midsona

YEAR-END REPORT 2019

# Strong cash flow with good underlying growth in the business

## October-December 2019 (fourth quarter)

- Net sales amounted to SEK 825 million (755), of which the concluded Alpro sales assignment was SEK 2 million (63).
- EBITDA amounted to SEK 81 million (59) before items affecting comparability, corresponding to a margin of 9.8 percent (7.8).
- Profit for the period was SEK 35 million (33), corresponding to earnings per share of SEK 0.64 (0.71) before and after dilution.
- Free cash flow amounted to SEK 103 million (44).
- Midsona gained control of the acquired company Alimentation Santé on 1 October.
- As authorised by the Annual General Meeting, the Board of Directors of Midsona decided on a new share issue with preferential rights for existing shareholders, whereby Midsona raised SEK 613 million before deductions for issue expenses. The new issue was fully subscribed.

## January-December 2019 (full-year)

- Net sales amounted to SEK 3,081 million (2,852), of which the concluded Alpro sales assignment was SEK 54 million (268).
- EBITDA amounted to SEK 290 million (241) before items affecting comparability, corresponding to a margin of 9.4 percent (8.5).
- Profit for the period was SEK 97 million (129), corresponding to earnings per share of SEK 2.02 (2.80) before and after dilution.
- Free cash flow amounted to SEK 155 million (176).
- For 2019, a dividend of SEK 1.25 per share (1.25) is proposed, corresponding to SEK 81,255,760 (57,764,360).

### Key figures, Group[1,2]

| | Oct–Dec 2019 | Oct–Dec 2018 | Full year 2019 | Full year 2018 |
|---|---|---|---|---|
| Net sales growth, % | 9.3 | 32.2 | 8.0 | 32.9 |
| Operating margin, before items affecting comparability, % | 28.0 | 29.0 | 29.5 | 30.6 |
| Gross margin, % | 28.0 | 29.0 | 29.3 | 30.6 |
| EBITDA-margin, before items affecting comparability, % | 9.8 | 7.8 | 9.4 | 8.5 |
| EBITDA margin, % | 10.4 | 7.8 | 9.2 | 8.1 |
| Operating margin, before items affecting comparability, % | 5.7 | 6.1 | 5.7 | 6.6 |
| Operating margin,% | 6.3 | 6.1 | 5.5 | 6.2 |
| Profit margin, % | 5.1 | 5.8 | 3.8 | 5.7 |
| Average capital employed, SEK million | 3,550 | 2,862 | 3,348 | 2,552 |
| Return on capital employed, % | | | 5.1 | 7.6 |
| Return on equity, % | | | 4.9 | 8.1 |
| Net debt, SEK million | 1,353 | 1,116 | 1,353 | 1,116 |
| Net debt / Adjusted EBITDA, multiple | | | 4.4 | 4.4 |
| Net debt/equity ratio, multiple | 0.6 | 0.7 | 0.6 | 0.7 |
| Interest coverage ratio, multiple | 5.2 | 6.5 | 3.1 | 6.3 |
| Equity/assets ratio, % | 48.6 | 44.1 | 48.6 | 44.1 |

[1] Midsona presents certain financial measures in the Year-end Report that are not defined under IFRS. For definitions and checks against IFRS, please refer to pages 24-25 of this Year-end Report and to pages 134-137 of the 2018 Annual Report.
[2] Key figures for the comparison year are not restated for the IFRS 16 effect.

**Note:** This is information such that Midsona AB (publ) is required to publish under the EU Market Abuse Regulation and the Securities Market Act. This Year-end Report was submitted under the auspices of Lennart Svensson for publication on 6 February 2020 at 8:00 a.m. CET.

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QUARTER 4

**SEK 825 million**

Sales

**SEK 81 million**

EBITDA, before items affecting comparability

**9.8 percent**

EBITDA-margin, before items affecting comparability

**8.7 percent**

Growth in prioritised brands

# Comment by the CEO

## Continued expansion in Europe

2019 was a year of major changes and the year that we continued our European expansion. Through the acquisitions of Eisblümerl and Alimentation Santé, we are now well represented in the key markets of Germany, France and Spain and are strengthening our position in organic and plant-based foods. The acquisitions also provide a solid base for continued European expansion.

I would like to take this opportunity to express our gratitude for the trust given to us in the rights issue in the fourth quarter that made the acquisition of Alimentation Santé possible. During the year, a new long-term financing agreement was also entered that provides conditions for continued growth.

On the whole, I am pleased with 2019; most of what we could control ourselves went according to plan and occasional external setbacks were managed in the best way possible. It was pleasing to see that both the sales and earnings outcomes were positive during the year.

## Good end to an eventful year

In the fourth quarter, total sales increased, as well as the sales in our eight prioritised brands, by 9 percent. Friggs continued to have the strongest growth and we saw good development for our organic brands.

As a result of our expanded product portfolio, we will review the composition of our prioritised brands in the first quarter. In addition, our European expansion has brought us to reorganise into three divisions to better reflect our main markets: the Nordic region, Northern Europe and Southern Europe. We will report these units beginning with the first quarter of 2020.

During the year, major efforts were also made to harmonise the organic portfolio, which will be launched gradually beginning in 2020.

## Our three geographic units developed well

We are very pleased with the development in Southern Europe. Sales were indeed slightly lower than expected, which was partly due to transport problems related to the French strike and partly to a product recall of gluten-free products in Spain. In spite of this, we had strong earnings. We also see that the effects of the strike, which at the writing of this is not over, are decreasing over time.

Sales developed positively in Germany despite a continued raw material shortage in peanuts and almonds, with lower sales of these product groups and higher raw material prices as a result. Earnings were also weighed down by integration costs related to the acquisition of Eisblümerl. In terms of the raw material shortage, we returned to normal at the beginning of 2020.

In terms of sales, we saw a decline in the Nordic countries in the fourth quarter mainly because we continued to see a negative effect from the concluded Alpro agreement. The exception was Denmark, which had good sales growth during the period. The exchange rate movement also continued to be unfavourable. In terms of earnings, we succeeded in fully compensating the sales decrease and negative currency effects through the positive impact of the Nordic cost-savings programme. Implemented price increases will gradually have an effect in the first quarter of 2020.

## Strong financial position

Altogether, we had a good quarter in terms of earnings and it was pleasing that this was also visible in a strong cash flow, which was also strengthened by active work to reduce the working capital. In light of our stable financial position, the Board of Directors has decided to propose to the Annual General Meeting an unchanged dividend per share of SEK 1.25 per share. Today, Midsona has more than 40 percent more shares than at the same time in the previous year, which means that the proposed divided of just over SEK 81 million in absolute figures is significantly higher than the previous year's dividend.

## Focus on integration with a strong base for acquisitions

We are entering 2020 with a focus on plant-based and organic products and a clear ambition to expand in Europe. Even if the work will initially be characterised by integration, I see good opportunities for more European acquisitions in parallel with strong growth and profitability. I look forward to the future with confidence.

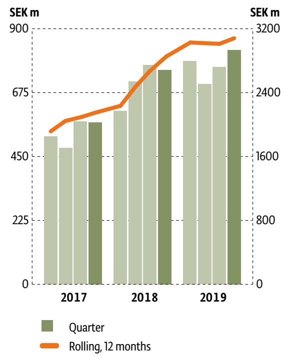
Peter Åsberg

President and CEO

# Financial information

## Net sales

### Net sales




### October-December

Net sales amounted to SEK 825 million (755), an increase of 9.3 percent. The Group's eight prioritised brands showed continued strong growth of 8.7 percent, largely driven by the brand Friggs. The organic change in net sales was a decrease of 6.4 percent, essentially linked to the concluded Alpro sales assignment, while structural change contributed positively by 14.2 percent and exchange rate fluctuations contributed 1.5 percent. The organic change in net sales was 1.9 percent adjusted for the concluded sales assignment. Sales were relatively stable in all geographic markets in October and November with a considerable slow-down in December due to the effect of a reduced inventory at several customers with postponed order volumes until after the new year.

Sales decreased for both Sweden and Norway, mainly attributable to the concluded sales assignment. For Sweden, several prioritised brands had a strong sales growth, especially Friggs. However, the strong sales trend continued to entail some capacity and quality challenges in the supplier level for some product groups. The sales trend for the organic brand portfolio was relatively stable, while the sales volumes for the self-care brand portfolio slowed slightly. For Norway, several prioritised brands and licensed brands had a strong sales growth, despite challenges in the market. The service level to customers remained lower than normal, which to some extent negatively impacted sales. Sales also decreased for Finland, partly dependent on both high levels of stock at customers at the beginning of the period and reduced warehousing at customers at the end of the period. Sales increased for Denmark, especially to FMCG retail. The prioritised brand Urtekram showed a strong sales growth.

For Germany, sales growth was strong, mainly driven by acquired business volumes and the prioritised brand Davert. The prevailing raw material shortage in the world market for peanuts and almonds negatively impacted sales for a few product groups.

For the Group's new business segment South Europe, the sales trend was stable, despite a product recall during the period.

### January-December

Net sales amounted to SEK 3,081 million (2,852), an increase of 8.0 percent. The Group's eight prioritised brands showed growth of 8.9 percent*. The organic change in net sales was a decline of 6.1 percent while structural changes contributed by 12.4 percent and exchange rate fluctuations by 1.7 percent. Net sales growth was strongly negatively impacted by a concluded sales assignment in Sweden and Norway in the first quarter of 2019. The organic change in net sales was 1.5 percent adjusted for the concluded sales assignment.

Sales decreased for Sweden and Norway, essentially attributable to the concluded sales assignment. Sales of seasonal products were also lower than normal in the second quarter, which did not really fully recover in the third quarter. Prioritised brands demonstrated a strong sales growth despite some capacity and quality challenges in the supply chain for some product groups. For Finland and Denmark, sales increased driven by organic growth.

For Germany, sales increased mainly as a consequence of acquired business volumes. The German market for organic products is changing, with higher sales volumes to FMCG retail at the expense of traditional specialist retailers. An organic positioning strategy has been on-going in FMCG retail for some time, entailing some launch delays.

* The prioritised brand Davert, is compared in the period with sales in the same period last year, although Midsona did not own the brand during the entire period.

## Gross profit

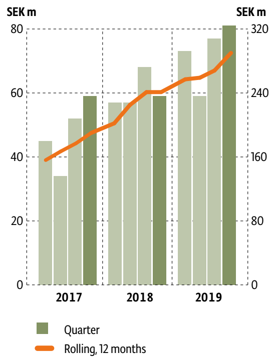
### October-December

Gross profit amounted to SEK 231 million (219), corresponding to a margin of 28.0 percent (29.0). The lower gross margin was a mainly related to a continued unfavourable exchange rate trend for the SEK against the EUR, resulting in significantly higher product costs in Sweden that were not fully offset by price hikes at the next level. Our customers were therefore notified of price increases and these increases will gradually have an impact on earnings in the first quarter of 2020. Raw material prices also increased for certain important input materials and an unfavourable product mix with a lower share of self-care products impacted the margin trend. The cost structure in the acquired business Alimentation Santé also to some extent entailed a lower gross margin, due to a higher share of production and inventory-related costs in relation to indirect costs compared with several of the Group's other businesses.

## January-December

Gross profit amounted to SEK 910 million (874) before items affecting comparability, corresponding to a gross margin of 29.5 percent (30.6). The lower gross margin was especially related to an unfavourable exchange rate trend for the SEK against the EUR. For Sweden, implemented price increases towards retailing had some impact in the first quarter, but these price increases did not compensate for the past year's continuation of an unfavourable exchange rate trend. The changed cost structure within the Group, related to acquired operations in 2018 and 2019, contributed to a lower gross margin compared with the preceding year. The gross margin was also negatively impacted by higher purchase prices on both some finished products and some important input materials. The negative gross margin trend was countered to some extent by coordinated supply chain activities on a Nordic basis having a gradual breakthrough in the period.

**EBITDA, before items affecting comparability**




# Operating profit/loss

## October-December

EBITDA amounted to SEK 81 million (59), before items affecting comparability, corresponding to a margin of 9.8 percent (7.8), and was driven by acquired business and a changed accounting principle (IFRS 16) and stable growth of the underlying business. The effect of the changed accounting principle (IFRS 16) entailed a decrease in the operating expenses of SEK 10 million as the leasing charges were replaced by depreciation and interest. Amortisation and depreciation for the period amounted to SEK -34 million (-13), divided between SEK -12 million (-8) in amortisation of intangible fixed assets and depreciation of SEK -22 million (-5) on tangible fixed assets. Amortisation and depreciation increased as a result of a utilised expansion investment, a utilised investment in software in the form of business systems and acquired businesses and the changed accounting principle (IFRS 16), which entailed depreciation on property, plant and equipment with a right of use of SEK 9 million. Operating profit amounted to SEK 47 million (46) before items affecting comparability, corresponding to a margin of 5.7 percent (6.1). The operating profit for the period amounted to SEK 52 million (46), corresponding to a margin of 6.3 percent (6.1).

EBITDA, before items affecting comparability, improved for Denmark as a result of higher sales volumes, improved margins and good cost control. For Sweden and Norway, EBITDA, before items affecting comparability, was in line with the preceding year. For Sweden, as a result of a continued unfavourable trend for the SEK to the EUR and a concluded sales assignment, higher product costs were fully offset by a lower cost based related to savings programmes. For Norway, lower sales volumes associated with the concluded sales assignment were countered by both a lower cost base related to savings programmes and good cost control. For Finland, EBITDA, before items affecting comparability, was lower compared with the preceding year, mainly as a result of lower sales volumes and temporary additional administrative costs. Investments were made in the Nordic organic brand portfolio.

For Germany, EBITDA before items affecting comparability was lower than the previous year, despite higher sales volumes. At the same time, temporary production and administrative expenses partly attributable to the integration of acquired businesses were charged to earnings. The shortage of the important raw materials of peanuts and almonds in the world market also had a significant negative impact on sales, earnings and margins in the period.

For South Europe, EBITDA was better than plan despite challenging circumstances during the period with both a strike in France and product recall in Spain.

## January-December

EBITDA amounted to SEK 290 million (241), before items affecting comparability, corresponding to a margin of 9.4 percent (8.5), and was driven by acquired business and a changed accounting principle (IFRS 16) and good growth of the underlying business. The effect of the changed accounting principle (IFRS 16) entailed a decrease in the operating expenses of SEK 44 million as the leasing charges were replaced by depreciation and interest. Amortisation and depreciation for the period amounted to SEK -114 million (-52), divided between SEK -36 million (-31) in amortisation of intangible fixed assets and depreciation of SEK -78 million (-21) on tangible fixed assets. Amortisation and depreciation increased as a result of acquired operations, utilised expansion investment and utilised investment in software and the changed accounting principle (IFRS 16), which entailed depreciation on property, plant and equipment with a right of use of SEK 39 million. Operating profit amounted to SEK 176 million (189) before items affecting comparability, corresponding to a margin of 5.7 percent (6.6). Operating profit for the period amounted to SEK 170 million (178), with an operating margin of 5.5 percent (6.2).

EBITDA, before items affecting comparability, improved for Denmark and Finland. For Denmark, this was through higher sales volumes, improved margins and good cost control. For Finland, this was primarily as a consequence of higher sales volumes related to prioritised brands, despite some temporary additional administrative expenses both during the first and the fourth quarter. For Sweden and Norway, EBITDA before items affecting comparability was lower than in the preceding year primarily related to a concluded sales assignment. Sweden was also impacted by substantially higher product costs as a result of an unfavourable currency trend. For Norway, we generally saw slightly subdued sales volumes during the second and fourth quarter. The underlying operations in the Nordic region showed stable growth as a whole. A savings programme to improve efficiency is under way in the Nordic countries. The programme is progressing according to plan with sequential effect in earnings in 2019-2020 and with full effect in earnings in 2021.

For Germany, EBITDA before items affecting comparability was substantially better than the previous year, among other things as a consequence of the comparative period only being comprised of May-December. Postponed sales volumes related to an implemented expansion investment negatively impacted earnings at the same time that they were also impacted by temporary production and administration expenses, partly attributable to the integration of acquired businesses.

For South Europe, EBITDA was better than plan despite challenging circumstances during the period with both a strike in France and product recall in Spain.

## Items affecting comparability

### October-December

Operating profit for the period included positive items affecting comparability of SEK 5 million, of which a reverse purchase consideration from acquisitions accounted for SEK 20 million, restructuring costs accounted for a charge of SEK 2 million and acquisition related expenses accounted for a charge of SEK 13 million. No items affecting comparability were included in the comparative period.

### January-December

Operating profit for the period included negative items affecting comparability of SEK 6 million (11), of which restructuring costs comprised SEK 15 million (2), the positive revaluation of an expensed purchase consideration of SEK 26 million (1) and acquisition-related expenses of SEK 17 million (10).

## Financial items

### October-December

Net financial items amounted to an expense of SEK 10 million (2), of which interest expenses on external loans to credit institutions amounted to SEK 10 million (7) and interest expenses attributable to leases amounted to SEK 2 million (0). Interest expenses to credit institutions increased as a result of higher indebtedness for completed business combinations in the third quarter of 2019, as well as bridge financing in connection with business combinations in the fourth quarter of 2019. Translation differences on financial receivables and liabilities in foreign currency were positive in an amount of SEK 8 million (7).

### January-December

Net financial items amounted to an expense of SEK 54 million (15), of which interest expenses on external loans to credit institutions amounted to SEK 32 million (25) and interest expenses attributable to leases amounted to SEK 5 million (0). Interest expenses to credit institutions increased as a consequence of higher indebtedness related to completed business combinations in 2018 and 2019. Translation differences on financial receivables and liabilities in foreign currency were positive in an amount of SEK 8 million (15).

## Profit for the period

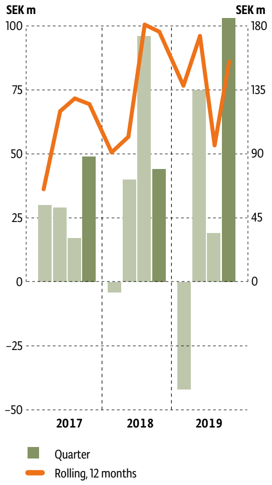
### October-December

Profit for the period amounted to SEK 35 million (33), corresponding to earnings per share of SEK 0.64 (0.71) before and after dilution. Tax on profit for the period amounted to a negative SEK 7 million (11), of which a negative SEK 8 million (4) consisted of current tax, a negative SEK 2 million was tax attributable to preceding years and positive SEK 3 million (negative 7) was in deferred tax. The effective tax rate for the period was 15.1 percent (24.4). The low tax rate was mainly attributable to untaxable income in a revaluation of expensed purchase considerations for acquisitions.

### January-December

Profit for the period amounted to SEK 97 million (129), corresponding to earnings per share of SEK 2.02 (2.80) before and after dilution. Tax on profit for the period amounted to a negative SEK 19 million (34), of which a negative SEK 24 million (11) consisted of current tax, a negative SEK 2 million was tax attributable to preceding years and positive SEK 7 million (negative 23) was in deferred tax. The effective tax rate for the period was 16.0 percent (20.8). The low tax rate was mainly attributable to an operating restructuring between Group companies with the aim of optimising the operations and a non-taxable income from a revaluation of an expensed purchase consideration for acquisitions.

## Free cash flow




# Cash flow

### October-December

Cash flow from operating activities amounted to SEK 117 million (58), due to both cash flow from operating activities before changes in working capital and above all improved changes in working capital. Capital tied up in operating receivables decreased substantially as a result of several major customer payments before the end of the period, but this was partly countered by lower operating liabilities. Capital tied up in inventories decreased by SEK 31 million as a result of steps taken to reduce it.

Cash flow from investing activities amounted to a negative SEK 606 million (16), consisting of business acquisitions of negative SEK 582 million, investments in tangible and intangible fixed assets of a negative SEK 16 million (17), and a change in financial assets by a negative SEK 8 million, mainly related to investment in joint ventures (see the section Business acquisitions, page 10). The comparative period also includes sales of tangible and intangible assets comprising SEK 1 million. Free cash flow amounted to SEK 103 million (44). Cash flow from financing activities was SEK 530 million (negative 22), which was comprised of proceeds from the new share issue of SEK 613 million, issue expenses of negative SEK 10 million, loans raised of SEK 625 million and outflows for loan repayments of SEK 658 million (18) mainly attributable to bridge financing (see the section on the New long-term financing agreement, page 11) and leasing liability repayments of SEK 13 million (4), receipts from premiums for the warrant programme of SEK 1 million and paid dividend of SEK 28 million.

### January-December

Cash flow from operating activities amounted to SEK 198 million (212), where cash flow from operating activities before changes in working capital continued to have a strong development. Despite less capital tied up in inventories and operating receivables, changes in working capital worsened due to lower operating liabilities compared with the corresponding period the previous year.

Cash flow from investing activities amounted to a negative SEK 712 million (357), consisting of business acquisitions of negative SEK 659 million (295), investments in tangible and intangible fixed assets of a negative SEK 41 million (63), and a change in financial assets by a negative SEK 12 million, mainly related to investment in joint ventures (see the section Business acquisitions, page 10). The comparative period also includes sales of tangible and intangible assets comprising SEK 1 million. Free cash flow amounted to SEK 155 million (176). Cash flow from financing activities was SEK 589 million (189), which was comprised of proceeds from the warrant programme issue of SEK 21 million (see the section Closely related parties on page 7), proceeds from the new share issue of SEK 613 million, issue expenses of negative SEK 10 million, loans raised of SEK 1,855 million (375), outflows for loan repayments of SEK 1,786 million (123) mainly attributable to refinancing (see the section on the New long-term financing agreement, page 11), leasing liability repayments of SEK 47 million (5), receipts from premiums for the warrant programme of SEK 1 million and paid dividend of SEK 58 million (58).

# Liquidity and financial position

Cash and equivalents amounted to SEK 173 million (101) and there were unused credit facilities of SEK 350 million (100) at the end of the period. Net debt amounted to SEK 1,353 million (1,116) with the increase being primarily attributable to a changed accounting principle (IFRS 16) and financing of business combinations. The net debt/equity ratio was a multiple of 0.6 (0.7). The ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 4.4 (4.4) and at the end of the previous quarter it was a multiple of 5.3.

Shareholders' equity amounted to SEK 2,322 million (1,630). At the end of the preceding quarter, shareholders' equity was SEK 1,717 million. The changes consisted of profit for the period of SEK 35 million, exchange differences on translation of foreign operations of a negative SEK 34 million, a new share issue of SEK 613 million and issue expenses of SEK 10 million, as well as premium receipts of SEK 1 million upon the issue of warrants. The equity/assets ratio was 48.6 percent (44.1) at the end of the period.

# Investments

### October-December

Investments in intangible and tangible fixed assets amounted to SEK 16 million (17), of which the majority pertained to investment in software in the form of business systems, expansion investments in Germany and South Europe and an on-going expansion investment in the form of a new packaging line in South Europe. The expansion investment will be utilised in the first quarter of 2020. The investment in software in the form of business systems was utilised in the period after roll-out in all Nordic countries.

**January-December**

Investments in intangible and tangible fixed assets amounted to SEK 41 million (63). This was primarily comprised of an investment in software in the form of a new business system and compensation investments in Germany.

# Other information

## Personnel

The average number of employees during the year was 581 (473), while the number of employees at the end of the period was 721 (525). The number of employees increased compared with the year before mainly as a result of acquired business in the form of Eisblümerl in July and Alimentation Santé in October.

## Parent Company

Group-wide management, administration and IT are operated as Group functions in the Parent Company Midsona AB (publ).

Net sales amounted to SEK 47 million (45), and related primarily to invoicing of services provided internally within the Group. Profit before tax amounted to SEK 134 million (19). The profit before tax included dividends from subsidiaries of SEK 218 million (120), of which an anticipated SEK 96 million (120), impairment of shares in subsidiaries of a negative SEK 85 million (120) and Group contributions received totalling SEK 32 million (29). Net financial items also included exchange-rate differences on financial receivables and liabilities in foreign currency of SEK 2 million (15).

Cash and cash equivalents, including unutilised credit facilities, amounted to SEK 459 million (147). Borrowing from credit institutions was SEK 1,121 million (1,030) at the end of the period. On the balance sheet date, there were 15 employees (15).

A new long-term financing agreement was signed with Danske Bank and Svensk Exportkredit in September (see the section New long-term financing agreement, page 11).

For the Parent Company, SEK 47 million (45), equivalent to 100 percent (100) of sales for the period and SEK 0 million (1), corresponding to 1 percent (4) of purchases for the period pertained to subsidiaries within the Group. Sales to subsidiaries pertained mainly to administrative services, while purchases from subsidiaries mainly pertained to consultancy services and other reimbursements for expenses. All pricing is conducted on market terms.

## Closely-related parties

In September, senior executives subscribed for 423,800 Series B shares with support from warrants, which were issued in the scope of the warrant programme TO2016/2019, whereby the company obtained SEK 21 million.

In December, a total of 148,000 warrants were transferred to senior executives in TO 2019/2022, the third and final part of the warrant programme that was decided on in 2017, whereby the company received SEK 1 million.


In Spain, three flavours of hummus were launched under the brand Vegetalia.

## The share

Midsona's Series A and B shares are listed on Nasdaq Stockholm's Mid Cap List under the symbols MSON A and MSON B, respectively.

At the end of the period, the total number of shares was 65,004,608 (46,008,064), divided between 755,820 Series A shares (539,872) and 64,248,788 Series B shares (45,468,192). At the end of the period, the number of votes was 71,806,988 (50,866,912), where one Series A share carries ten votes and one Series B share carries one vote.

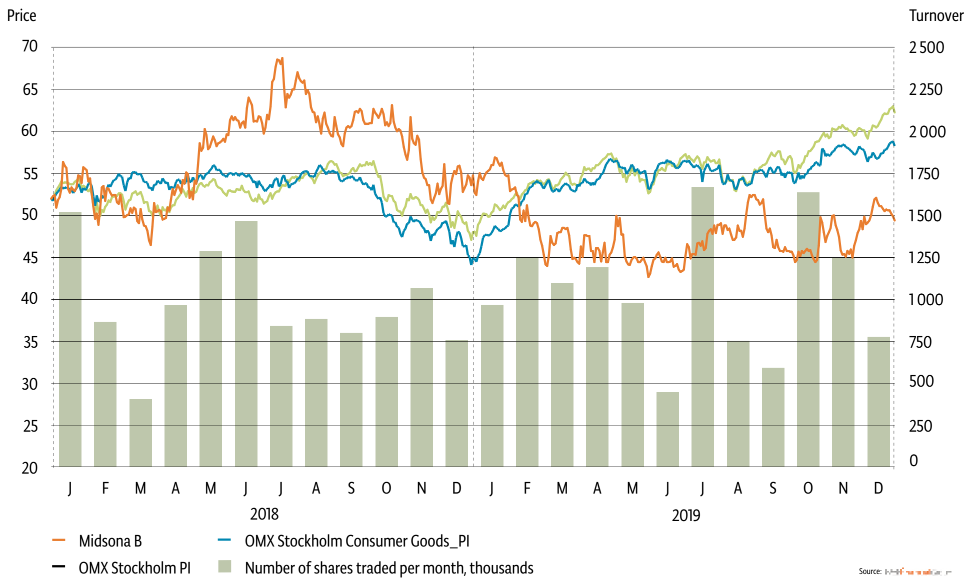
In September, senior executives subscribed for 423,800 Series B shares with support from warrants, which were issued in the scope of the warrant programme TO2016/2019. Of the 410,000 warrants transferred to senior executives, 275,195 warrants were exercises, whereby the company received SEK 21,020,480. The warrants of the relevant series that were not exercised to subscribe for shares expired. Each warrant entitled the holder to 1.54 Series B shares at the subscription price of SEK 49.60, after translation according to the terms. The increase in the number of Series B shares and votes entailed a dilution by 0.9 percent of the shares and 0.8 percent of the votes.

On 1 October 2019, the Board of Directors resolved to implement a new issue of Series A and Series B shares with preferential rights for existing shareholders, for the financing of the acquisition of Alimentation Santé. The final results of the rights issue showed that 211,556 of Series A shares, corresponding to around 98.0 percent of the Series A shares offered, and 18,299,940 Series B shares, corresponding to around 99.7 percent of the Series B shares offered, were subscribed for with the support of warrants. The remaining 4,392 Series A shares, corresponding to around 2.0 percent of the Series A shares offered, and 56,856 Series B shares, corresponding to around 0.3 percent of the Series B shares offered, were subscribed for without the support of warrants. Accordingly, the issue was fully subscribed, providing Midsona with SEK 603 million after issue costs. Issue costs amounted to SEK 10 million.

During the period January-December 2019, 12,577,144 shares (11,758,649) were traded. The highest price paid for Series B shares was SEK 57.07 (70.13), and the lowest was SEK 42.67 (45.33). On 30 December, the most recent price paid for the share was SEK 49.40 (54.76). For the comparison year, the share price has been adjusted for the new share issue.

In December, a total of 148,000 warrants were transferred to senior executives in the TO 2019/2022 series, the third and final part of the warrant programme that was decided on in 2017. The CEO was offered to acquire 60,000 warrants, function and division managers 18,000 warrants each and business area managers 12,000 warrants each of the TO2019/2022 series. Each warrant entitles the holder to subscribe for one Series B share in Midsona. The period during which the warrants may be exercised will be from 1 August 2022 to 20 December 2022. The subscription price was SEK 50.80. The transfer of a total of 148,000 warrants to current senior executives took place at market terms in December 2019 based on a calculation according to the so-called Black & Scholes model done by PWC AB, which is to be considered independent in relation to the company. On the transaction date, the fair value per warrant was SEK 6.30. The financial statements for 2019 were affected by SEK 1 million following deduction of expenses for the option programme from shareholders' equity.

Two option programmes were outstanding at the end of the period, the TO2017/2020, which can provide a maximum of 211,310 new Series B shares on full conversion, and the TO2019/2022 series, which can provide a maximum of 148,000 new Series B shares on full conversion. On the balance sheet date, the average price for Series B shares did not exceed the subscription price for the warrants outstanding, and accordingly the earnings per share after full dilution were not calculated. For more information on TO2017/2020, see Note 10 *Employees, personnel expenses and senior executives' remuneration* in the 2018 annual report, pages 101-102.



## Ownership

Stena Adactum AB was the largest shareholder with 23.4 percent of the capital and 28.0 percent of the voting rights on 30 December 2019. The ten largest shareholders in Midsona AB (publ) are shown in the table.

| The ten largest shareholders in Midsona AB (publ) | Number of shares | Share of capital, % | Share of votes, % |
|---|---|---|---|
| Stena Adactum AB | 15,229,789 | 23.4 | 28.0 |
| Lannebo Funds | 4,001,006 | 6.2 | 5.6 |
| Handelsbanken Fonder | 3,327,389 | 5.1 | 4.6 |
| BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC) | 3,129,970 | 4.8 | 4.4 |
| Nordea Investment Funds | 2,911,034 | 4.5 | 4.0 |
| Cliens Funds | 2,450,000 | 3.8 | 3.4 |
| Insurance company Avanza Pension | 1,795,325 | 2.8 | 2.7 |
| Peter Wahlberg and companies | 1,544,122 | 2.4 | 2.1 |
| Catella Fondförvaltning | 1,522,978 | 2.3 | 2.1 |
| Second Swedish National Pension Fund | 1,468,534 | 2.3 | 2.0 |
| **Total** | **37,380,147** | **57.6** | **58.9** |
| Other shareholders | 27,624,461 | 42.4 | 41.1 |
| **Total** | **65,004,608** | **100.0** | **100.0** |

Total number of shareholders (including nominee-registered) was 7,756 (7,175). In the current quarter, the number of shareholders increased by 100. Foreign ownership amounted to 22.9 percent (21.9) of the shares in the market. More information on the shareholder structure is available at www.midsona.com.

## Risks and uncertainties

In its operations, the Group is subject to both operational and financial risks that may affect profits to a greater or lesser extent. The assessment is that no new significant risks or uncertainties have arisen. For a detailed account of risks and uncertainty factors, please see the section *Risks and risk management* on pages 43-52 and Note 30 *Financial risk management* on pages 111-112 in the 2018 annual report.

## Efficiency-enhancement programme

In March, an efficiency-enhancement programme for the Group's Nordic operations was adopted as a part of further strengthening the competitiveness with the harmonisation and optimisation of joint processes. The new organisation in Sweden was concentrated to Malmö, which means that Midsona closed the operations in Örebro. Besides efficiency enhancements in the Nordic supply chain organisation, this at the same time meant that market functions and administrative functions in the Nordic countries were being reviewed and optimised. The efficiency-enhancement programme resulted in restructuring expenses of SEK 25 million, which affected the period's earnings for the first quarter of 2019. During the third quarter, SEK 12 million was returned to the restructuring reserve as a result of changed conditions. The efficiency-enhancement programme is expected to provide savings of around SEK 40 million on an annualised basis, with full effect in 2021.

In Germany, Davert launched new flavours of Porridge-Cups during the quarter.

## New financial targets

The Board of Directors of Midsona AB (publ) revised and adopted new long-term financial targets for the Group in April. The four long-term financial targets are the following after the revision:

- Net sales growth of >15 percent through organic growth and acquisitions (previously net sales growth >10 percent).
- An EBITDA margin >12 percent (previously EBIT margin >10 percent)
- A net debt/EBITDA of 3–4 times (previously a net debt/EBITDA of less than 2 times).
- A dividend over time of >30 percent of profit after tax (unchanged).

Midsona will be active in the consolidation of the European market for health and well-being at the same time that the Group's prioritised brands will generate organic growth, which is why the growth target was revised to >15 percent. The growth will drive profitability with efficiency enhancements and synergies for acquisitions, which is why the profitability target was revised to an EBITDA margin >12 percent. With an active acquisition agenda, it becomes difficult to achieve the target, which links borrowing to earnings capacity, if a ratio between net debt/EBITDA is less than 2, which is why it is revised to a ratio between net debt/EBITDA of 3–4 as long as the Group actively participates in the consolidation of the European market for health and well-being. The target of providing a dividend over time of >30 percent of profit after tax is left unrevised. This gives the owner a reasonable return on invested capital at the same time that the Group is provided funds for aggressively developing the operation.

## Annual General Meeting

The Annual General Meeting on 3 May addressed a dividend, among other items. A resolution was passed regarding a dividend to the shareholders in an amount of SEK 1.25 per share, divided into two payment dates at SEK 0.65 on a record date of 7 May and SEK 0.60 on a record date of 31 October. On 10 May, SEK 30 million was paid out and on 5 November, SEK 28 million was paid out to the shareholders.

## Business acquisitions

On 4 July, Midsona acquired Eisblümerl Naturkost GmbH, with a strong position in Germany in organic spreads; see Note 12 Business acquisitions pages 21-23 for the preliminary acquisition analysis.

On 12 July, Midsona acquired Ekko Gourmet AB, a company in Sweden in organic frozen meal products; see Note 12 Business acquisitions pages 21-23 for the preliminary acquisition analysis.

Midsona entered an agreement on 23 July to acquire Alimentation Santé SAS, a company with a leading position in organic and plant-based food in France and Spain. Midsona took possession on 1 October; see Note 12 Business acquisitions on pages 21-23 for the preliminary acquisition analysis.

On 10 October, 51 percent of the shares and votes in the company Paradiset EMV AB were acquired with a licence right to develop, market and sell products that focus on sustainability and health under the brand Everyday by Paradiset. The company, which is in a start-up phase, is a collaboration with the food chain Paradiset. The initial purchase consideration amounted to SEK 7.5 million and was paid in cash. Consideration is also taken to supplementary purchase considerations of SEK 17.5 million, which may be payable based on profit targets until 2023, with its fair value being based on an assessment of the likelihood of achieving the set targets. The initial assessment is that the shareholders have a joint controlling influence, which is why it is reported as a joint arrangement in the form of a joint venture according to the equity method in the financial statements.

## New long-term financing agreement

In September, Midsona signed a financing agreement with Danske Bank and Svensk Exportkredit for a total credit limit of SEK 2,120 million. The agreement replaces earlier financing agreements from Danske Bank and pertains to the refinancing of existing debt, an extended limit for working capital financing and a bridge financing for the acquisition of Alimentation Santé. The bridge financing, which ran until 31 March 2020, was repaid in November 2019 after receiving proceeds from the new share issue. The other financing with Danske Bank runs over three years until 30 September 2022 with an option for extension for two more years to 30 September 2024 and the financing with Svensk Exportkredit runs over five years until 30 September 2024.

## Changes in Group Management

In connection with both the Group's European expansion and a reorganisation, a need has arisen to update the organisation structure. Instead of the various countries constituting their own business areas, three divisions have been created: Division Nordic, Division North Europe and Division South Europe. The Group management structure has therefore been changed to better reflect the new division structure and the divisions will be represented in Group Management by their respective Division Directors.

From 1 December 2019, Group Management will be comprised of Peter Åsberg (CEO), Lennart Svensson (CFO), Tobias Traneborn (Supply Chain Director), Ulrika Palm (Division Director Nordic), Erk Schuchhardt (Division Director North Europe) and Marjolaine Cevoz-Goyat (Division Director South Europe).

## Changes in segment reporting

From 1 January 2020, Midsona is changing its segment reporting to report three geographic segments, which agree with the internal reporting provided to Group Management. The four geographic segments Sweden, Norway, Finland and Denmark are being merged into the Nordic segment under joint management. The geographic segment Germany is changing name to North Europe. The new geographic segment South Europe continues to be presented in the same way as in the 2019 Year-end Report.

## Board of Directors' dividend proposal

The Board of Directors proposes a dividend for the 2019 financial year of SEK 1.25 per share (1.25), corresponding to SEK 81,255,760 (57,764,360) or 83.6 percent (45.1) of the profit for the year, and the dividend is to be divided up into two payments of SEK 0.65 per share and SEK 0.60 per share, respectively.

The objective is to continue to use future cash flows for share dividends, but also provide financial flexibility for acquisitions. The long-term financial goal of paying at least 30 percent of the profit after tax in dividends to the shareholders has been achieved in the past seven years.

## 2020 Annual General Meeting and 2019 Annual Report

The 2020 Annual General Meeting will be held in Malmö on 5 May 2020 at 3:00 p.m. at Malmö Börshus. The Board of Directors will publish its invitation to the Annual General Meeting by 7 April 2020.

The Annual Report for 2019 will be available on the website www.midsona.com no later than 14 April 2020. The printed Annual Report will preliminarily be available at the head office in Malmö on 20 April 2020. Printed copies of the Annual Report will be sent to shareholders on request.

Malmö, 6 February 2020
Midsona AB (publ)
Board of Directors

## Review by auditor

This year-end report has been reviewed by the company's auditors.

# Report of Review of Interim Financial Information

## Introduction

We have reviewed the year-end report (interim report) of Midsona AB (publ) for the period 1 January 2019 to 31 December 2019. The Board of Directors and the CEO are responsible for the preparation and presentation of the Interim Report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion regarding the Interim Report based on our review.

## Scope and focus of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity.
A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is considerably smaller in scope than an audit conducted in accordance with ISA and other generally accepted auditing standards. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Consequently, the conclusion based on a review does not give the same level of assurance as a conclusion based on an audit.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Malmö, 6 February 2020
Deloitte AB

Per-Arne Pettersson
AUTHORISED PUBLIC ACCOUNTANT

# Financial statements

## Summary consolidated income statement

| SEK million | Note | Oct–Dec 2019 | Oct–Dec 2018 | Full year 2019 | Full year 2018 |
|---|---|---|---|---|---|
| **Net sales** | 3, 4 | **825** | **755** | **3,081** | **2,852** |
| Expenses for goods sold | | -594 | -536 | -2,178 | -1,980 |
| **Gross profit** | | **231** | **219** | **903** | **872** |
| Selling expenses | | -129 | -119 | -505 | -473 |
| Administrative expenses | | -64 | -52 | -240 | -212 |
| Other operating income | | 30 | 1 | 37 | 7 |
| Other operating expenses | | -16 | -3 | -25 | -16 |
| **Operating profit/loss** | 3 | **52** | **46** | **170** | **178** |
| Financial income | | 0 | 6 | 0 | 16 |
| Financial expenses | | -10 | -8 | -54 | -31 |
| **Profit/loss before tax** | | **42** | **44** | **116** | **163** |
| Tax on profit for the period | | -7 | -11 | -19 | -34 |
| **Profit for the period** | | **35** | **33** | **97** | **129** |
| | | | | | |
| *Profit for the period is divided between:* | | | | | |
| Parent Company shareholders (SEK million) | | 35 | 33 | 97 | 129 |
| Earnings per share before and after dilution attributable to Parent Company shareholders (SEK) | | 0.64 | 0.71 | 2.02 | 2.80 |
| | | | | | |
| *Number of shares (thousands)* | | | | | |
| On the balance sheet date | | 65,005 | 46,008 | 65,005 | 46,008 |
| Average during the period | | 54,572 | 46,008 | 48,179 | 46,008 |

## Summary consolidated statement of comprehensive income

| SEK million | Oct–Dec 2019 | Oct–Dec 2018 | Full year 2019 | Full year 2018 |
|---|---|---|---|---|
| **Profit for the period** | **35** | **33** | **97** | **129** |
| *Items that have or can be reallocated to profit for the period* | | | | |
| Translation differences for the period on translation of foreign operations | -34 | -40 | 32 | 9 |
| **Other comprehensive income for the period** | **-34** | **-40** | **32** | **9** |
| **Comprehensive income for the period** | **1** | **-7** | **129** | **138** |
| | | | | |
| *Comprehensive income for the period is divided between:* | | | | |
| Parent Company shareholders (SEK million) | 1 | -7 | 129 | 138 |

Urtekram launched six gluten-free baking mixes in Denmark.

## Summary consolidated balance sheet

| SEK million | Note | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| Intangible assets | 5 | 3,058 | 2,466 |
| Tangible assets | 6 | 585 | 254 |
| Participations in joint ventures | | 26 | - |
| Non-current receivables | | 4 | 4 |
| Deferred tax assets | | 71 | 74 |
| **Fixed assets** | | **3,744** | **2,798** |
| Inventories | | 529 | 482 |
| Accounts receivable | | 290 | 259 |
| Tax receivables | | - | 4 |
| Other receivables | | 18 | 22 |
| Prepaid expenses and accrued income | | 26 | 33 |
| Cash and cash equivalents | | 173 | 101 |
| **Current assets** | | **1,036** | **901** |
| **Assets** | | **4,780** | **3,699** |
| | | | |
| Share capital | | 325 | 230 |
| Additional paid-up capital | | 1,159 | 629 |
| Reserves | | 56 | 24 |
| Profit brought forward, including profit for the period | | 782 | 747 |
| **Shareholders' equity** | | **2,322** | **1,630** |
| Non-current interest-bearing liabilities | 7 | 1,382 | 1,124 |
| Other non-current liabilities | 8 | 92 | 83 |
| Deferred tax liabilities | | 321 | 271 |
| **Non-current liabilities** | | **1,795** | **1,478** |
| Current interest-bearing liabilities | 7 | 144 | 93 |
| Accounts payable | | 288 | 357 |
| Tax liabilities | | 2 | - |
| Other current liabilities | 8 | 89 | 33 |
| Accrued expenses and deferred income | | 140 | 108 |
| **Current liabilities** | | **663** | **591** |
| **Liabilities** | | **2,458** | **2,069** |
| **Equity and liabilities** | | **4,780** | **3,699** |

## Summary consolidated changes in shareholders' equity

| SEK million | Share capital | Additional paid-up capital | Reserves | Profit brought forward, incl. profit for the period | Shareholders' equity |
|---|---|---|---|---|---|
| Opening shareholders' equity 1 Jan 2018 | 230 | 629 | 15 | 676 | 1,550 |
| Changed accounting principle (IFRS 9) | - | - | - | 0 | 0 |
| Profit for the period | - | - | - | 129 | 129 |
| Other comprehensive income for the period | - | - | 9 | - | 9 |
| **Comprehensive income for the period** | **-** | **-** | **9** | **129** | **138** |
| Repurchase of warrant programme TO2016/2019 | - | 0 | - | - | 0 |
| Dividend | - | - | - | -58 | -58 |
| **Transactions with the Group's owners** | **-** | **0** | **-** | **-58** | **-58** |
| **Closing shareholders' equity 31 Dec 2018** | **230** | **629** | **24** | **747** | **1,630** |
| Opening shareholders' equity 1 Jan 2019 | 230 | 629 | 24 | 747 | 1,630 |
| Changed accounting principle (IFRS 16) | - | - | - | -4 | -4 |
| Profit for the period | - | - | - | 97 | 97 |
| Other comprehensive income for the period | - | - | 32 | - | 32 |
| **Comprehensive income for the period** | **-** | **-** | **32** | **97** | **129** |
| New share issue | 93 | 520 | - | - | 613 |
| Issue expenses | - | -10 | - | - | -10 |
| Redemption of warrants in warrant programme, TO2016/2019 | 2 | 19 | - | - | 21 |
| Issue expenses, TO2016/2019 | - | 0 | - | - | 0 |
| Premium receipts upon issue of warrant programme, TO2019/2022 | - | 1 | - | - | 1 |
| Dividend | - | - | - | -58 | -58 |
| **Transactions with the Group's owners** | **95** | **530** | **-** | **-58** | **567** |
| **Closing shareholders' equity 31 December 2019** | **325** | **1,159** | **56** | **782** | **2,322** |

## Summary consolidated cash flow statement

| SEK million | Oct-Dec 2019 | Oct-Dec 2018 | Full year 2019 | Full year 2018 |
|---|---|---|---|---|
| Profit/loss before tax | 42 | 44 | 116 | 163 |
| Adjustment for items not included in cash flow | 29 | 10 | 124 | 31 |
| Income tax paid | -14 | -4 | -19 | -12 |
| **Cash flow from operating activities before changes in working capital** | **57** | **50** | **221** | **182** |
| Increase (-)/decrease (+) in inventories | 31 | 13 | 27 | -29 |
| Increase (-)/decrease (+) in operating receivables | 75 | 32 | 32 | -13 |
| Increase (+)/decrease (-) in operating liabilities | -46 | -37 | -82 | 72 |
| **Changes in working capital** | **60** | **8** | **-23** | **30** |
| **Cash flow from operating activities** | **117** | **58** | **198** | **212** |
| Acquisitions of companies or operations | -582 | - | -659 | -295 |
| Acquisitions of intangible assets | -6 | -10 | -22 | -26 |
| Divestments of intangible assets | - | 1 | - | 1 |
| Acquisitions of tangible assets | -10 | -7 | -19 | -37 |
| Divestments of tangible assets | 0 | 0 | 0 | 0 |
| Change in financial assets | -8 | - | -12 | - |
| **Cash flow from investing activities** | **-606** | **-16** | **-712** | **-357** |
| **Cash flow after investing activities** | **-489** | **42** | **-514** | **-145** |
| Issue of warrant programme, TO2016/2019 | - | - | 21 | - |
| Issue expenses warrant programme, TO2016/2019 | - | - | 0 | - |
| New share issue | 613 | - | 613 | - |
| Issue expenses | -10 | - | -10 | - |
| Premium receipts warrant programme, TO2019/2022 | 1 | - | 1 | - |
| Loans raised | 625 | - | 1,855 | 375 |
| Repayment of loans | -658 | -18 | -1,786 | -123 |
| Amortisation of lease liabilities | -13 | -4 | -47 | -5 |
| Dividend paid | -28 | - | -58 | -58 |
| **Cash flow from financing activities** | **530** | **-22** | **589** | **189** |
| **Cash flow for the period** | **41** | **20** | **75** | **44** |
| Cash and equivalents at beginning of period | 134 | 85 | 101 | 54 |
| Translation difference in cash and cash equivalents | -2 | -4 | -3 | 3 |
| **Cash and cash equivalents at end of the period** | **173** | **101** | **173** | **101** |

## Summary income statement, Parent Company

| SEK million | Oct-Dec 2019 | Oct-Dec 2018 | Full year 2019 | Full year 2018 |
|---|---|---|---|---|
| **Net sales** | **13** | **15** | **47** | **45** |
| Selling expenses | 0 | -2 | -1 | -2 |
| Administrative expenses | -19 | -14 | -64 | -58 |
| Other operating income | 0 | 0 | 0 | 1 |
| Other operating expenses | 0 | 0 | -3 | 0 |
| **Operating profit/loss** | **-6** | **-1** | **-21** | **-14** |
| Profit from participations in subsidiaries | 11 | 0 | 133 | 0 |
| Financial income | 6 | -3 | 31 | 34 |
| Financial expenses | -3 | -9 | -41 | -30 |
| **Profit/loss after financial items** | **8** | **-13** | **102** | **-10** |
| Allocations | 32 | 29 | 32 | 29 |
| **Profit/loss before tax** | **40** | **16** | **134** | **19** |
| Tax on profit for the period | 0 | -4 | -1 | -4 |
| **Profit for the period** | **40** | **12** | **133** | **15** |

## Summary balance sheet, Parent Company

| SEK million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Intangible assets | 57 | 39 |
| Tangible assets | 3 | 3 |
| | | |
| Participations in subsidiaries | 2,202 | 2,066 |
| Receivables from subsidiaries | 1,149 | 547 |
| Deferred tax assets | 2 | 3 |
| **Financial assets** | **3,353** | **2,616** |
| **Fixed assets** | **3,413** | **2,658** |
| Receivables from subsidiaries | 152 | 163 |
| Other receivables | 16 | 13 |
| Cash and bank balances | 109 | 47 |
| **Current assets** | **277** | **223** |
| **Assets** | **3,690** | **2,881** |
| | | |
| Share capital | 325 | 230 |
| Statutory reserve | 58 | 58 |
| Profit brought forward, including profit for the period and other reserves | 1,705 | 1,102 |
| **Shareholders' equity** | **2,088** | **1,390** |
| Liabilities to credit institutions | 1,040 | 953 |
| Liabilities to subsidiaries | - | 113 |
| Other non-current liabilities | 31 | 81 |
| **Non-current liabilities** | **1,071** | **1,147** |
| Liabilities to credit institutions | 81 | 77 |
| Liabilities to subsidiaries | 390 | 247 |
| Other current liabilities | 60 | 20 |
| **Current liabilities** | **531** | **344** |
| **Equity and liabilities** | **3,690** | **2,881** |

# Notes to the financial Statements

## Note 1 Accounting principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the European Commission for use within the EU. The standards and interpretations applied are those that are applicable as of 1 January 2019 and when they were adopted by the EU. Furthermore, recommendation RFR 1 Supplementary Accounting Rules for Groups, from the Swedish Financial Reporting Board, has been applied.

With regard to the Group, this Year-end Report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Annual Accounts Act (ÅRL). In addition to being presented in the financial statements and their notes, disclosures in accordance with IAS 34.16A are also presented in other parts of the year-end report. The Parent Company's accounts are prepared in accordance with the Annual Accounts Act (ÅRL) and recommendation RFR 2 Accounting for Legal Entities, from the Swedish Financial Reporting Board. The statements published by the Swedish Financial Reporting Board concerning listed companies are also applied, meaning that the Parent Company must apply all EU-approved IFRS and statements as far as possible within the framework of the Annual Accounts Act, the Pension Protection Act and taking the relationship between accounting and taxation into account.

The ESMA Guidelines for Alternative Performance Measures (APM) are applied, entailing expanded disclosures on key figures and performance measures.

In the 2019 year-end report, the same accounting principles and calculation methods were applied as in the last annual report issued for 2018 (Note 1 Accounting principles, pages 88–96), except for the introduction of the new accounting standard IFRS 16 *Leases* which entered into effect on 1 January 2019 and replaces IAS 17 *Leases*and IFRIC 4 *Determining whether an Arrangement contains a Lease*. IFRS 16 *Leases* sets the principles for recognition, measurement, presentation and disclosure of leases for both parties in an agreement. A phase during which the new standard is implemented was initiated in the first quarter of 2018 with all lease agreements being collected and subjected to an impact assessment, which in a subsequent step led to a reporting solution. In the transition to the new standard, the Group chose to apply the modified retroactive approach, which does not require recalculation of comparative information meaning that comparative information is presented in accordance with IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. The lease portfolio mainly comprises buildings (offices and warehouses), production equipment, trucks, cars and IT-related equipment. For a more detailed description of the Group's IFRS 16 project, see Note 1 Accounting principles in the 2018 annual report on pages 88-96.

The Group assesses whether a contract is, or contains a lease at the beginning of the agreement. A right of use (ROU) asset and a corresponding lease liability are recognised for all leases in which the Group is the lessee, except for short-term leases (leases with a lease term of no more than 12 months) and for leases where the underlying asset has a lesser value. For leases that meet the criteria for the relief rules, leasing fees are recognised as an operating expense straight-line over the term of the lease. The leasing liability is initially measured at the present value of the future leasing fees, which are not paid per the lease's commencement date, discounted with the Group's marginal borrowing rate. The applied weighted average interest rate for the Group was 2.50 percent at the transition date of 1 January 2019. The marginal borrowing rate is determined by country and duration. Leasing fees that are included in the valuation of lease liabilities comprise the following:

- fixed fees (including substantially fixed fees), less potential benefits in connection with the signing of the lease that are to be obtained,
- variable leasing fees that depend on an index or a price, are initially valued with the help of the index or price at the opening date,
- amounts that are expected to be paid by the Group according to residual value guarantees,
- the redemption price for an option to buy if the Group is reasonably certain to use such a possibility and
- punitive fees that are payable upon cancellation of the lease if the leasing period reflects that the Group will utilise a possibility to cancel the lease.

Leasing liabilities are recognised in subsequent periods by the liability increasing to reflect the effect of interest and being reduced to reflect the effect of paid leasing fees. Leasing liabilities are revalued with a corresponding adjustment of ROU assets according to the rules that are found in the standard, although no such adjustments were made during the current period. The ROU asset is initially recognised at the value of the leasing liability plus leasing fees paid on or before the commencement date for the lease and initial direct fees. The ROU asset is recognised in subsequent periods at cost less depreciation and impairment. In the event that the Group incurs obligations for the dismantling of a leased asset, restoration and renovation of an asset to a condition agreed in the contract, a provision for such obligations is recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Such provisions are included in the cost of the ROU asset as long as they are not linked to production of the good in inventory. ROU assets are also depreciated over their estimated useful life or, if shorter, over the agreed lease period. If a lease transfers the right of ownership at the end of the leasing period or if cost includes a probable exercise of a purchase option, the ROU asset is depreciated over the useful life. Depreciation begins at the start of the lease. The Group applies the principles in IAS 36 *Impairment of Assets* for impairment of ROU assets and recognises this in the way described in the principles for property, plant and equipment recognised as per IAS 16 *Property, Plant and Equipment*. Variable leasing fees which are not dependent on an index or price are not included in the valuation of leasing liabilities and ROU assets. Such leasing fees are recognised as an expense in the operating profit in the period in which they arise. IFRS 16 *Leases* contains a practical relief rule that entails that the lessee does not need to separate out service components from the leasing fee applicable per asset class. The Group applied the relief rule for all asset classes except for buildings (offices and warehouses).

ROU assets are presented together with property, plant and equipment in the summary consolidated balance sheet with specification in Note 6 *Property, plant and equipment, Group*. Leasing liabilities are presented together with non-current interest-bearing liabilities and current interest-bearing liabilities in the summary consolidated balance sheet with specification in Note 7 *Non-current and current interest-bearing liabilities, Group*. Recognition of depreciation of assets with ROU instead of leasing fees has a less positive impact on consolidated operating profit. Interest on leasing liabilities has a smaller negative impact on the Group's interest expenses. The cash flow statement reports the interest component in the leasing fee as cash flow from operating activities before changes in working capital. The other part, also the majority, of the leasing fee is recognised as repayment of leasing liabilities in cash flow from financing activities with a corresponding increase in cash flow from operating activities before changes in working capital.

The effect on the financial statements at the transition to IFRS 16 *Leases* on 1 January 2019 is presented in the year-end report's Note 10 *Effects on assets, liabilities and equity at the transition to IFRS 16 on 1 January 2019, Group*. Information is also provided on the difference between commitments under operating leases according to IAS 17 as at 31 December 2018 and initial application of leasing liabilities according to IFRS 16 discounted to the marginal borrowing rate at 1 January 2019 in the year-end report's Note 11 *Reconciliation of information on operating leases (IAS 17) and recognition of leasing liabilities (IFRS 16), Group*.

## Note 2 Significant estimates and assumptions

Preparing the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of the accounting principles and the reported amounts of assets, liabilities, income and expenses. The actual outcome may differ from these estimates and assumptions.

Estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the period in which the change is made if the revision only affects that period or within the period in which the revision is made and future periods if the revision affects both current and future periods.

In the third quarter of 2019, an assessment was made of the fair value of the assets and liabilities identified in relation to the acquisitions Eisblümerl Naturkost GmbH and Ekko Gourmet AB. In connection with the preparation of the acquisition analyses, brands with a definite useful life were valued at SEK 10 million, customer contracts at SEK 22 million, goodwill at SEK 76 million and deferred tax liabilities at SEK 10 million. In the fourth quarter of 2019, an assessment was made of the fair value of the assets and liabilities identified in relation to the acquired Alimentation Santé SAS. In connection with the preparation of the acquisition analysis, brands with an indefinite useful life were valued at SEK 111 million, customer relationships at SEK 54 million, goodwill at SEK 316 million and deferred tax liabilities at SEK 48 million. For a detailed account of the assessments made by management in the application of IFRS and that have a significant impact on the financial statements, as well as estimates made that could entail significant adjustments to subsequent financial statements, please refer to Note 34 Important estimates and assessments on page 144 of the 2018 Annual Report. No significant new estimates, assessment or assumptions have been added since the publication of the most recent annual report, with the exception of the estimates and assessments made when introducing the new accounting standard IFRS 16 Leases effective from 1 January 2019 and the assessments made of the fair value of assets and liabilities identified for implemented acquisitions in 2019.

## Note 3 Operating segments, Group

| SEK million | Sweden | | Norway | | Finland | | Denmark | | Germany | | South Europe | | Group functions | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **October-December** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| Net sales, external | 268 | 296 | 107 | 132 | 54 | 59 | 107 | 102 | 200 | 166 | 89 | - | - | - | **825** | **755** |
| Net sales, intra-Group | 29 | 30 | 1 | 0 | 0 | - | 35 | 32 | 7 | 1 | - | - | -72 | -63 | - | - |
| **Net sales** | **297** | **326** | **108** | **132** | **54** | **59** | **142** | **134** | **207** | **167** | **89** | **-** | **-72** | **-63** | **825** | **755** |
| Operating expenses (excluding depreciation/amortisation and impairment), external | -239 | -273 | -81 | -100 | -23 | -29 | -118 | -125 | -186 | -153 | -73 | - | -19 | -16 | **-739** | -696 |
| Operating expenses, intra-Group | -24 | -20 | -13 | -17 | -26 | -24 | -13 | -5 | -2 | -2 | -1 | - | 79 | 68 | - | - |
| **Operating expenses (excluding depreciation/amortisation and impairment)** | **-263** | **-293** | **-94** | **-117** | **-49** | **-53** | **-131** | **-130** | **-188** | **-155** | **-74** | **-** | **60** | **52** | **-739** | **-696** |
| **EBITDA** | **34** | **33** | **14** | **15** | **5** | **6** | **11** | **4** | **19** | **12** | **15** | **-** | **-12** | **-11** | **86** | **59** |
| Depreciation/amortisation and impairment | -4 | -2 | -3 | -1 | 0 | 0 | -3 | -1 | -12 | -3 | -4 | - | -8 | -6 | **-34** | -13 |
| **Operating profit/loss** | **30** | **31** | **11** | **14** | **5** | **6** | **8** | **3** | **7** | **9** | **11** | **-** | **-20** | **-17** | **52** | **46** |
| Financial items | | | | | | | | | | | | | | | **-10** | -2 |
| **Profit/loss before tax** | | | | | | | | | | | | | | | **42** | **44** |
| *Significant income and expense items reported in the income statement:* | | | | | | | | | | | | | | | | |
| Items affecting comparability | -1 | - | 1 | - | - | - | 0 | - | -8 | - | - | - | 3 | - | -5 | - |
| **EBITDA, before items affecting comparability** | **33** | **33** | **15** | **15** | **5** | **6** | **11** | **4** | **11** | **12** | **15** | **-** | **-9** | **-11** | **81** | **59** |

| SEK million | Sweden | | Norway | | Finland | | Denmark | | Germany | | South Europe | | Group functions | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **January-December** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018[1]** | **2019[2]** | **2018** | **2019** | **2018** | **2019** | **2018** |
| Net sales, external | 1,099 | 1,173 | 501 | 599 | 236 | 225 | 425 | 430 | 731 | 425 | 89 | - | - | - | **3,081** | **2,852** |
| Net sales, intra-Group | 156 | 142 | 2 | 2 | 0 | - | 140 | 124 | 14 | 1 | - | - | -312 | -269 | - | - |
| **Net sales** | **1,255** | **1,315** | **503** | **601** | **236** | **225** | **565** | **554** | **745** | **426** | **89** | **-** | **-312** | **-269** | **3,081** | **2,852** |
| Operating expenses (excluding depreciation/amortisation and impairment), external | -1,053 | -1,091 | -370 | -464 | -93 | -93 | -457 | -515 | -668 | -391 | -73 | - | -83 | -68 | **-2,797** | -2,622 |
| Operating expenses, intra-Group | -89 | -80 | -78 | -73 | -114 | -106 | -47 | -26 | -9 | -2 | -1 | - | 338 | 287 | - | - |
| **Operating expenses (excluding depreciation/amortisation and impairment)** | **-1,142** | **-1,171** | **-448** | **-537** | **-207** | **-199** | **-504** | **-541** | **-677** | **-393** | **-74** | **-** | **255** | **219** | **-2,797** | **-2,622** |
| **EBITDA** | **113** | **144** | **55** | **64** | **29** | **26** | **61** | **13** | **68** | **33** | **15** | **-** | **-57** | **-50** | **284** | **230** |
| Depreciation/amortisation and impairment | -16 | -9 | -12 | -5 | -2 | -1 | -12 | -6 | -43 | -11 | -4 | - | -25 | -20 | **-114** | -52 |
| **Operating profit/loss** | **97** | **135** | **43** | **59** | **27** | **25** | **49** | **7** | **25** | **22** | **11** | **-** | **-82** | **-70** | **170** | **178** |
| Financial items | | | | | | | | | | | | | | | **-54** | -15 |
| **Profit/loss before tax** | | | | | | | | | | | | | | | **116** | **163** |
| *Significant income and expense items reported in the income statement:* | | | | | | | | | | | | | | | | |
| Items affecting comparability | 12 | -1 | 1 | 3 | - | - | -27 | - | -7 | - | - | - | 27 | 9 | 6 | 11 |
| **EBITDA, before items affecting comparability** | **125** | **143** | **56** | **67** | **29** | **26** | **34** | **13** | **61** | **33** | **15** | **-** | **-30** | **-41** | **290** | **241** |

[1] Pertains to the period May-December.
[2] Pertains to the period October-December.

Happy Bio launched ten different organic flours during the quarter.

## Note 4 Breakdown of income, Group

| SEK million | Sweden | | Norway | | Finland | | Denmark | | Germany | | South Europe | | Group functions | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **October-December** | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| *Geographical areas*[1] | | | | | | | | | | | | | | | | |
| Sweden | 260 | 288 | 1 | 0 | - | - | 21 | 18 | 0 | 1 | - | - | -21 | -16 | 261 | 291 |
| Norway | 11 | 15 | 107 | 132 | - | - | 3 | 2 | 0 | 0 | - | - | -12 | -16 | 109 | 133 |
| Finland | 12 | 10 | - | - | 54 | 59 | 12 | 14 | - | 0 | - | - | -25 | -24 | 53 | 59 |
| Denmark | 6 | 7 | 0 | - | - | - | 90 | 81 | 6 | 1 | - | - | -11 | -5 | 91 | 84 |
| Germany | - | - | - | - | - | - | 2 | 4 | 168 | 141 | - | - | -2 | 0 | 168 | 145 |
| France[2] | - | - | - | - | - | - | 1 | 0 | 4 | 4 | 54 | - | 0 | 0 | 59 | 4 |
| Spain[2] | 0 | - | - | - | - | - | 3 | 2 | 2 | 0 | 35 | - | -1 | 0 | 39 | 2 |
| Rest of Europe | 7 | 6 | - | - | - | - | 10 | 13 | 25 | 19 | - | - | - | -2 | 42 | 36 |
| Other countries | 1 | 0 | - | - | - | - | 0 | 0 | 2 | 1 | - | - | - | - | 3 | 1 |
| **Net sales** | **297** | **326** | **108** | **132** | **54** | **59** | **142** | **134** | **207** | **167** | **89** | **-** | **-72** | **-63** | **825** | **755** |
| | | | | | | | | | | | | | | | | |
| *Sales channel* | | | | | | | | | | | | | | | | |
| Pharmacies | 41 | 42 | 18 | 20 | 8 | 7 | 2 | 2 | - | - | - | - | - | - | 69 | 71 |
| FMCG retail | 157 | 165 | 54 | 75 | 41 | 46 | 71 | 63 | 81 | 68 | - | - | - | - | 404 | 417 |
| e-trade/post order | 30 | 44 | 0 | 1 | 0 | 1 | 6 | 7 | 2 | 0 | - | - | - | - | 38 | 53 |
| Food Service | 15 | 14 | - | - | 1 | - | 6 | 5 | 58 | 51 | - | - | - | - | 80 | 70 |
| Healthfood retailers | 15 | 19 | 20 | 22 | 5 | 5 | 4 | 14 | 56 | 41 | - | - | - | - | 100 | 101 |
| Other specialist retailers | 1 | 6 | 7 | 10 | - | - | 5 | 4 | 6 | 6 | - | - | - | - | 19 | 26 |
| Others[3] | 9 | 6 | 8 | 4 | -1 | 0 | 13 | 7 | -3 | 0 | 89 | - | - | - | 115 | 17 |
| Group-internal sales | 29 | 30 | 1 | 0 | - | - | 35 | 32 | 7 | 1 | - | - | -72 | -63 | - | - |
| **Net sales** | **297** | **326** | **108** | **132** | **54** | **59** | **142** | **134** | **207** | **167** | **89** | **-** | **-72** | **-63** | **825** | **755** |

[1]Income from external customers is attributable to individual geographical areas according to the country in which the customer is domiciled.
[2] Net sales per geographic area for the South Europe business area are unfortunately unavailable at the time of reporting whereby it is allocated to the country where the company is domiciled.
[3] Unfortunately, net sales per sales channel for the South Europe business area are not available at the time of reporting, and they are therefore allocated to Others.

| SEK million | Sweden | | Norway | | Finland | | Denmark | | Germany | | South Europe | | Group functions | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **January-December** | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| *Geographical areas*[1] | | | | | | | | | | | | | | | | |
| Sweden | 1,069 | 1,142 | 2 | 2 | - | - | 80 | 76 | 1 | 1 | - | - | -77 | -70 | 1,075 | 1,151 |
| Norway | 67 | 64 | 501 | 599 | - | - | 10 | 12 | 0 | 0 | - | - | -73 | -69 | 505 | 606 |
| Finland | 61 | 55 | - | - | 236 | 225 | 53 | 52 | - | 0 | - | - | -112 | -105 | 238 | 227 |
| Denmark | 29 | 26 | 0 | - | - | - | 358 | 341 | 15 | 2 | - | - | -41 | -23 | 361 | 346 |
| Germany | - | 0 | - | - | - | - | 8 | 15 | 620 | 364 | - | - | -8 | 0 | 620 | 379 |
| France[2] | - | - | - | - | - | - | 2 | 1 | 16 | 9 | 54 | - | 0 | | 72 | 10 |
| Spain[2] | 0 | - | - | - | - | - | 11 | 6 | 5 | 1 | 35 | - | -1 | | 50 | 7 |
| Rest of Europe | 27 | 25 | - | - | - | - | 42 | 49 | 85 | 48 | - | - | - | -2 | 154 | 120 |
| Other countries | 2 | 3 | - | - | - | - | 1 | 2 | 3 | 1 | - | - | - | - | 6 | 6 |
| **Net sales** | **1,255** | **1,315** | **503** | **601** | **236** | **225** | **565** | **554** | **745** | **426** | **89** | **-** | **-312** | **-269** | **3,081** | **2,852** |
| | | | | | | | | | | | | | | | | |
| *Sales channel* | | | | | | | | | | | | | | | | |
| Pharmacies | 181 | 176 | 90 | 90 | 34 | 29 | 17 | 12 | - | - | - | - | - | - | 322 | 307 |
| FMCG retail | 641 | 722 | 265 | 345 | 178 | 171 | 260 | 264 | 292 | 173 | - | - | - | - | 1,636 | 1,675 |
| e-trade/post order | 113 | 90 | 3 | 9 | 3 | 5 | 29 | 29 | 6 | 2 | - | - | - | - | 154 | 135 |
| Food Service | 56 | 44 | - | - | 4 | - | 20 | 17 | 220 | 134 | - | - | - | - | 300 | 195 |
| Healthfood retailers | 64 | 81 | 85 | 92 | 17 | 18 | 22 | 75 | 194 | 101 | - | - | - | - | 382 | 367 |
| Other specialist retailers | 5 | 18 | 40 | 47 | - | - | 22 | 16 | 21 | 14 | - | - | - | - | 88 | 95 |
| Others[3] | 39 | 42 | 18 | 16 | 0 | 2 | 55 | 17 | -2 | 1 | 89 | - | - | - | 199 | 78 |
| Group-internal sales | 156 | 142 | 2 | 2 | 0 | - | 140 | 124 | 14 | 1 | - | - | -312 | -269 | - | - |
| **Net sales** | **1,255** | **1,315** | **503** | **601** | **236** | **225** | **565** | **554** | **745** | **426** | **89** | **-** | **-312** | **-269** | **3,081** | **2,852** |

[1]Income from external customers is attributable to individual geographical areas according to the country in which the customer is domiciled.
[2] Net sales per geographic area for the South Europe business area are unfortunately unavailable at the time of reporting whereby it is allocated to the country where the company is domiciled.
[3] Unfortunately, net sales per sales channel for the South Europe business area are not available at the time of reporting, and they are therefore allocated to Others.

## Note 5 Intangible assets, Group

| SEK million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Brands | 1,081 | 974 |
| Goodwill | 1,810 | 1,408 |
| Other intangible fixed assets | 167 | 84 |
| **Total** | **3,058** | **2,466** |

## Note 6 Property, plant and equipment, Group

| SEK million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Owned assets | 358 | 232 |
| ROU assets | 227 | 22 |
| **Total** | **585** | **254** |

## Note 7 Non-current and current interest-bearing liabilities, Group

| SEK million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| *Non-current interest-bearing liabilities* | | |
| Bank loans | 1,203 | 1,107 |
| Lease liabilities | 179 | 17 |
| **Total** | **1,382** | **1,124** |
| | | |
| *Current interest-bearing liabilities* | | |
| Bank loans | 97 | 88 |
| Lease liabilities | 47 | 5 |
| **Total** | **144** | **93** |
| **Total** | **1,526** | **1,217** |

## Note 8 Fair value and reported in the balance sheet, Group

| SEK million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| **Liabilities** | | |
| *Financial instruments measured at fair value via the income statement* | | |
| Currency option | 1 | - |
| Interest-rate swaps | 0 | 1 |
| Conditional purchase considerations | 79 | 46 |
| **Total** | **80** | **47** |
| *Financial instruments not measured at fair value* | | |
| Other non-current liabilities | 16 | 36 |
| Other current liabilities | 85 | 33 |
| **Total** | **101** | **69** |
| **Total liabilities and provisions** | **181** | **116** |

The Group holds financial instruments in the form of both interest rate swaps and currency options that are recorded at fair value in the balance sheet. For all contracts, fair value has been determined based directly or indirectly on observable market data, that is, level 2 in accordance with IFRS 13. The Group also holds supplementary purchase considerations, which are measured at fair value. Fair value has been determined using a valuation model where future cash flows have been discounted considering probability-determined outcomes.

The valuation is at level 3 according to IFRS 13. Liabilities at fair value are recognised as other long-term liabilities and other current liabilities. In all material respects, the fair value of other financial instruments is consistent with their book value. For further information, refer to Note 33 Valuation of financial assets and liabilities at fair value and the category breakdown in the 2018 annual report, pages 113-114.

## Note 9 Pledged assets and contingent liabilities, Group

| SEK million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| **Pledged assets** | | |
| Blocked bank balances | 2 | - |
| Net assets in subsidiaries | 1,941 | 1,929 |
| Others | 245 | 202 |
| **Total** | **2,188** | **2,131** |
| | | |
| **Contingent liabilities** | | |
| Guarantees | 10 | 10 |
| **Total** | **10** | **10** |

## Note 10 Effects on assets, liabilities and equity at the transition to IFRS 16 on 1 January 2019, Group

| SEK million | Recognised balance-sheet items 1 Jan 2019 | Re-calculation to IFRS 16 | Restated balance-sheet items 1 Jan 2019 |
|---|---|---|---|
| Intangible assets | 2,466 | - | 2,466 |
| Tangible assets | 254 | 196 | 450 |
| Non-current receivables | 4 | - | 4 |
| Deferred tax assets | 74 | 1 | 75 |
| **Fixed assets** | **2,798** | **197** | **2,995** |
| Inventories | 482 | - | 482 |
| Accounts receivable | 259 | - | 259 |
| Tax receivables | 4 | - | 4 |
| Other receivables | 22 | - | 22 |
| Prepaid expenses and accrued income | 33 | -4 | 29 |
| Cash and cash equivalents | 101 | - | 101 |
| **Current assets** | **901** | **-4** | **897** |
| **Assets** | **3,699** | **193** | **3,892** |
| | | | |
| Share capital | 230 | - | 230 |
| Additional paid-up capital | 629 | - | 629 |
| Reserves | 24 | - | 24 |
| Profit brought forward, including profit for the period | 747 | -4 | 743 |
| **Shareholders' equity** | **1,630** | **-4** | **1,626** |
| Non-current interest-bearing liabilities | 1,124 | 159 | 1,283 |
| Other non-current liabilities | 83 | - | 83 |
| Deferred tax liabilities | 271 | - | 271 |
| **Non-current liabilities** | **1,478** | **159** | **1,637** |
| Current interest-bearing liabilities | 93 | 38 | 131 |
| Accounts payable | 357 | - | 357 |
| Other current liabilities | 33 | - | 33 |
| Accrued expenses and deferred income | 108 | - | 108 |
| **Current liabilities** | **591** | **38** | **629** |
| **Liabilities** | **2,069** | **197** | **2,266** |
| **Shareholders' equity and liabilities** | **3,699** | **193** | **3,892** |

## Note 11 Reconciliation of information on operating leases (IAS 17) and recognition of leasing liabilities (IFRS 16), Group

| SEK million | 1 Jan 2019 |
|---|---|
| Obligation for operating leases, 31 Dec. 2018 | 219 |
| Leases with a short duration and of lesser value (deducted as they are expensed) | -8 |
| Effects of adjustment for variable leasing components | -2 |
| Discount effect | -12 |
| **Obligation for operating leases discounted at the marginal loan rate** | **197** |
| Financial leasing liabilities, 31 December 2018 | 22 |
| **Recognised leasing liabilities, opening balance sheet, 1 January 2019** | **219** |

## Note 12 Business acquisitions

### Eisblümerl Naturkost GmbH

On 4 July, all shares in the German company Eisblümerl Naturkost GmbH were acquired, with offices, warehousing and production facilities in Lauterhofen, Bavaria, Germany. The total purchase consideration amounted to SEK 120 million (EUR 11.3 million), where SEK 83 million (EUR 7.8 million) was paid in cash at takeover and SEK 37 million (EUR 3.5 million) constituted conditional purchase considerations, which may be triggered based on earnings targets up to December 2021 and its fair value is based on an assessment of the likelihood of achieving the set targets. The acquisition was financed in its entirety with a new acquisition loan of SEK 85 million (EUR 8.0 million). Through the acquisition, Midsona gains access to the Eisblümerl brand and a property with a modern integrated value chain with its own production.

Eisblümerl has a strong position in the German market for organic spreads and offers products under both its own brand and as private label (contract manufacture). Net sales amounted to SEK 90 million (EUR 8.8 million) and EBITDA to SEK 17 million (EUR 1.7 million) in 2018. The customers are primarily in FMCG retail and healthfood retail. The majority of sales are made to customers in the German market. The acquisition is expected to create synergies totalling around SEK 5 million on an annualised basis beginning in 2020 through income and expense synergies. At the time of acquisition, the company had 36 full-time employees.

The acquired operations were consolidated into the Midsona Group effective from 4 July 2019, and are included in the Germany business area, which is reported as the Germany operating segment in segment reporting. From the acquisition date until 31 December 2019, the acquired operations contributed SEK 43 million to consolidated net sales and SEK 3 million to consolidated EBITDA. If the acquisition had occurred on 1 January 2019, estimated consolidated net sales for the period January-December 2019 would have been SEK 3,133 million and EBITDA SEK 293 million.

| The acquired company's net assets on the acquisition date, SEK million | Fair value |
|---|---|
| Intangible assets | 31 |
| Tangible assets | 27 |
| Inventories | 9 |
| Accounts receivable | 8 |
| Prepaid expenses and accrued income | 0 |
| Cash and cash equivalents | 12 |
| Deferred tax liabilities | -10 |
| Non-current interest-bearing liabilities | -9 |
| Current interest-bearing liabilities | -2 |
| Accounts payable | -3 |
| Other current liabilities | -4 |
| Accrued expenses and deferred income | -6 |
| **Total** | **53** |
| Consolidated goodwill | 67 |
| **Total** | **120** |

| Transferred consideration, SEK million | Fair value |
|---|---|
| Cash on transfer of control | 83 |
| Conditional additional purchase considerations entered as liability | 37 |
| **Total** | **120** |

The fair value of identified assets and liabilities of SEK 88 million (EUR 8.3 million) was allocated to brands at SEK 9 million (EUR 0.8 million), customer contracts at SEK 22 million (EUR 2.1 million) and deferred tax liability related to identified intangible assets at SEK 10 million (EUR 0.9 million). The remaining SEK 67 million (EUR 6.3 million) constitutes consolidated goodwill. The brand was assessed to have a useful life of 10 years while customer contracts were assessed to have a useful life of eight years. The goodwill recognised is not expected to be tax deductible. It corresponds to the acquired company's market position in the German market and production capacity for organic spreads, the expertise and experience in the industry of its personnel, as well as expected income and expenditure synergies. The fair value of accounts receivable amounted to SEK 8 million (EUR 0.8 million) and was, in its entirety, fully settled at the end of the period.

Acquisition-related expenses amounted to SEK 1 million (EUR 0.1 million) and was reported as other operating expenses in the period's earnings for the third quarter of 2019. The integration of the acquired business began in the third quarter and is estimated to be completed in 2020. Some integration costs were charged to earnings in the fourth quarter.

The acquisition analysis that has been prepared is preliminary.

**Ekko Gourmet AB**

On 12 July, all shares were acquired in the Swedish company Ekko Gourmet AB with offices in Malmö. The total purchase consideration amounted to SEK 9 million, where SEK 6 million was paid in cash at takeover and SEK 3 million constituted conditional purchase considerations, which may be triggered based on earnings targets up to December 2021 and its fair value is based on an assessment of the likelihood of achieving the set targets. Through the acquisition, Midsona gains access to the brand Ekko Gourmet.

Ekko Gourmet has a strong position in the Swedish market in the niche for organic frozen meal products, which are both began and gluten-free. The company's products had sales of around SEK 10 million in 2018. The customers are primarily located in the Swedish FMCG retail trade. The acquisition is expected to generate synergies, mainly through greater distribution of the Ekko Gourmet brand. At the time of acquisition, the company had one employee.

The acquired operations were consolidated into the Midsona Group effective from 12 July 2019, and are included in the Sweden business area, which is reported as the Sweden operating segment in segment reporting.

| The acquired company's net assets on the acquisition date, SEK million | Fair value |
|---|---|
| Intangible assets | 1 |
| Financial assets | 0 |
| Accounts receivable | 0 |
| Deferred tax liabilities | 0 |
| Current interest-bearing liabilities | 0 |
| Accounts payable | 0 |
| Other current liabilities | -1 |
| **Total** | **0** |
| Consolidated goodwill | 9 |
| **Total** | **9** |

| Transferred consideration, SEK million | Fair value |
|---|---|
| Cash on transfer of control | 6 |
| Conditional additional purchase considerations entered as liability | 3 |
| **Total** | **9** |

The fair value of identified assets and liabilities of SEK 10 million was allocated to brands at SEK 1 million and deferred tax liability of SEK 0 million related to identified intangible assets. The remaining SEK 9 million represents goodwill. Brands are estimated to have a useful life of 10 years. The goodwill recognised is not expected to be tax deductible. It corresponds to the acquired company's market position in the Swedish market for the niche of organic frozen food products, the expertise and experience in the industry of its personnel, as well as expected income and expenditure synergies. The fair value of accounts receivable amounted to SEK 0 million and was, in its entirety, fully settled at the end of the period.

Acquisition-related expenses amounted to SEK 0 million and were reported as other operating expenses in the period's earnings for the third quarter of 2019. The integration of the acquired business began in the third quarter and was completed in the fourth quarter. It did not entail any restructuring expenses.

The acquisition analysis that has been prepared is preliminary.

**Alimentation Santé SAS**

On 1 October, all shares were acquired in the French company Alimentation Santé SAS with its head office in Lyon, France. The company has three wholly owned subsidiaries, one French and two Spanish, with their operations in Saint Germain Laprade (France), Castellcir (Spain) and Jerez de la Frontera (Spain). The acquisition constitutes a strategically important platform for the continued European expansion. The total purchase consideration for the shares amounted to SEK 224 million (EUR 20.9 million). A shareholder loan of SEK 411 million (EUR 38.5 million) was also repaid at the time of the transaction. The total consideration transferred to the seller accordingly amounted to SEK 635 million (EUR 59.4 million). The acquisition was initially financed with a bridge financing of SEK 625 million, which was repaid in November after receiving proceeds for the implemented new share issue.

Alimentation Santé has a strong position in organic and plant-based food in France and Spain. The company offers a large range of organic grain products and organic vegetable protein products under both its own brand and as private label (contract manufacture). Net sales amounted to SEK 335 million (EUR 32.7 million) and EBITDA to SEK 29 million (EUR 2.9 million) in 2018. EBITDA, before items affecting comparability, was SEK 45 million (EUR 4.4 million) for 2018. The customers are primarily in FMCG retail and healthfood retail. The majority of sales are made to customers in the French and Spanish market. The acquisition is expected to create synergies of around SEK 21 million (EUR 2.0 million) on an annualised basis with full effect in 2021 through income and expense synergies. At the acquisition date, Alimentation Santé had 155 full-time employees, of whom 70 were in France and 85 in Spain.

The acquired business is consolidated in the Midsona Group from 1 October 2019 and will constitute its own geographic business area, South Europe. From the acquisition date until 31 December 2019, the acquired operations contributed SEK 89 million to consolidated net sales and SEK 15 million to consolidated EBITDA. If the acquisition had occurred on 1 January 2019, estimated consolidated net sales for the period January-December 2019 would have been SEK 3,357 million and EBITDA SEK 308 million.

| The acquired company's net assets on the acquisition date, SEK million | Fair value |
|---|---|
| Intangible assets | 166 |
| Tangible assets | 128 |
| Deferred tax assets | 2 |
| Inventories | 64 |
| Accounts receivable | 48 |
| Other receivables | 2 |
| Prepaid expenses and accrued income | 1 |
| Cash and cash equivalents | 53 |
| Non-current interest-bearing liabilities | -26 |
| Other non-current liabilities | -13 |
| Deferred tax liabilities | -54 |
| Current interest-bearing liabilities | -5 |
| Accounts payable | -25 |
| Other current liabilities | -4 |
| Accrued expenses and deferred income | -18 |
| **Total** | **319** |
| Consolidated goodwill | 316 |
| **Total** | **635** |

| Transferred consideration, SEK million | Fair value |
|---|---|
| Cash on transfer of control | 224 |
| Shareholder loan repayment | 411 |
| **Total** | **635** |

The fair value of identified assets and liabilities of SEK 433 million was allocated to brands at SEK 111 million (EUR 10.4 million), customer relationships at SEK 54 million (EUR 5.0 million), deferred tax liabilities at SEK 48 million (EUR 4.5 million) and goodwill at SEK 316 million (EUR 29.6 million), after reduction of existing surplus values in Alimentation Santé. Brands valued at SEK 111 million (EUR 10.4 million) are estimated to have an indefinite useful life and are not amortised but tested for impairment. They belong to the category of strategic "power brands" upon establishment in new geographic markets in Southern Europe. Customer relationships valued at SEK 54 million (EUR 5.0 million) are estimated to have a useful life of 8 years. The goodwill recognised is not expected to be tax deductible. It corresponds to the acquired company's market position in the French and Spanish market for the organic grain products and organic vegetable protein products, the expertise and experience in the industry of its personnel, as well as expected future income and expenditure synergies. The fair value of accounts receivable amounted to SEK 48 million (EUR 4.5 million) and was essentially fully settled at the end of the period.

Acquisition-related expenses amounted to SEK 13 million (EUR 1.2 million) and was reported as other operating expenses in the period's earnings for the fourth quarter of 2019. The integration of the acquired operations was initiated during the period and is not expected to entail any significant restructuring expenses.

The acquisition analysis that has been prepared is preliminary.

# Definitions

Midsona presents certain financial measures in the Year-end report that are not defined under IFRS. Midsona considers these measures to provide useful supplemental information to investors and the company's management as they facilitate the evaluation of the company's performance. Because not all companies calculate financial measures in the same way, these are not always comparable to the measures used by other companies. Accordingly, these financial measures should not be considered a substitute for measurements as defined under IFRS. In the 2019 year-end report, the presentation was expanded by a financial measurement, EBITDA, before items affecting comparability adjusted for IFRS 16 effects. The purpose of the new measurement is presented in italics.

**EBITDA, before items affecting comparability adjusted for IFRS 16 effects**
Operating profit before depreciation/amortisation and impairment of property plant and equipment and intangible assets adjusted for leasing fees on ROU assets as a result of the introduction of IFRS 16. *EBITDA before items affecting comparability adjusted for IFRS 16 effects is a relevant results measurement with the aim of improving comparability to assess earnings development with the comparison year to show what the earnings would have been if IAS 17 still applied.* For the definition and purpose of other respective measures not defined under IFRS, please see pages 134-137 in the 2018 Annual Report. The following table presents reconciliations against IFRS.

## Reconciliation to IFRS

**EBITDA – operating profit before amortisation/depreciation and impairment of tangible and intangible fixed assets[1]**

| SEK million | Oct–Dec 2019 | Oct–Dec 2018 | Full year 2019 | Full year 2018 |
|---|---|---|---|---|
| **Operating profit/loss** | **52** | **46** | **170** | **178** |
| Amortisation of intangible assets | 12 | 8 | 36 | 31 |
| Depreciation of tangible assets | 22 | 5 | 78 | 21 |
| **EBITDA** | **86** | **59** | **284** | **230** |
| Item affecting comparability [2,3] | -5 | - | 6 | 11 |
| **EBITDA, before items affecting comparability** | **81** | **59** | **290** | **241** |
| Net sales | 825 | 755 | 3,081 | 2,852 |
| **EBITDA-margin, before items affecting comparability** | **9.8%** | **7.8%** | **9.4%** | **8.5%** |

[1] There were no impairments on tangible fixed assets and intangible fixed assets included in operating income for each period.

[2] Specification of items affecting comparability.

| SEK million | Oct–Dec 2019 | Oct–Dec 2018 | Full year 2019 | Full year 2018 |
|---|---|---|---|---|
| Restructuring expenses, net | 2 | - | 15 | 2 |
| Reversal of purchase consideration for previous years' acquisitions recognised as a liability | -20 | - | -26 | -1 |
| Acquisition-related expenses | 13 | - | 17 | 10 |
| **Total** | **-5** | **-** | **6** | **11** |

[3] Corresponding line in the consolidated income statement.

| SEK million | Oct–Dec 2019 | Oct–Dec 2018 | Full year 2019 | Full year 2018 |
|---|---|---|---|---|
| Expenses for goods sold | - | - | 7 | 2 |
| Selling expenses | 2 | - | 5 | -1 |
| Administrative expenses | 0 | - | 2 | 1 |
| Other operating income | -20 | - | -26 | -1 |
| Other operating expenses | 13 | - | 18 | 10 |
| **Total** | **-5** | **-** | **6** | **11** |

**Adjusted EBITDA – EBITDA, rolling 12 months pro forma, excluding acquisition-related restructuring and transaction expenses**

| SEK million | Full year 2019 | Full year 2018 |
|---|---|---|
| **EBITDA** | **284** | **230** |
| Acquisition-related restructuring expenses | - | 1 |
| Acquisition-related transaction expenses | -11 | 9 |
| Pro forma adjustment | 32 | 14 |
| **Adjusted EBITDA** | **305** | **254** |

**Net debt – interest-bearing provisions and interest-bearing liabilities less cash and cash equivalents, including short-term investments**

| SEK million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Non-current interest-bearing liabilities | 1,382 | 1,124 |
| Current interest-bearing liabilities | 144 | 93 |
| Cash and cash equivalents [1] | -173 | -101 |
| **Net liabilities** | **1,353** | **1,116** |

[1] There were no short-term investments equivalent to cash and cash equivalents at the end of the respective period.

**Average capital employed – total equity and liabilities less interest-bearing liabilities and deferred tax liabilities at the end of the period plus total shareholders' equity and liabilities less interest-bearing liabilities and deferred tax liability at the beginning of the period divided by 2**

| SEK million | Oct–Dec 2019 | Oct–Dec 2018 | Full year 2019 | Full year 2018 |
|---|---|---|---|---|
| **Shareholders' equity and liabilities** | 4,780 | 3,699 | 4,780 | 3,699 |
| Other non-current liabilities | -92 | -83 | -92 | -83 |
| Deferred tax liabilities | -321 | -271 | -321 | -271 |
| Accounts payable | -288 | -357 | -288 | -357 |
| Other current liabilities | -91 | -33 | -91 | -33 |
| Accrued expenses and deferred income | -140 | -108 | -140 | -108 |
| **Capital employed** | 3,848 | 2,847 | 3,848 | 2,847 |
| Capital employed at the beginning of the period | 3,252 | 2,877 | 2,847 | 2,256 |
| **Average capital employed** | 3,550 | 2,862 | 3,348 | 2,552 |

**Return on capital employed – Profit before tax plus financial expenses in relation to average capital employed**

| SEK million | Full year 2019 | Full year 2018 |
|---|---|---|
| **Profit/loss before tax** | 116 | 163 |
| Financial expenses | 54 | 31 |
| **Profit before taxes, excluding financial expenses** | 170 | 194 |
| Average capital employed | 3,348 | 2,552 |
| **Return on capital employed, %** | 5.1 | 7.6 |

**Average shareholder's equity – total shareholder's equity at the end of the period plus total shareholder's equity at the beginning of the period divided by 2**

| SEK million | Oct–Dec 2019 | Oct–Dec 2018 | Full year 2019 | Full year 2018 |
|---|---|---|---|---|
| **Shareholders' equity** | 2,322 | 1,630 | 2,322 | 1,630 |
| Shareholders' equity at the beginning of the period | 1,717 | 1,637 | 1,630 | 1,550 |
| **Average shareholder's equity** | 2,020 | 1,634 | 1,976 | 1,590 |

**Return on equity – profit for the period in relation to average shareholders' equity**

| SEK million | Full year 2019 | Full year 2018 |
|---|---|---|
| **Profit for the period** | 97 | 129 |
| Average shareholder's equity | 1,976 | 1,590 |
| **Return on equity, %** | 4.9 | 8.1 |

**Free cash flow – cash flow from operating activities less cash flow from investing activities, excluding acquisitions/sales of operations, acquisitions/sales of trademarks and product rights, as well as expansion investments**

| SEK million | Oct–Dec 2019 | Oct–Dec 2018 | Full year 2019 | Full year 2018 |
|---|---|---|---|---|
| **Cash flow from operating activities** | 117 | 58 | 198 | 212 |
| Cash flow from investing activities | -606 | -16 | -712 | -357 |
| Acquisitions of companies or operations | 582 | - | 659 | 295 |
| Acquisition of joint venture | 8 | - | 8 | - |
| Expansion investment, new production line | 2 | 2 | 2 | 26 |
| **Free cash flow** | 103 | 44 | 155 | 176 |

**Organic change, net sales – Net change in sales between years adjusted for translation effects on consolidation and for changes in the Group structure**

| SEK million | Oct–Dec 2019 | Oct–Dec 2018 | Full year 2019 | Full year 2018 |
|---|---|---|---|---|
| **Net sales** | 825 | 755 | 3,081 | 2,852 |
| Net sales compared with the corresponding period in the preceding year | -755 | -571 | -2,852 | -2,146 |
| **Net sales, change** | 70 | 184 | 229 | 706 |
| Structural changes | -107 | -167 | -355 | -557 |
| Exchange rate changes | -11 | -25 | -48 | -85 |
| **Organic change** | -48 | -8 | -174 | 64 |
| Organic change | -6.4% | -1.4% | -6.1% | 3.0% |
| Structural changes | 14.2% | 29.2% | 12.4% | 26.0% |
| Exchange rate changes | 1.5% | 4.4% | 1.7% | 4.0% |

**EBITDA, before items affecting comparability and adjusted for the IFRS 16 effect. EBITDA before items affecting comparability adjusted for the effect of leasing fees on ROU assets as a result of the introduction of IFRS 16, i.e. as it would have looked if IAS 17 had still applied.**

| SEK million | Oct–Dec 2019 | Oct–Dec 2018 | Full year 2019 | Full year 2018 |
|---|---|---|---|---|
| **EBITDA, before items affecting comparability** | 81 | 59 | 290 | 241 |
| Leasing fees on ROU assets with application of IFRS 16 | -10 | - | -44 | - |
| **EBITDA, before items affecting comparability and adjusted for the IFRS 16 effect** | 71 | 59 | 246 | 241 |

Presented financial measurements are not restated retrospectively for IFRS 16 effects except for EBITDA before items affecting comparability adjusted for IFRS 16 effects. The introduction of IFRS 16 was deemed to have a minor impact on other key performance indicators which is why no restatement of them is presented.

# Quarterly data[1]

| SEK million | 2019 Q4 | 2019 Q3 | 2019 Q2 | 2019 Q1 | 2018 Q4 | 2018 Q3 | 2018 Q2 | 2018 Q1 | 2017 Q4 | 2017 Q3 | 2017 Q2 | 2017 Q1 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net sales** | **825** | **765** | **705** | **786** | **755** | **773** | **714** | **610** | **571** | **573** | **481** | **521** |
| Expenses for goods sold | -594 | -524 | -490 | -570 | -536 | -546 | -496 | -402 | -376 | -377 | -328 | -354 |
| **Gross profit** | **231** | **241** | **215** | **216** | **219** | **227** | 218 | **208** | **195** | **196** | **153** | **167** |
| Selling expenses | -129 | -122 | -123 | -131 | -119 | -125 | -119 | -110 | -102 | -109 | -88 | -94 |
| Administrative expenses | -64 | -56 | -59 | -61 | -52 | -56 | -56 | -48 | -42 | -62 | -39 | -36 |
| Other operating income | 30 | -1 | 7 | 1 | 1 | 3 | 2 | 1 | 1 | 0 | 1 | 1 |
| Other operating expenses | -16 | -5 | -1 | -3 | -3 | 2 | -11 | -4 | -2 | -4 | -1 | -1 |
| **Operating profit/loss** | **52** | **57** | **39** | **22** | **46** | **51** | **34** | **47** | **50** | **21** | **26** | **37** |
| Financial income | 0 | 0 | 0 | 0 | 6 | 0 | 4 | 6 | 0 | 0 | 0 | 0 |
| Financial expenses | -10 | -13 | -14 | -17 | -8 | -10 | -8 | -5 | -4 | -5 | -7 | -6 |
| **Profit/loss before tax** | **42** | **44** | **25** | **5** | **44** | **41** | **30** | **48** | **46** | **16** | **19** | **31** |
| Tax on profit for the period | -7 | -9 | -2 | -1 | -11 | -9 | -5 | -9 | -12 | -5 | -4 | -7 |
| **Profit for the period** | **35** | **35** | **23** | **4** | **33** | **32** | **25** | **39** | **34** | **11** | **15** | **24** |
| *Items affecting comparability* | | | | | | | | | | | | |
| Items affecting comparability included in operating profit | -5 | -8 | -6 | 25 | - | -1 | 12 | - | -1 | 22 | - | - |
| **Operating profit, before items affecting comparability** | **47** | **49** | **33** | **47** | **46** | **50** | **46** | **47** | **49** | **43** | **26** | **37** |
| *Depreciation/amortisation and impairment* | | | | | | | | | | | | |
| Depreciation/amortisation and impairment included in operating income | 34 | 28 | 26 | 26 | 13 | 18 | 11 | 10 | 10 | 9 | 8 | 8 |
| **EBITDA** | **86** | **85** | **65** | **48** | **59** | **69** | **45** | **57** | **60** | **30** | **34** | **45** |
| *Depreciation/amortisation, impairment and items affecting comparability* | | | | | | | | | | | | |
| Depreciation/amortisation, impairment and items affecting comparability included in operating profit | 29 | 20 | 20 | 51 | 13 | 17 | 23 | 10 | 9 | 31 | 8 | 8 |
| **EBITDA, before items affecting comparability** | **81** | **77** | **59** | **73** | **59** | **68** | **57** | **57** | **59** | **52** | **34** | **45** |
| Free cash flow | 103 | 19 | 75 | -42 | 44 | 96 | 40 | -4 | 49 | 17 | 29 | 30 |
| Number of employees as per the balance sheet date | 721 | 571 | 530 | 526 | 525 | 533 | 528 | 382 | 384 | 386 | 329 | 326 |

[1] The quarterly data for 2017-2018 have not been restated for effects in the income statement in connection with conversion to IFRS 16.

In France, Cenlat launched two different vegetarian mixes.

# Financial calendar

| JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|---|---|---|---|---|---|---|---|---|---|---|---|

*Interim Report January-March 2020 – 28 April 2020*

*Interim Report January-June 2020 – 21 July 2020*

*Interim Report January-September 2020 – 22 October 2020*


# This is Midsona

## Strong brands

Midsona is the leading consumer goods company in the Nordic region in health and well-being with proven products in the categories organic products, healthfoods and personal care products. In 2018, the Group took the first major step outside the Nordic region through a major business acquisition in Germany, which is the largest market for organic products in Europe. In 2019, Midsona established operations both in France, which is the second largest market for organic products in Europe, and in Spain through business acquisitions. Our attractive portfolio of well-known products is focused on helping people lead a healthier life. A growing proportion of the product portfolio has an organic profile. The business model is based on strong brands with good market positions, innovation and an effective marketing and distribution structure. Midsona series A and B share have been listed on the OMX Nasdaq Stockholm exchange since 1999, in the FMCG sector.

## Clear vision

Our vision is to become one of Europe's leading companies in health and well-being.

## Clear strategies

- *Leading brands in prioritised categories* – We work with strong proprietary brands together with a select number of licensed brands in our primary geographical markets of Sweden, Denmark, Norway, Finland, Germany, France and Spain. Our brands should be ranked in first or second position in their categories and should be available through appropriate sales channels, where we have the best knowledge and opportunities for strong growth.
- *Cost-effective value-chain* – We work continuously to adapt and streamline the organisation. We assess the product range from the perspective of profitability and in recent years, a large number of products have been removed that do not fit into the Group's strategy deemed not to meet the profitability requirements. To streamline operations, we have been working to outsource production to national or international suppliers. Existing suppliers are evaluated on an ongoing basis to ensure the best terms and quality. This provides cost-efficient production that can be adjusted to trends and demands, without compromising on quality.
- *Selective acquisitions* – Acquisitions are an integral and fundamental part of our business. We have played a major role in consolidating the market in the Nordic region. The strategy is now to apply corresponding concepts to the growing market in the rest of Europe outside the Nordic region. We have shown a very good ability to find the right acquisitions and integrate and develop businesses with good short- and long-term synergies.
- *Healthy and sustainable culture* – We offer products that help people achieve a healthier life and we seek to build on our strong position as the expert in health and well-being. Our brands and products play a fundamental role in those efforts. Working and acting sustainably through the entire value chain up to the consumer is becoming increasingly important and our customers and consumers set high standards on sustainable products. There is a strong relationship between their interest in organic products and sustainability. We presented our sustainability efforts in a Sustainability Report, included in the 2018 Annual Report on pages 53–73.

## Long-term financial targets

New long-term financial targets were set by the Board of Directors of Midsona AB (publ) in April 2019.

- Net sales growth of >15 percent through organic growth and acquisitions.
- EBITDA margin >12 percent.
- A ratio between net debt/EBITDA of a multiple of 3–4.
- A dividend over time of >30 percent of profit after tax.

The financial targets are a way for Group management to manage the Group, but also a tool for the financial market to clearly monitor the Group's development. The targets show how the Group develops in the long term, regardless of the economy and what phase the Group is in. In individual years, the fulfilment of certain targets can deviate.

This report is available in Swedish and English. In case of any discrepancies between the Swedish and English versions, the Swedish version is considered the official version.

# Eight priority brands

Our operations are based on our own strong brands. Eight of these play a very central role in the Group's growth and account for around 47 percent of net sales. These brands are Urtekram, Friggs, Dalblads, Naturdiet, Eskimo-3, Kung Markatta, Helios and Davert.


## Urtekram

A leading brand in organic food and organically certified body care products, with a broad product portfolio, available primarily through supermarkets in the Nordic region.


## Friggs

A broad health products brand with a distinct FMCG profile, mainly available in supermarkets in the Nordic region.


## Dalblads

A series of sports-related products for those who train regularly, as well as elite athletes – sold primarily in supermarkets and by other specialist retailers in Sweden and Norway.


## Naturdiet

A series of meal alternatives for a healthy lifestyle – sold mainly in supermarkets in Sweden, Finland and Norway. The products are full of vitamins and minerals that the body needs, but always have a low energy content.


## Kung Markatta

A leading brand in organic foods, with a broad product portfolio, available primarily through supermarkets in Sweden.


## Eskimo-3

A range of high-quality dietary supplements naturally rich in omega-3 fatty acids, which are sold primarily through specialist healthfood retailers and pharmacies in the Nordic region.


## Helios

A leading brand in organic food, with a product portfolio, available primarily through supermarkets and healthfood retailers in Norway.


## Davert

A leading brand in organic food, with a product portfolio, available primarily through supermarkets and healthfood retailers in Germany.

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