year as market leader again. Sales of agricultural equipment increased during the year – notably through the introduction of the manufacturer Kuhn's new range.

Kalmar Lantmän's machinery operations were acquired at

Machinery Sector, adjusted for items affecting comparability



Machinery Sector, net sales





the beginning of the year. Integration of the operations during the year gave rise to relatively high initial restructuring and project costs, which affected operating income for 2016. Work is in progress to complete the integration and build a strong, customer-oriented structure in the region, with measures including investment in a new facility in Kalmar.

Swecon continues to perform well. Markets for construction equipment in Sweden and Germany increased significantly in 2016 and Swecon has strengthened its market shares.

In Sweden, large ongoing and announced infrastructure projects in urban areas are driving long-term demand for machinery, services and spare parts. Activity in the Swedish mining sector remains low. Swecon's new business of dismantling used machinery and marketing used spare parts reached full capacity during the year and is showing strong results.

Agro Oil is developing according to plan, with sales through the internal channels of Lantmännen Maskin and Swecon in Sweden.

Energy Sector

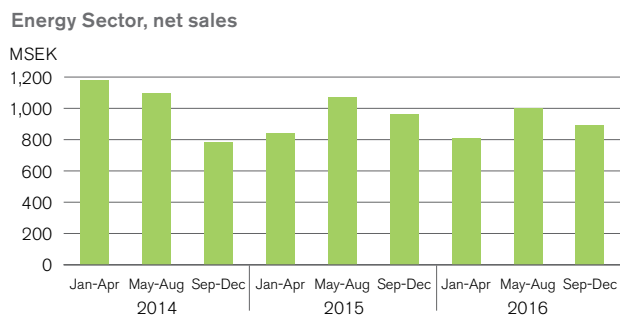
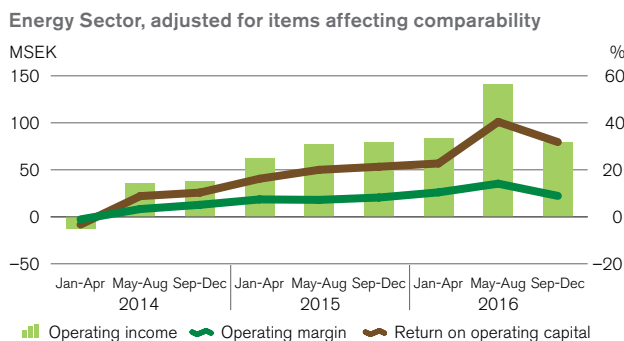
The Energy Sector's net sales amounted to MSEK 2,698, compared with MSEK 2,874 the previous year, while operating income adjusted for items affecting comparability was MSEK 304 – an increase from MSEK 218 the previous year.

The higher operating income is primarily attributable to a strong improvement in Lantmännen Agroetanol's operating income during the year. The strong operating income is also due to successful exports of climate-friendly ethanol to Germany, and increased sales of more value-added products, such as ED95 fuel for diesel engines.

Lantmännen Reppe continues to develop positively with good growth in sales volumes, even though the quality of the grain raw material from the 2015 harvest still presented challenges during some of the year. Demand for starch in the paper and packaging industry has increased during the year.

Lantmännen Aspen has experienced good sales growth during the year, particularly by way of a strong summer period. Aspen's alkylate petrol has continued to gain market share both in Sweden and abroad. During the year, a cooperation agreement was signed with the French-German company Global Bioenergies regarding an initiative for renewable raw materials in the production of alkylate petrol. Development of the new product Aspen D, designed for smaller diesel engines, was also completed during the year.

The Etha cooperation was launched together with the truck manufacturer Scania during the year. The offering from Etha comprises the latest generation of Scania's ethanol trucks and customized tank solutions from Lantmännen Agroetanol.





The partly-owned company Agroenergi Neova Pellets was renamed Scandbio during the year. There is intense price competition in the pellet market at present, and the company is working to adapt its operations to the current situation.

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

Food Sector

The Food Sector's net sales are higher than in the previous year, largely due to the acquisition of the Vaasan bakery group, which has been part of the Sector since June 2015. Operating income adjusted for items affecting comparability was MSEK 849 (733). The higher operating income is largely attributable to continuing improvements in income for Lantmännen Unibake and the full-year effect from Vaasan.

Lantmännen Cerealia continues its stable development, with a strong focus on developing innovative customer offerings and products. Lantmännen Cerealia B2B and Food Service are showing positive development and have handled the strong price pressure and competition in the market well

– mainly as a result of effective cost management and close cooperation with customers.

There were several product launches during the year, including granola with no added sugar and new muesli varieties from AXA, bean pasta from Kungsörnen, new crispbread from Finn Crisp and vegetarian ready meals from GoGreen. Kungsörnen's climate-friendly wheat flour "Vänligare vete" was supplemented in the fall with climate-friendly rye, "Vänligare råg", based on the same cultivation concept.

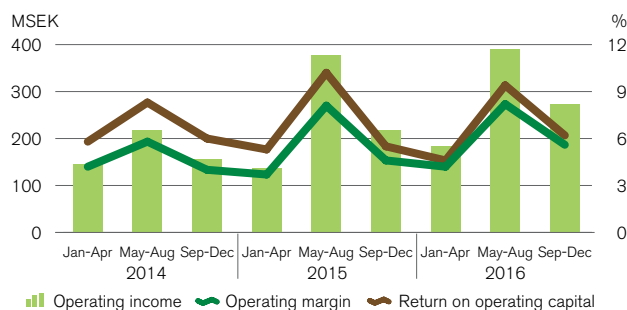
Work aimed at replacing the mill in Uppsala in 2017 began during the year, with investments and expansion of Lantmännen Cerealia's plant in Strängnäs.

During the year, Lantmännen Unibake further strengthened its earnings through improvements in most markets. Good synergies have been achieved through the integration of Vaasan's operations.

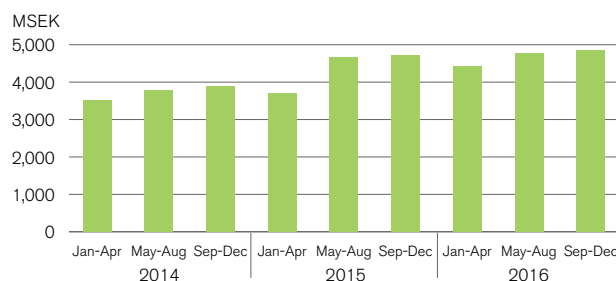
The market for fresh bread has grown during the year, and sales have been strengthened, notably in Denmark, Poland and Lithuania. During fall, "Rågbitar" was launched in the Swedish market under the Hatting brand, with good results.

In September, a burger bun bakery was acquired in Bucharest, Romania. The acquisition is part of Lantmännen Unibake's strategy to establish itself in new markets. As part of the strategy, the fresh bread business in Finland is also undergoing

Food Sector, adjusted for items affecting comparability



Food Sector, net sales





a restructuring process. Production at the rebuilt bakery in Londerzeel in Belgium began during fall and the new plant is now in the start-up phase.

The following items affecting comparability have had an impact on the Sector's operating income during the year: insurance compensation for the burnt-down bakery in Londerzeel (MSEK +357), restructuring costs in Lantmännen Cerealia (MSEK -50) and Lantmännen Unibake (MSEK -37) and costs associated with property acquisitions in Russia (MSEK -61). The partly-owned company Viking Malt acquired Danish Malting Group from Carlsberg during the year. The acquisition has strengthened Viking Malt's position as one of the leading malting companies in Europe.

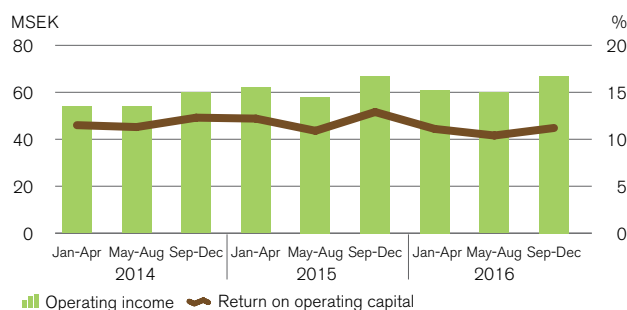
Lantmännen Real Estate

Lantmännen Real Estate's net sales are in line with the previous year. Operating income including property sales was MSEK 281 (314). Operating income excluding property sales was MSEK 188 (187). The share of external leasing continued to increase during the year.

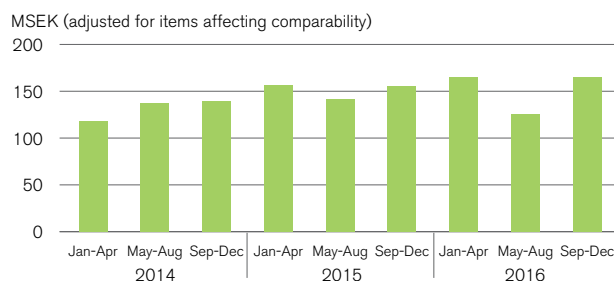
A number of property transactions were conducted during the year, including the divestment of Lantmännen's former production properties in Uppsala. Investments in property development, including a focus on food properties, continued during the year.

Lantmännen Agrovärme continues to develop positively, mainly as a result of well implemented fuel purchases and a favorable weather situation.

Lantmännen Real Estate, excluding property sales



Lantmännen Real Estate, net sales



Consolidated Statement of Financial Position

MSEK	Note	2016 Dec 31	2015 Dec 31
ASSETS			
Non-current assets			
Property, plant and equipment	13	8,240	7,113
Investment properties	14	858	586
Goodwill	15	4,611	4,424
Other intangible assets	15	2,980	2,782
Equity accounted holdings	16	1,896	1,690
Surplus in funded pension plans	25	-	14
Non-current financial assets	17	770	697
Deferred tax assets	12	136	371
Other non-current assets	18	23	8
Total non-current assets		19,514	17,685
Current assets			
Inventories	19	5,270	5,545
Trade and other receivables	20	5,727	5,407
Current interest-bearing assets	21	176	174
Current tax assets	12	30	18
Cash and cash equivalents	21	1,773	1,252
Total current assets		12,976	12,396
TOTAL ASSETS		32,490	30,081

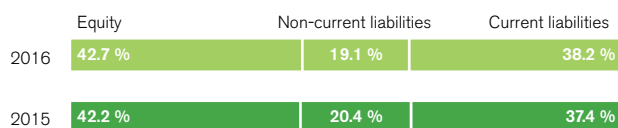
MSEK	Note	2016 Dec 31	2015 Dec 31
EQUITY AND LIABILITIES			
Equity			
Member contributions		2,299	2,146
Other contributed capital		2,895	2,775
Reserves		112	-169
Retained earnings		8,489	7,908
Total equity attributable to members of the economic association		13,795	12,660
Non-controlling interests		88	21
Total equity	22	13,883	12,681
Non-current liabilities			
Non-current interest-bearing liabilities	23, 24	4,991	4,897
Provisions for pensions	25	519	360
Deferred tax liabilities	12	437	612
Other non-current provisions	26	247	227
Other non-current liabilities	27	25	39
Total non-current liabilities		6,219	6,135
Current liabilities			
Current interest-bearing liabilities	23, 24	3,373	3,230
Trade and other payables	28	8,199	7,608
Current tax liabilities	12	89	73
Current provisions	26	727	354
Total current liabilities		12,388	11,265
TOTAL EQUITY AND LIABILITIES		32,490	30,081

Pledged assets and contingent liabilities, see note 34.

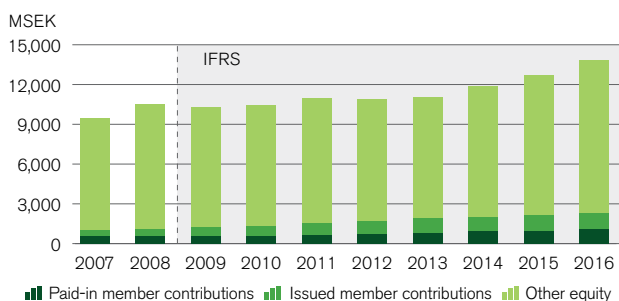
Distribution of the Group's Assets



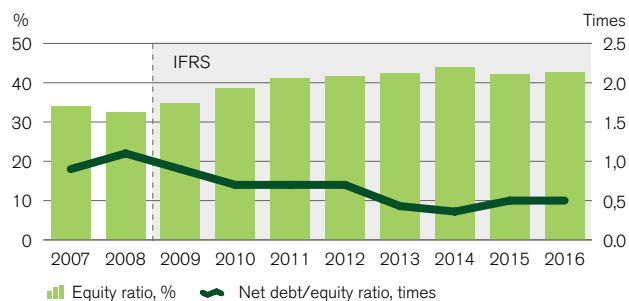
Distribution of the Group's Equity and liabilities



Contributed capital and equity



Equity ratio and net debt/equity ratio



- ▶ The equity ratio was 42.7 (42.2) percent.
- ▶ Return on equity was 9.6 (8.9) percent.
- ▶ Return on operating capital was 8.0 (7.5) percent.
- ▶ The Group's average operating capital increased to MSEK 20,161 (18,077) as an effect of the Vaasan acquisition.
- ▶ The capital turnover rate was 1.8 (1.8) percent.

Assets and investments

Total assets were MSEK 32,490 (30,081) at the end of the year, an increase of MSEK 2,409, which was due to positive net income and a strong cash flow.

Property, plant and equipment amounted to MSEK 8,240, compared with MSEK 7,113 in the previous year. Investments in property, plant and equipment amounted to MSEK 1,986 (1,170) and were related to replacement investments in operations, large investments in bakeries in Russia, Belgium and Poland, in Lantmännen Cerealia's mill in Strängnäs, and in property.

Investment property amounted to MSEK 858 (586), with investments during the year totaling MSEK 242 (46).

Investments in intangible assets for the year amounted to MSEK 105 (40).

Total intangible assets were MSEK 7,591 (7,206), an increase of MSEK 385, which is mainly attributable to Lantmännen Unibake's acquisition of the Romanian burger bun company Frozen Bakery Products and Lantmännen Lantbruk's acquisition of the majority in the technical services company Dataväxt.

Current assets excluding cash and cash equivalents increased by MSEK 59, from MSEK 11,144 to MSEK 11,203.

Liabilities and equity

Group equity amounted to MSEK 13,883 (12,681) at the end of the year, MSEK 88 (21) of which was attributable to owners other than the members of the economic association, i.e. non-controlling interests in Group companies. Net income for the year increased equity by MSEK 1,274 (1,090), while dividends and contributed capital reduced equity by MSEK 324 (348). Items recognized in other comprehensive income (e.g. remeasurement effects) increased equity by MSEK 155 (61).

The Group's net debt was MSEK 6,289 (6,476) at the end of the year, a reduction of MSEK 187.

The Group's liquidity reserve at the end of the year was MSEK 3,969 (4,064) and is calculated on the basis of Lantmännen's current loan agreements and their covenants. At the end of 2016, Lantmännen was operating within the framework of the covenants associated with its existing loan agreements.

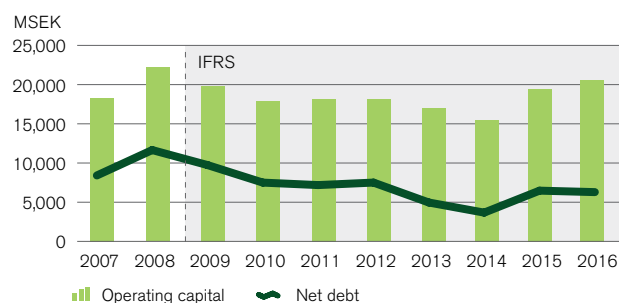
The equity ratio was 42.7 (42.2) percent at the end of the year.

Net debt

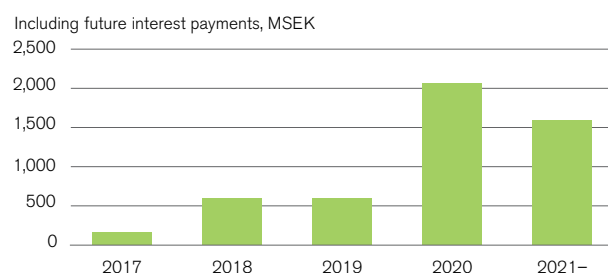
MSEK	2016	2015
Liabilities to credit institutions	3,439	3,244
Issued securities, MTN loans	1,246	1,245
Savings and deposit accounts, members et al.	3,148	3,152
Pension liabilities	519	360
Subordinated debentures	250	250
Other interest-bearing liabilities	281	236
Total interest-bearing liabilities	8,883	8,487
Surplus in funded pension plans	-	14
Other interest-bearing assets	821	746
Short-term investments, maturity less than 3 months	-	261
Cash and bank balances	1,773	990
Total interest-bearing assets	2,594	2,011
Group's net debt	6,289	6,476

Shares held on an operational basis are reported under financial assets in the statement of financial position, but are not included in net debt; instead, they are reported as part of the Group's operating capital. Their value was MSEK 125 for 2016 and MSEK 125 for 2015.

Operating capital and net debt



Maturity profile of interest-bearing financial liabilities



Consolidated Statement of cash flows

MSEK	Note	2016	2015
OPERATING ACTIVITIES			
Operating income		1,606	1,351
Adjustment for non-cash items ¹⁾		1,302	983
		2,908	2,334
Financial items paid, net	35:1	-205	-76
Taxes paid		-132	-99
Cash flow from operating activities before changes in working capital		2,571	2,159
<i>Cash flow from changes in working capital</i>			
Change in inventories		416	-151
Change in operating receivables		-195	-318
Change in operating liabilities		344	477
		565	8
Cash flow from operating activities		3,136	2,167
INVESTING ACTIVITIES			
Acquisition of operations	35:2	-404	-4,381
Divestment of operations	35:3	47	227
Investment in property, plant & equipment	35:4	-2,228	-1,216
Investment in intangible assets		-105	-40
Sale of property, plant & equipment and intangible assets		449	445
Change in financial investments		-69	124
Cash flow from investing activities		-2,310	-4,841
Cash flow before financing activities		826	-2,674
FINANCING ACTIVITIES			
Change in loans	35:5	-57	1,194
Paid-in contributed capital		153	123
Refunded capital contribution		-50	-104
Dividend paid		-383	-314
Cash flow from financing activities		-337	899
Cash flow for the year		489	-1,775
Cash and cash equivalents at beginning of year		1,252	3,058
Exchange gains/losses		32	-31
Cash and cash equivalents at end of year	35:6	1,773	1,252

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

- ▶ Positive cash flow from operating activities of MSEK 3,136 (2,167).
- ▶ Cash flow from investing activities MSEK –2,310 (–4,841)
- ▶ Cash flow before financing activities was MSEK 826 (–2,674).

Cash flow from operating activities

The cash operating surplus, i.e. cash flow before changes in working capital, gave a positive result of MSEK 2,571 (2,159). Cash flow from changes in working capital was MSEK 565 (8). The increase from the previous year is mainly attributable to reduced inventories.

Cash flow from operating activities was therefore MSEK 3,136 (2,167).

Cash flow from investing activities

Acquisitions of operations amounted to MSEK –404 (–4,381), mainly attributable to Lantmännen's acquisition of the Romanian burger bun company Frozen Bakery Products and a majority holding in the technical services company Dataväxt. The previous year's cash flow from acquisitions and divestments was affected by the Vaasan acquisition, which was largely financed with own funds, and the divestment of Lantmännen Doggy. Divestments of operations generated a

positive cash flow of MSEK 47 (227). Investments in property, plant and equipment and intangible assets were higher than in the previous year at MSEK –2,333 (–1,256). There were large investments in a number of bakeries, notably in Russia, Belgium and Poland, the Strängnäs mill and property. Sales of property, plant and equipment and intangible assets generated a positive cash flow of MSEK 449 (445), mainly attributable to the sale of rental machinery in the Machinery Sector and property sales.

Cash flow from investing activities was therefore MSEK –2,310, compared with MSEK –4,841 in the previous year.

Cash flow before financing activities

Cash flow before financing activities was MSEK 826 (–2,674). The previous year's figure was affected by the Vaasan acquisition.

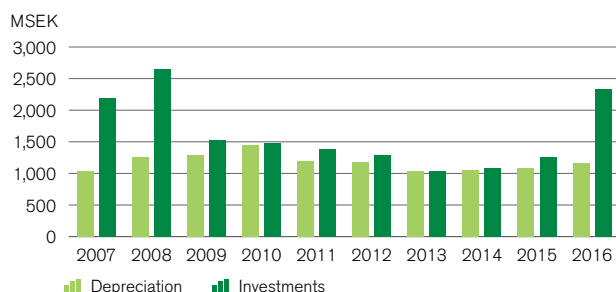
Cash flow from financing activities

Financing activities had an impact of MSEK –337 (899) on cash flow. The previous year's cash flow was affected by increased borrowings related to the Vaasan acquisition. The dividend payment of MSEK –383 (–314) was distributed as follows: contribution dividends of MSEK –193 (–178) and refunds and final price adjustments of MSEK –188 (–135) to members of the association.

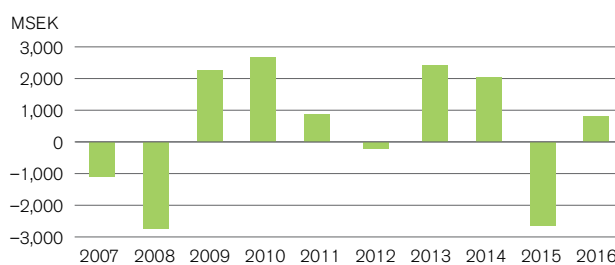
Cash flow for the year

Cash flow for the year was MSEK 489 (–1,775), which meant the Group's cash and cash equivalents were MSEK 1,773 (1,252) at the end of the year.

Depreciation/investments in property, plant and equipment



Cash flow before financing activities



Consolidated Statement of Changes in Equity

MSEK	Note	Member contributions	Other contributed capital	Reserves	Retained earnings	Total Lantmännen's owners	Non-controlling interests	Total equity
Opening balance, January 1, 2015		1,977	2,625	-65	7,322	11,859	17	11,876
Net income for the year		-	-	-	1,088	1,088	2	1,090
Other comprehensive income, net of tax		-	-	-104	165	61	-	61
Total comprehensive income		-	-	-104	1,253	1,149	2	1,151
Distributions to owners		150	150	-	-667	-367	-	-367
Contributed capital paid in by members		123	-	-	-	123	-	123
Contributed capital paid out to members		-104	-	-	-	-104	-	-104
Acquisition of NCI in CropTailor AB etc.		-	-	-	-	-	2	2
Closing balance, December 31, 2015	22	2,146	2,775	-169	7,908	12,660	21	12,681
Changes due to amended accounting policies in associates		-	-	-	66	66	-	66
Opening balance, January 1, 2016		2,146	2,775	-169	7,974	12,726	21	12,747
Net income for the year		-	-	-	1,273	1,273	1	1,274
Other comprehensive income, net of tax		-	-	281	-126	155	-	155
Total comprehensive income		-	-	281	1,147	1,428	1	1,429
Distributions to owners		50	120	-	-595	-425	-2	-427
Contributed capital paid in by members		153	-	-	-	153	-	153
Contributed capital paid out to members		-50	-	-	-	-50	-	-50
Associates' acquisition of NCI in subsidiaries, acquisition of Dataväxt with NCI, etc.		-	-	-	-37	-37	68	31
Closing balance, December 31, 2016	22	2,299	2,895	112	8,489	13,795	88	13,883

More information about equity can be found in the Parent Company's statement of changes in equity on [page 87](#) and in note 22.

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

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.

Member information

The number of members on December 31, 2016 was 25,159 (27,032). Refunded contributed capital is expected to amount to MSEK 51 (50) in 2017.

Net sales and operating income

Net sales amounted to MSEK 11,068 (11,267).

Operating income for the year was MSEK 81 (–97). The improvement in operating income was largely an effect of improved earnings for agricultural operations.

Income after financial items

Income after financial items was MSEK 861 (844).

Net financial income amounted to MSEK 780 (941). Net financial income includes dividends of MSEK 714 (917), the majority of which is from Lantmännen Unibake Holding A/S and Scandbio AB. Net financial income was also affected by a foreign exchange loss of MSEK –39 (53), mainly as a result of a weaker Swedish krona.

Investments

Investments in non-current assets during the year totaled MSEK 146 (415).

Subordinated debentures

Subordinated debentures totaling MSEK 250 were issued on January 15, 2015. The new subordinated debentures have a term of 5 years and mature on December 30, 2019.

Equity ratio

The equity ratio at the end of the year was 43.9 (44.1) percent.

Human resources

The average number of employees was 997 (1,049).

APPROPRIATION OF PROFIT

Refund and final price adjustment

The Board has decided to pay a 2.5 (2.0) percent refund on members' purchases of inputs from Lantmännen Lantbruk Sweden and a final price adjustment of 2.5 (2.0) percent for delivered grain, oilseed and grass seed. The Board has also decided to pay a refund of 0.5 (0.5) percent on members' purchases from the Machinery Sector's Swedish operations. The total refund and final price adjustment is estimated at MSEK 232 (188). The actual outcome of the 2015 refunds and final price adjustments

was MSEK 188, compared with MSEK 189 allocated in the 2015 financial statements. The refund and final price adjustment are reported in the Parent Company's income statement. In the consolidated financial statements, the refund and final price adjustment are recognized directly in equity as a dividend.

Contribution dividend

The Board proposes that the AGM adopt a contribution dividend of SEK 9 per SEK 100 of contributed capital or 9 (9) percent, a total of MSEK 207 (193), on paid-in and issued contributions to direct members, organization members and local associations.

Contribution issue

The Board proposes that the AGM adopt a contribution issue of MSEK 70 (50). The issue capital will be distributed as follows: 75 percent based on members' paid-in and issued contributed capital and 25 percent on members' contribution-based turnover with the association in 2016.

In total, the proposed contribution dividend and contribution issue amount to 12 (11) percent of the association's contributed capital.

Subordinated debentures

The Board proposes that the AGM adopt a 7.25 (6.5) percent dividend on subordinated debentures, a total of MSEK 18 (16), 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 7,441,281 be allocated as follows:

Contribution dividend	206,854 TSEK
Contribution issue	70,000 TSEK
Dividend on subordinated debentures	18,125 TSEK
Transferred to statutory reserve	115,000 TSEK
Carried forward	7,031,302 TSEK
Total	7,441,281 TSEK

Because of trading in contribution issues, the Board has decided that the date on which holdings give entitlement to a dividend, in the form of a contribution dividend, will be the date of the Annual General Meeting, May 4, 2017.

The dividend is calculated on the basis of the membership roll as updated on December 31, 2016. The contribution dividend amount may be changed as a result of changes in the membership roll up to May 4, 2017.

The 2016 Annual Report will be presented for adoption at the Annual General Meeting on May 4, 2017 at Hilton Stockholm Slussen, Guldgränd 8, Stockholm.

Parent Company **Income Statement**

MSEK	Note	2016	2015
Net sales, external		8,899	9,209
Net sales, intra-Group		2,169	2,058
Net sales, total	36	11,068	11,267
Change in products in progress, finished goods and work in progress for third parties		281	165
Other operating income	36	298	198
		11,647	11,630
Operating expenses			
Raw materials and consumables		-7,308	-7,518
Merchandise		-1,747	-1,742
Other external costs	37	-1,574	-1,511
Employee benefits expense	6	-766	-803
Depreciation, amortization and impairment of assets		-171	-153
Total operating expenses		-11,566	-11,727
Operating income	38, 41	81	-97
Income from financial items			
Income from investments in Group companies	39	679	934
Income from investments in joint ventures/associates	39	32	17
Income from other securities and receivables classified as non-current assets	40	29	-90
Interest income from Group companies		346	236
Other interest and similar income		79	76
Interest expenses to Group companies		-62	-57
Other interest and similar expenses		-284	-228
Exchange differences, financial items	41	-39	53
Total financial items		780	941
Income after financial items		861	844
Refund and final price adjustment ¹⁾		-231	-189
Group contributions received		415	883
Group contributions paid		-	-21
Other appropriations	50	-155	-
Income before tax		890	1,517
Tax on net income for the year	42	17	-122
NET INCOME FOR THE YEAR		907	1,395

¹⁾ The actual outcome for the 2015 refund and final price adjustment was MSEK 1 lower than the amount allocated in 2015. The difference has been recognized as revenue in 2016.

As there is no difference between net income and comprehensive income in the Parent Company, a statement of comprehensive income has not been prepared.

Parent Company **Statement of Financial Position**

MSEK	Note	2016 31 dec	2015 31 dec	MSEK	Note	2016 31 dec	2015 31 dec
ASSETS				EQUITY AND LIABILITIES			
Non-current assets				Equity			
Intangible assets				Restricted equity			
Intangible assets	43	481	478	Member contributions		2,299	2,146
		481	478	Subordinated debentures		250	250
				Restricted reserves		2,895	2,775
Property, plant and equipment	44					5,444	5,171
Land and buildings		255	258	Non-restricted equity			
Investment properties	45	49	50	Retained earnings		6,534	5,518
Plant and machinery		420	454	Net income for the year		907	1 395
Other non-current assets		86	101				
		810	863		49	7 441	6,913
Non-current financial assets				Total equity		12,885	12,084
Investments in Group companies	46	8,892	7,561	Untaxed reserves	50	466	311
Investments in joint ventures/associates	16	1,242	1,183	Provisions			
Receivables from Group companies		2,651	667	Provisions for pensions	51	3	5
Receivables from joint ventures/associates		3	3	Other provisions	52	143	136
Other non-current financial assets		168	110	Total provisions		146	141
Deferred tax asset	42	196	179	Non-current liabilities			
		13,152	9,703	Non-current interest-bearing liabilities		4,465	4,407
Total non-current assets		14,443	11,044	Other non-current liabilities		39	42
Current assets				Total non-current liabilities		4,504	4,449
Inventories	47	2,052	2,270	Current liabilities			
Trade receivables		1,590	1,617	Current interest-bearing liabilities		146	-
Receivables from Group companies		10,468	12,349	Trade payables		2,298	2,029
Receivables from joint ventures/associates		34	30	Liabilities to Group companies		6,831	6,308
Other current receivables		157	151	Liabilities to joint ventures/associates		18	32
Prepayments and accrued income	48	282	279	Other current liabilities	53	2,295	2,081
		14,583	16,696	Accruals and deferred income	54	583	548
Cash and bank balances		1,146	243	Total current liabilities		12,171	10,998
Total current assets		15,729	16,939	TOTAL EQUITY AND LIABILITIES		30,172	27,983
TOTAL ASSETS		30,172	27,983				

Pledged assets and contingent liabilities, see  note 56.

Parent Company **Statement of Cash Flows**

MSEK	2016	2015
OPERATING ACTIVITIES		
Operating income	81	-97
Refund and final price adjustment	-188	-135
Adjustment for non-cash items ¹⁾	95	58
	-12	-174
Financial items paid, net ²⁾	776	867
Taxes paid	0	0
Cash flow from operating activities before changes in working capital	764	693
<i>Cash flow from changes in working capital</i>		
Change in inventories	218	-18
Change in operating receivables	67	-223
Change in operating liabilities	288	259
	573	18
Cash flow from operating activities	1,337	711
INVESTING ACTIVITIES		
Acquisition of shares and interests, owner contributions etc.	-1,438	-1,002
Divested operations, share capital repayments	48	202
Investment in property, plant & equipment	-90	-104
Investment in intangible assets	-56	-311
Sale of property, plant & equipment and intangible assets	101	25
Change in financial assets	-680	-1,045
Cash flow from investing activities	-2,115	-2,235
Cash flow before financing activities	-778	-1,524
FINANCING ACTIVITIES		
Group contributions paid, net	862	326
Change in loans	925	-599
Paid-in contributed capital	153	123
Refunded capital contribution	-50	-104
Paid in/repaid subordinated debentures	-	250
Dividend paid	-209	-183
Cash flow from financing activities	1,681	-187
Cash flow for the year	903	-1,711
Cash and cash equivalents at beginning of year	243	1,954
Cash and cash equivalents at end of year ³⁾	1,146	243
MSEK	2016	2015
¹⁾ Adjustment for non-cash items		
Depreciation, amortization and impairment of non-current assets	171	153
Capital gains/losses on sale of non-current assets and operations	-76	-95
Total	95	58
²⁾ Financial items		
Dividends received	714	917
Interest received	423	329
Interest paid	-338	-417
Other financial payments	27	-
Realized exchange gains/losses	-50	38
Total	776	867
³⁾ Cash and cash equivalents		
Cash and bank balances	1,146	243
Short-term investments, maturity less than 3 months	-	-
Total	1,146	243

Parent Company **Statement of changes in equity**

MSEK	Contributed capital	Subordinated debentures	Restricted reserves	Non-restricted equity	Total equity
Equity, January 1, 2015	1,977	0	2,625	6,001	10,603
Net income for the year	-	-	-	1,395	1,395
Dividend paid ¹⁾	-	-	-	-183	-183
Paid in subordinated debentures	-	250	-	-	250
Contributed capital paid in by members	123	-	-	-	123
Contributed capital paid out to members	-104	-	-	-	-104
Appropriation of profit	150	-	150	-300	0
Equity, December 31, 2015	2,146	250	2,775	6,913	12,084
Net income for the year	-	-	-	907	907
Dividend paid ¹⁾	-	-	-	-209	-209
Contributed capital paid in by members	153	-	-	-	153
Contributed capital paid out to members	-50	-	-	-	-50
Appropriation of profit	50	-	120	-170	0
Equity, December 31, 2016	2,299	250	2,895	7,441	12,885

¹⁾ Contribution dividend MSEK -193 (-178), dividend on subordinated debentures MSEK -16 (-5), reported as interest expense in the Group.

MSEK 18 (24) of the contributed capital paid out comprises refunds resulting from changed investment obligation criteria for members, while MSEK 32 (80) comprises refunds to members who have left the association.

In 2017, an estimated MSEK 51 (50) in contributed capital will be refunded to members, distributed as follows: members who have left the association MSEK 25 (32) and changed investment criteria MSEK 26 (18).

The unmet obligation of members to invest in Lantmännen pursuant to the association's articles of association amounted to MSEK 652 (565) at December 31, 2016.

Contributed capital, MSEK	2016	2015
Paid-in contributed capital	1,101	986
Issued contributed capital	1,198	1,160
Total	2,299	2,146

Lantmännen ek för's subordinated debentures of MSEK 56 from the 2009 issue matured and were repaid on December 30, 2014. New subordinated debentures totaling MSEK 250 were issued on January 15, 2015. The new subordinated debentures have a term of 5 years and mature on December 30, 2019.

Notes Group and Parent Company

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 2016 financial statements for the Group and Parent Company will be presented for adoption by the Annual General Meeting on May 4, 2017.

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 'available-for-sale financial assets' and 'financial assets and liabilities measured at fair value through profit or loss'. These financial assets and liabilities are also measured using the cost method in the Parent Company. 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 2016

In the 2016 Annual Report, the Group and the Parent Company have applied for the first time the amended standards and interpretations effective for financial years beginning on or after January 1, 2016. The amendments have not had any material impact on the Group's or the Parent Company's reporting.

Standards, amendments and interpretations effective on or after January 1, 2017

A number of new and amended IFRS standards have been published but have not yet entered into force. Lantmännen has not applied any of these in advance. IFRS that may affect the Group's or the Parent Company's reporting are described below. The other amendments are not expected to have any material impact on the financial reporting.

IFRS 9 Financial Instruments

IFRS 9 covers the reporting of financial assets and liabilities and replaces IAS 39 Financial Instruments: Recognition and Measurement. As with IAS 39, financial assets are classified in different categories, some of which are measured at amortized cost and others at fair value. IFRS 9 introduces categories that are not found in IAS 39. To assess how financial instruments should be reported according to IFRS 9, entities must consider the contractual cash flows and the business model under which the instrument is held. IFRS 9 also introduces a new model for impairment of financial assets. The main purpose of the new model is to recognize credit losses earlier than under IAS 39. For financial liabilities, IFRS 9 is largely consistent with IAS 39. However, for liabilities carried at fair value, the portion of the fair value change that is attributable to own credit risk is presented in other comprehensive income, unless this causes inconsistencies in the reporting. Amended criteria for hedge accounting may result in more economic hedging strategies qualifying for hedge accounting under IFRS 9 than under IAS 39.

IFRS 9 Financial Instruments enters into force on January 1, 2018. The standard will not be adopted early.

The process of analyzing and evaluating how IFRS 9 will affect financial reporting and the financial statements has begun. No definitive conclusions have yet emerged, but the assessment is that there will be limited impact on the reported results, while new classifications may affect the financial presentation.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces all previously issued revenue-related standards and interpretations with a single model for revenue recognition. The standard is based on the principle that revenue should be recognized when a promised product or service has been transferred to the customer, i.e. when the customer has control over it. This may occur over time or at a particular point in time. Revenue is the amount that the entity expects to be paid in exchange for transferred goods or services.

IFRS 15 enters into force on January 1, 2018. The standard will not be adopted early. When it is introduced, the option of using a simplified retrospective approach is likely to be chosen, which means that the total effect of initial application of the standard is recognized as an adjustment to opening equity on January 1, 2018.

During the year, work has been conducted on evaluating the standard's impact on accounting and financial reporting. No definitive conclusion has yet been drawn, but the assessment is that the standard will affect accounting and financial reporting in some of the Group's business areas. However, the economic effects on income statement and balance sheet items are currently considered to be minimal from a Group perspective.

Note 1 continued

IFRS 16 Leases

IFRS 16 replaces IAS 17 from January 1, 2019. Under the new standard, most leased assets are reported in the balance sheet, with the lessee dividing the cost into interest payments and depreciation of the asset. The EU is expected to adopt the standard during 2017. An analysis will be conducted in 2017 to assess how IFRS 16 will affect the financial statements and reporting.

Changes to the Parent Company's accounting policies

The Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities has been updated. The amendments do not have any impact on the Parent Company's reporting. The Annual Accounts Act has also been amended. The amendments include a requirement for an amount corresponding to capitalized expenses for a company's own development to be transferred from unrestricted equity to a special reserve for development expenditure. This will affect the Parent Company's future reporting. However, no such expenditure occurred in 2016.

ASSUMPTIONS AND ACCOUNTING ESTIMATES

To ensure preparation of the financial statements in accordance with IFRS, assumptions and estimates must be made which affect reported assets and liabilities and income and expenses, as well as other information disclosed. The actual outcome may differ from these estimates. The areas in which 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 final price adjustments payable to members, and which depend on the association's performance, shall be considered dividends in the consolidated financial statements.

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. All 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 value on consolidation, 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.

Note 1 continued

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 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 four Sectors and Lantmännen Real Estate. The segments are organized around different types of products and services. The four Sectors are Agriculture, Machinery, Energy and Food. 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 only at Group level) and financial instruments (IAS 39 only at Group level).

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 properties

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 [note 14](#) and [note 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

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

Note 1 continued

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, and existing supplier relationships a useful life of 10 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 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

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 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

Classification takes place at the time the transaction is conducted. For the categories "Financial assets at fair value through profit or loss" and "Available-for-sale financial assets", the rules allow a certain choice. In these cases, the category is determined by the purpose of the holding.

Lantmännen classifies its financial instruments in the following categories:

Financial assets measured at fair value through profit or loss

A financial asset is assigned to this category if it is held for trading or if it was designated as at fair value through profit or loss on initial recognition. Derivative instruments with a positive market value are assigned to this category if they have not been identified as hedging instruments. Unlisted shares and interest-bearing securities are included in this category. Changes in value in this category are recognized in profit or loss.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category are carried at amortized cost and are subject to impairment testing. An impairment loss is recognized for a financial receivable if events occur that provide evidence that the future cash flows from the asset will be adversely affected. Impairment testing of trade receivables is based on an individual assessment of each past due receivable and the counterparty in question. Recurrent late payment, nonpayment or other financial troubles from the counterparty are seen as evidence of impairment. If a receivable is considered uncollectible, a provision is recognized, which is the difference between the carrying amount of the asset and the amount expected to be received. The provision remains in place until payment is received, a reassessment is made or a loss is established.

Available-for-sale financial assets

A financial asset that has not been classified in any of the above categories and is not a derivative instrument is included in this category. This category mainly contains listed shares and interest-bearing securities. The financial assets are recognized at fair value, and the change in value is recognized in OCI in equity until the asset is sold. If there is objective evidence that the asset is impaired, the loss that was recognized in OCI is reclassified.

Note 1 continued

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.

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.

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 less than three months.

HEDGE ACCOUNTING

Hedge accounting may be applied if certain criteria are met with regard to documentation of the hedge relationship and the hedge effectiveness. Most of the derivative contracts used at Lantmännen have been entered into to hedge risks such as currency 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.

IAS 39 defines three different hedging relationships: cash flow hedges, hedging of net investments and fair value hedges. Lantmännen currently only applies cash flow hedging and hedging of net investments in a foreign operation.

Cash flow hedging – general

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, the change in the derivative instrument's fair value is 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. Foreign currency 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 corresponding foreign currency. Exchange differences on receivables which represent an extended investment in subsidiaries are recognized in OCI in the same way as translation differences relating to investments in foreign subsidiaries.

Parent Company

In the Parent Company, financial instruments are accounted for using the cost method in accordance with RFR 2 and where interpretation guidance is taken from the K3 rules. Consequently, derivatives are measured at the lower of cost and net realizable value at the reporting date. When hedge accounting is applied, value changes for the hedged item and the hedging instrument are not recognized in the statement of financial position.

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.

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 discounted cash flows. Market rates and current credit margins form the basis for determining the fair value of long-term borrowings. For financial assets and liabilities with short maturities, the fair value is estimated at cost adjusted for any impairment. If the fair value of an equity instrument cannot be determined, it is recognized 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.

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.

Note 1 continued

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 (Trygandelagen) 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 final price adjustments, 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

Revenue is recognized net of value added taxes, excise duties and, where relevant, the value of discounts provided.

Revenue from the sale of goods and services is recognized on delivery to the customer and in accordance with the terms of the sale, i.e., when the significant risks and rewards of ownership have been transferred to the customer. Rental income is recognized in the period to which the rental relates.

Interest income is recognized on a time-proportion basis using the effective interest method.

Royalties and similar revenues are recognized on an accruals basis in accordance with the substance of the relevant agreement.

Dividends are recognized when the right to receive a dividend has been established.

Other revenue includes compensation for sales outside the Group's ordinary activities, such as external rental income, gains or losses on sales of non-current assets and gains or losses on disposals of Group entities.

REFUND AND FINAL PRICE ADJUSTMENT

Members of Lantmännen ek för may receive a refund for purchases from the association and the Swedish machinery business, and a final price adjustment on sales to the association. The amount of the refund and final price adjustment is decided by the Board at the end of the year. The refund and final price adjustment represents part of the economic association's dividend to its members and is recognized as a dividend in the consolidated financial statements.

Parent Company

In the Parent Company the refund and final price adjustment is recognized as an expense in the income statement and is reported under income after financial items. It is not recognized on an accruals basis during the year but in its entirety when the Board makes its decision on the refund and final price adjustment amount.

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 1 continued

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.

BIOLOGICAL ASSETS

Biological assets are measured and carried at fair value in accordance with IAS 41. Within Lantmännen there are businesses that own and manage biological assets. These assets normally have a short life, less than one year. For that reason Lantmännen has chosen to view the recognized cost as an estimate of fair value. These operations account for a small fraction of Lantmännen's overall operations.

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 AND SHAREHOLDER 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.

Applied rates for the Group's major currencies:

MSEK	2016		2015	
	Average rate	Closing rate	Average rate	Closing rate
DKK	1.27	1.29	1.25	1.22
EUR	9.47	9.57	9.36	9.14
GBP	11.57	11.18	12.90	12.38
NOK	1.02	1.05	1.05	0.96
USD	8.56	9.10	8.44	8.35

Note 2 Significant events after the end of the period

Lantmännen's company with importing responsibility for Claas in Denmark has been divested.

The baguette bakery Anderson Bakery (PS Bageri AB) in Huddinge, Sweden, has been acquired. The company has a turnover of SEK 75 million and 30 employees. The transaction will be completed in March 2017.

Joachim Haas took over as the new Head of Lantmännen Real Estate.

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 7,591 (7,206) at the end of the year, which corresponds to 55 (57) 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.

Intangible assets are reported in [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 detailed information about amounts can be found in [note 12](#).

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 85-90.

For more information about amounts and further sensitivity analyses, see [note 25](#).

European Commission's ongoing investigation

A provision of MSEK 300 has been made in the financial statements, in connection with the European Commission's ongoing investigation of Lantmännen Agroetanol and two other ethanol producers for alleged infringement of EU competition law. The size of the provision is based on Lantmännen's best judgment as at December 31, 2016.

For information about provisions, see [note 26](#).

Note 4 Segment reporting

INFORMATION ABOUT OPERATING SEGMENTS

Financial year 2016 MSEK	Agriculture Sector	Machinery Sector	Energy Sector	Food Sector	Lantmännen Real Estate	Other operations	Group-wide	Total Group
Net sales								
External sales	9,059	11,334	2,616	13,985	239	11	-	37,244
Internal sales	1,708	9	82	63	216	409	-2,487	0
Total net sales	10,767	11,343	2,698	14,048	455	420	-2,487	37,244
Operating income per segment	318	316	4	1,058	281	-182	-189	1 606
<i>Of which share of income of joint ventures/associates</i>	<i>46</i>	<i>-</i>	<i>17</i>	<i>35</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>98</i>
Finance income								165
Finance costs								-314
Tax expense for the year								-183
Net income for the year								1,274
Other disclosures								
Assets	4,062	3,747	1,230	15,613	2,111	1,509	-437	27,835
Share of equity in joint ventures/associates	1,412	-	177	254	8	45	-	1,896
Unallocated assets								2,759
Total assets	5,474	3,747	1,407	15,867	2,119	1,554	-437	32,490
Liabilities	1,128	2,144	701	2,647	226	2,619	-268	9,197
Unallocated liabilities								9,410
Equity								13,883
Total liabilities and equity	1,128	2,144	701	2,647	226	2,619	-268	32,490
Investments	82	324	48	1,439	383	57	-	2,333
Depreciation, amortization and impairment	-120	-206	-63	-700	-48	-28	-	-1,165

Financial year 2015 MSEK	Agriculture Sector	Machinery Sector	Energy Sector	Food Sector	Lantmännen Real Estate	Other operations	Group-wide	Total Group
Net sales								
External sales	9,281	10,306	2,791	13,024	224	34	-	35,660
Internal sales	1,626	17	83	49	230	405	-2,410	0
Total net sales	10,907	10,323	2,874	13,073	454	439	-2,410	35,660
Operating income per segment	192	255	218	692	314	-214	-106	1,351
<i>Of which share of income of joint ventures/associates</i>	<i>61</i>	<i>-</i>	<i>11</i>	<i>29</i>	<i>2</i>	<i>-</i>	<i>-</i>	<i>103</i>
Finance income								106
Finance costs								-211
Tax expense for the year								-156
Net income for the year								1,090
Other disclosures								
Assets	4,151	3,700	1,221	14,004	1,832	1,913	-831	25,990
Share of equity in joint ventures/associates	1,235	-	187	222	8	38	-	1,690
Unallocated assets								2,401
Total assets	5,386	3,700	1,408	14,226	1,840	1,951	-831	30,081
Liabilities	1,144	2,115	355	2,365	246	2,611	-608	8,228
Unallocated liabilities								9,172
Equity								12,681
Total liabilities and equity	1,144	2,115	355	2,365	246	2,611	-608	30,081
Investments	91	328	54	473	299	11	-	1,256
Depreciation, amortization and impairment	-119	-222	-67	-742	-52	-20	-	-1,222

Note 4 continued

INFORMATION ABOUT GEOGRAPHIC AREAS

MSEK	2016		2015	
	External sales	Non-current assets	External sales	Non-current assets
Sweden	17,089	7,334	16,201	6,778
Germany	4,497	1,310	3,885	955
Denmark	3,392	2,299	3,373	2,234
Norway	2,975	322	3,035	310
Finland	1,998	2,750	1,565	2,956
United Kingdom	1,585	895	1,636	1,024
Baltic Region	886	680	598	629
Netherlands	884	18	1,055	17
Spain	530	1	592	1
Belgium	450	1,423	439	1,082
France	430	0	569	0
Poland	390	311	427	175
Russia	329	513	299	15
Switzerland	158	0	308	0
Rest of Europe	595	332	528	58
United States	864	397	933	375
Rest of world	192	0	217	0
Total	37,244	18,585	35,660	16,609

No Lantmännen customer accounts for 10 percent or more of the Group's total sales.

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 activities are operationally divided into four Sectors and Lantmännen Real Estate.

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 Lantmännen Real Estate. 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 the segments' operating activities are attributed directly to the Sector that is responsible for the relevant area. 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 Sectors' operating capital. Assets and liabilities are attributed directly to the Sectors 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 central level. Financial assets and liabilities, provisions for pensions, taxes, gains and losses on the remeasurement of financial instruments (IAS 39) and pension obligations (IAS 19) have not been allocated to each Sector.

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 consists of four Sectors, each specializing in different industries, and Lantmännen Real Estate. The segment 'other operations' includes a number of small companies which are controlled at central level. The Sectors are outlined below:

The Agriculture Sector, which constitutes the Group's core business, develops and markets products and services to promote strong, competitive farming. Lantmännen Lantbruk Sweden offers a wide range of products for livestock and crop production, and is a major player in the grain market. The Agriculture Sector conducts trade in grain, oilseeds and pulses with farmers,

grain traders and industry around the Baltic Sea and globally. The Agriculture Sector is based in Sweden, but is also active in the international market. The Sector is responsible for Lantmännen's ownership interests in the associates HaGe Kiel, Scandagra Group and Scandagra Polska.

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

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

The Food Sector develops, processes and markets products such as flour, breakfast foods, pasta, frozen and fresh bread, crispbread and ready-to-eat dishes. The Sector has its base in the Baltic Sea region, but also has a presence in about 20 countries. The Sector's business areas are Lantmännen Cerealia and Lantmännen Unibake. The Sector is also responsible for Lantmännen's ownership interests in the partly-owned company Viking Malt.

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

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

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

Note 5 Breakdown of revenue

MSEK	2016	2015
Net sales		
Sales of goods	36,038	34,553
Service contracts	600	560
Construction contracts	3	3
Leasing activities, machinery	269	245
Leasing activities, premises	155	143
Royalties	143	123
Other	36	33
Total	37,244	35,660
Other operating income		
Capital gains	103	299
Government grants	13	10
Insurance compensation	535	293
Other	149	194
Total	800	796

Capital gains in 2016 relate primarily to property sales. Insurance compensation received in 2016 and 2015 relates primarily to compensation for the bakery in Londerzeel, Belgium, which burnt down in 2015.

Capital gains for 2015 include gains of MSEK 110 on the sale of Lantmännen Doggy, MSEK 111 on properties and MSEK 26 on part of a German bakery.

Note 6 Employees and employee benefits expense

Average number of employees	2016	of which female	2015	of which female
Group				
Sweden	3,413	26 %	3,437	27 %
Denmark	1,249	29 %	1,301	28 %
Finland	1,073	54 %	790	28 %
United Kingdom	656	25 %	668	23 %
Germany	548	15 %	601	18 %
Lithuania	427	62 %	80	29 %
Poland	426	34 %	411	37 %
Belgium	407	32 %	410	31 %
Estonia	406	60 %	104	35 %
Norway	399	29 %	414	31 %
Latvia	242	52 %	66	26 %
Ukraine	186	54 %	201	57 %
United States	171	28 %	170	32 %
Russia	159	43 %	147	50 %
Hungary	74	41 %	75	45 %
Netherlands	20	25 %	20	12 %
Spain	10	73 %	10	69 %
Romania	8	58 %	-	-
France	6	17 %	6	12 %
Total, Group	9,880	30 %	8,911	27 %
Parent Company				
Sweden	997	35 %	1,049	35 %
Total, Parent Company	997	35 %	1,049	35 %

Note 6 continued

Employee benefits expense MSEK	Group		Parent Company	
	2016	2015	2016	2015
Salaries and benefits, Boards and Managing Directors	92	84	12	11
- of which variable component	11	10	3	3
Salaries and benefits, other employees	4,008	3,758	531	558
Social security costs				
- cost for the year	947	829	209	207
- payroll tax effect on compensation from pension fund	-	-	-15	-13
Pension costs				
- cost for the year ¹⁾	286	305	72	75
- compensation from pension fund	-	-	-63	-55
Other staff costs	245	193	20	20
Total	5,578	5,169	766	803

¹⁾ MSEK 8 (7) of the Group's pension costs relate to Boards and Managing Directors. The outstanding pension obligation to them was MSEK 2 (1). MSEK 4 (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

Female representation, %	Group		Parent Company	
	2016	2015	2016	2015
Boards of Directors	18	13	17	17
Other senior executives	27	29	30	20

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 2016. Group Management consisted of 10 individuals at the beginning of the year. One individual left Group Management and one individual joined during the year, which meant that Group Management still consisted of 10 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 compensation that reflects the commitment to attract and retain qualified expertise for Lantmännen. The fundamental guidelines are to:

- ensure that employees at Lantmännen receive competitive, market-based compensation and promote behavior in line with Lantmännen's shared values: openness, a holistic view and drive.
- offer an individual salary structure that is based on performance, duties, qualifications, experience and position, and is therefore neutral with regard to gender, ethnicity, disability, sexual orientation, etc.

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.

Note 6 continued

The AGM adopts guidelines for remuneration of Group Management on the basis of the Board's proposals. The 2015 meeting adopted the guidelines that were applied in 2016. The 2016 meeting adopted the guidelines that will be applied in 2017. These are consistent in all material respects with the guidelines applied in 2016.

Lantmännen's remuneration structure for Group Management consists of the following components:

- Fixed salary
- Variable salary
- 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

Lantmännen has a Group-wide variable salary program, which for 2016 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 2016, the program consists of quantitative and qualitative targets. The quantitative (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 qualitative (individual) targets represent 25 percent.

The maximum variable salary that could be paid to Lantmännen's Group management in 2016 was 30 percent of the agreed fixed salary, before salary exchange, with full achievement of targets. The results are shown in the table below.

The total maximum variable salary that could be paid to employees entitled to variable salary in 2016 was approximately MSEK 39, excluding social security costs. The 2016 variable salary was estimated at MSEK 33, excluding social security costs.

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. In addition, there is 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 and payment of sickness benefits as laid down in the ITP agreement. In addition, there is 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 occupational group life insurance in accordance with local agreements and regulations. In addition, members of Group Management are entitled to an annual health check, private health insurance and supplementary health insurance that can give benefits for salary up to 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 2016

TSEK	Directors' fees	Fixed salary ³⁾	Variable salary ⁴⁾	Pension ⁴⁾	Other benefits ⁵⁾	Total 2016
Elected Board members of Lantmännen ek för, according to specification below ¹⁾	4,399					4,399
President & CEO Per Olof Nyman		5,898	2,088	3,288	133	11,407
Executive Vice President Per Arvidsson		3,159	932	877	125	5,093
Group Management, other ²⁾		21,859	6,128	6,650	942	35,579
	4,399	30,916	9,148	10,815	1,200	56,478

Salaries and remuneration of senior executives 2015

TSEK	Directors' fees	Fixed salary ³⁾	Variable salary ⁴⁾	Pension ⁴⁾	Other benefits ⁵⁾	Total 2015
Elected Board members of Lantmännen ek för, according to specification below ¹⁾	4,448					4,448
President & CEO Per Olof Nyman		5,485	1,980	3,180	117	10,762
Executive Vice President Per Arvidsson		3,075	909	933	128	5,045
Group Management, other ²⁾		22,219	6,652	7,368	902	37,141
	4,448	30,779	9,541	11,481	1,147	57,396

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 consisted of 8 individuals at the end of the year. The average for the year was also 8.

Disclosures regarding Group Management only apply to individuals who are members of Lantmännen's Group Management.

³⁾ Certain members of the Group Management are entitled to alternate between fixed salary and pension within the framework of current tax legislation.

⁴⁾ Estimated variable salary for each year, payable the following year. The estimated variable salary for 2015 was consistent with the outcome.

⁵⁾ Mainly company cars, but also other benefits such as health insurance and subsistence.

Note 6 continued

Board of Directors' fees ¹⁾

TSEK	2016	2015
Bengt-Olov Gunnarson ²⁾	914	880
Per Lindahl ³⁾	574	536
Gunilla Aschan ⁴⁾	409	234
Ulf Gundemark	409	401
Pauline Lindwall ⁵⁾	258	-
Nils Lundberg ⁶⁾	-	230
Thomas Magnusson	441	416
Johan Mattsson ⁴⁾	409	234
Helle Kruse Nielsen ⁷⁾	167	400
Lena Philipson ⁶⁾	-	167
Hans Wallemyr	409	550
Björn Wallin	409	400
Total	4,399	4,448

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 from May 5, 2015.

⁴⁾ From May 5, 2015

⁵⁾ From May 12, 2016

⁶⁾ To May 5, 2015

⁷⁾ To May 12, 2016

Note 7 Depreciation, amortization and impairment of assets

MSEK	2016	2015
Depreciation and amortization		
Land and buildings	143	129
Plant and machinery	734	727
Equipment, tools, fixtures and fittings	78	75
Investment properties	14	9
Intangible assets	192	151
Total	1,161	1,091

Impairment and reversal of impairment		
Land and buildings	2	41
Plant and machinery	-	83
Goodwill	-	7
Other intangible assets	2	-
Total	4	131

Total depreciation, amortization and impairment

MSEK	2016	2015
Land and buildings	145	170
Plant and machinery	734	810
Equipment, tools, fixtures and fittings	78	75
Investment properties	14	9
Goodwill	0	7
Other intangible assets	194	151
Total	1,165	1,222

Impairment by Sector

MSEK	2016	2015
Agriculture Sector		
- from annual impairment testing	4	8
Machinery Sector		
- from annual impairment testing	-	7
Energy Sector		
- from annual impairment testing	-	6
Food Sector		
- from annual impairment testing	-	110
Total	4	131

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 2017 and adopted strategic plans for 2018 and 2019. 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 2020 assumed to be weak, i.e. about 1 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, as defined within Lantmännen, are at a lower organizational level than the segments which are shown in Lantmännen's segment reporting and which correspond to the Group's Sectors and real estate operations.

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 63 percent of the Group's total value of goodwill and other assets with indefinite useful lives, and the business area Lantmännen Cerealia accounts for 37 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, and 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 1,975, which in turn would have resulted in an impairment loss, all other assumptions remaining unchanged. This is largely an effect of the 2015 acquisition of Vaasan at market value, which is close to the value in use.

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 13 percent.

An impairment loss of MSEK 4 on property, plant and equipment was recognized during the year following local impairment testing.

Note 8 Fees and reimbursement of expenses to auditors

MSEK	2016	2015
<i>Ernst & Young</i>		
Annual audit	16	16
Tax consultancy services	3	2
Other services	1	1
Total	20	19
<i>Other auditors</i>		
Annual audit	2	2
Other services	0	0
<i>Elected auditors</i>		
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	2016			2015		
	Income	Costs	Total	Income	Costs	Total
Financial assets at fair value through profit or loss						
Dividend	9	-	9	5	-	5
Capital gains/losses	6	-	6	-	-	-
Impairment, reversal of impairment	-	-	-	4	-10	-6
			15			-1
Loans and receivables						
Interest income, receivables from members	45	-	45	48	-	48
Other interest income	40	-	40	7	-	7
			85			55
Available-for-sale financial assets						
Dividend	4	-	4	11	-	11
Capital gains/losses	39	-	39	11	-	11
			43			22
Derivatives used in hedge accounting						
Interest on currency forward contracts and swaps	22	-22	0	18	-18	0
Ineffective portion of financial hedges	-	-23	-23	2	-	2
			-23			2
Other financial liabilities						
Interest expense, pension plans	-	-8	-8	-	-12	-12
Interest expense, liabilities to members	-	-32	-32	-	-36	-36
Interest expense, liabilities to the public	-	-5	-5	-	-9	-9
Interest expense, borrowing	-	-153	-153	-	-113	-113
Other borrowing expenses	-	-11	-11	-	-17	-17
Other interest expenses	-	-50	-50	-	-22	-22
Currency effects	-	-10	-10	-	26	26
			-269			-183
Total	165	-314	-149	106	-211	-105

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	2016	2015
Capital gains on sale of operations	-	110
Insurance compensation	357	-
Items affecting comparability in other operating income	357	110
Restructuring costs	-87	-110
Other	-361	-
Total items affecting comparability in operating income	-91	0
Total items affecting comparability in income after financial items	-91	0
Tax effect of items affecting comparability	-92	24
Total items affecting comparability in net income for the year	-183	24

Items affecting comparability by Segment/Sector in 2016

MSEK	Restructuring costs	Other	Total
Energy Sector	-	-300	-300
Food Sector	-87	296	209
Other operations			0
Total	-87	-4	-91

A provision of MSEK 300 has been made in the Energy Sector in connection with the European Commission's ongoing investigation of Lantmännen Agro-ethanol and two other ethanol producers for alleged infringement of EU competition law.

In the Food Sector, insurance compensation for the burnt-down bakery in Londerzeel in Belgium had a positive impact of MSEK 357 on operating income for the year.

The Food Sector was also affected by costs associated with property acquisitions in Russia.

In the Food Sector, the restructuring costs were related to measures as a result of changes in Vaasan's fresh bread operations in Finland, Lantmännen Cerealia's decision to close the factory in Odense and transfer cake and bread mix production to Sweden and the decision to relocate pancake production from Ockelbo to Laholm.

Items affecting comparability by Segment/Sector in 2015

MSEK	Restructuring costs	Other	Total
Agriculture Sector	-45	-	-45
Food Sector	-41	-	-41
Other operations	-24	110	86
Total	-110	110	0

In the Agriculture Sector, the costs were related to restructuring measures aimed at achieving an efficient organization and stronger competitiveness for the Sector. The Food Sector's costs were related to the ongoing streamlining of the production platform in the Lantmännen Unibake business area. For Other operations, capital gains arising from Scandi Standard's IPO and the divestment of the German and Polish plant breeding and seed operations are shown under the column heading Other.

Note 11 Exchange differences affecting income

MSEK	2016	2015
Exchange differences affecting operating income	12	-15
Exchange differences in financial items	-13	26
Total	-1	11

Exchange differences in operating income are included in:

	2016	2015
Net sales	4	1
Cost of materials	5	-18
Other operating income/expense	3	2
Total	12	-15

Note 12 Taxes

Tax on net income for the year

MSEK	2016	2015
Current tax expense (-)/tax income (+)		
Tax expense/income for the period	-146	-116
Adjustment of tax attributable to prior years	-3	-7
Total current tax	-149	-123
Deferred tax expense (-)/tax income (+)		
Deferred tax from changes in temporary differences	-54	80
Deferred taxes arising from changes in tax rates	8	-2
Deferred tax income in capitalized loss carryforwards	22	12
Utilization of previously capitalized loss carryforwards	-10	-123
Total deferred tax	-34	-33
Total recognized tax expense	-183	-156

Reconciliation of effective tax	2016		2015	
	Percent	MSEK	Percent	MSEK
Income before tax		1,457		1,246
Anticipated tax according to enacted Swedish tax rate	22.0	-321	22.0	-274
Items with tax effects on the results and their impact on the effective tax rate:				
Non-deductible expenses	6	-92	0	-6
Tax-exempt capital gains	-2	25	-2	30
Tax-exempt dividends	0	1	0	3
Other non-taxable income	-1	10	-1	14
Tax on unrecognized income	-	-	2	-18
Loss carryforward arising during the year, not capitalized as a deferred tax asset	1	-16	0	-6
Utilization of previously uncapitalized loss carryforwards	-9	138	-1	16
Difference in book and tax depreciation	-3	45	0	0
Effect of special tax rules for economic associations	-6	86	-7	82
Tax attributable to prior years	0	-3	1	-7
Effect of changes to tax rates, tax rules and different tax rates in the Group	5	-66	2	-20
Foreign tax that could not be offset	1	-6	-	-
Reversal of income of associates	-2	22	-2	23
Other	1	-6	-1	7
Recognized effective tax	13	-183	13	-156

Note 12 continued

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 final price adjustments are also tax deductible expenses, and are not reported in the income statement, but as a dividend.

Tax items recognized through other comprehensive income

MSEK	2016	2015
Deferred tax		
Actuarial gains and losses on defined benefit pension plans	36	-46
Cash flow hedges	-8	-14
Available-for-sale financial assets	-5	-8
Total	23	-68
Current tax		
Current tax in hedges of net investments	15	-12
Total tax effects in other comprehensive income	38	-80

Deferred tax asset/tax liability	2016			2015		
	Deferred tax asset	Deferred tax liability	Net	Deferred tax asset	Deferred tax liability	Net
MSEK						
Group						
Land and buildings	48	160	-112	61	147	-86
Machinery and equipment	40	513	-473	38	310	-272
Intangible assets	17	442	-425	-	467	-467
Trade receivables	2	-	2	2	18	-16
Pension provisions	123	-	123	91	-	91
Other provisions	80	-	80	32	-	32
Loss carryforwards	424	-	424	402	-	402
Other	183	103	80	135	60	75
Total	917	1,218	-301	761	1,002	-241
Offsetting of assets/liabilities	-781	-781	0	-390	-390	0
Total, net deferred tax asset	136	437	-301	371	612	-241

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 2016

MSEK	Amount at beginning of year	Recognized in income statement	Recognized in OCI	Changes in acquisitions/divestments	Reclassifications	Translation differences	Amount at end of 2016
Group							
Land and buildings	-86	-39	-	-5	23	-5	-112
Machinery and equipment	-272	-166	-	-4	-22	-9	-473
Intangible assets	-467	82	-	-39	11	-12	-425
Trade receivables	-16	18	-	-	-	0	2
Pension provisions	91	4	36	-	-8	0	123
Other provisions	32	40	-	-	8	0	80
Loss carryforwards	402	9	-	-	-	13	424
Other	75	18	-13	0	-8	8	80
Total	-241	-34	23	-48	4	-5	-301

Change in deferred tax in temporary differences and loss carryforwards 2015

MSEK	Amount at beginning of year	Recognized in income statement	Recognized in OCI	Changes in acquisitions/divestments	Reclassifications	Translation differences	Amount at end of 2015
Group							
Land and buildings	-87	6	-	-7	0	2	-86
Machinery and equipment	-251	-21	-	-1	-	1	-272
Intangible assets	-105	81	-	-453	-	10	-467
Trade receivables	5	-21	-	-	-	0	-16
Pension provisions	124	13	-46	1	-	-1	91
Other provisions	45	-12	-	-	-	-1	32
Loss carryforwards	314	-111	-	200	-	-1	402
Other	77	32	-22	-7	-	-5	75
Total	122	-33	-68	-267	0	5	-241

Note 12 continued

Loss carryforwards

At the end of the year the Group had loss carryforwards of MSEK 2,548 (2,751), of which MSEK 2,007 (1,883) was taken into account in the computation of deferred tax.

The remainder related mainly to loss carryforwards in the German operations. These have not been assigned any value as it is currently uncertain whether they will be utilized.

The loss carryforwards not included in the computation of deferred tax amount to MSEK 541 (868) and have an unlimited life.

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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Accumulated cost of acquisition	845	830	5,012	4,384	14,246	14,163	1,596	1,454	870	421	22,569	21,252
Accumulated depreciation	-95	-91	-2,170	-2,031	-9,803	-9,769	-1,256	-1,207	-	-10	-13,324	-13,108
Accumulated impairment	-50	-48	-194	-201	-740	-756	-21	-26	-	-	-1,005	-1,031
Carrying amount	700	691	2,648	2,152	3,703	3,638	319	221	870	411	8,240	7,113
Balance at beginning of year	691	614	2,152	1,991	3,638	3,495	221	295	411	217	7,113	6,612
Investments ¹⁾	-	89	509	77	468	385	43	36	966	583	1,986	1,170
Company acquisitions	-	14	-	166	65	537	73	8	4	57	142	782
Company divestments	-	-	-	-	-	-45	-	-20	-	-	-	-65
Sales and disposals	-15	-8	-29	-35	-110	-155	-1	-11	-55	-13	-210	-222
Regular depreciation for the year	-4	-3	-139	-126	-734	-726	-78	-75	-	-	-955	-930
Impairment for the year	-	-	-2	-41	0	-83	-	-	6	-	4	-124
Reclassifications	6	-4	54	164	289	295	57	-8	-472	-426	-66	21
Translation differences	22	-11	103	-44	87	-65	4	-4	10	-7	226	-131
Carrying amount	700	691	2,648	2,152	3,703	3,638	319	221	870	411	8,240	7,113
Leases, MSEK												
Carrying amount of assets held under finance leases	-	-	178	70	360	335	5	1	-	-	543	406

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.

Government grants did not reduce investments during the year or the previous year. Contractual obligations relating to investments in property, plant and equipment amounted to MSEK 247 (201) 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 properties

MSEK	Land		Buildings		Total investment properties	
	2016	2015	2016	2015	2016	2015
Accumulated cost of acquisition	172	121	901	651	1 073	772
Accumulated depreciation	-10	-11	-205	-175	-215	-186
Carrying amount	162	110	696	476	858	586
Balance at beginning of year	110	94	476	472	586	566
New acquisitions	11	12	39	72	50	84
Investments in properties	44	11	198	35	242	46
Sales and disposals	-2	-8	-21	-102	-23	-110
Regular depreciation for the year	0	0	-14	-9	-14	-9
Reclassifications	-1	1	18	8	17	9
Carrying amount	162	110	696	476	858	586

Properties where less than 10 percent of the space is used for the Lantmännen Group's own activities are classified as investment properties in the Group.

For further information about leases, see [note 30 Customer financing](#).

Investment properties with a carrying amount of MSEK 435 (290) are pledged as security for the Group's borrowing. The estimated fair value is MSEK 663 (523).

Note 14 continued

Changes in fair value

MSEK	2016	2015
Fair value at beginning of year	976	966
Acquisitions	50	84
Investments in properties	242	46
Sales and disposals	-23	-255
Changes in value	187	126
Reclassifications	17	9
Fair value at end of year	1,449	976

All investment properties have been valued according to hierarchy level 3, 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.
- Capitalization of earnings using cash flow calculations, where the properties' future net operating income and estimated residual value have been calculated.
- 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	2016	2015
Rental income	108	85
Direct costs, including costs for repair and maintenance		
- Properties that generate rents	-34	-32
Net operating income	74	53

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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Accumulated cost of acquisition	4,650	4,463	1,874	1,824	1,532	1,337	251	216	805	730	4,462	4,107
Accumulated amortization	-	-	-245	-245	-456	-344	-217	-215	-486	-448	-1,404	-1,252
Accumulated impairment	-39	-39	-	-	-	-	-	-	-78	-73	-78	-73
Carrying amount	4,611	4,424	1,629	1,579	1,076	993	34	1	241	209	2,980	2,782
Balance at beginning of year	4,424	2,915	1,579	354	993	188	1	3	209	207	2,782	752
Investments	-	-	-	-	-	-	3	3	102	37	105	40
Company acquisitions	92	1,707	10	1,249	170	901	25	5	0	16	205	2,171
Sales and disposals	-	-15	-	-	-	-	-	-1	-	-	0	-1
Regular amortization for the year	-	0	-2	-2	-115	-82	-3	-6	-72	-61	-192	-151
Impairment for the year	-	-7	-	-	-	-	-	-	-2	-	-2	-
Reclassifications	-	-94	-	-	-	-	8	-3	-1	14	7	11
Translation differences	95	-82	42	-22	28	-14	0	0	5	-4	75	-40
Carrying amount	4,611	4,424	1,629	1,579	1,076	993	34	1	241	209	2,980	2,782
Allocation of goodwill, brands and customer/supplier relationships per Sector												
Agriculture Sector	77	-	10	-	46	7						
Machinery Sector	16	16	-	-	63	46						
Energy Sector	97	97	50 ¹⁾	50 ¹⁾	-	-						
Food Sector	4,421	4,311	1,569 ²⁾	1,529 ²⁾	967	940						
of which Lantmännen Unibake business area	3,791	2,616	996 ²⁾	944 ²⁾	697	663						
Total	4,611	4,424	1,629	1,579	1,076	993						

¹⁾ Brand with indefinite useful life, Aspen.

²⁾ Of which brands with indefinite useful lives MSEK 1,535 (1,495), distributed as follows: Lantmännen Unibake MSEK 964 and Lantmännen Cerealia MSEK 571.

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	
	2016	2015	2016	2015
Accumulated cost of acquisition	1,898	1,692	1,259	1,200
Accumulated impairment	-2	-2	-17	-17
Carrying amount	1,896	1,690	1,242	1,183
Balance at beginning of year	1,690	1,512	1,183	1,063
Acquisitions/shareholder contributions	11	125	11	120
Divestments	-5	-	-	-
Share of income of associates	98	103	-	-
Dividend for the year	-32	-17	-	-
Reclassifications	48	-15	48	-
Other	29	-	-	-
Translation differences	57	-18	-	-
Carrying amount	1,896	1,690	1,242	1,183
Investments in joint ventures	520	470	446	399
Investments in associates	1,376	1,220	796	784
Total	1,896	1,690	1,242	1,183

Any impairment and reversal of impairment is recognized in the income statement under Share of income of equity accounted companies.

Summary of financial information for joint ventures and associates

Information is for 100 percent in each company

MSEK	Scandagra Group AB		Scandagra Polska Sp. Z o.o		Scandbio AB	
	2016	2015	2016	2015	2016	2015
Balance sheet items						
Non-current assets	235	199	109	44	203	211
Current assets	1,137	1,121	439	465	444	386
<i>of which cash and cash equivalents</i>	<i>12</i>	<i>6</i>	<i>13</i>	<i>1</i>	<i>28</i>	<i>4</i>
Total assets	1,372	1,320	548	509	647	597
Non-current liabilities	83	78	1	1	11	19
<i>of which financial liabilities</i>	<i>81</i>	<i>76</i>	-	-	-	-
Current liabilities	879	886	437	388	360	274
<i>of which financial liabilities</i>	<i>711</i>	<i>585</i>	-	-	-	-
Total liabilities	962	964	438	389	371	293
Net assets, 100 %	410	356	110	120	276	304
<i>Ownership share in company, %</i>	50 %	50 %	50 %	50 %	50 %	50 %
Lantmännen's share of net assets	205	178	55	60	138	152
Goodwill on consolidation	-	-	24	24	17	17
Carrying amount in Lantmännen	205	178	79	84	155	169

In 2016, Lantmännen sold a block of shares in Lantmännen Dansk Landbrugs Growareselskab International AB, whereby Lantmännen's ownership was reduced from 100 to 50 percent and the company was reclassified from a subsidiary to a joint venture. The reclassified amount was MSEK 48.

Other includes the effects of a company's transition to IFRS, MSEK 66, and the effects of an associate's acquisition of a minority stake in one of its subsidiaries, MSEK -37.

Acquisitions/shareholder contributions in 2015 were mainly related to Scandagra Group AB and Scandagra Polska Sp. Z o.o.

MSEK	Share of income of joint ventures and associates		Dividends from joint ventures and associates	
	2016	2015	2016	2015
Joint Ventures				
Scandagra Group AB	21	24	-	-
Scandagra Polska Sp.zo.o	-6	2	-	-
Scandbio AB	11	7	25	-
Other	-	4	0	0
Associates				
HaGe Kiel AG	31	34	-	-
Viking Malt Oy	32	23	7	17
Other	9	9	-	0
Carrying amount	98	103	32	17

Note 16 continued

MSEK	Scandagra Group AB		Scandagra Polska Sp. Z o.o		Scandbio AB	
	2016	2015	2016	2015	2016	2015
Income statement items						
Net sales	2,414	2,704	1,321	1,332	930	954
Net income for the year	42	48	-12	4	22	14
of which depreciation and amortization	-21	-20	-3	-3	-32	-32
of which interest income	5	17	2	2	0	0
of which interest expenses	-18	-18	-8	-13	-2	-6
of which tax expenses/income	-8	-1	0	0	-12	-3
Total comprehensive income	42	48	-12	4	22	14
Net income for the year, 100 %	42	48	-12	4	22	14
Ownership share in company, %	50 %	50 %	50 %	50 %	50 %	50 %
Lantmännen's share of net income for the year	21	24	-6	2	11	7
Carrying amount in Lantmännen	21	24	-6	2	11	7

Operating income in other joint ventures was MSEK -1 (8), and Lantmännen's recognized share of income was MSEK 0 (4).

MSEK	HaGe Kiel AG		Viking Malt Oy	
	2016	2015	2016	2015
Balance sheet items				
Non-current assets	2,316	1,867	1,130	365
Current assets	4,884	5,285	1,014	498
Total assets	7,200	7,152	2,144	863
Non-current liabilities	990	893	1,136	141
Current liabilities	3,618	3,874	379	182
Total liabilities	4,608	4,767	1,515	323
Net assets, 100 %	2,592	2 385	629	540
Ownership share in company, %	41 %	40 %	38 %	38 %
Lantmännen's share of net assets	1,063	954	239	205
Goodwill on consolidation	16	16	-	-
Carrying amount in Lantmännen	1,079	970	239	205

MSEK	HaGe Kiel AG		Viking Malt Oy	
	2016	2015	2016	2015
Income statement items				
Net sales	21,109	24,465	1,806	1,245
Net income for the year	76	85	85	61
Other comprehensive income	-	-	-	-
Total comprehensive income	76	85	85	61
Net income for the year, 100 %	76	85	85	61
Ownership share in company, %	41 %	40 %	38 %	38 %
Lantmännen's share of net income for the year	31	34	32	23
Carrying amount in Lantmännen	31	34	32	23

Operating income in other associates was MSEK 22 (25), and Lantmännen's recognized share of income was MSEK 9 (9). 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, December 31, 2016

Company name	Corporate ID no.	Domicile	Number of participations	Share of capital, %	Carrying amount, Group, MSEK	Carrying amount, Parent, MSEK
Joint ventures owned by Parent Company:						
Scandagra Group AB	556009-3121	Stockholm	85,000	50	205	120
Scandagra Polska Sp. Z o.o	PL 0000138255	Poland	2,686	50	79	76
Scandbio AB	556215-0606	Jönköping	30,000	50	155	178
AB Tillväxt för Svensk Animalieproduktion	556155-9831	Stockholm	135,000	50	25	24
Rural Patent Svenska AB	556530-9654	Stockholm	50	50	0	0
Lantmännen Dansk Landbrugs Grovareselskab International AB (LDI)	559025-3182	Stockholm	50,000	50	48	48
Joint ventures owned by other Group companies:						
Kajan 18 i Luleå Fastigheter AB	556831-3679	Stockholm	250	50	7	
Nacka Skarpnäs Fastigheter AB	556831-3661	Stockholm	250	50	1	
Associates owned by Parent Company:						
Raiffeisen Hauptgenossen-schaft Nord AG (HaGe Kiel AG)	DE134852742	Germany	9,780,721	41	1,079	596
Viking Malt Oy	FI 0802004-9	Finland	1,381 387	38	239	178
VetGross Holding AB	556892-6108	Stockholm	1,041,667	25	12	12
Åhus Stuveriintressenter AB	556039-8256	Åhus	5,987	50	1	1
European Agri Trade A/S	26207177	Denmark	250	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
Cgrain AB	556932-8023	Uppsala	20,830	40	9	9
Associates owned by other Group companies:						
Aspen-Produkte Handels GmbH	HR205654	Germany		50	22	
Unibake Japan Inc		Japan		49	0	
Struer Brød A/S	18 798 794	Denmark	1	33	14	
Total					1,896	1,242

Note 17 Non-current financial assets

MSEK	2016	2015
Receivables from joint ventures/associates	3	3
Other shares and interests	125	125
Bonds	37	60
Available-for-sale financial assets	439	384
Derivative instruments	2	0
Other non-current financial assets	164	124
Total	770	696
Finance leases (note 27)	-	1
Total	770	697

Available-for-sale financial assets	2016	2015
MSEK		
Balance at beginning of year	384	406
Investments	61	161
Divestments	-87	-196
Fair value remeasurement for the year	81	13
Carrying amount	439	384

Available-for-sale financial assets, fair value	2016	2015
MSEK		
HKScan Oyj	100	-
Mackmyra Svensk Whisky AB	10	10
Scandi Standard AB	175	208
Stendörren Fastigheter AB	142	104
Göteborg Stad, Obligation	-	26
Stadshypotek AB, secured bond	-	23
Other	12	13
Carrying amount	439	384

Available-for-sale financial assets refer to shareholdings in listed companies and bonds held to meet liquidity requirements (LCR), in accordance with Basel III rules for financial companies.

The largest individual item in Other shares and interests is Lantmännen's holding LRF (Federation of Swedish Farmers). The carrying amount of Other shares and interests is considered consistent with the fair value.

Note 18 Other non-current assets

MSEK	2016	2015
Non-current derivative instruments, operating	7	-
Other non-current operating assets	16	8
Total	23	8

Note 19 Inventories

MSEK	2016	2015
Raw materials and consumables	525	621
Products in progress	639	548
Finished goods	1,817	1,949
Merchandise	2,284	2,422
Advances to suppliers	5	5
Total	5,270	5,545

MSEK 70 (78) of inventories for the year have been measured at net realizable value. The total cost of goods sold during the year was MSEK 28,838 (28,309).

Note 20 Trade and other receivables

MSEK	2016	2015
Trade receivables	3,755	3,395
Trade receivables, joint ventures/associates	37	36
Trade receivables, finance service, members	594	628
Derivative instruments	23	13
Other operating receivables from joint ventures/associates	13	5
Other current receivables	751	738
Prepayments and accrued income	554	592
Total	5,727	5,407

Age analysis of trade receivables

MSEK	2016	2015
Receivables, not yet due	3,322	3,029
Receivables, past due		
< 30 days	396	283
31-60 days	36	43
61-90 days	16	18
> 91 days	66	111
Total	3,836	3,484
Provision for doubtful debts	-81	-89
Total	3,755	3,395

Note 20 continued

MSEK	2016	2015
Provision for doubtful debts		
Provision at beginning of year	-89	-87
New provision for anticipated losses	-21	-19
Utilization of provision for identified losses	19	14
Reversal of provisions no longer required	10	3
From acquired, divested companies	1	-1
Exchange differences	-1	1
Provision at end of year	-81	-89

The cost of doubtful debts for the year was MSEK -11 (-16) and was recognized in other operating expenses. For information about credit quality of trade receivables, see [note 24](#).

Prepayments and accrued income

MSEK	2016	2015
Prepaid rent	45	59
Prepaid insurance	32	27
Bonuses and discounts	25	15
Other prepayments	221	262
Other accrued income	231	229
Total	554	592

Note 21 Current interest-bearing assets and cash and cash equivalents

MSEK	2016	2015
Receivables from joint ventures/associates	2	2
Interest-bearing receivables	103	85
Other short-term investments	0	9
Derivative instruments	64	67
Other current financial assets	7	7
Total	176	170

Finance leases	0	4
Total	176	174

Cash and cash equivalents

MSEK	2016	2015
Cash and bank balances	1,773	990
Short-term investments < 3 months	-	262
Total	1,773	1,252

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	Member contributions	Other contributed capital	Hedge reserve	Available-for-sale assets	Translation reserve	Retained earnings	Equity attributable to members of association	Equity attributable to NCI	Total equity
Equity, January 1, 2015	1,977	2,625	-48	20	-37	7,322	11,859	17	11,876
Net income for the period after tax	-	-	-	-	-	1,088	1,088	2	1,090
Actuarial gains and losses on pension plans ¹⁾	-	-	-	-	-	211	211	-	211
Available-for-sale financial assets									
- remeasurement for the year	-	-	-	23	-	-	23	-	23
- transferred to income statement	-	-	-	-10	-	-	-10	-	-10
Cash flow hedges									
- remeasurement for the year	-	-	82	-	-	-	82	-	82
- transferred to income statement	-	-	-20	-	-	-	-20	-	-20
Exchange differences on translation of foreign operations	-	-	-	-	-201	-	-201	-	-201
Net gain on hedge of net investment in foreign operations									
- net income for the year	-	-	-	-	56	-	56	-	56
- transferred to income statement	-	-	-	-	0	-	0	-	0
Tax relating to components of other comprehensive income	-	-	-14	-8	-12	-46	-80	-	-80
Other comprehensive income for the period, net of tax	0	0	48	5	-157	165	61	0	61
Total comprehensive income	0	0	48	5	-157	1,253	1,149	2	1,151
Dividend paid ²⁾	-	-	-	-	-	-178	-178	-	-178
Refund and final price adjustment	-	-	-	-	-	-189	-189	-	-189
Contributed capital paid in by members	123	-	-	-	-	-	123	-	123
Contributed capital paid out to members	-104	-	-	-	-	-	-104	-	-104
Appropriation of profit	150	150	-	-	-	-300	0	-	0
Other non-owner changes ³⁾	-	-	-	-	-	-	-	2	2
Total equity, December 31, 2015	2,146	2,775	0	25	-194	7,908	12,660	21	12,681
Changes due to amended accounting policies in associates						66	66		66
Equity, January 1, 2016	2,146	2,775	0	25	-194	7,974	12,726	21	12,747
Net income for the period after tax	-	-	-	-	-	1,273	1,273	1	1,274
Actuarial gains and losses on pension plans ¹⁾	-	-	-	-	-	-162	-162	-	-162
Available-for-sale financial assets									
- remeasurement for the year	-	-	-	87	-	-	87	-	87
- transferred to income statement	-	-	-	-6	-	-	-6	-	-6
Cash flow hedges									
- remeasurement for the year	-	-	43	-	-	-	43	-	43
- transferred to income statement	-	-	-21	-	-	-	-21	-	-21
Exchange differences on translation of foreign operations	-	-	-	-	244	-	244	-	244
Net gain on hedge of net investment in foreign operations									
- net income for the year	-	-	-	-	-68	-	-68	-	-68
- transferred to income statement	-	-	-	-	0	-	0	-	0
Tax relating to components of other comprehensive income	-	-	-5	-8	15	36	38	-	38
Other comprehensive income for the period, net of tax	0	0	17	73	191	-126	155	0	155
Total comprehensive income	0	0	17	73	191	1,147	1,428	1	1,429
Dividend paid ²⁾	-	-	-	-	-	-193	-193	-2	-195
Refund and final price adjustment	-	-	-	-	-	-232	-232	-	-232
Contributed capital paid in by members	153	-	-	-	-	-	153	-	153
Contributed capital paid out to members	-50	-	-	-	-	-	-50	-	-50
Appropriation of profit	50	120	-	-	-	-170	0	-	0
Other non-owner changes ⁴⁾	-	-	-	-	-	-37	-37	68	31
Total equity, December 31, 2016	2,299	2,895	17	98	-3	8,489	13,795	88	13,883

¹⁾ Including payroll tax.

²⁾ Refers to contribution dividend concerning parent association members.

³⁾ Includes buyout of non-controlling interest in CropTailor AB.

⁴⁾ Includes associate's acquisition of NCI in subsidiary, MSEK -37 million, acquisition of NCI in Lantmännen Agro A/S and acquisition of Dataväxt AB with NCI.

Note 22 continued

Restricted reserves are reported under other contributed capital in the Parent Company.

For hedges 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 available-for-sale assets includes the accumulated net change in fair value of financial assets classified as "available-for-sale financial assets" until the asset is sold or is written down in the income statement.

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.

Management of the Group's capital

Lantmännen has two overall financial objectives:

- return on equity of at least 8 percent over a business cycle and with the present business portfolio
- equity ratio of 40 percent or more.

To achieve these objectives, Lantmännen uses financial instruments for its operations and specific profitability targets for each business. These profitability targets are expressed as a percentage of operating capital and vary according to the type of business and profitability levels for comparable enterprises outside Lantmännen. It is Lantmännen's aim that each business will achieve a return on operating capital that is at least on a par with that of comparable enterprises outside the Group.

Future investments are allocated primarily to areas that meet the profitability target and have potential for profitable growth.

Note 23 Interest-bearing liabilities

Non-current interest-bearing liabilities

MSEK	Note	2016	2015
Non-current liabilities to credit institutions	24	3,283	3,231
Issued securities ¹⁾		1,246	1,245
Subordinated debentures		250	250
Financial liabilities, leases	29	134	91
Other non-current interest-bearing liabilities		54	54
Derivative instruments		24	26
Total		4,991	4,897

¹⁾ Recognized at amortized cost.

Current interest-bearing liabilities

MSEK	Note	2016	2015
Current liabilities to credit institutions	24	156	13
Liabilities to members, savings		1,243	1,102
Liabilities to members, capital account		737	725
Deposits with Lantmännen Finans AB from the public		1,168	1,325
Financial liabilities, leases	29	9	12
Other current interest-bearing liabilities		14	18
Derivative instruments		46	35
Total		3,373	3,230

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 EUR 100,000 under the national deposit guarantee scheme.

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 ratios 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 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.

Note 24 continued

Distribution of trade receivables by currency, December 31, 2016

MSEK	Group	Parent Company
SEK	2,531	1,576
EUR	812	14
DKK	340	-
NOK	341	-
GBP	190	-
USD	73	-
Other currencies	99	-
Total	4,386	1,590

Distribution of trade receivables by currency, December 31, 2015

MSEK	Group	Parent Company
SEK	2,348	1,599
EUR	687	18
DKK	324	-
NOK	191	-
GBP	64	-
USD	329	-
Other currencies	116	-
Total	4,059	1,617

Distribution of trade payables by currency, December 31, 2016

MSEK	Group	Parent Company
SEK	3,407	2,286
EUR	733	10
DKK	275	1
NOK	122	-
GBP	77	-
USD	44	1
Other currencies	69	-
Total	4,727	2,298

Distribution of trade payables by currency, December 31, 2015

MSEK	Group	Parent Company
SEK	3,134	2,012
EUR	705	14
DKK	177	2
NOK	92	-
GBP	35	1
USD	78	-
Other currencies	85	-
Total	4,306	2,029

Translation exposure

Translation exposure is the risk to which Lantmännen is exposed when foreign subsidiaries' income statements and balance sheets are translated into SEK. Currency hedging of investments in foreign subsidiaries is managed through the equity hedge. These are 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. Only net investments with high 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 642 (592), not taking into account the equity hedge. If the equity hedge is taken into account, equity would increase by MSEK 691 (561), all other things being equal.

Exchange rate fluctuations also affect the translation of foreign subsidiaries' income statements to SEK. As this translation is not hedged, the translation difference is exposed to currency risk and as such is included in the sensitivity analysis below.

Foreign-exchange sensitivity in transaction and translation exposure

Lantmännen is primarily exposed to the EUR, DKK, GBP, 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 +/- 207 (+/- 140) 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.

Sensitivity analysis for major currencies

Risk	Change	Operating income effect, MSEK	
		2016	2015
EUR/SEK	-10 %	-58	-25
DKK/SEK	-10 %	-11	-6
NOK/SEK	-10 %	-16	-12
GBP/SEK	-10 %	-4	-9
USD/SEK	-10 %	-9	-8
Other	-10 %	-109	-80
Total		-207	-140

The currency derivatives used 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	2017	2018	2019
EUR	-2,179	18	-
DKK	94	-	-
NOK	-132	-	-
GBP	-51	-	-
USD	100	-	-
PLN	-58	-	-
Total	-2,226	18	-

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, 2016 was 2 (3) months.

PRICE RISK

Lantmännen uses the financial markets to manage price risk in commodity trading, such as grain trading, 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 mill 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.

Note 24 continued

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 and Norway

Maturity year	2017	2018	2019	2020
Hedged share of forecast annual need	64 %	52 %	34 %	17 %

Electricity price hedging for the United Kingdom

Maturity year	2017	2018	2019	2020
Hedged share of forecast annual need	60 %	0 %	0 %	0 %

The Group companies' total electricity consumption in 2016 was 554 (536) GWh. The operations in Sweden, Denmark and Norway accounted for 390 (372) GWh of the total, and the UK for 31 (30) GWh. The increased consumption outside Scandinavia is due to the acquisition of Vaasan. A movement of +/- 10 percent in the price of electricity would change the value of energy hedges by MSEK +/- 16.

The Group companies' consumption of natural gas in 2016 was 293 (283) GWh. The operations in Sweden and Denmark accounted for 99 (97) GWh of the figure, and the UK 27 (27) GWh.

Price hedges via ethanol and gasoline contracts

Ethanol price hedges for Agroetanol in the Energy Sector were entered into regularly throughout 2016 in order to mitigate earnings fluctuations attributable to daily market price changes. The hedge ratio at December 31, 2016 was 0 percent.

Eurobob gasoline price hedges for Agroetanol and Aspen in the Energy Sector were entered into regularly throughout 2016 in order to mitigate earnings fluctuations attributable to daily market price changes. Eurobob is priced in USD. The hedge ratio at December 31, 2016 was 0 percent.

INTEREST RATE RISK

Interest-bearing borrowing means that the Group is exposed to interest rate risk. Interest rate risk is the risk that changes in market interest rates will have an adverse effect on the Group's earnings and cash flows. The fixed-rate period has been extended in 2016 as a result of new interest rate derivatives that convert floating rates to fixed rates.

The Group's interest-bearing liabilities at December 31, 2016, including outstanding interest rate swaps, had a weighted average fixed-rate period of 29 (18) months.

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 7.7 (7.7) years.

By constantly maintaining cash assets or unused credit facilities, the Group ensures it has sound 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 reserve at December 31, 2016 was MSEK 3,969 (4,064).

Maturity structure of interest-bearing financial liabilities ¹⁾

MSEK	Group		Parent Company	
	2016	2015	2016	2015
2016	-	95	-	81
2017	156	1,088	76	1,078
2018	593	102	583	92
2019	599	861	589	851
2020	2,063	2,013	2,054	2,003
2021-	1,587	1,030	1,555	1,005
Total	4,998	5,189	4,857	5,110

¹⁾ Including future interest payments

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 December 31, 2016, a nominal amount of MSEK 1,250 was outstanding, with a maturity of 5 years. In connection with the issue, three banks, Swedbank, Nordea and Danske Bank, conducted shadow ratings of Lantmännen. These correspond to BBB-.

Maturity structure of interest-bearing financial liabilities by currency

MSEK	Total	2017	2018- 2019	2020- 2021	> 2022
EUR	747	7	14	726	0
DKK	1,255	47	115	124	969
SEK	2,996	102	1,063	1,293	538
Total	4,998	156	1,192	2,143	1,507
Of which interest	390	50	94	74	172
Total excluding interest	4,608	106	1,098	2,069	1,335

The table above refers to undiscounted contractual amounts and therefore differs from the liabilities recognized in the statement of financial position.

External currency swaps related to financing of Group companies

MSEK	Group	
	2016	2015
EUR	2,783	4,232
DKK	815	817
NOK	300	380
GBP	1,000	1,495
USD	179	164
SEK	-5,879	-7,435
PLN	227	232
RON	123	-
RUB	458	-
Total	6	-115

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 1,243 (1,102). Deposits into the capital account amounted to MSEK 1,905 (2,050) of which MSEK 1,169 (1,325) 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 188 (145).

In credit agreements with banks, Lantmännen is bound by financial covenants requiring its equity ratio to be always higher than 30 percent, year-end net debt/EBITDA to be below 4.0 (4.50) and EBITDA/net financial items to be at least 3.5 times. If Lantmännen fails to meet the covenants, the bank is entitled to terminate the credits prematurely. At December 31, 2016, according to the bank syndicate's definition, the equity ratio was 43.1 (42.8) percent, net debt/EBITDA was 2.5 (2.9) and EBITDA/net financial items was 17.9 (23.4) times.

Note 24 continued

Maturity structure of derivative instruments, nominal amounts
December 31, 2016

MSEK	2017	2018	2019	2020-	Fair value
Currency derivatives	-5,198	18	-	-	26
Interest rate derivatives	1,029	100	-	3,236	-31
Energy derivatives	67	45	26	13	17
Commodity derivatives	-622	-	-	-	-5
Ethanol derivatives	-	-	-	-	-
Total					7

Maturity structure of derivative instruments, nominal amounts
December 31, 2015

MSEK	2016	2017	2018	2019-	Fair value
Currency derivatives	-6,010	-10	-	-	32
Interest rate derivatives	248	500	100	1,685	-25
Energy derivatives	51	40	12	-	-38
Commodity derivatives	-519	-	-	-	7
Ethanol derivatives	-149	-	-	-	-5
Total					-29

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. Counterparty risk is limited by only accepting counterparties with high credit-worthiness 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. Lantmännen has signed ISDA agreements and CSA agreements with the majority of its counterparties.

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 has a good spread of the customers as a result of the Group having different business areas and operating in several countries and in different markets. Lantmännen also conducts active monitoring of trade receivables across company boundaries in the Group in order to minimize customer defaults and ensure payment precision.

Lantmännen Finans AB has transferred its leasing and hire purchase contracts to Swedbank on an ongoing basis. Swedbank has limited recourse. At 12/31/2016, recourse was MSEK 69 (62). The item is reported under other liabilities in the consolidated statement of financial position.

See [note 20](#) for information about past due trade receivables and provisions.

Financial assets and liabilities measured at fair value in the statement of financial position at December 31, 2016

Assets, MSEK	Level 1	Level 2	Level 3	Total
Derivatives with positive fair value	30	66	-	96
Other financial assets measured at fair value	566	0	125	691
Total assets	596	66	125	787
Liabilities, MSEK	Level 1	Level 2	Level 3	Total
Derivatives with negative fair value	19	70	-	89
Total liabilities	19	70	-	89

Financial assets and liabilities measured at fair value in the statement of financial position at December 31, 2015

Assets, MSEK	Level 1	Level 2	Level 3	Total
Derivatives with positive fair value	13	67	-	80
Other financial assets measured at fair value	443	105	125	673
Total assets	456	172	125	753
Liabilities, MSEK	Level 1	Level 2	Level 3	Total
Derivatives with negative fair value	48	61	-	109
Total liabilities	48	61	-	109

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.

Note 24 continued

Financial assets and liabilities by measurement category December 31, 2016

MSEK	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Derivatives used in hedge accounting	Other derivatives	Other financial liabilities	Total carrying amount	Fair value
ASSETS								
Other shares and interests	124	-	440	-	-	-	564	564
Other financial assets	37	78	91	-	-	-	206	206
Other non-current assets	-	-	-	7	-	-	7	7
Trade and other receivables	-	4,400	-	23	-	-	4,423	4,423
Current interest-bearing assets	-	110	-	64	2	-	176	176
Cash and cash equivalents	-	1,773	-	-	-	-	1,773	1,773
Total assets	161	6,361	531	94	2	-	7,149	7,149
LIABILITIES								
Non-current interest-bearing liabilities	-	-	-	24	-	4,967	4,991	5,000
Other non-current liabilities	-	-	-	-	-	25	25	25
Current interest-bearing liabilities	-	-	-	46	-	3,327	3,373	3,373
Trade and other payables	-	-	-	19	-	4,775	4,794	4,794
Total liabilities	-	-	-	89	-	13,094	13,183	13,192

Financial assets and liabilities by measurement category December 31, 2015

MSEK	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Derivatives used in hedge accounting	Other derivatives	Other financial liabilities	Total carrying amount	Fair value
ASSETS								
Other shares and interests	125	-	332	-	-	-	457	457
Other financial assets	60	142	52	-	-	-	254	254
Trade and other receivables	-	4,803	-	13	-	-	4,816	4,816
Current interest-bearing assets	-	105	-	62	5	-	172	172
Cash and cash equivalents	-	1,252	-	-	-	-	1,252	1,252
Total assets	185	6,302	384	75	5	-	6,951	6,951
LIABILITIES								
Non-current interest-bearing liabilities	-	-	-	26	-	4,871	4,897	4,913
Other non-current liabilities	-	-	-	14	-	-	14	14
Current interest-bearing liabilities	-	-	-	35	-	3,195	3,230	3,230
Trade and other payables	-	-	-	34	-	5,101	5,135	5,135
Total liabilities	-	-	-	109	-	13,167	13,276	13,292

Offsetting of financial assets and liabilities, December 31, 2016

ASSETS MSEK	Recognized in statement of financial position	Gross amount for financial assets offset against financial liabilities	Of which amounts with right of offset, reported gross	Related amounts not offset in statement of financial position	Net amount
Derivatives ¹⁾	96	-	179	9	188
Total	96	-	179	9	188

LIABILITIES MSEK	Recognized in statement of financial position	Gross amount for financial liabilities offset against financial assets	Of which amounts with right of offset, reported gross	Related amounts not offset in statement of financial position	Net amount
Derivatives	89	-	89	9	98
Total	89	-	89	9	98

¹⁾ Trading in derivatives is subject to the ISDA agreement, which stipulates the netting of liabilities and receivables. This can be done in the course of operations and in situations such as breaches of contract or early termination.

Note 25 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 PRI pension plans in Sweden. These plans have been funded since December 2011, when Lantmännen transferred assets to a pension fund to safeguard these obligations. The obligations are also still insured through the Swedish PRI Pensionsgaranti system, but at a lower amount than previously. PRI Pensionsgaranti is a mutual insurance company that guarantees employees' future pensions. Now that 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 the Swedish companies within Lantmännen are connected to the fund. There is no obligation for the companies in the fund to make additional contributions to the fund. There are also funded pension plans in Norway, where two of the companies have pension obligations safeguarded by funds. One of the Norwegian companies will discontinue the defined benefit plan in 2017 and switch to a defined contribution plan.

Defined benefit obligations and value of plan assets in the Group:

Defined benefit plans

MSEK	2016	2015
<i>Funded plans:</i>		
Defined benefit obligations under Swedish PRI Pensionsgaranti plans	2,275	2,089
Other defined benefit obligations	135	127
Fair value of plan assets	-1,942	-1,921
Total net value of funded plans	468	295
Of which partly funded plans recognized as a liability	468	309
Of which surplus in funded plans recognized as an asset	-	14
<i>Unfunded plans:</i>		
Other unfunded obligations	51	51
Total unfunded plans	51	51
Provisions for pensions, net value	519	346

Pension plans by country

	2016			2015		
	Obligations	Plan assets	Pension liability	Obligations	Plan assets	Pension liability
Sweden	2,280	-1,829	451	2,098	-1,825	273
Norway	135	-113	22	127	-96	31
Germany	37	-	37	34	-	34
Netherlands, Poland, Finland, France	9	-	9	8	-	8
Total	2,461	-1,942	519	2,267	-1,921	346

The following summary explains how obligations, assets and the net amount changed during the year:

	2016			2015		
	Defined benefit obligations	Plan assets	Net	Defined benefit obligations	Plan assets	Net
Opening balance	2,267	1,921	346	2,396	1,879	517
Service cost during the year	44	-	44	55	-	55
Interest recognized in income statement	66	58	8	64	52	12
Payment of pension benefits	-111	-8	-103	-107	-	-107
Compensation paid to employer ¹⁾	-	-89	89	-	-80	80
Payment of contributions by employer ¹⁾	-	21	-21	-	9	-9
Curtailements and settlements	-10	-	-10	-	-	0
Return on plan assets in excess of recognized interest	-	29	-29	-	70	-70
Remeasurement of pension obligations recognized in OCI	191	-	191	-141	-	-141
Effects of acquired/divested operations	-	-	-	14	-	14
Translation differences	14	10	4	-14	-9	-5
Closing balance, pension liability	2,461	1,942	519	2,267	1,921	346
Of which funded plans			468			295
Of which unfunded plans			51			51

¹⁾ Compensation from the Swedish pension fund consists of MSEK 89 (81) to 3 (3) companies in 2016. One Swedish company made a payment of MSEK 10 (0) into the pension fund in 2016. MSEK 11 (9) was paid in to Norwegian plans.

Pension cost in the income statement

MSEK	2016	2015
<i>Defined benefit plans</i>		
Cost of pensions accrued during the year	44	55
Interest expense, interest income, net	8	12
Service cost, prior periods	0	1
Curtailements and settlements	-10	-
Cost of defined benefit plans	42	68
Cost of defined contribution plans	252	249
Total pension cost in the income statement	294	317
<i>The cost is recognized on the following lines in the income statement</i>		
Employee benefits expense	286	305
Finance costs	8	12
Total cost relating to pensions	294	317

Pension-related remeasurements in OCI

MSEK	2016	2015
<i>Defined benefit plans</i>		
Return on plan assets in excess of what is recognized as interest income in the income statement	29	70
Experience-based adjustment of obligation	15	16
Effects of changes in demographic assumptions	-	15
Effects of changes in financial assumptions	-206	110
Total actuarial gains (+) and losses (-)	-162	211
Tax on above items	36	-46
Total recognized in OCI	-126	165

Note 25 continued

Fair value of plan asset categories and percentage of total plan assets

	2016 MSEK	2015 MSEK	2016 %	2015 %
Property	1,071	1,085	54 %	57 %
Fixed-interest investments	267	236	14 %	12 %
Structural products	30	55	2 %	3 %
Equity investments	391	398	20 %	21 %
Hedge funds	112	64	6 %	3 %
Cash and cash equivalents	71	83	4 %	4 %
Total	1,942	1,921	100 %	100 %

Equity investments include subordinated debentures of MSEK 71 (72) in Lantmännen ek för. Other holdings under equity investments are primarily listed shares.

Actuarial assumptions ²⁾	2016	2015
Discount rate	2.5 %	3.0 %
Future salary increases	3.0 %	3.0 %
Inflation	1.5 %	1.5 %
Life expectancy assumptions, Sweden	DUS14	DUS14
Duration	16 years	16 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 92 percent of the total) by approximately MSEK 90, while a 0.25 percent increase in the interest rate would reduce it by approximately MSEK 85. A change of one year in mortality assumptions would increase the obligation by approximately MSEK 85 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 71 in the case of a fall in inflation and would increase it by approximately MSEK 75 in the case of a rise. A 0.25 percent change in salary growth assumptions would increase the obligation by approximately MSEK 35 in the case of a higher assumption and would reduce it by approximately MSEK 33 in the case of a lower assumption. The Swedish pension fund's return was approximately 6 percent in 2016. A change of 1 percentage point in the return would increase or decrease the value of the plan assets by approximately MSEK 20.

The Swedish funded plans cover active members, 15 (17) percent, paid-up policyholders, 36 (36) percent, and retired persons, 49 (47) percent.

Expected payments of pensions under defined benefit pension plans in 2017 are MSEK 97 (100).

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 252 (249) for defined contribution plans, MSEK 21 (19) 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 (153) percent (preliminary). 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	Guarantee commitments	Actuarial provisions	Restructuring measures	Other	Total 2016	Total 2015
Opening balance	104	104	91	282	581	651
Provisions during the period	48	-	193	346	587	232
Amounts utilized during the period	-34	-6	-30	-12	-82	-220
Reversals during the period	-31	-	-24	-62	-117	-67
Reclassifications	-	-	-4	4	0	-3
Effects of divested, acquired operations	1	-	-	-	1	-7
Translation differences	4	0	0	0	4	-5
Carrying amount at end of period	92	98	226	558	974	581
Of which current provisions	85	30	189	423	727	354
Of which non-current provisions	7	68	37	135	247	227

MSEK 143 of the non-current provisions is expected to be used in 2019 and thereafter.

Increases in previously existing provisions are included in the period's provisions.

The majority of the year's restructuring provisions are attributable to measures in the Food Sector, most of which are expected to be used in 2017.

MSEK 300 of the provisions for the year under Other relates to the Energy Sector's provision for the European Commission's ongoing investigation of Lantmännen Agroetanol.

MSEK 100 (105) of the provisions under Other relates to the estimated costs of closing down grain elevators. No new provisions for grain elevators were made in 2016.

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	2016	2015
Non-current derivative instruments, operating	-	14
Other non-current operating liabilities	17	20
Non-current liabilities to joint ventures/associates	8	5
Total	25	39

Note 28 Trade and other payables

MSEK	2016	2015
Trade payables	4,727	4,274
Trade payables, joint ventures/associates	18	32
Other operating liabilities, associates	4	2
Other current liabilities	1,129	977
Derivative instruments	19	34
Accruals and deferred income	2,302	2,289
Total	8,199	7,608

Accruals and deferred income

MSEK	2016	2015
Accrued personnel-related costs	600	600
Bonuses and discounts	207	222
Other accruals	705	868
Deferred income	790	599
Total	2,302	2,289

Note 29 Leases

The Group is both a lessor and a lessee. The Group's obligations as a lessee are reported in this note. The Group as lessor is reported in note 30, Customer financing. The Group has both operating and finance lease obligations.

Operating leases

Recognized costs of operating leases

MSEK	2016	2015
Minimum lease payments	533	416
Contingent rents	8	4
Total	541	420

Future obligations under non-cancelable operating leases are reported below.

Minimum lease payments due

MSEK	2016	2015
Within one year	178	146
Between one and five years	626	551
After five years	403	410
Total	1,207	1,107

Companies in the Lantmännen Group are tenants in properties owned by Lantmännen's pension fund. The annual rent for these properties was MSEK 67 (67) in 2016 and is expected to be MSEK 67 in 2017. 27 percent of the leases run until 2020/2022 and 73 percent until 2025. The estimated rent for these contracts is included in the minimum lease payments reported above.

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	2016	2015
Minimum lease payments		
- reported as interest	13	3
- reported as payment (reduction of liability)	10	7
Contingent rents	0	0
Total payments under finance leases	23	10

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:

Maturity	2016			2015		
	Payment	Interest	Total charge	Payment	Interest	Total charge
Within one year	9	13	22	12	5	17
Between one and five years	31	47	78	51	14	65
After five years	103	132	235	40	3	43
Total	143	192	335	103	22	125

Note 30 Customer financing

Customer financing is mainly concerned with financing Lantmännen's sales of agricultural and construction machinery to end customers. Customer financing through leasing occurs mainly in the Group's international machinery operations.

The real estate operations' leasing of premises to external customers is also reported as customer financing.

Customer financing through finance leases occurs to a very limited extent, and outstanding receivables are well below MSEK 1 for both years.

Operating leases

For equipment 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	2016	2015
Within one year	150	126
Between one and five years	318	236
After five years	270	131
Total	738	493

MSEK 715 (460) of the total minimum lease payments relate to premises and MSEK 23 (33) to machines.

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	2016	2015
Intra-group purchases, share of total purchases, %	15	13
Intra-group sales, share of total sales, %	11	10
Purchases of goods and services from joint ventures and associates, MSEK	564	267
Sales of goods and services to joint ventures and associates, MSEK	326	298
Transfer of capital from pension fund to Lantmännen, credited, MSEK	89	81
Rent paid to pension fund, MSEK	67	67
Sales of goods and services to pension fund, MSEK	11	8
Acquisition of property from pension fund, MSEK	-	82
Divestment of property to pension fund, MSEK	-	94

Note 32 Government grants

MSEK	2016	2015
Grants recognized as revenue	13	10
Grants that reduced expenses	5	23
Total	18	33

During 2016 and 2015, no contributions were received that reduced the value of non-current assets or were recognized as deferred income at the reporting date.

Note 33 Acquisitions and divestments

Acquisitions 2016

The following acquisitions of subsidiaries were made in 2016.

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
Frozen Bakery Products SA	Bakery	Sep-16	182	1	36	100	177	80	80	100 %	100 %
Dataväxt AB	Digital services	Oct-16	71	1	62	75	4	65	25	50 %	50 %
Maskin Sydost AB	Machine sales	Jan-16	25	0	0	32	2	160	40	100 %	100 %
Other smaller acquisitions			6	-	-	-	-	-	-	-	-

Lantmännen Unibake has acquired the Romanian company Frozen Bakery Products, a hamburger bun bakery in Bucharest, Romania. The acquisition is part of Lantmännen Unibake's strategy to establish itself in new markets.

Lantmännen has acquired a 50.1 percent holding in the technical services company Dataväxt, with the aim of jointly driving digital development in agriculture. Dataväxt is a leading player in the digital crop production services. Together, Dataväxt and Lantmännen will develop new services that give Swedish farmers new opportunities for production and monitoring. The non-controlling interest of

49.9 per cent has been measured at MSEK 60, with the valuation based on the full goodwill method.

Kalmar Lantmän's machinery business was acquired in January through the company Maskin Sydost AB to strengthen Lantmännen's position in the Kalmar region.

The acquisition balance sheets for companies acquired in 2016 are preliminary. The companies are consolidated as subsidiaries using the acquisition method.

Acquisitions 2015

The following acquisitions of subsidiaries were made in 2015.

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
Vaasan ¹⁾	Bakery	Jun-15	4,459	43	1,677	2,155	813	3,254	2,472	100 %	100 %
Crop Tailor AB	Biotechnology	May-15	15	-	15	2	0	0	1	53 %	68 %
Other smaller acquisitions			2	-	-	-	20	3	-	100 %	100 %

¹⁾ The acquisition was made by Lantmännen repaying the loan to sellers. Acquisition-related transaction costs amounted to approximately MSEK 43. Such transaction costs are reported as an operating expense in the Group.

The Vaasan Group was acquired through the purchase of the Luxembourg-based company Pane Lux 1 Sarl, previously owned by the investment company Lion Capital. Pane Lux 1 indirectly owns 100 percent of the Vaasan Group. The Vaasan acquisition is part of Lantmännen's strategy to focus on value-adding activities in the grain chain in the Baltic Sea region. Vaasan engages in bakery operations in the areas of bake-off, crispbread and fresh bread. Vaasan is part of the Food Sector, with its crispbread business integrated into the business area Lantmännen Cerealia and its other business into Lantmännen Unibake. Lantmännen's and Vaasan's operations complement each other well and Lantmännen sees the acquisition providing great potential to create an even more competitive

food company with the right conditions for expanded market positions, particularly in the Baltic Sea region. The fair values of acquired assets and liabilities have been determined on a preliminary basis and consist of brands, customer relationships, plant and machinery, property and goodwill.

CropTailor is a Swedish biotech company which has developed technology for fast, high-precision breeding of oats. The acquisition was part of Lantmännen's strategic focus on oats. The non-controlling interest of 36 per cent was measured at MSEK 5, with the valuation based on the full goodwill method.

Note 33 continued

Acquisition balance sheet

MSEK


Acquisition price	2016 ¹⁾	2015 ²⁾
Cash payment/Loan repayment	278	4 459
Acquired assets and liabilities at fair value		
Property, plant and equipment	183	813
Intangible assets	207	2 155
Inventories	46	159
Trade receivables	18	363
Other current and non-current assets	0	82
Trade payables	-1	-271
Other liabilities	-93	-766
Net assets acquired, total	360	2,535
Cash and cash equivalents	16	247
Loans	-126	-
Acquired net debt	-110	247
Non-controlling interest	-70	-
Goodwill	98	1,677
Total	278	4,459
Acquisition-related costs, reported as Other operating expenses	2	43

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:

Property, plant and equipment	0	145
Intangible assets	305	2,137
Deferred tax liabilities	-39	-266

¹⁾ Includes acquisition of companies Frozen Bakery Products, Dataväxt and Maskin Sydost

²⁾ Includes acquisition of Vaasan.

For information on the fair value of net assets in acquired operations, see also  note 35:2 in the notes to the statement of cash flows.

Divestments 2016

Only minor divestments of subsidiaries were made during the year.


Divestments 2015

The following divestments of subsidiaries were made during the year.

Company	Operations	Sale date	Consolidated net sales 2015, MSEK	Consolidated net sales 2014, MSEK	Average no. of employees 2015	Average no. of employees 2014	Divested interest	Holding after divestment
Lantmännen Doggy AB	Pet food	Jul-15	231	534	80	174	100 %	0 %

Lantmännen Doggy AB and its subsidiary Bozita GmbH were divested on July 1, 2015. The sale generated a capital gain of MSEK 110 and reduced net debt by MSEK 24. The proceeds from the divestment were MSEK 203. In connection with the divestment of Doggy, the industrial properties in Vårgårda where Doggy's operations are conducted were also sold, and the transaction was conducted through the divestment of Fastighets AB Slätpricken. The divestment generated a capital gain of MSEK 17 and the purchase consideration was MSEK 18.

The divestments made in 2015 are not considered to be operations of significant value and have consequently not been classified or reported as discontinued operations.

For information on the fair value of net assets in divested operations, see  note 35:3 in the notes to the statement of cash flows.

The acquisitions effect on the consolidated income statement

	2016 ¹⁾	2015 ²⁾
Net sales	28	1 913
Operating income from companies	1	112
Operating income from acquisition adjustments, excluding acquisition costs	-10	-44
Operating income, total	-9	68

Sales and income if acquisition had been at the beginning of the year

Net sales	300	3,254
Operating income from companies	23	154
Operating income from acquisition adjustments, excluding acquisition costs	-20	-74
Operating income, total	3	80

The acquisitions effect on the Group's cash and cash equivalents

Consideration paid for the year's acquisitions/loan repayments	278	4,459
Takeover of loans	126	-
Cash and cash equivalents in acquired companies	-16	-247
Total	388	4,212

Note 34 Pledged assets and contingent liabilities

Pledged assets

MSEK	For own financial liabilities	Other commitments	Total pledged assets	
			2016	2015
Real estate mortgages	1,451	-	1,451	976
Bank accounts	-	22	22	20
Other	-	37	37	27
Total	1,451	59	1,510	1,023

Real estate mortgages have been provided for the liabilities of the Parent Company in the amount of MSEK 1,451 (976), of which MSEK 543 (517) relates to properties owned by subsidiaries.

Contingent liabilities

MSEK	2016	2015
Guarantees for		
- joint ventures	222	221
- others	-	28
Other contingent liabilities	94	114
Total	316	363

The Swedish fresh bread business divested in 2009 conducts part of its operations in a leased property in Umeå. Lantmännen ek för and the divested company are parties to this lease. The aim of the buyer is to continue operations in the property. All lease payments are paid directly by the divested company. Lantmännen subsidizes the lease payments as part of the sales agreement. A provision for this subsidy has been recognized in the statement of financial position for the Group and Lantmännen ek för. In Lantmännen's opinion there is no longer any risk that it will be required to make lease payments for the property. Consequently, no further provisions or contingent liabilities have been recognized.

Note 35 Notes to the statement of cash flows

MSEK	2016	2015
1) Interest paid and dividends received		
Dividends received	13	15
Interest received	104	103
Interest paid	-334	-245
Realized exchange gains/losses	-13	61
Other financial payments	25	-10
Total	-205	-76
2) Acquisition of operations		
<i>Assets and liabilities acquired</i>		
Property, plant and equipment	183	837
Intangible assets	312	3,857
Inventories	59	162
Operating receivables	54	447
Cash and cash equivalents	16	247
	624	5,550
Financial liabilities	157	4,459
Deferred tax liabilities	43	289
Operating liabilities	76	779
	276	5,527
Net assets acquired	348	23
Repayment of loans in acquired companies	126	4,459
Purchased interests in associates*	15	144
NCI in acquired companies	-70	-
Purchase of non-controlling interests	1	2
Purchase consideration paid	420	4,628
Cash and cash equivalents in acquired operations	-16	-247
Effect on cash and cash equivalents	404	4,381

Further information on acquired operations can be found in [note 33](#).

* Including shareholder contributions

MSEK	2016	2015
3) Divestment of operations		
<i>Assets and liabilities divested</i>		
Property, plant and equipment	-	66
Intangible assets	-	15
Inventories	-	78
Operating receivables	47	51
Cash and cash equivalents	-	8
	47	218
Loans	-	32
Operating liabilities	-	93
Capital gains/losses	-	-110
	-	15
Consideration received	47	203
Repayment of loans in divested operations	-	32
Cash and cash equivalents in divested operations	-	-8
Effect on cash and cash equivalents	47	227
Further information on divested operations can be found in note 33		
4) Investments		
The Group's investments in property, plant and equipment held under finance leases amounted to MSEK 265 (236) during the year.		
5) Change in loans		
New loans	1,145	1,930
Repayment of loans	-1,202	-736
Total	-57	1,194
6) Cash and cash equivalents		
Cash and bank balances	1,773	990
Short-term investments, maturity less than 3 months	-	262
Total	1,773	1,252

The Group's total liquidity reserve, defined as cash, bank deposits and credit available under the provisions of applicable loan agreements, was MSEK 3,969 (4,064) at the end of the year.

Notes to the Parent Company financial statements

Note 36 Breakdown of revenue

MSEK	2016	2015
Net sales		
Sales of goods	10,604	10,841
Service contracts	311	284
License revenue, seed and forages	87	83
Leasing activities	66	59
Total	11,068	11,267
Other operating income		
Services	126	112
Capital gains	76	5
Government grants	2	1
Other license revenue	76	56
Other ¹⁾	18	24
Total	298	198

¹⁾ The item Other for 2015 includes insurance compensation of MSEK 4.

Customers outside Sweden accounted for approximately 20 (24) percent of the Parent Company's total net sales.

Note 37 Fees and reimbursement of expenses to auditors

MSEK	2016	2015
Ernst & Young		
Annual audit	5	4
Tax consultancy services	2	1
Other services	1	1
Total	8	6
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.

MSEK	2016	2015
Intra-group purchases, share of total purchases, %	4	4
Intra-group sales, share of total sales, %	21	18
Purchases of goods and services from joint ventures/associates, MSEK	564	266
Sales of goods and services to joint ventures/associates, MSEK	216	187
Receipts from the Grodden pension fund	63	55

Leases

Operating expenses include operating lease costs of MSEK 9 (11). Future obligations under non-cancelable operating leases are reported below.

Minimum lease payments due

MSEK	2016	2015
Within one year	32	9
Between one and five years	105	12
After five years	14	3
Total	151	24

Note 39 Income from investments in Group companies and joint ventures/associates

Income from investments in Group companies

MSEK	2016	2015
Dividend	679	895
Capital gain on disposal of shares	-	46
Impairment	0	-7
Total	679	934

Dividends of MSEK 676 have been received from Unibake Holding A/S and MSEK 3 from Gyllebo Gødning AB. The previous year's result includes dividends of MSEK 693 from Lantmännen Animalieinvest AB (formerly Kycklinginvest AB) and MSEK 200 from Lantmännen SW Seed AB, and a capital gain of MSEK 45 on the sale of Lantmännen Doggy AB.

Income from investments in joint ventures/associates

MSEK	2016	2015
Dividend	32	17
Total	32	17

Dividends of MSEK 7 have been received from Viking Malt Oy and MSEK 25 from Scandbio AB (formerly Agroenergi Neova Pellets AB). The previous year's income includes a dividend of MSEK 17 from Viking Malt Oy.

Note 40 Income from other securities and receivables classified as non-current assets

MSEK	2016	2015
Dividend	3	5
Capital gains/losses on disposal of shares	26	-94
Impairment	-	-1
Total	29	-90

The capital gain relates to an additional purchase consideration from the sale of Granngården in 2008. The capital loss in 2015 relates to Lion/Visor Cayman 1, which was wound up as a result of Lantmännen's acquisition of Vaasan.

Note 41 Exchange differences affecting income

MSEK	2016	2015
Exchange differences affecting operating income	-25	-7
<i>Exchange differences in financial items</i>		
Exchange differences in financial items, external	-582	265
Exchange differences in financial items, internal	543	-212
Total	-39	53

Note 42 Taxes

Tax on net income for the year

MSEK	2016	2015
Current tax expense (-)/tax income (+)		
Tax expense/income for the period	-	-
Total current tax	0	0
Deferred tax expense (-)/tax income (+)		
Deferred tax arising from changes in temporary differences	2	-1
Deferred tax income in capitalized loss carryforwards during the year	15	-
Deferred tax expense from use of previously capitalized loss carryforwards	-	-121
Total deferred tax	17	-122
Total recognized tax expense	17	-122

Reconciliation of effective tax	2016		2015	
	Percent	MSEK	Percent	MSEK
Income before tax		890		1 517
Anticipated tax according to enacted Swedish tax rate	22,0 %	-196	22,0 %	-334
Non-deductible expenses	1 %	-3	0 %	-4
Impairment of shares	0 %	0	0 %	-1
Tax-exempt capital gains/losses	-1 %	6	1 %	-11
Tax-exempt dividend	-17 %	157	-13 %	201
Other non-taxable income	0 %	1	0 %	1
Impairment of previously capitalized loss carryforwards	0 %	-	0 %	2
Contribution dividend deductible for tax purposes	-4 %	32	-3 %	36
Effect of special tax rules for economic associations	-1 %	6	0 %	-
Effect of temporary differences on which deferred tax is not recognized	-2 %	14	0 %	-
Other	0 %	-	1 %	-12
Recognized effective tax	-2 %	17	8 %	-122

Deferred tax asset/tax liability

MSEK	2016			2015		
	Deferred tax asset	Deferred tax liability	Net	Deferred tax asset	Deferred tax liability	Net
Land and buildings	-	4	-4	-	4	-4
Other provisions	14	-	14	13	-	13
Loss carryforwards	186	-	186	170	-	170
Total	200	4	196	183	4	179
Offsetting of assets/liabilities	-4	-4	0	-4	-4	0
Total, net deferred tax asset	196	0	196	179	0	179

Deferred tax assets and deferred tax liabilities are offset against each other and the net asset is recognized in the statement of financial position.

Change in deferred tax in temporary differences and loss carryforwards

MSEK	Amount at beginning of year	2016		Amount at beginning of year	2015	
		Recognized in income statement	Amount at end of year		Recognized in income statement	Amount at end of year
Land and buildings	-4	-	-4	-2	-2	-4
Other provisions	13	1	14	12	1	13
Loss carryforwards	170	16	186	291	-121	170
Total	179	17	196	301	-122	179

Loss carryforwards

Loss carryforwards amounted to MSEK 844 (774) 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	
	2016	2015	2016	2015	2016	2015
Accumulated cost of acquisition	546	546	291	235	837	781
Accumulated amortization	-187	-160	-125	-102	-312	-262
Accumulated impairment	-	-	-44	-41	-44	-41
Carrying amount	359	386	122	92	481	478
Balance at beginning of year	386	99	92	86	478	185
Investments	-	300	56	11	56	311
Regular amortization for the year	-27	-13	-23	-19	-50	-32
Impairment for the year	-	-	-3	-	-3	0
Reclassifications	-	-	-	14	-	14
Carrying amount	359	386	122	92	481	478

The Schulstad brand is owned by Lantmännen ek för. In 2015 Lantmännen ek för acquired the Korvbrödsbagarn brand from Lantmännen Unibake Sweden AB. Both brands are of strategic importance and have an amortization period of 20 years in the Parent Company. They are classified as assets with an indefinite useful life in the Group, and as such are not amortized in the consolidated financial statements.

Note 44 Property, plant and equipment

MSEK	Land ¹⁾		Buildings		Total land and buildings	
	2016	2015	2016	2015	2016	2015
Accumulated cost of acquisition	127	130	701	733	828	863
Accumulated depreciation	-53	-52	-497	-529	-550	-581
Accumulated impairment	-	-	-23	-24	-23	-24
Carrying amount	74	78	181	180	255	258
Balance at beginning of year	78	78	180	173	258	251
Sales and disposals	-4	-2	-3	-	-7	-2
Regular depreciation for the year	-1	-1	-10	-9	-11	-10
Reclassifications	1	3	14	16	15	19
Carrying amount	74	78	181	180	255	258

¹⁾ Including land improvements.

MSEK	Plant and machinery		Equipment, tools, fixtures & fittings		Construction in progress		Total other non-current assets	
	2016	2015	2016	2015	2016	2015	2016	2015
Accumulated cost of acquisition	3,020	3,050	505	513	47	63	552	576
Accumulated depreciation	-2,464	-2,465	-446	-456	-	-	-446	-456
Accumulated impairment	-136	-131	-20	-19	-	-	-20	-19
Carrying amount	420	454	39	38	47	63	86	101
Balance at beginning of year	454	490	38	52	63	72	101	124
Investments	-	-	-	-	90	104	90	104
Sales and disposals	-13	-11	-2	-10	-	-	-2	-10
Regular depreciation for the year	-93	-91	-7	-11	-	-	-7	-11
Impairment for the year	-6	-8	-	-	-	-	-	-
Reclassifications	78	74	10	7	-106	-113	-96	-106
Carrying amount	420	454	39	38	47	63	86	101

Note 45 Investment properties

MSEK	Land ¹⁾		Buildings		Total investment properties	
	2016	2015	2016	2015	2016	2015
Accumulated cost of acquisition	14	17	195	195	209	212
Accumulated depreciation	-8	-10	-150	-151	-158	-161
Accumulated impairment	-	-	-2	-1	-2	-1
Carrying amount	6	7	43	43	49	50
Balance at beginning of year	7	7	43	45	50	52
Sales and disposals	-1	-	-2	-	-3	-
Regular depreciation for the year	-	-	-1	-1	-1	-1
Reclassifications	-	-	3	-1	3	-1
Carrying amount	6	7	43	43	49	50

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	2016	2015
Fair value at beginning of year	201	200
Investments in properties	8	4
Divestments	-13	-1
Changes in value	7	3
Reclassifications	-2	-5
Fair value at end of year	201	201

All investment properties have been valued according to hierarchy level 3, 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	2016	2015
Rental income	22	23
Direct costs, including costs for repair and maintenance		
- Properties that generate rents	-6	-9
Net operating income	16	14

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 27.

Note 46 Investments in Group companies

MSEK	2016	2015
Accumulated cost of acquisition	9,596	8,265
Accumulated write-ups	200	200
Accumulated impairment	-904	-904
Carrying amount	8,892	7,561
Balance at beginning of period	7,561	6,843
Acquisitions/shareholder contributions	1,426	882
Impairment for the year	0	-7
Divestments	-48	-157
Reclassifications	-47	0
Carrying amount	8,892	7,561

During the year, Lantmännen Cerealia Oy was acquired for MSEK 1,258 and Dataväxt AB for MSEK 72. Shareholder contributions of MSEK 85 were made to Lantmännen Dansk Landbrugs Growareselskab International AB (LDI) and MSEK 10 to Lantmännen Fastigheter AB.

Divestments of MSEK 48 were primarily related to the sale of shares Lantmännen Dansk Landbrugs Growareselskab International AB (LDI). Following the sale, this companies was reclassified as an associate.

Note 46 continued

Parent Company and Group holdings of interests in Group companies, December 31, 2016

This overview comprises directly-held subsidiaries, as well as indirectly-held companies with revenues exceeding MSEK 200.

Company name	Corporate ID no.	Domicile	Number of participations	Share, %	Carrying amount, MSEK
<i>Shares and interests in Swedish subsidiaries</i>					
Lantmännen Agroetanol AB	556028-0611	Norrköping	50,000	100.0	234
Lantmännen Agrovärme AB	556229-5666	Enköping	10,000	100.0	1
Lantmännen Animalieinvest AB	556951-0687	Stockholm	160,529	100.0	406
Lantmännen AS-Faktor AB	556530-9720	Enköping	100	100.0	0
Lantmännen Aspen AB	556329-9519	Gothenburg	3,850	100.0	180
Lantmännen BioAgri AB	556056-1283	Enköping	20,000	100.0	3
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		100.0	
Lantmännen Energi AB	556118-3954	Stockholm	400	100.0	39
Lantmännen Fastigheter AB	556017-8443	Stockholm	3,000	100.0	28
Lantmännen Finans AB	556664-8118	Stockholm	2,000,000	100.0	250
Lantmännen Innovation AB	556043-7088	Järna	1,000	100.0	0
Lantmännen Invest AB	556003-3192	Stockholm	440,000	100.0	61
Lantmännen Krafft AB	556156-4039	Falkenberg	5,000	100.0	1
Lantmännen Maskin AB	556005-7639	Malmö	10,000	100.0	10
Lantmännen Reppe AB	556000-1538	Växjö	25,000	100.0	28
Lantmännen Service AB	556831-3695	Stockholm	500	100.0	0
Lantmännen Solanum AB	556066-1687	Kävlinge	1,000	100.0	0
Lantmännen SW Seed AB	556001-5272	Svalöv	298,667	100.0	160
Swecon Baumaschinen GmbH	HR B1403	Düsseldorf		100.0	
Lantmännen Swedish Oats AB	556813-6773	Stockholm	50,000	100.0	0
Lantmännen Unibake Holding AB	556992-5752	Stockholm	1,000	100.0	811
Vaasan Oy	2122575-1	Helsinki	2,500	100.0	
AS Leibur	10224864	Tallin	740	100.0	
UAB Vilniaus douna	125374462	Vilnius	1,000	100.0	
Lantmännen Unibake Sweden AB	556186-7796	Örebro	100,000	100.0	27
Doofmas & Co AB	556547-7394	Stockholm	3,400,000	100.0	238
Dataväxt AB	556733-2969	Grästorps	1,000	50.1	72
Gyllebo Gödning AB	556179-2911	Lidköping	2,000	66.7	0
Nötcenter Viken AB	556559-4503	Falköping	9,000	100.0	7
Swecon Anläggningsmaskiner AB	556575-1137	Eskilstuna	500,000	100.0	402
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	Nordfyns	500	100.0	10
Lantmännen Cerealia AS	910629085	Oslo	17,968,129	100.0	222
Lantmännen Cerealia Oy	2725608-1	Helsinki	100	100.0	1,258
Lantmännen Fastigheter Naverland A/S	35530592	Glostrup	1,000,000	100.0	11
Lantmännen Maskin AS	914109981	Asker	3,000	100.0	27
Akerhus Traktor AS	947340204	Jessheim		100.0	
Lantmännen Maskin DK A/S	12545479	Horsens	5,000	100.0	1
Lantmännen Schulstad A/S	10245613	Copenhagen	100,000	100.0	948
Lantmännen Unibake Poland Sp. Z o.o.	KRS8038	Poznan		100.0	
Lantmännen Unibake Holding A/S	37249211	Horsens	3,000,000	100.0	2,708
Lantmännen Unibake Denmark A/S	29219354	Horsens		100.0	
Oy Lantmännen Unibake Ab Finland	1463476-8	Helsinki		100.0	
Lantmännen Unibake GmbH & Co KG	HRA 121351	Verden		100.0	
Lantmännen Unibake LLC	1045002352130	Moscow		100.0	
Lantmännen Unibake USA, Inc	36-4034179	Chicago		100.0	
Lantmännen Unibake UK Ltd	3315763	Milton Keynes		100.0	
Lantmännen Unibake Mouscron	0461118402	Mouscron		100.0	
Lantmännen Unibake Londerzeel NV	0461025063	Londerzeel		100.0	
Lantmännen Unibake Norway AS	989135082	Oslo	3,405,694	100.0	34
LMB Danmark A/S	75297319	Fredericia	5,000	100.0	0
Dirual AG	CH-0203002	Zurich	199,997	100.0	22
Total, Parent Company					8,892

Note 47 Inventories

MSEK	2016	2015
Raw materials and consumables	57	135
Products in progress	589	496
Finished goods	1,094	1,239
Merchandise	312	400
Total	2,052	2,270

MSEK 14 (18) of the total value of inventories relates to goods measured at net realizable value.

Note 48 Prepayments and accrued income

MSEK	2016	2015
Prepaid expenses	133	100
Accrued interest income	5	3
Other accrued income	144	176
Total	282	279

Note 49 Equity

The Board of Directors of Lantmännen ek för proposes that the Parent Company's unappropriated earnings of TSEK 7,441,281 be allocated as follows:

TSEK	2016	2015
Contribution dividend	206,854	193,149
Contribution issue	70,000	50,000
Dividend on subordinated debentures	18,125	15,627
Transferred to statutory reserve	115,000	120,000
Carried forward	7,031,302	6,533,804
Total	7,441,281	6,912,580

Note 50 Year-end appropriations and untaxed reserves

Untaxed reserves

MSEK	2016	2015
Accelerated accumulated depreciation/amortization		
- Intangible assets	112	99
- Machinery and equipment	354	212
Total	466	311

Appropriations

MSEK	2016	2015
Excess amortization of intangible assets for the year	-13	-
Excess depreciation of property, plant and equipment for the year	-142	-
Total	-155	-

Note 51 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 safeguarded 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	2016	2015
Value of pension obligations under funded pension plans	905	922
Fair value of Lantmännen ek för's share of the pension fund's assets	-905	-922
Net obligation	0	0
Other unfunded pension plans	3	5
Total	3	5

Specification of changes in recognized pension liability during the year:

MSEK	2016	2015
Liability at beginning of year	5	4
Pension costs for the year	65	66
Pension payments	-67	-65
Liability at end of year	3	5

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	2016	2015
Book reserve pensions		
Current service cost	12	22
Interest expenses	53	44
	65	66
Compensation received	-63	-55
Total book reserve pension costs	2	11
Pension through insurance		
Insurance premiums	60	53
Net pension costs for the year, excluding taxes	62	64

MSEK	2016	2015
Pensions costs recognized as employee benefits expense in operating income	9	20
Pensions costs recognized as interest expense in net financial items	53	44
Total	62	64

Note 51 continued

Fair value of Lantmännen ek för's share of the pension fund's assets:

MSEK	2016	2015
Property	673	683
Fixed-interest investments	137	121
Structural products	19	35
Equity investments	244	249
Hedge funds	59	38
Cash and cash equivalents	22	38
Total	1,154	1,164

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 249 (242).

Equity investments include subordinated debentures of MSEK 45 (46) in Lantmännen ek för.

Next year's projected payments under defined benefit pension plans amount to MSEK 62 (62).

Note 52 Other provisions

MSEK	Restructuring measures	Other	Total	
			2016	2015
Carrying amount at beginning of period	29	107	136	160
Provisions during the period	25	11	36	49
Amounts utilized during the period	-20	-5	-25	-58
Reclassifications	-4	4	0	0
Reversals during the period	-1	-3	-4	-15
Carrying amount at end of period	29	114	143	136

Increases in previously existing provisions are included in the period's provisions. Most of the year's restructuring provisions relate to the ongoing efficiency programs in the Agriculture Sector and corporate functions.

MSEK 100 (105) of the provisions under Other relates to the estimated costs of closing down grain elevators. No new provisions for grain elevators were made in 2016.

About 12 percent of the total provisions are expected to be utilized in 2017. The remainder will not be utilized in the next two years.

Note 53 Other current liabilities


Other current liabilities include savings and capital account liabilities to members amounting to MSEK 1,980 (1,827).

Note 54 Accruals and deferred income

MSEK	2016	2015
Accrued personnel-related costs	134	131
Accrued interest	14	18
Other accruals	423	389
Deferred income	12	10
Total	583	548

Note 55 Financial instruments

	2016	2015
Shares and interests	168	110
Loans and receivables		
Non-current interest-bearing receivables from subsidiaries	2,651	667
Non-current interest-bearing receivables from joint ventures/associates	3	3
Other non-current interest-bearing receivables	1	1
Trade receivables	2,038	2,102
Current interest-bearing receivables from subsidiaries	9,634	11,008
Other current interest-bearing receivables	45	31
Cash and bank balances	1,146	243
Total	15,518	14,055
Financial liabilities measured at amortized cost		
Non-current interest-bearing liabilities	3,252	3,195
Interest-bearing securities	1,246	1,246
Trade payables	2,353	2,126
Current interest-bearing liabilities to subsidiaries	6,558	5,985
Other current interest-bearing liabilities	2,140	1,846
Total	15,549	14,398

The Parent Company does not measure or report derivative instruments.  Note 24 also contains other information about the Parent Company's financial instruments.

Note **56** Pledged assets and contingent liabilities

Pledged assets MSEK	For own financial liabilities	Other commitments	Total pledged assets	
			2016	2015
Real estate mortgages	483	-	483	459
Bank accounts	-	21	21	20
Other	-	33	33	25
Total	483	54	537	504

Contingent liabilities MSEK	2016	2015
Guarantees for		
- Group companies	614	671
- joint ventures	234	221
- other contingent liabilities	45	37
Total	893	929

Statement pursuant to Chapter 10, Section 4, of the Swedish Economic Associations Act (1987:667)

Following the Board's decision on refunds and final price adjustments totaling MSEK 232 and the Board's proposed dividend of MSEK 295, as presented on page 128, the Board hereby issues the following statement pursuant to Chapter 10, Section 4, of the Economic Associations Act (1987:667).

The Board finds that there is full coverage for the association's restricted equity, in accordance with Chapter 9, 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 adopted without amendments at the Board meeting on 15-16 December 2016.

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 9, Section 3 (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 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.

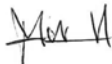
The Board of Directors hereby certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the Group's financial position and performance. The Parent Company's financial 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 16, 2017



Bengt-Olov Gunnarson
Chairman



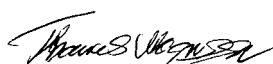
Pauline Lindwall
Board member



Björn Wallin
Board member



Per Lindahl
Vice Chairman



Thomas Magnusson
Board member



Tommy Brunsärn
Board member
Employee Representative



Gunilla Aschan
Board member



Johan Mattsson
Board member



Pär-Johan Löf
Board member
Employee Representative



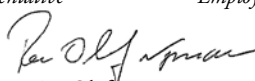
Ulf Gundemark
Board member



Hans Wallemyr
Board member



Tomas Welander
Board member
Employee Representative



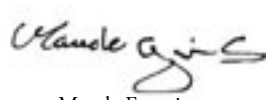
Per Olof Nyman
President & CEO

Our audit report was submitted on February 16, 2017

Ernst & Young AB



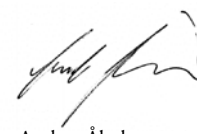
Anders Kriström
Authorized Public Accountant



Maude Fyrenius
Member representative Auditor



Gustav Jansson
Member representative Auditor



Anders Åbyhammar
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 4, 2017.

Auditor's report *Translation from the Swedish original*

To the annual general meeting of Lantmännen ekonomisk förening, 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 2016. The annual accounts and consolidated accounts of the association are included in this document on pages 62–131.

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, 2016 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, 2016 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.

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.

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.

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 6,196 as of December 31, 2016. The association conducts impairment testing at least annually and also in cases where an indication of impairment has been identified. 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 represent 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. It was the association's assessment that, as of December 31, 2016, the discounted present value of projected cash flows exceeded the carrying amount of cash-generating units, and therefore no impairment existed.

In our audit, we evaluated and reviewed the key assumptions, the application of measurement theory, the discount rate and other source data used by the association by, for example, comparing these with external data sources, such as expected inflation or future market growth, and assessing 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 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 5,270 as of December 31, 2016. 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 encompass four different Sectors with different operations and conditions. In the Agriculture Sector, there is also valuation of grain stocks at weighted average prices. Overall, this means that the valuation of inventories represents a key audit matter in our audit.

We addressed the inventories' existence in the audit by participating in stocktaking at a selection of storage locations. We carried out examinations of the costs of different parts of the inventories, from components to finished goods. The examination included an age analysis, inventory turnover, product development 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.

European Commission's ongoing investigation

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 competition laws normally take the form of fines.

The association's best assessment of the size of a possible fine has resulted in the provision of MSEK 300 as of December 31, 2016. See also note 26 (Provisions). This is a particularly important area 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, 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 1-61 and 135-160. 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 otherwise 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 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 company'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 company, 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 company'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 taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts can be found on the Revisorsnämnden's website. This description is part of the audit report. The member representative auditors conducted the audit in accordance with generally accepted standards for member representative auditors in Sweden.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 2016 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 opinions

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 is responsible for the proposed appropriations of the association's profit or loss. Proposing a dividend includes an assessment of whether the dividend is justifiable considering the requirements that the nature, scope and risks of the parent association's and the Group's operations 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.

Stockholm, February 16, 2017

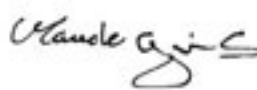
Ernst & Young AB



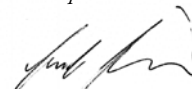
Anders Kriström
Authorized Public Accountant



Gustav Jansson
Member representative Auditor



Maude Fyrenius,
Member representative Auditor



Anders Åbyhammar
Member representative Auditor

Description of financial performance measures

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

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Enabling members to exert influence through districts, membership meetings and the council of trustees is crucial to exploiting the strength and benefits of our cooperative form of enterprise.



Corporate Governance Report 2016

The Corporate Governance Report has not been audited by the Association's auditors.

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. Lantmännen's Board of Directors and executive management endeavor to ensure the enterprise is able to meet the demands placed on it by owners, employees and other stakeholders in the best possible way.

Owners

The Group's Parent Company is Lantmännen ek för, a cooperative enterprise owned by 25,000 farmers in Sweden. Pursuant to the Association's Articles of Association, the owners (members of the Association) shall be engaged in farming or food production, or have as their principal activity the sale of services to farming, e.g., agricultural contractors, in the Association's area of operation. The district meeting and different owner meetings provide an opportunity for owners to express their views to the Board of Directors and management in various ways, including motions and written communication. See also the description under Farmer-owned and governed on [page 16](#).

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 2,299, MSEK 1,101 has been paid in and MSEK 1,198 issued from distributable capital in the Association. Total equity in the association is MSEK 12,885.

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. At the AGM, elected organization member Kalmar Lantmän decided not to participate, due to the new ownership structure. 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 and organization member. The chairmen of the district boards and organization members are obliged to be delegates. The number of delegates must not be less than 100, 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.

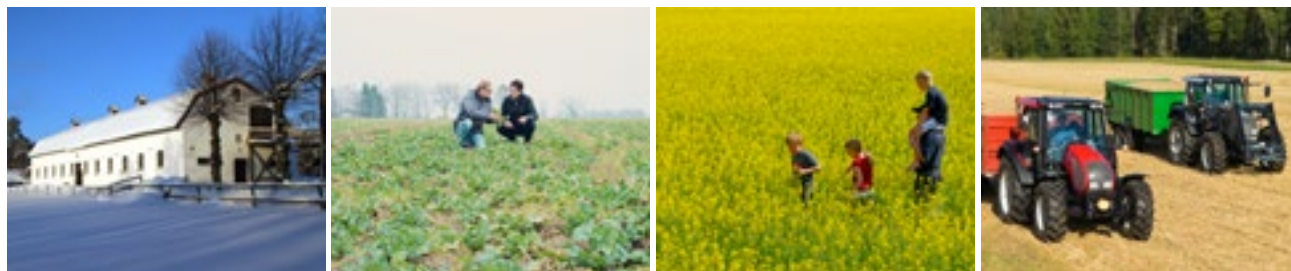
The Annual General Meeting shall be held within six months of the end of the financial year. The Association's Board of Directors, Nomination Committee and auditors are elected at the Annual General Meeting. Other obligatory business to be considered by the Meeting includes adoption of the income statement 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 of Directors' and auditors' fees.

2016 Annual General Meeting

The Annual General Meeting was held on May 12 in Stockholm. Board members of Lantmännen ek för are elected for two-year terms. The terms for Ulf Gundemark, Thomas Magnusson, Björn Wallin and Helle Kruse Nielsen expired. The Meeting resolved that the Board of Directors of Lantmännen ek för would consist of nine elected members. At the meeting, Ulf Gundemark, Thomas Magnusson and Björn Wallin were re-elected to the Board. Helle Kruse Nielsen did not seek re-election. Pauline Lindwall was newly elected to the Board. The auditors are elected for one year at a time. Gustav Jansson, Anders Åbyhammar and Maude Fyrenius were re-appointed as elected auditors. The accounting firm EY was 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 2017 AGM.

The Meeting approved a contribution dividend totaling MSEK 193 to be distributed between paid-in and issued contributed capital. The Meeting also adopted the Board's proposal for a contribution issue of MSEK 50. In addition to the contribution dividend and contribution issue, the Board decided to pay MSEK 188 in refunds and final price adjustments.

Members' year 2017



JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

Feb 7 Year-end Report
Feb 16-17 Council of Trustees
Feb 20 Annual Report
 District general meetings

May Training elected representatives
May 4 Annual General Meeting
May 5 Council of Trustees, statutory
Jun 2 Interim Report, Period 1

District meetings
 Association meetings

Oct 4-5 Council of Trustees
Oct 5 Interim Report, Period 2
Nov 7 District Board Conference
 Fall meetings, districts

The total number of appointed delegates was 101, 100 of whom were present at the Annual General Meeting. All Board members apart from one 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 and organization members serve on the Council of Trustees. In addition, the Board of Directors 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 2016

In addition to the obligatory members as stated above, the Board of Directors appointed two representatives of the local associations to the Council of Trustees, and the Nomination Committee chairman. Also in attendance at Council of Trustees meetings are the Group Board and the Association's elected auditors. 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 the articles of association, the Nomination Committee shall consist of 7-9 members, who are 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's task is to assess whether the Board of Directors 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 and in consultation with the Nomination Committee. Any new recruitment to the Board is conducted according to a specification prepared by the Nomination Committee.

Nomination Committee 2016

In 2016, the Nomination Committee consisted of nine members: Kjell Eriksson (chairman), Krister Andersson, Marie-Louise Åhsell, Cajsa Aaby-Ericsson, Viktoria Josefsson, Leif Karlsson, Christian Negendanck, Anders Rickardsson and Kjell Axelsson. Krister Andersson and Christian Negendanck left the Committee at the Annual General Meeting on May 12. The meeting decided that the Nomination Committee for the coming year would consist of nine persons. Göran Brynell and Inge Erlandsson were elected as new members. At the statutory meeting after the AGM, Kjell Eriksson was re-elected Chairman and Viktoria Josefsson was re-elected Vice Chairman. At the statutory meeting, the Nomination Committee decided to initiate an auditing firm procurement.

Owner Relations 2016

The Owner Relations Department had eight employees during the year – six member services staff, the editor of "Grodden" and the member manager. Recruitment of a member services manager was focused on the Kalmar-Öland region during the year. The cost of the department and its total activities amounted to approximately MSEK 31.5 (31.6) in 2016. MSEK 11.3 of this amount related to costs for the 19 districts and included fixed fees of MSEK 3.5 (31 percent) adopted by the AGM and variable fees of MSEK 3.6 (32 percent). The other MSEK 4.1 (37 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 1.8. 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".

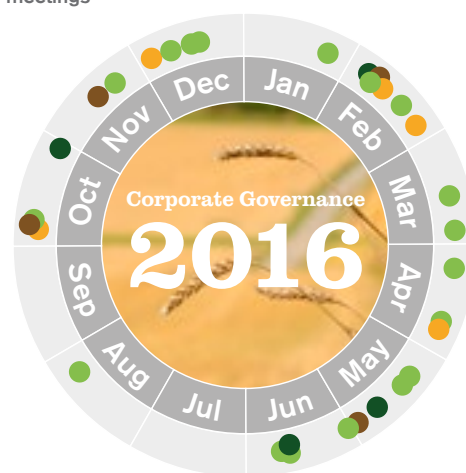
Group Board

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 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 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 formal work plan is updated and adopted at least once a year, normally 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 do not have any decision-making powers. Members of the committees are appointed by the Board at the statutory Board meeting. Instructions for the committees are included in the Board's formal work plan.

Board meetings



- Group Board, 18 meetings
- Remuneration Committee, 5 meetings
- Audit Committee, 3 meetings + 1 extra meeting
- Owner Committee, 4 meetings

Group Board meetings, attendance 2016

	Jan 21	Feb 8	Feb 18	Mar 17	Mar 27	Apr 5	Apr 21	May 9	May 12	Jun 1	Jun 21	Jun 22	Aug 25	Oct 4	Nov 23	Dec 9	Dec 15	Dec 16
		☎		Extra meeting		Per capsulam ²⁾		Extra meeting	SM ¹⁾	☎						Extra meeting		
Bengt-Olov Gunnarson	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Gunilla Aschan	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Tommy Brunsärn	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Ulf Gundemark	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Helle Kruse Nielsen ³⁾	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Per Lindahl	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Pauline Lindwall ⁴⁾										●	●	●	●	●	●	●	●	●
Pär-Johan Lööf	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Johan Mattsson	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Thomas Magnusson	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Hans Wallemyr	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Björn Wallin	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Tomas Welander	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

¹⁾ Statutory Board meeting

²⁾ A per capsulam decision is made outside a regular Board meeting and is documented by all members signing a circulated protocol. This type of decision is only used when a matter cannot wait until the next Board meeting.

³⁾ Declined re-election in connection with the 2016 AGM. ⁴⁾ Was newly elected at the 2016 AGM.



The work of the Board of Directors in 2016

Since the Annual General Meeting on May 12, 2016, the Board has consisted of nine members elected by the AGM and three employee representatives. The Senior Vice President Legal Affairs & Compliance serves as the Board's secretary. The CEO attends Board meetings as rapporteur, but ceases to serve on the Board with effect from May 2015. None of the elected Board members has an employment-like relationship with Lantmännen. Bengt-Olov Gunnarson was elected Chairman of the Board and Per Lindahl Vice Chairman. The composition of the Board is shown in the presentation on pages 144-145.

The Board held 16 meetings during the year. Seven were by telephone and one was per capsulam. The table on the previous page shows the attendance of the board members at the meetings. All of the association's auditors attended two of the meetings. Decisions during the year included the acquisition of Kalmar Lantmän's machinery business and Lantmännen Unibake's acquisition of the Romanian bakery company Frozen Bakery Products. The Board also decided to establish a 20th district, Kalmar-Öland.

Audit Committee

The Audit Committee is tasked with preparing materials 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 2016 AGM. The head of the internal audit unit serves as the committee's

secretary. 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 and an extra meeting during the year. The table below shows members' attendance.

Audit Committee, attendance and number of meetings 2016

	Feb 5	May 31	Oct 3	Extra meeting Nov 16
Hans Wallemyr (chairman)	●	●	●	●
Gunilla Aschan	●	●	●	●
Johan Mattsson	●	●	●	●

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 Bengt-Olov Gunnarson (chairman), Helle Kruse Nielsen and Ulf Gunde-mark, with President & CEO Per Olof Nyman as rapporteur. After the 2016 AGM, Helle Kruse Nielsen was replaced by Pauline Lindwall. 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 number of meetings 2016

	Feb 10	Feb 25	Apr 28	Oct 3	Dec 5
Bengt-Olov Gunnarson	●	●	●	●	●
Ulf Gundemark	●	●	●	●	●
Helle Kruse Nilsen	●	●	●		
Pauline Lindwall					●

Owner Committee

The Owner Committee is tasked with dealing with issues concerning ownership and the owner organization in the Group. The committee's work is aimed at ensuring that owner and member issues 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 owners and elected representatives are developed in such a way as to take into account ongoing changes in society and the business environment.

Before the AGM, the committee consisted of Björn Wallin (chairman), Per Lindahl and Thomas Magnusson. Senior Vice President Legal Affairs & Compliance Tove Cederborg also attends the committee's meetings. The committee's composition was unchanged after the 2016 AGM. 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, the committee chairman gives an oral report on all important issues at the subsequent Board meeting. The committee held four minuted meetings during the year. The table below shows the attendance of the members at the meetings.

Owner Committee, attendance and number of meetings 2016

	Feb 4	May 24	Jun 21	Oct 31
Björn Wallin	●	●	●	●
Per Lindahl	●	●	●	●
Thomas Magnusson	●	●	●	●

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 the Group Management is shown in the presentation on pages 146-147. Group Management normally meets about 10 times a year and as required.

Internal Audit

The internal audit is an independent unit 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 (via the Audit Committee) and 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 2016, 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 2017. 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.

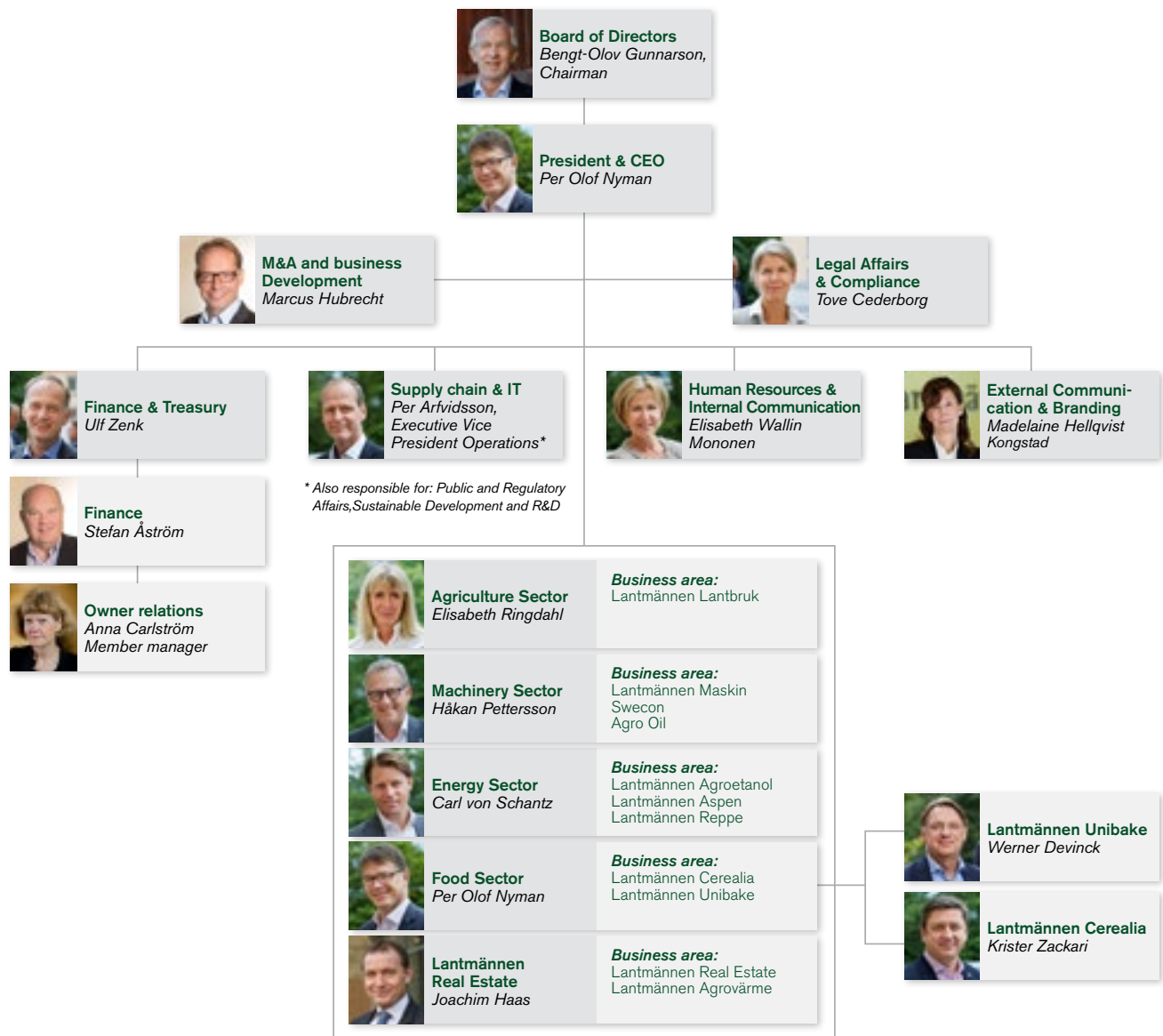
External audit

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 elected. All auditors are elected by the AGM for one year at a time. The authorized auditor is the accounting firm EY. The elected auditors are Maude Fyrenius, Gustav Jansson and Anders Åbyhammar.

In addition to their work on the statutory audit, the elected auditors focus on conducting the audit of operations from a member's viewpoint.

Lantmännen's organization and reporting 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.



The 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.

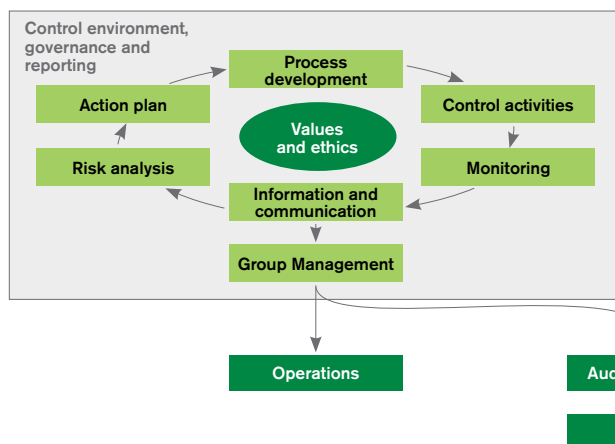
Lantmännen's process for internal control over financial reporting is designed to provide assurance of the reliability of the financial reporting. The process has been prepared in accordance with generally accepted accounting standards and applicable laws and regulations.

Internal control over financial reporting involves the Group Board, the Audit Committee, the President & CEO,

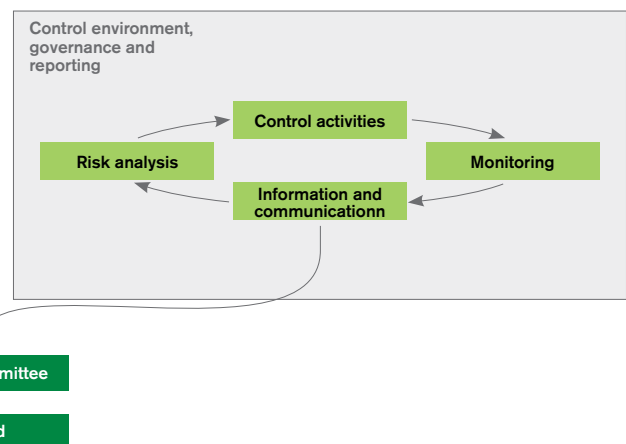
management and other employees. The overall aim of internal control is to protect owners' investments and the Association's assets.

In 2016, 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



Below is a 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 the annual audit plan adopted by the Group 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.

Monitoring is conducted regularly 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.



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

Board of Directors

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

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

Bengt-Olov Gunnarson *Chairman*

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

Per Lindahl *Vice Chairman*

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

Gunilla Aschan

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

Ulf Gundemark

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

Pauline Lindwall

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

Thomas Magnusson

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



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

Johan Mattsson

Skåne, Tranås
 Born: 1960
 Director since 2015
 Member of Lantmännen
Other functions at Lantmännen: Audit Committee
Education: M.Sc. (Business and Economics)
Directorships: Chairman of Båretofta AB, Swedpig AB and Handelsbanken's Skog och Lantbruksstyrelse, Director of Handelsbanken's Regionbanksstyrelse för Södra Sverige and Biogas Ystad Österlen ek för.
Contribution issues: SEK 404,263

Hans Wallemyr

Falköping
 Born: 1956
 Director since 2007
 Member of Lantmännen
Other functions at Lantmännen: Audit Committee, Lantmännen Research Foundation
Education: Agriculture
Main occupation: Farmer
Production: Wind power, potatoes, forestry, breeding/training showjumpers and dressage horses
Directorships: Källebergs vind AB (Chairman), Åsle vind AB and Scandbio AB.
Contribution issues: SEK 365,559*

Björn Wallin

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

Employee Representatives

Tommy Brunsärn

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

Pär-Johan Lööf

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

Tomas Welander

Gothenburg
 Born: 1961
 Director since 2012
 IF Metall representative
Main occupation: Servicing technician, Swecon
Other directorships: Employee representative, Swecon Anläggningsmaskiner AB.

Board Secretary

Tove Cederborg

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

Auditors

Elected representatives

Maude Fyrenius

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

Gustav Jansson

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

Anders Åbyhammar

Fellingsbro
 Born: 1956
 Auditor for Lantmännen since 2005
Education: Agricultural and Rural Management
Main occupation: Farmer, accounting consultant, LRF Konsult
Production: Crops, forestry, lambs, electricity/hydropower
Contribution issues: SEK 663,025

Authorized Public Accountant

Anders Kriström

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

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



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

Group Management

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

Per Olof Nyman

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

Elisabeth Ringdahl

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

Per Arvidsson

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

Werner Devinck

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

Håkan Pettersson

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



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

Carl von Schantz

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

Elisabeth Wallin Mononen

Senior Vice President Human Resources
Born: 1959
Hired: 2005
Education: LLB, Lund University, and MBA, University of
Illinois at Chicago
Directorships: Hagabergs Mekaniska Aktiebolag (Deputy)

Krister Zackari

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

Ulf Zenk

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

Tove Cederborg

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

Risk management

Risks are inherent in all business activity. Risks can arise from mismanagement or events and decisions outside Lantmännen's control. 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.

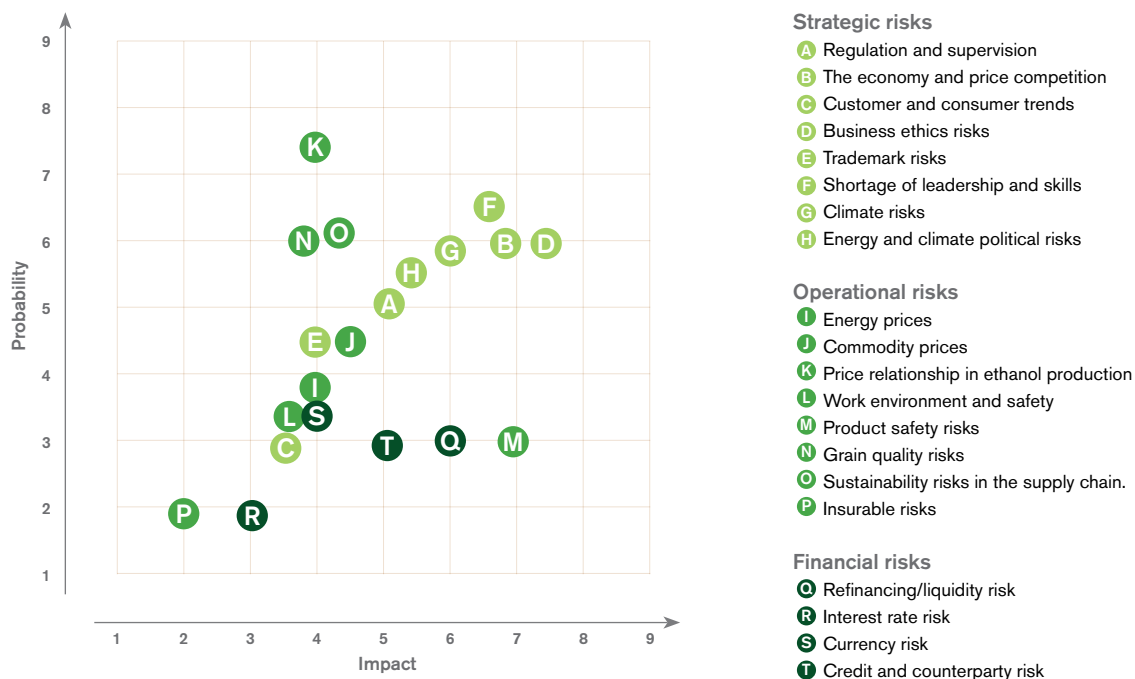
Strategic risks are largely dealt with as part of the annual strategy work, with the Group Board as the ultimate decision-making body. *Operational risk management* is based on a proactive risk management process, key risk policies and our Code of Conduct. *Financial and risk policies* are evaluated and ratified by the Group Board.

Lantmännen's Board is responsible to the owners for the Company's risk management. Group Management regularly

reports on risk issues to the Board and its Audit Committee. Risk identification and continuity planning are an important part of every manager's responsibility. Lantmännen's Risk Committee is responsible for ensuring compliance with the Group Board's adopted risk mandates. Deviations and other risks and damages are reported monthly to the Group's Audit Committee.

Lantmännen's risk analysis

Classification into the risk categories low, moderate and high is made on the basis of a scale of 1-9 as follows: Low risk 1-3, moderate risk 4-6 and high risk 7-9.



2016/2017 risk assessment was conducted by the area manager using internal expertise.

Strategic risks

Strategic risks are associated with business development and long-term planning, and Lantmännen's brand. The most significant strategic risks concern the ability to adapt the business to economic changes, conduct effective business development and deliver Lantmännen's brand promises.

Description of risk	Risk management
<p>Regulation and supervision. New laws and regulations may restrict operations or bring new, stricter requirements. Lantmännen's operations are partly subject to permit, regulation and supervision and are affected by regulatory changes, mainly in Sweden and the EU. Risk level* Moderate probability, moderate impact</p>	<p>Each Sector and business area constantly monitors changes and adapts its operations. 2016 outcome: No new regulation or supervision was introduced that was individually likely to affect the revenue or earnings of the association or larger business areas.</p>
<p>The economy and price competition. The risk concerns business operations being affected by general changes in economic conditions, changes in demand in specific areas and Lantmännen's relative market competitiveness. There is strong price competition in most of Lantmännen's markets. Risk level* Moderate probability, high impact</p>	<p>We aim for flexibility and adapt the cost situation to economic fluctuations. This is reflected in the portfolio strategy through a presence in different geographical markets. Action plans have been prepared for major changes in demand. We minimize and counteract price competition for our products by working on price and mix, innovation and ongoing brand strengthening. 2016 outcome: Lantmännen noted varying growth conditions in its main markets. Sweden and Germany had good economic conditions but Finland, Norway and the UK had more challenging conditions. Global growth declined in 2016, which had a general dampening effect on the demand and price formation for grain raw material.</p>
<p>Customer and consumer trends. Changed preferences and behavior of customers and consumers presents both opportunities and risks. The market landscape is affected by external trends and competitors' different activities. Consumers also play an increasing role through social media. Risk level* Low probability, moderate impact</p>	<p>Based on driving forces and business intelligence, Lantmännen identifies future preferences in order to satisfy customer needs by developing innovative products and services. 2016 outcome: The trends that boost Lantmännen and bring greater confidence strengthened further. At the same time, there is increasing competition for our position – Responsibility, Sustainability, Origin. Many major players worked actively on these values. We continued to develop good products and services, but there were more requirements regarding pace of development rate, content and investment levels to maintain and develop our position.</p>
<p>Business ethics risks. Lantmännen operates in countries and industries with varying exposure to corruption and problems relating to competition law. Risk level* Moderate probability, high impact</p>	<p>The emphasis of Lantmännen's operations is in countries and industries with relatively low business ethics risks. Overall prevention work, systematic monitoring and compliance reporting are implemented through Lantmännen's Code of Conduct, and for business ethics risks through the Group Business Ethics Compliance program. 2016 outcome: Lantmännen's employees were trained in the updated Code of Conduct. In-depth training programs on anti-corruption and competition law were provided for selected roles and positions in the Group. Action plans for managing identified business ethics risks were drawn up for all Sectors and business areas.</p>
<p>Trademark risks. The risk of an adverse impact on Lantmännen's brand if operations are conducted in a manner that from an economic, environmental and social perspective is not sustainable in the long term, and the company does not comply with current legislation and rules, and/or stakeholders perceive us as not meeting their expectations and our commitments and brand promise. The brand can be affected both positively and negatively by all events in all risk areas. Risk level* Moderate probability, moderate impact</p>	<p>Lantmännen works systematically to take responsibility and reduce adverse impacts on people and the environment throughout the chain from field to fork. Lantmännen imposes requirements for raw materials and suppliers, our processing procedures and the products and services we supply to the market. We actively pursue stakeholder dialogue and strive for honest and transparent reporting and communication of how we work and the results we achieve. 2016 outcome: Increased consumer awareness about Lantmännen and our brand promise. During the year, we achieved second place in the food category and tenth place overall in the Sustainable Brand Index for Sweden. All surveys show that the brand continues to strengthen its positions, thereby increasing the intangible value. The strategies and objectives for product brands have been clarified, which increases growth drivers and long-term value.</p>
<p>Shortage of leadership and skills. A shortage of the skills and leadership needed to achieve Lantmännen's business objectives, either in the short or long term. Risk level* Moderate probability, high impact</p>	<p>Lantmännen pursues systematic, strategic work with a focus on succession planning and skills supply and on further strengthening Lantmännen's employer brand among current and potential employees. 2016 outcome: Our employer brand has continued to perform strongly in Sweden. Several different leadership training initiatives and internal mentoring programs have been implemented. Activities to strengthen gender equality and diversity within Lantmännen continue.</p>
<p>Climate risks. The effects of climate change are real. More extreme weather situations give uncertainty in growing conditions and access to raw materials. Climate change may have a long-term impact on soil fertility, access to good-quality water and resistance to pests. A slightly warmer climate favors growing conditions in a regional perspective. Risk level* Moderate probability, moderate impact</p>	<p>Lantmännen works on adaption to climate change through development of cultivation methods, variety breeding and geographical adaptation, as well as preparedness for risk spreading in grain handling and increased drying capacity. Systematic improvement work towards clear climate targets is aimed at reducing the climate impact of Lantmännen's operations and products. 2016 outcome: Lantmännen has started work on a new climate strategy during the year. Development of even more sustainable grain concepts continued.</p>
<p>Energy and climate policy risks. The European Commission has tabled a proposal for a revised renewable directive lowering the limit on crop-based biofuels in the period 2021-2030. The proposal will be dealt with by the EU in 2017 and 2018, and depending on the outcome, demand and ethanol prices from Agroetanol could be adversely affected. Risk level* Moderate probability, moderate impact</p>	<p>Lantmännen and other interested parties in Sweden and the EU will lobby the EU institutions concerned to give the Renewable Energy Directive a more positive attitude to crop-based biofuels. With its high climate and sustainability performance, Agroetanol is less likely to be adversely affected by the directive than other producers of crop-based ethanol and other types of crop-based biofuels. 2016 outcome: Lantmännen's climate strategy has been revised and targets for 2030 have been defined. Development of even more sustainable grain concepts continued.</p>

* 2016/2017 risk assessment was conducted by the area manager using internal expertise.

Operational risks

Operational risks are elements of the day-to-day operations of Lantmännen's Sectors, and include commodity price risks and handling errors. Many operational risks can be controlled, and are often regulated by policies, guidelines and instructions in order to provide consistent and effective safety in the Group. A large number of the operational risks are also insurable.

Description of risk	Risk management
<p>Energy prices. Sharply fluctuating electricity and gas prices in the energy market and Lantmännen's annual consumption of about 700 GWh present a considerable risk. Risk level* Moderate probability, moderate impact</p>	<p>Lantmännen hedges electricity prices through financial futures of up to 36 months, depending on the business's situation. Lantmännen seeks to reduce electricity and gas price risks for the Group's companies through active management in both the spot and futures markets. 2016 outcome: Price hedges for electricity and gas were used according to the finance policy's neutral to high volume range to take advantage of historically low prices. Agreements were reached with new electricity supplier for the years 2017-2019 for delivery and management of electricity in Sweden, Denmark, Norway, Finland, and the possibility for the Baltic region.</p>
<p>Commodity prices. Commodities such as grain, soy and rape represent a large part of Lantmännen's total costs. Price volatility may increase with strong demand, limited global scope for land expansion and rising uncertainty about climate effects on crop yields. Risk level* Moderate probability, moderate impact</p>	<p>Lantmännen works actively to hedge commodity prices through supplier agreements and in the financial commodity markets. Commodities trading is regulated in policy documents decided on by the Group Board. 2016 outcome: Resources were devoted to revising existing policy documents, and all raw materials were hedged according to defined rules and policies. The Larma commodity risk system underwent several improvements to show the Group's raw material exposure.</p>
<p>Price relationship in ethanol production. The ethanol plant in Norrköping is greatly affected by grain prices and ethanol price trends and by political decisions such as the EU's tariff rules on fuel ethanol. Risk level* High probability, moderate impact</p>	<p>Lantmännen continuously hedges grain, and scope for hedging ethanol has improved in recent years through increased liquidity in the futures market for ethanol. In addition, extensive development of the ethanol business to broaden both the raw material base and the product range is reducing the impact of the ethanol-grain price relationship and reducing political risk. 2016 outcome: The EU has extended Sweden's government support approval for tax exemption on biofuels until the end of 2018. In 2016, the European Commission issued a proposal for a revised Renewal Energy Directive (RED 2), which proposed to limit the share of crop-based biofuels that can be reported to the EU to achieve national and EU targets for the share of renewables in the energy sector by 2030.</p>
<p>Work environment and safety. Some of our facilities have hazardous work environments and activities that could pose a danger or risk to health. Risk level* Moderate probability, moderate impact</p>	<p>Increased systemization, reporting and monitoring are a priority. There have been 50-60 annual workplace follow-ups since 2009. Health & safety training is obligatory for all our managers. 2016 outcome: System support was implemented in all operations to facilitate systematic local health & safety work in monitoring and managing risks, incidents and accidents.</p>
<p>Product safety risks. If Lantmännen's products have defects, there are risks to customers and consumers. Risk level* Low probability, high impact</p>	<p>Products are regularly assessed from a safety perspective and given clear product information. Lantmännen continues its intensified work on development of quality control and safety programs. 2016 outcome: A Group-wide monitoring process was implemented, and work on developing product safety and quality processes was further intensified.</p>
<p>Grain quality risks. For grain, our largest raw material, there are a number of issues to deal with, such as sludge fertilization, stem shortening and DON. Risk level* Moderate probability, moderate impact</p>	<p>Ongoing development of the requirements for grain as a raw material. 2016 outcome: Major focus was placed on controlling raw material quality parameters before and during reception and in the handling at the silos. We examined new methods of removing unwanted kernels, and worked on the issue in various industry contexts and with customers to provide recommendations on cultivation and management.</p>
<p>Sustainability risks in the supply chain. Lantmännen has suppliers in countries and industries with high risk in terms of safety, social conditions and corruption, and handles a number of raw materials and products with a risk of a high impact on ecosystems. These include plant nutrients, crop protection, soy, palm oil, animal raw materials and cocoa. For grain, our largest raw material, there are a number of issues to deal with, such as sludge fertilization, stem shortening, cadmium, and DON. Risk level* Moderate probability, high impact</p>	<p>There are systematic processes for assessing and monitoring suppliers based on our Supplier Code of Conduct with increased focus on compliance throughout the supply chain. For selected high-risk commodities, there are special monitoring systems to ensure our responsibility. 2016 outcome: The Supplier Code of Conduct and the process of checking supplier's compliance was updated. A greater focus on audit plans and developed risk assessment (due diligence) for anti-corruption was also added to the process. Implementation of the new process was started.</p>
<p>Insurable risks. Assets such as property and production equipment can suffer serious damage, e.g. in the event of fire or power failure. Food product recalls may give rise to major costs, partly direct costs, but also indirectly in the form of a decline in reputation among consumers. Risk level* Low probability, low impact</p>	<p>Lantmännen has an insurance program for property and liability risk and works systematically to limit the risk of incidents. Premium costs are reduced by channelling most of the insurance programs via the Group's own insurance company. 2016 outcome: Insurance costs were unchanged despite two major claims during 2015. The reason is partly proactive loss prevention in cooperation with the insurance companies and efficient use of Lantmännen's own insurance company. No serious losses occurred.</p>

* 2016/2017 risk assessment was conducted by the area manager using 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. The management of these risks is described in the financial policy, which is Lantmännen's overall governing document for financial risks. Financial status and financial policy compliance are regularly reported to Group Management and the Group Board.

Description of risk	Risk management
<p>Refinancing/liquidity risk. When renewing loans and credit, there is a risk of higher costs and less access to new financing. Liquidity risk is the risk of inability to discharge payment obligations due to insufficient liquidity. Risk level* Low probability, moderate impact</p>	<p>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 shall exceed MSEK 1,500. 2016 outcome: A new commercial paper in Finland and Sweden was established allowing Lantmännen to issue up to SEK 2.5 billion at favorable market conditions. Also, a short-term loan of SEK 1 billion was extended to two loans, with maturities of 7 and 2 years. This means that Lantmännen has a more balanced maturity profile for its long-term borrowing.</p>
<p>Interest rate risk. 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 level* Low probability, low impact</p>	<p>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. 2016 outcome: Lantmännen increased its fixed interest duration from 18 to about 20 months to lock in historically low interest rates and reduce interest rate risk.</p>
<p>Currency risk. Changes in exchange rates affect Lantmännen's earnings, equity and competitive situation in different ways. Payment flows and agreements in different currencies create a currency risk. Risk level* Low probability, moderate impact</p>	<p>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. In addition, financial instruments are used to hedge expected payment flows, using the guidelines contained in Lantmännen's financial policy. 2016 outcome: Lantmännen implemented new risk policies for all Sectors with clear instructions on managing currency risk. The process of improving the reporting of currency exposure continues.</p>
<p>Credit and counterparty risk. Lantmännen's financial transactions give rise to credit risks associated with financial and commercial counterparties. Risk level* Low probability, moderate impact</p>	<p>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. 2016 outcome: Lantmännen worked actively to establish contacts with international banks to reduce exposure to Scandinavian banks and support expansion outside Scandinavia. Lantmännen has invested its surplus liquidity in creditworthy counterparties.</p>

* 2016/2017 risk assessment was conducted by the area manager using internal expertise.

The Group's Financial Overview

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

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

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

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

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

²⁾ According to Board's proposal for 2016.

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

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

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

The Group's Key figures

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

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

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

¹⁾ 2016 includes acquisitions of Kalmar Lantmän's machinery business, Dataväxt and Frozen Bakery Products.

2015 includes acquisition of Vaasan and sale of Lantmännen Doggy.

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

2013 includes acquisition of 46 percent of Scandi Standard and divestment of Kronfågel Group and Rigas Dzirnavnies.

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

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

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

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

How to read the **Income Statement**

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

Consolidated income statement

Sales

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

Expenses

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

Operating income

This shows whether sales are profitable.

Financial items

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

Income

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

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

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

Consolidated statement of comprehensive

Other comprehensive income

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

Total comprehensive income

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

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

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 the liabilities. Liabilities consist of liabilities to owners, equity and other liabilities.

Non-current assets

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

Current assets

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

Equity

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

Liabilities

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

Consolidated statement of financial position

MSEK	2016 31 dec	2015 31 dec
ASSETS		
Non-current assets		
Property, plant and equipment	8,240	7,113
Investment properties	858	586
Goodwill	4,611	4,424
Other intangible assets	2,980	2,782
Equity accounted holdings	1,896	1,690
Surplus in funded pension plans	-	14
Non-current financial assets	770	697
Deferred tax assets	136	371
Other non-current assets	23	8
Total non-current assets	19,514	17,685
Current assets		
Inventories	5,270	5,545
Trade and other receivables	5,727	5,407
Current interest-bearing assets	176	174
Current tax assets	30	18
Cash and cash equivalents	1,773	1,252
Total current assets	12,976	12,396
TOTAL ASSETS	32,490	30,081

MSEK	2016 31 dec	2015 31 dec
EQUITY AND LIABILITIES		
Equity		
Member contributions	2,299	2,146
Other contributed capital	2,895	2,775
Reserves	112	-169
Retained earnings	8,489	7,908
Total equity attributable to members of the economic association	13,795	12,660
Non-controlling interests	88	21
Total equity	13,883	12,681
Non-current liabilities		
Non-current interest-bearing liabilities	4,991	4,897
Provisions for pensions	519	360
Deferred tax liabilities	437	612
Other non-current provisions	247	227
Other non-current liabilities	25	39
Total non-current liabilities	6,219	6,135
Current liabilities		
Current interest-bearing liabilities	3,373	3,230
Trade and other payables	8,199	7,608
Current tax liabilities	89	73
Current provisions	727	354
Total current liabilities	12,388	11,265
TOTAL EQUITY AND LIABILITIES	32,490	30,081

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 also deducted. Adjustments are also made for changes in inventories, current receivables (mainly trade receivables) and current liabilities (mainly trade payables).

Investing activities

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

Financing activities

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

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

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

Sustainability facts

Based on our materiality analysis and the GRI and Global Compact requirements, Lantmännen reports on targets, indicators and performance for a number of different aspects, and a selection of them are described here.

More information about Lantmännen's work, targets and indicators at lantmannen.com/responsibility. See also the appendix, Sustainability Management and Indicators 2016, which contains all sustainability data and indicators including comments.

Raw materials

Lantmännen reports on the use of our most important raw materials: grain, soy as a feed raw material and palm oil as a food ingredient. Reported volumes and proportions are based on tonnage.

Grain

The 2016 Swedish grain harvest was lower than the record year of 2015, but higher than the five-year average and of good quality. Lantmännen's continued commitment to the *Climate & Nature* cultivation method resulted in an increase from 55 thousand to about 70 thousand tonnes. Organic volumes also increased from the previous year.

Grain concept

Thousand tonnes, weighed grain from Lantmännen's farmers (including pulses and oilseeds)

	2016	2015	2014	2013	2012
Total volume of weighed grain	2,400	2,700	2,500	1,800	1,950
Grain grown according to Climate & Nature	70	55	14	-	-
Organic grain	98	91	71	57	58
Grain grown according to Natur +	132	-	-	-	-

Soy

At Lantmännen we are continuing efforts to take responsibility for the soy we import as an important feed raw material. Since 2015, and in line with the Soy Dialogue sector agreement for sustainable soy, we only buy soy that is certified under RTRS or ProTerra, or organically produced according to KRAV. The total volume of purchased soya was 119,600 tonnes in 2016.

Palm oil

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. For 2016, the target was a full transition to physically traceable certified palm oil, according

to the higher certification level RSPO Segregated. The outcome was 91 percent. We also work to speed up the market's transition together with industry colleagues and stakeholders.

RSPO-certified palm oil

Tonnes	2016	2015
Total volume purchased palm oil, tonnes	9,931	6,801
of which volume RSPO Segregated *	9,059	4,803
of which volume RSPO Mass Balance	-	849
of which volume RSPO Book & Claim**	871	1,149

* Physically traceable RSPO-certified palm oil

** Palm oil covered by RSPO certificates

Cadmium content of phosphate fertilizer

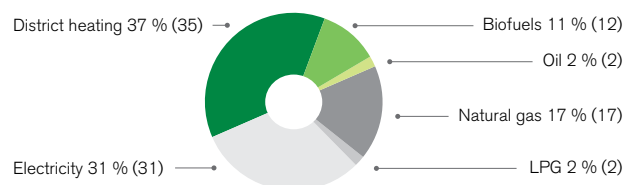
	2016	2015	2014	2013	2012
Grams per tonne of phosphorus	5.1	4.4	4.1	4.7	4.1

The cadmium content in mineral fertilizers remained at low levels, well under the statutory limit value of 100 grams per tonne of phosphorus. The slight increase in 2016 was due to a change in demand for various products and a slightly higher average value of large-volume products.

Energy consumption

With energy efficiency, phasing out of fuel oil and prioritization of renewable fuels, we reduce the climate impacts of our facilities. Carbon dioxide emissions from energy consumption have been reduced by 48 percent since 2009.

Energy consumption in 2016, by energy type



Code of conduct

All employees at Lantmännen are required to undertake e-training in our Code of Conduct within three months of their appointment. A new version of the training was launched in fall 2015. At the end of the year, 72 percent of Lantmännen's employees had complete the training.

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

About the sustainability report

Global Compact and Global Reporting Initiative

By applying the GRI guidelines for sustainability reporting and fulfilling the reporting requirements set by Global Compact, Lantmännen strives for credible and relevant communication of its sustainability work.

Global Compact – Communication on Progress

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 into the business. The ten principles cover broad responsibility in the areas of human rights, labor, environment and anti-corruption.

The Global Compact also requires annual disclosure of progress and performance in the form of a COP (Communication on Progress).

Lantmännen's Annual Report including Sustainability Report, together with information on our website, is structured in such a way as to meet these requirements. The GRI index also contains cross-references to the Global Compact principles. Learn more about Global Compact and COP

[▶ unglobalcompact.org](http://unglobalcompact.org)

GRI

By applying the Global Reporting Initiative (GRI) guidelines, we aim to ensure credible, relevant and clear reporting of our business from a holistic perspective, taking into account economic as well as environmental and social aspects. For this report, we have applied the GRI G4 core level, including the GRI Food Processing sector supplement. It is our aim to constantly develop both our work and our reporting in the area of sustainability. Learn more about GRI globalreporting.org A complete GRI index is available at [▶ www.lantmannen.com/gri](http://www.lantmannen.com/gri)

Lantmännen's 2016 Sustainability Report

The report refers to the year 2016, unless otherwise specified, and is issued annually. It covers the Lantmännen Group, including the Sectors. Associates and joint ventures are not included. However, the report's content describes our work on sustainability throughout the value chain, from field to fork. This includes everything from cultivation, raw materials purchasing and processing to sales and consumption of the products we offer.

Reporting of sustainability management, indicators and key ratios, with definitions and calculation methods, can be found in the Appendix "Sustainability Management and Indicators 2016". See [▶ www.lantmannen.com/gri](http://www.lantmannen.com/gri)

The report contains information and data on issues prioritized by Lantmännen's stakeholders and reflects the most significant areas in terms of the impact of our operations and contributions to sustainable development. The prioritization has been made in different stages. Based on Lantmännen's strategies, work and knowledge of the impacts of operations, business intelligence and market trends, and the results of dialogue conducted with stakeholders, we have identified sustainability issues that will be prioritized in a process with experts from different parts of the business. Learn more at [▶ www.lantmannen.com/gri](http://www.lantmannen.com/gri)

The Sustainability Report has not been audited by the Association's auditors.

Contact person: Claes Johansson, Director Sustainable Development, claes.johansson@lantmannen.com



GRI index

The table below shows a summary of the GRI general indicators, with references to where they appear in Lantmännen's reporting. For specific information about the material GRI aspects that Lantmännen has decided to report on, see the complete GRI index at lantmannen.com/gri. Under References, Appendix refers to the Appendix "Sustainability Management and Indicators 2016" which is available at www.lantmannen.com/gri

Indicator	Description	References
GENERAL INFORMATION		
Strategy and analysis		
G4-1	Statement from Chairman and President & CEO	12-15
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SPECIFIC INFORMATION (management and performance indicators for material aspects)

Reporting on management and performance for material aspects, see the Appendix Sustainability Management and Indicators, available at www.lantmannen.com/gri. Listed below are the aspects on which Lantmännen has decided to report.

Economic performance	lantmannen.com/gri
Procurement practices	lantmannen.com/gri
Anti-corruption	lantmannen.com/gri
Materials	lantmannen.com/gri
Energy	lantmannen.com/gri
Emissions into the air	lantmannen.com/gri
Environmental compliance	lantmannen.com/gri
Occupational health and safety	lantmannen.com/gri
Diversity and equal opportunity	lantmannen.com/gri
Human rights risk assessment	lantmannen.com/gri
Customer health and safety	lantmannen.com/gri
Labeling	lantmannen.com/gri
Compliance: society and product responsibility	lantmannen.com/gri

Glossary

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

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

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

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

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.

DON (Deoxynivalenol) ▶ DON is a mold toxin that can occur in grain crops for feed and food purposes, particularly in wheat and oats. The mold toxin is formed by two fungi, *Fusarium graminearum* and *Fusarium culmorum* in the genus *Fusarium*.

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

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

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

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

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

ISDA agreement ▶ A standardized contract for financial trading.

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

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

R&D ▶ Research and development.

RSPO ▶ Roundtable on Sustainable Palm Oil. International round table process to develop criteria for sustainable palm. 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.

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

Stem-shortening agent ▶ An agent that reduces the risk of crop lodging. *Stem-shortening agents are basically the only chemical that can be sometimes found in detectable levels in the grain raw material.

TCO ▶ Total cost of ownership.

USDA ▶ United States Department of Agriculture.

Value added ▶ EBITDA plus employee benefits expense.

Volatile ▶ Tending to vary often or widely.



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Together we take responsibility from field to fork.

Lantmännen has chosen to support We Effect.

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



Lantmännen