midsona

INTERIM REPORT JANUARY–JUNE 2019

Strong sales growth for prioritised brands

April–June 2019 (second quarter)

- Net sales amounted to SEK 705 million (714).
- Growth for prioritised brands amounted to 10.2 percent.
- Net sales for the concluded sales assignment Alpro amounted to SEK 2 million (64).
- EBITDA amounted to SEK 59 million (57) before items affecting comparability, corresponding to a margin of 8.4 percent (8.0).
- Profit for the period was SEK 23 million (25), corresponding to earnings per share of SEK 0.50 (0.55) before and after dilution.
- Free cash flow amounted to SEK 75 million (40).
- Long-term financial targets were revised and adopted for the Group by the Board of Directors of Midsona AB (publ).
- Midsona signed an agreement to establish a product company together with the food chain Paradiset.

January–June 2019 (six months)

- Net sales amounted to SEK 1,491 million (1,324).
- EBITDA amounted to SEK 132 million (114) before items affecting comparability, corresponding to a margin of 8.9 percent (8.6).
- Profit for the period was SEK 27 million (64), corresponding to earnings per share of SEK 0.58 (1.39) before and after dilution.
- Free cash flow amounted to SEK 33 million (36).

Significant events following the end of the report period.

- Midsona acquired Eisblümerl Naturkost GmbH, with a strong position in Germany within organic sandwich spreads, and Ekko Gourmet AB, a company in Sweden within organic frozen meal products.

Key figures, Group[1,2]

	April–June 2019	April–June 2018	Jan–June 2019	Jan–June 2018	Rolling 12-month	Full year 2018
Net sales growth, %	-1.3	48.4	12.6	32.1	22.3	32.9
Operating margin, before items affecting comparability, %	30.5	30.8	30.1	32.3	29.6	30.6
Gross margin, %	30.5	30.5	28.9	32.2	29.0	30.6
EBITDA-margin, before items affecting comparability, %	8.4	8.0	8.9	8.6	8.6	8.5
EBITDA margin, %	9.2	6.3	7.6	7.7	8.0	8.1
Operating margin, before items affecting comparability, %	4.7	6.4	5.4	7.0	5.8	6.6
Operating margin,%	5.5	4.8	4.1	6.1	5.2	6.2
Profit margin, %	3.5	4.2	2.0	5.9	3.8	5.7
Average capital employed, SEK million	3,052	2,594	2,940	2,556	2,945	2,552
Return on capital employed, %					5.6	7.6
Return on equity, %					5.6	8.1
Net debt, SEK million	1,327	1,192	1,327	1,192	1,327	1,116
Net debt/Adjusted EBITDA, multiple					5.7	4.4
Net debt/equity ratio, multiple	0.8	0.7	0.8	0.7	0.8	0.7
Interest coverage ratio, multiple	2.8	4.8	2.0	7.0	3.3	6.3
Equity/assets ratio, %	42.4	44.0	42.4	44.0	42.4	44.1

[1] Midsona presents certain financial measures in the Interim Report that are not defined under IFRS. For definitions and checks against IFRS, please refer to pages 20–21 of this interim report and to pages 134–137 in 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 interim report was submitted under the auspices of Lennart Svensson for publication on 19 July 2019 at 8:00 a.m. CET.

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Peter Åsberg, President and CEO

QUARTER 2

SEK 705 million

Sales

SEK 59 million

EBITDA, before items affecting comparability

8.4 percent

EBITDA-margin, before items affecting comparability

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

Comment by the CEO

Partly challenging conditions affect earnings

Although sales for the Group's eight prioritised brands increased by a good 10 percent* in the quarter, total sales decreased somewhat (down 1 percent). The sales decrease was largely due to us concluding the distribution assignment for Alpro as previously announced, which negatively impacted both earnings and sales. Some of our seasonal products have not benefited from the weather and the exchange rate trend continued to be unfavourable. During the quarter, work on fine-tuning the Nordic organisation continued to proceed according to plan. The planned lower cost base will gradually provide a positive earnings impact in the upcoming quarters.

Strong growth for our prioritised brands

The eight prioritised brands continued strongly and especially for Friggs, which stands out with a high double-digit growth, largely driven by the Popcorn corn cake. Urtekram, Midsona's strongest brand, also showed strong growth.

The portfolio outside our eight prioritised brands consists of a large number of smaller brands, where we had a negative sales trend as expected. In our assessment, these brands do not have the potential to grow significantly larger, but since the profitability in many of the smaller brands is normally very good, they nonetheless have a place in Midsona's product portfolio. An evaluation per brand takes place continuously. Sales of the weather-dependent brands Compeed and Mygga declined during the quarter.

Focus on platform acquisitions and add-on acquisitions

At the end of the quarter, we were able to announce that we are establishing a company together with the food chain Paradiset to broadly launch the consumer brand "Everyday by Paradiset", for easier sustainable choices in supermarkets. The work on the launch began on a high note.

Just after the end of the quarter, we were able to announce the acquisition of Eisblümerl, one of Germany's leading producers of organic nut, nougat and chocolate spreads. Eisblümerl will be integrated into our German operations Davert, a platform for continued expansion in Germany, which was acquired in 2018. Davert developed well and we have been able to securely make the very attractive add-on acquisition of Eisblümerl.

Our German acquisitions are in many ways a good example of our European growth strategy; an initial platform acquisition that is followed up by an add-on acquisition of a smaller company, perhaps simpler in structure or more niched, but which constitutes a suitable complement with clear synergies in administration, production or purchasing, but above all with sales synergies. Through the platform company's larger size, we gain access to new markets and sales channels that we can utilise to reach out with the products of the add-on acquisition. Altogether, we expect a very good return for Eisblümerl in the existing structure in Davert.

The same logic also applies to the acquisition of the Swedish company Ekko Gourmet, which was announced soon after the end of the quarter. Ekko Gourmet, which is a smaller acquisition, is specialised on organic and vegan food and by using Midsona's strong distribution network, we also believe in a good return for Ekko Gourmet in its new structure.

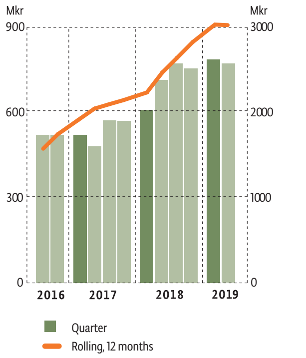
Focus on prioritised brands and acquisitions

Overall, I am pleased with the underlying sales growth for our prioritised brands during the quarter, but at the same time note that we do not really reach the goal for sales and earnings in total. By focusing our resources on our strongest brands, we believe that we have the best conditions to reach our financial targets in the long term. During the quarter, we devoted quite a lot of time to the acquisitions we recently presented and we are constantly continuing to work to find new platform and add-on acquisitions. I view the rest of the year with confidence.

Peter Åsberg
President and CEO

Financial information

Net sales



April–June

Net sales amounted to SEK 705 million (714), a decrease of 1.3 percent. The organic change in net sales was a decline of 10.1 percent, essentially linked to the concluded Alpro sales assignment, while structural changes contributed by 7.4 percent and exchange rate fluctuations by 1.4 percent. Net sales were negatively impacted by a concluded sales assignment and lower sales of seasonal products than normal. Easter week also came in April compared with March last year, which is traditionally a weak sales period for the Group's product groups. The level of service to customers was lower than normal in some geographic markets as a result of production disruptions at suppliers. In spite of this, the Group's eight prioritised brands showed a strong growth of 10.2 percent*, mainly driven by the brand Friggs.

Sales decreased for Sweden and Norway due to the concluded Alpro sales assignment and lower sales of seasonal products. For Sweden, several prioritised brands had a strong sales growth, especially the brand Friggs, which entailed capacity challenges in the supply chain for some product groups. However, for the organic brand portfolio, the sales trend was weaker in a market, which is not growing at the same pace as in earlier years. A project has been under way for some time to strengthen the competitiveness of the organic brand portfolio in the Nordic region. For Norway, some brands showed good growth, although the period was marked by lower activity with general restraint among retailers at the end of the quarter. Moreover, all merchandising shifted to the FMCG retail chains' own management beginning on 1 June, which can in part be an explanation for the cautious stance on product orders during the month of June. The sales trend was stable for both Finland and Denmark. For Finland, prioritised brands in particular had strong sales growth with larger market shares for several product groups, primarily in FMCG retail, despite growing competition from both private label products and from other brand companies. For Denmark, there was a break in the trend when sales to FMCG retail increased, driven by the brand Urtekram, after a period of volume slowdown. Export operations outside the Nordic region remained stable. Internal sales volumes increased and partially compensated for a concluded contract manufacturing agreement. For Germany, sales were relatively stable, although with some slowdown during June as a result of some capacity and quality deficiencies at suppliers with postponed product deliveries to customers as a consequence. The distribution of the brand Davert to FMCG retailing increased and proceeded according to plan. The German market for organic products is changing, with higher sales volumes to FMCG retail at the expense of traditional specialist retailers.

Sales assignments, with net sales of about SEK 15 million in total on an annualised basis, were secured during the period. The sales assignments pertain to the Finnish and Norwegian market and they began on 1 July 2019.

January–June

Net sales amounted to SEK 1,491 million (1,324), an increase of 12.6 percent. The organic change in net sales was a decline of 6.7 percent while structural changes contributed by 17.1 percent and exchange rate fluctuations by 2.2 percent. The Group's eight prioritised brands showed growth of 7.6 percent*. Net sales were strongly negatively impacted by the concluded Alpro sales assignment for Sweden and Norway in the first quarter of 2019.

Sales decreased for Sweden and Norway due to the concluded Alpro sales assignment and lower sales of seasonal products in the second quarter. For Finland and Denmark, sales increased driven by organic growth for prioritised brands for Finland and increased internal sales volumes for Denmark. For Germany, sales increased driven by acquired business volumes.

* 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

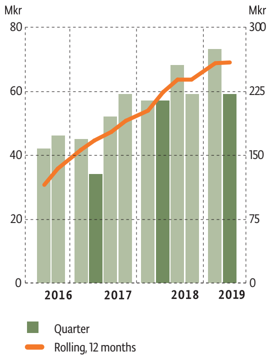
April–June

Gross profit amounted to SEK 215 million (220) before items affecting comparability, corresponding to a margin of 30.5 percent (30.8). The gross margin was placed under pressure by the continuation of an unfavourable exchange rate trend for the SEK against the EUR, which is not fully compensated at the next level, and by higher purchase prices for certain finished products. The margin was also negatively impacted by both products in some geographic markets being sold out at a lower margin and lower sales of seasonal personal care products with a generally higher gross margin. The negative gross margin development was counteracted to some extent by coordinated supply chain activities on a Nordic basis and by a large sales assignment, with a somewhat lower margin than the average, being concluded.

January–June

EBITDA amounted to SEK 449 million (428) before items affecting comparability, corresponding to a margin of 30.1 percent (32.3). 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 nine months' continuation of an unfavourable exchange rate trend. Moreover, the gross margin was negatively impacted compared with the corresponding period in the previous year by higher purchase prices on some finished products and by the prevailing cost structure for Germany, with a higher share of production- and inventory-related costs compared with the Group's other operations.

EBITDA, before items affecting comparability



Operating profit/loss

April–June

EBITDA amounted to SEK 59 million (57), before items affecting comparability, corresponding to a margin of 8.4 percent (8.0), and was driven by acquired business and a changed accounting principle (IFRS 16). The effect of the changed accounting principle (IFRS 16) entailed a decrease in operating expenses by SEK 11 million as the leasing charges were replaced by depreciation and interest. Amortisation and depreciation for the period amounted to SEK –26 million (–11), divided between SEK –8 million (–6) in amortisation of intangible fixed assets and depreciation of SEK –18 million (–5) on tangible fixed assets. Amortisation and depreciation increased as a result of a utilised expansion investment and the changed accounting principle (IFRS 16), which entailed depreciation on property, plant and equipment with a right of use of SEK 10 million. Operating profit amounted to SEK 33 million (46) before items affecting comparability, corresponding to a margin of 4.7 percent (6.4). The operating profit for the period amounted to SEK 39 million (34), corresponding to a margin of 5.5 percent (4.8).

EBITDA, before items affecting comparability, improved for both Denmark and Finland as a result of higher sales volumes and good cost control. For Sweden and Norway, EBITDA, before items affecting comparability, was lower than in the preceding year. For Sweden, this was a consequence of lower sales volumes of seasonal products, higher product costs as a result of a continuation of an unfavourable trend for the SEK against the EUR and a concluded sales assignment. For Norway, this resulted from slowing sales volumes, an unfavourable product and customer mix and a concluded sales assignment. For Germany, EBITDA was somewhat lower compared to plan preferably as a result of postponed sales volumes to the third quarter and some temporary additional costs.

January–June

EBITDA improved to SEK 132 million (114), before items affecting comparability, corresponding to a margin of 8.9 percent (8.6), and was driven by acquired business and a changed accounting principle (IFRS 16). The effect of the changed accounting principle (IFRS 16) entailed a decrease in operating expenses by SEK 22 million as the leasing charges were replaced by depreciation and interest. Amortisation and depreciation for the period amounted to SEK –52 million (–21), divided between SEK –16 million (–13) in amortisation of intangible fixed assets and depreciation of SEK –36 million (–8) on tangible fixed assets. Amortisation and depreciation increased as a result of an acquired business in the second quarter of 2018, the utilised expansion investment and the changed accounting principle (IFRS 16), which entailed depreciation on property, plant and equipment with a right of use of SEK 20 million. Operating profit amounted to SEK 61 million (81), with an operating margin of 4.1 percent (6.1).

EBITDA, before items affecting comparability, improved for Denmark as a result of higher sales volumes and good cost control. For Finland, EBITDA, before items affecting comparability, was in line with the preceding year. An unfavourable product mix and some additional temporary administrative costs during the first quarter impacted earnings. For Sweden and Norway, EBITDA, before items affecting comparability, was lower than in the preceding year. For Sweden, this was mainly related to lower sales volumes due to a concluded sales assignment and significantly higher product costs as result of an unfavourable currency trend for the SEK against the EUR. For Norway, this was mainly the result of lower sales volumes after both a concluded sales assignment and slowed sales volumes in the second quarter. For Germany, EBITDA was slightly lower than the planned level.

Items affecting comparability

April–June

Operating profit for the period included items affecting comparability of a negative SEK 6 million (positive 12), relating to the revaluation of a purchase consideration for previous years' acquisitions that had been entered as a liability. The income from the revaluation was recognised in function other operating income. The comparative period included items affecting comparability in an amount of SEK 12 million related to acquisition costs of SEK 10 million and restructuring costs of SEK 2 million net.

January–June

Operating profit for the period included items affecting comparability in an amount of SEK 19 million (12), of which SEK 25 million was for an efficiency-enhancement programme for the Group's Nordic operations and an income of SEK 6 million for a revaluation of a purchase consideration for previous years' acquisitions that had been entered as a liability. Items affecting comparability were charged to the functions of cost of goods sold in an amount of SEK 18 million, selling expenses of SEK 3 million, administrative expenses of SEK 2 million, other operating expenses of SEK 2 million and other operating income of negative SEK 6 million. The comparative period included items affecting comparability in an amount of SEK 12 million related to acquisition costs of SEK 10 million and restructuring costs of SEK 2 million net.

Financial items

April–June

Net financial items amounted to an expense of SEK 14 million (4), of which interest expenses on external loans to credit institutions amounted to SEK 7 million (6) and interest expenses attributable to finance leases amounted to SEK 1 million (0). Interest expenses to credit institutions increased as a result of higher indebtedness for completed business combinations in the second quarter of 2018. Unrealised translation differences on financial receivables and liabilities in foreign currency were negative in an amount of SEK 4 million (positive 3).

January–June

Net financial items amounted to an expense of SEK 31 million (3), of which interest expenses on external loans to credit institutions amounted to SEK 15 million (10) and interest expenses attributable to finance leases amounted to SEK 2 million (0). Interest expenses to credit institutions increased as a consequence of higher indebtedness related to completed business combinations in the second quarter of 2018. Unrealised translation differences on financial receivables and liabilities in foreign currency were negative in an amount of SEK 10 million (positive 8).

Profit for the period

April–June

Profit for the period amounted to SEK 23 million (25), corresponding to earnings per share of SEK 0.50 (0.55) before and after dilution. Tax on profit for the period amounted to a negative SEK 2 million (5), of which a negative SEK 8 million (3) consisted of current tax and positive SEK 6 million (negative 2) in deferred tax. The effective tax rate for the period was 6.9 percent (16.5), which was lower than the current tax rate applicable to the Parent Company. The difference 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 a purchase consideration for earlier years' acquisitions entered as a liability.

January–June

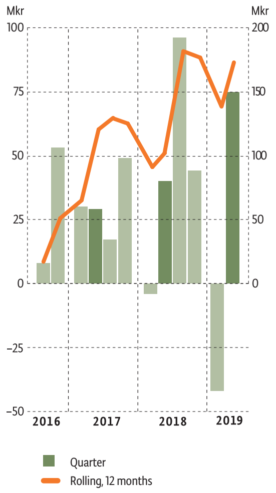
Profit for the period amounted to SEK 27 million (64), corresponding to earnings per share of SEK 0.58 (1.39) before and after dilution. Tax on the profit for the period amounted to a negative SEK 3 million (14), of which negative SEK 11 million (4) consisted of current tax and positive SEK 8 million (negative 10) of deferred tax. The effective tax rate for the period was 10.0 percent (17.6).

Cash flow

April–June

Cash flow from operating activities amounted to SEK 87 million (54), and improved as a consequence of both a stronger cash flow from operating activities before changes in working capital and a solid improvement of changes in working capital. It was primarily operating receivables that decreased, partly as a result of lower sales of seasonal products in the month of June. Capital tied up in inventories was high. This was related to both customary inventory build-up prior to the summer months and to sales primarily of seasonal products were lower than planned. Measures were implemented to reduce the capital tied up in inventories in upcoming quarters.

Free cash flow



Cash flow from investing activities amounted to a negative SEK 12 million (295), consisting of investments in tangible and intangible fixed assets of a negative SEK 9 million (14), and a change in financial assets by a negative SEK 3 million. The comparative period also included the acquisition of an operation at an expense of SEK 281 million. Free cash flow amounted to SEK 75 million (40). Cash flow from financing activities amounted to a negative SEK 64 million (positive 234), amortisation of loans for SEK 23 million (83), amortisation of leasing liabilities by SEK 11 million (1) and dividends paid of SEK 30 million (58). The comparison period also included loans raised of SEK 375 million for the financing of business combinations.

January–June

Cash flow from operating activities amounted to SEK 52 million (56). Cash flow from operating activities before changes in working capital continued to develop strongly, while changes in working capital weakened, primarily as a result of a reduction in operating liabilities. Cash flow from investing activities amounted to a negative SEK 19 million (301), consisting of investments in tangible and intangible fixed assets of a negative SEK 16 million (20), and a change in financial assets by a negative SEK 3 million. The comparative period also included the acquisition of an operation at an expense of SEK 281 million. Free cash flow amounted to SEK 33 million (36). Cash flow from financing activities amounted to a negative SEK 97 million (positive 224), including amortisation of loans for SEK 45 million (93), amortisation of leasing liabilities for SEK 22 million (0) and dividends paid of SEK 30 million (58). The comparison period also included loans raised of SEK 375 million for the financing of business combinations.

Liquidity and financial position

Cash and equivalents amounted to SEK 37 million (41) and there were unused credit facilities of SEK 194 million (275) at the end of the period. Net debt amounted to SEK 1,327 million (1,192) with the increase being primarily attributable to a changed accounting principle (IFRS 16). The net debt/equity ratio was a multiple of 0.8 (0.7). The ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 5.7 (4.4) and at the end of the previous quarter it was a multiple of 5.9.

Shareholders' equity amounted to SEK 1,669 million (1,623). At the end of the preceding quarter, shareholders' equity was SEK 1,680 million. The changes consisted of profit for the period of SEK 23 million, translation differences on translating foreign operations of SEK 24 million and dividends of SEK 58 million. The equity/assets ratio was 42.4 percent (44.0) at the end of the period.

Investments

April–June

Investments in intangible and tangible fixed assets amounted to SEK 9 million (14), of which most were related to an ongoing investment in software in the form of business systems and compensation investments in the German operations.

January–June

Investments in intangible and tangible fixed assets amounted to SEK 16 million (20). This was primarily comprised of an investment in software in the form of a new business system and compensation investments in the German operations.

Other information

Personnel

The average number of employees was 527 (424), while the number of employees at the end of the period was 530 (528). The increased average number of employees was mainly related to the acquisition of operations in May 2018. During the current quarter, the number of employees increased by 4.

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 23 million (20), and related primarily to invoicing of services provided internally within the Group. Profit before tax amounted to SEK 111 million (12). Profit before tax included dividend from subsidiaries of SEK 122 million (–). Net financial items also included negative exchange rate differences on financial receivables and liabilities in foreign currency of SEK 5 million (positive 24).

Cash and cash equivalents, including unutilised credit facilities, amounted to SEK 222 million (282). Borrowing from credit institutions was SEK 992 million (1,060) at the end of the period. On the balance sheet date, there were 15 employees (14).

For the Parent Company, SEK 23 million (20), equivalent to 100 percent (100) of sales for the period and SEK 0 million (1), corresponding to 1 percent (5) 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.

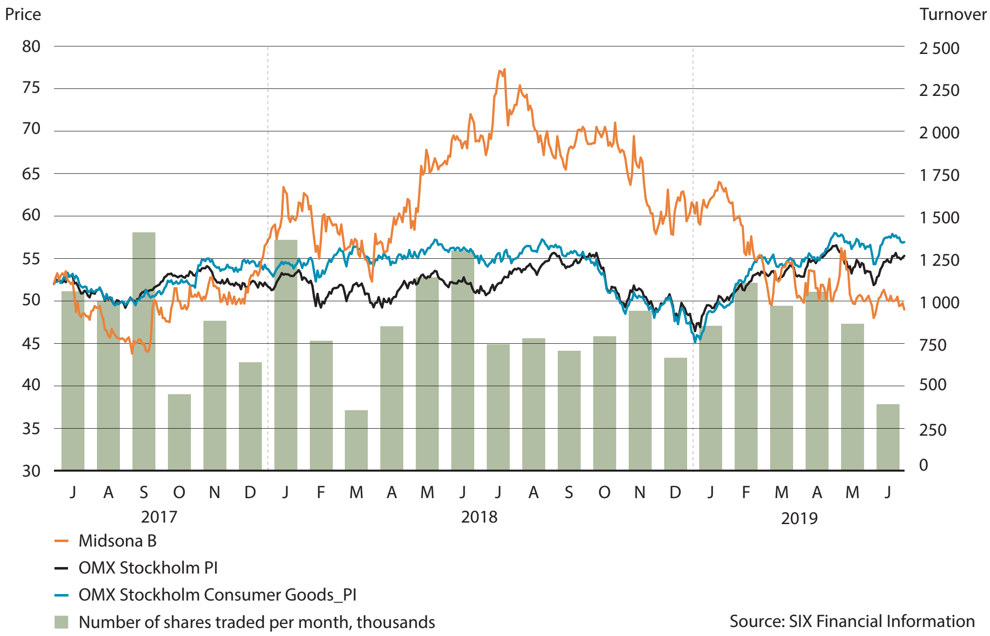
The share

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 46,008,064 (46,008,064), divided between 539,872 Series A shares (539,872) and 45,468,192 Series B shares (45,468,192). At the end of the period, the number of votes was 50,866,912 (50,866,912), where one Series A share carries ten votes and one Series B share carries one vote.

During the period January–June 2019, 5,826,890 shares (5,806,612) were traded. The highest price paid for Series B shares was SEK 64.20 (73.00), and the lowest was SEK 48.00 (51.00). On 28 June, the most recent price paid for the share was SEK 49.00 (69.50).

Two option programmes were outstanding at the end of the period, the TO2016/2019 and TO2017/2020 series respectively, which can provide a maximum of 741,400 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 TO 2016/2019 and TO2017/2020, see Note 10 Employees, personnel expenses and senior executives' remuneration in the 2018 annual report, pages 101–102.



Source: SIX Financial Information

In Sweden, Friggs launched four variants of crispbread.

Ownership

Stena Adactum AB was the largest shareholder with 23.6 percent of the capital and 28.2 percent of the voting rights on 28 June 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	10,853,469	23.6	28.2
Handelsbanken Funds	2,696,049	5.9	5.3
Second Swedish National Pension Fund	2,182,862	4.7	4.3
Lannebo Funds	2,120,851	4.6	4.2
Nordea Investment Funds	2,079,310	4.5	4.1
BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC)	1,986,810	4.3	3.9
Cliens Funds	1,850,000	4.0	3.6
Peter Wahlberg and companies	1,534,568	3.3	3.0
CBNY-OFI GLOBAL OPP FUND	1,000,000	2.2	2.0
Spiltan Funds	968,850	2.1	1.9
Total	**27,272,769**	**59.2**	**60.5**
Other shareholders	18,735,295	40.8	39.5
Total	**46,008,064**	**100.0**	**100.0**

Total number of shareholders (including nominee-registered) was 7,288 (7,261). In the current quarter, the number of shareholders increased by 284. Foreign ownership amounted to 24.4 percent (24.1) 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 is being concentrated to Malmö, which means that Midsona is closing the operations in Örebro. Besides efficiency enhancements in the Nordic supply chain organisation, this at the same time means that market functions and administrative functions in the Nordic countries are 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. The efficiency-enhancement programme is expected to provide savings of around SEK 40 million on an annualised basis, with full effect in 2021.

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 >15.0 percent through organic growth and acquisitions (previously net sales growth >10.0 percent).
- An EBITDA margin >12.0 percent (previously EBIT margin >10.0 percent)
- A net debt/EBITDA of 3.0–4.0 times (previously a net debt/EBITDA of less than 2.0 times).
- A dividend over time of >30.0 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 >15.0 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 >12.0 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 2.0, which is why it is revised to a ratio between net debt/EBITDA of 3.0–4.0 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 >30.0 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.

High sustainability ranking

The Kung Markatta brand was ranked Sweden's 7th most sustainable brand and the Urtekram brand was ranked Denmark's eighth most sustainable brand in the annual independent brand survey Sustainable Brand Index 2019, which was published in April. This is the largest Scandinavian sustainability survey, in which 44,000 consumers in the Nordic region rate corporate sustainability efforts according to several criteria, including the UN principles of sustainability and social responsibility.

Annual General Meeting

The Annual General Meeting on 3 May addressed matters including dividends, the re-election of Board Members and the re-election of the auditing firm. 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 to the shareholders and the second payment of SEK 28 million is expected to be made on 5 November. The Annual General Meeting also resolved to re-elect Board Members Ola Erici, Henrik Stenqvist, Birgitta Stymne Göransson, Peter Wahlberg, Johan Wester and Kirsten Ægidius. Ola Erici was re-elected as Chairman of the Board. Deloitte AB was re-elected as the audit firm with Per-Arne Pettersson as the Auditor in charge.

Partnership agreement

In June, it was announced that Midsona and the food chain Paradiset will together start a company with a licence right to develop the consumer brand Everyday by Paradiset, which focuses on sustainability and health.

Significant events following the end of the report period.

Acquisition of 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 entirely with a new credit facility. 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 sandwich spreads. The company offers products under both its own brand and 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 47 employees.

The acquired operations were consolidated into the Midsona Group effective from 4 July 2019, and will be included in the Germany business area, which is reported as the Germany operating segment in segment reporting. The majority of the Group surplus value from the acquisition will be allocated to brands and goodwill.

Acquisition of 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 vegan 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 will be included in the Sweden business area, which is reported as the Sweden operating segment in segment reporting. The majority of the Group surplus value from the acquisition will be allocated to brands and goodwill.

Information to be able to make complete financial presentations of the acquisitions was not directly available at the submission of this interim report, which is why preliminary specifications of the acquisitions including other acquisition-related information will be provided in the interim report for January–September 2019.

The Board of Directors and the CEO provide their assurance that this interim report gives a true and fair view of the operations, positions and results of the Parent Company and the Group, and describes significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Malmö, 19 July 2019
Midsona AB (publ)

Ola Erici
CHAIRMAN OF THE BOARD

Henrik Stenqvist
BOARD MEMBER

Birgitta Stymne Göransson
BOARD MEMBER

Peter Wahlberg
BOARD MEMBER

Johan Wester
BOARD MEMBER

Kirsten Aegidius
BOARD MEMBER

Peter Åsberg
President and CEO

Review by auditor

This interim report was not subject to review by company's auditors.

Financial statements

Summary consolidated income statement

SEK million	Note	April–June 2019	April–June 2018	Jan–June 2019	Jan–June 2018	Rolling 12-month	Full year 2018
Net sales	3,4	705	714	1,491	1,324	3,019	2,852
Expenses for goods sold		-490	-496	-1,060	-898	-2,142	-1,980
Gross profit		215	218	431	426	877	872
Selling expenses		-123	-119	-254	-229	-498	-473
Administrative expenses		-59	-56	-120	-104	-228	-212
Other operating income		7	2	8	3	12	7
Other operating expenses		-1	-11	-4	-15	-5	-16
Operating profit/loss	3	39	34	61	81	158	178
Financial income		0	4	0	10	6	16
Financial expenses		-14	-8	-31	-13	-49	-31
Profit/loss before tax		25	30	30	78	115	163
Tax on profit for the period		-2	-5	-3	-14	-23	-34
Profit for the period		23	25	27	64	92	129
Profit for the period is divided between:							
Parent Company shareholders (SEK million)		23	25	27	64	91	129
Earnings per share before and after dilution attributable to Parent Company share-holders (SEK)		0.50	0.55	0.58	1.39	1.98	2.80
Number of shares (thousands)							
On the balance sheet date		46,008	46,008	46,008	46,008	46,008	46,008
Average during the period		46,008	46,008	46,008	46,008	46,008	46,008

Summary consolidated statement of comprehensive income

SEK million	April–June 2019	April–June 2018	Jan–June 2019	Jan–June 2018	Rolling 12-month	Full year 2018
Profit for the period	23	25	27	64	92	129
Items that have or can be reallocated to profit for the period						
Translation differences for the period on translation of foreign operations	24	20	74	67	16	9
Other comprehensive income for the period	24	20	74	67	16	9
Comprehensive income for the period	47	45	101	131	108	138
Comprehensive income for the period is divided between:						
Parent Company shareholders (SEK million)	47	45	101	131	108	138

In Germany, Davert launched a falafel and burgers in three variants.

Summary consolidated balance sheet

SEK million	Note	30 June 2019	30 June 2018	31 Dec 2018
Intangible fixed assets	5	2,524	2,475	2,466
Tangible assets	6	436	214	254
Non-current receivables	8	4	3	4
Deferred tax assets		79	74	74
Fixed assets		**3,043**	**2,766**	**2,798**
Inventories		534	527	482
Accounts receivable		261	290	259
Tax receivables		0	9	4
Other receivables	8	16	13	22
Prepaid expenses and accrued income		41	41	33
Cash and cash equivalents		37	41	101
Current assets		**889**	**921**	**901**
Assets		**3,932**	**3,687**	**3,699**
Share capital		230	230	230
Additional paid-up capital		629	629	629
Reserves		98	82	24
Profit brought forward, including profit for the period		712	682	747
Shareholders' equity		**1,669**	**1,623**	**1,630**
Non-current interest-bearing liabilities	7	1,233	1,186	1,124
Other non-current liabilities	8	45	85	83
Deferred tax liabilities		273	215	271
Non-current liabilities		**1,551**	**1,486**	**1,478**
Current interest-bearing liabilities	7	131	47	93
Accounts payable		346	339	357
Other current liabilities	8	124	66	33
Accrued expenses and deferred income		111	126	108
Current liabilities		**712**	**578**	**591**
Liabilities		**2,263**	**2,064**	**2,069**
Equity and liabilities		**3,932**	**3,687**	**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	–	–	–	64	64
Other comprehensive income for the period	–	–	67	–	67
Comprehensive income for the period	**–**	**–**	**67**	**64**	**131**
Repurchase of warrant programme TO2016/2019	–	0	–	–	0
Dividend	–	–	–	-58	-58
Transactions with the Group's owners	**–**	**0**	**–**	**-58**	**-58**
Closing shareholders' equity 30 June 2018	**230**	**629**	**82**	**682**	**1,623**
Opening shareholders' equity 1 July 2018	230	629	82	682	1,623
Profit for the period	–	–	–	65	65
Other comprehensive income for the period	–	–	-58	–	-58
Comprehensive income for the period	**–**	**–**	**-58**	**65**	**7**
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	–	–	–	27	27
Other comprehensive income for the period	–	–	74	–	74
Comprehensive income for the period	**–**	**–**	**74**	**27**	**101**
Dividend	–	–	–	-58	-58
Transactions with the Group's owners	**–**	**–**	**–**	**-58**	**-58**
Closing shareholders' equity 30 June 2019	**230**	**629**	**98**	**712**	**1,669**

Summary consolidated cash flow statement

SEK million	April-June 2019	April-June 2018	Jan-June 2019	Jan-June 2018	Rolling 12-month	Full year 2018
Profit before tax	25	30	30	78	115	163
Adjustment for non-cash items	23	11	80	8	103	31
Income tax paid	-2	-3	-4	-4	-12	-12
Cash flow from operating activities before changes in working capital	**46**	**38**	**106**	**82**	**206**	**182**
Increase (–)/decrease (+) in inventories	-39	-48	-41	-62	-8	-29
Increase (–)/decrease (+) in operating receivables	45	24	-1	-45	31	-13
Increase (+)/decrease (–) in operating liabilities	35	40	-12	81	-21	72
Changes in working capital	**41**	**16**	**-54**	**-26**	**2**	**30**
Cash flow from operating activities	**87**	**54**	**52**	**56**	**208**	**212**
Acquisitions of companies or operations	–	-281	–	-281	-14	-295
Acquisitions of intangible fixed assets	-6	-9	-10	-14	-22	-26
Divestments of intangible fixed assets	–	–	–	–	1	1
Acquisitions of tangible fixed assets	-3	-5	-6	-6	-37	-37
Divestments of tangible fixed assets	–	–	–	–	0	0
Change in financial assets	-3	–	-3	–	-3	–
Cash flow from investing activities	**-12**	**-295**	**-19**	**-301**	**-75**	**-357**
Cash flow after investing activities	**75**	**-241**	**33**	**-245**	**133**	**-145**
Loans raised	–	375	–	375	–	375
Repayment of loans	-23	-83	-45	-93	-75	-123
Amortisation of lease liabilities	-11	0	-22	0	-27	-5
Dividend paid	-30	-58	-30	-58	-30	-58
Cash flow from financing activities	**-64**	**234**	**-97**	**224**	**-132**	**189**
Cash flow for the period	**11**	**-7**	**-64**	**-21**	**1**	**44**
Cash and cash equivalents at beginning of the period	26	44	101	54	41	54
Translation difference in cash and cash equivalents	0	4	0	8	-5	3
Cash and cash equivalents at end of the period	**37**	**41**	**37**	**41**	**37**	**101**

Swebar is the official partner for the Swedish national football teams and in the quarter launched a limited edition protein bar that is developed together with the Swedish Football Association.

Summary income statement, Parent Company

SEK million	April-June 2019	April-June 2018	Jan-June 2019	Jan-June 2018	Rolling 12-month	Full year 2018
Net sales	**12**	**10**	**23**	**20**	**48**	**45**
Selling expenses	0	–	-1	–	-3	-2
Administrative expenses	-17	-16	-31	-29	-60	-58
Other operating income	0	–	0	0	1	1
Other operating expenses	0	0	0	0	0	0
Operating profit/loss	**-5**	**-6**	**-9**	**-9**	**-14**	**-14**
Profit from participations in subsidiaries	121	–	122	–	122	0
Financial income	1	12	16	33	17	34
Financial expenses	-4	-4	-18	-12	-36	-30
Profit/loss after financial items	**113**	**2**	**111**	**12**	**89**	**-10**
Allocations	–	–	–	–	29	29
Profit/loss before tax	**113**	**2**	**111**	**12**	**118**	**19**
Tax on profit for the period	-1	–	-1	–	-5	-4
Profit for the period	**112**	**2**	**110**	**12**	**113**	**15**

Summary balance sheet, Parent Company

SEK million	30 June 2019	30 June 2018	31 Dec 2018
Intangible assets	48	29	39
Tangible assets	3	3	3
Participations in subsidiaries	2,060	2,186	2,066
Receivables from subsidiaries	675	666	547
Deferred tax assets	2	7	3
Financial assets	**2,737**	**2,859**	**2,616**
Fixed assets	**2,788**	**2,891**	**2,658**
Receivables from subsidiaries	11	21	163
Other receivables	19	20	13
Cash and bank balances	28	7	47
Current assets	**58**	**48**	**223**
Assets	**2,846**	**2,939**	**2,881**
Share capital	230	230	230
Statutory reserve	58	58	58
Profit brought forward, including profit for the period and other reserves	1,154	1,099	1,102
Shareholders' equity	**1,442**	**1,387**	**1,390**
Liabilities to credit institutions	915	1,020	953
Liabilities to subsidiaries	0	137	113
Other non-current liabilities	32	82	81
Non-current liabilities	**947**	**1,239**	**1,147**
Liabilities to credit institutions	77	40	77
Liabilities to subsidiaries	289	240	247
Other current liabilities	91	33	20
Current liabilities	**457**	**313**	**344**
Equity and liabilities	**2,846**	**2,939**	**2,881**

Urtekram launched three new spices in the Danish market.

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 Interim 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 interim 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 interim report January–June 2019, 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 interim 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 interim 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.

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 2018.

Note 3 Operating segments, Group

SEK million	Sweden		Norway		Finland		Denmark		Germany		Group functions		Group	
April–June	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018[1]**	**2019**	**2018**	**2019**	**2018**
Net sales, external	259	294	121	160	59	54	104	103	162	103	–	–	705	714
Net sales, intra-Group	42	47	0	1	–	–	36	31	3	–	-81	-79	–	–
Net sales	**301**	**341**	**121**	**161**	**59**	**54**	**140**	**134**	**165**	**103**	**-81**	**-79**	**705**	**714**
Operating expenses (excluding depreciation/ amortisation and impairment), external	-253	-284	-90	-122	-25	-16	-90	-124	-146	-95	-36	-28	-640	-669
Operating expenses, intra-Group	-22	-21	-22	-25	-27	-32	-14	-8	-4	–	89	86	–	–
Operating expenses (excluding depreciation/ amortisation and impairment)	**-275**	**-305**	**-112**	**-147**	**-52**	**-48**	**-104**	**-132**	**-150**	**-95**	**53**	**58**	**-640**	**-669**
EBITDA	**26**	**36**	**9**	**14**	**7**	**6**	**36**	**2**	**15**	**8**	**-28**	**-21**	**65**	**45**
Depreciation/amortisation and impairment	-4	-2	-3	-1	-1	-1	-3	-2	-11	-2	-4	-3	-26	-11
Operating profit/loss	**22**	**34**	**6**	**13**	**6**	**5**	**33**	**0**	**4**	**6**	**-32**	**-24**	**39**	**34**
Financial items													-14	-4
Profit/loss before tax													**25**	**30**
Significant income and expense items reported in the income statement:														
Items affecting comparability	–	–	–	3	–	–	-28	–	–	–	22	9	-6	12
EBITDA, before items affecting comparability	**26**	**36**	**9**	**17**	**7**	**6**	**8**	**2**	**15**	**8**	**-6**	**-12**	**59**	**57**

[1] Pertains to the period May–June.

SEK million	Sweden		Norway		Finland		Denmark		Germany		Group functions		Group	
January–June	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018[1]**	**2019**	**2018**	**2019**	**2018**
Net sales, external	559	588	268	308	117	109	207	216	340	103	–	–	1,491	1,324
Net sales, intra-Group	86	77	1	2	–	–	72	61	5	–	-164	-140	–	–
Net sales	**645**	**665**	**269**	**310**	**117**	**109**	**279**	**277**	**345**	**103**	**-164**	**-140**	**1,491**	**1,324**
Operating expenses (excluding depreciation/amortisation and impairment), external	-565	-551	-199	-238	-43	-42	-217	-258	-304	-95	-50	-38	-1,378	-1,222
Operating expenses, intra-Group	-44	-41	-44	-40	-60	-53	-22	-14	-6	–	176	148	–	–
Operating expenses (excluding depreciation/amortisation and impairment)	**-609**	**-592**	**-243**	**-278**	**-103**	**-95**	**-239**	**-272**	**-310**	**-95**	**126**	**110**	**-1,378**	**-1,222**
EBITDA	**36**	**73**	**26**	**32**	**14**	**14**	**40**	**5**	**35**	**8**	**-38**	**-30**	**113**	**102**
Depreciation/amortisation and impairment	-8	-4	-6	-2	-2	-1	-6	-4	-20	-2	-10	-8	-52	-21
Operating profit/loss	**28**	**69**	**20**	**30**	**12**	**13**	**34**	**1**	**15**	**6**	**-48**	**-38**	**61**	**81**
Financial items													-31	-3
Profit/loss before tax													**30**	**78**
Significant income and expense items reported in the income statement:														
Items affecting comparability	24	–	0	3	–	–	-27	–	–	–	22	9	19	12
EBITDA, before items affecting comparability	**60**	**73**	**26**	**35**	**14**	**14**	**13**	**5**	**35**	**8**	**-16**	**-21**	**132**	**114**

[1] Pertains to the period May–June.

Note 4 Breakdown of income, Group

SEK million	Sweden		Norway		Finland		Denmark		Germany		Group functions		Group	
April–June	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Geographical areas[1]														
Sweden	250	286	1	1	–	–	20	20	0	0	-19	-18	252	289
Norway	20	23	120	160	–	–	2	2	0	0	-21	-24	121	161
Finland	14	17	–	–	59	54	13	13	–	–	-27	-28	59	56
Denmark	9	8	–	–	–	–	88	82	3	1	-12	-9	88	82
Germany	–	–	–	–	–	–	3	3	137	87	-2	–	138	90
Rest of Europe	8	6	–	–	–	–	13	13	24	15	–	–	45	34
Other countries	0	1	–	–	–	–	1	1	1	0	–	–	2	2
Net sales	**301**	**341**	**121**	**161**	**59**	**54**	**140**	**134**	**165**	**103**	**-81**	**-79**	**705**	**714**
Sales channel														
Pharmacies	48	52	27	32	10	10	5	4	–	–	–	–	90	98
FMCG retail	152	181	59	85	43	39	59	55	60	77	–	–	373	437
e-trade/post order	22	14	1	4	2	1	9	9	1	0	–	–	35	28
Food service[2]	12	–	–	–	1	–	5	–	52	–	–	–	70	–
Healthfood retailers	14	17	21	24	3	4	6	24	44	23	–	–	88	92
Other specialist retailers	1	14	10	13	–	–	6	5	5	3	–	–	22	35
Others	10	16	3	2	0	0	14	6	0	0	–	–	27	24
Group-internal sales	42	47	0	1	–	–	36	31	3	–	-81	-79	–	–
Net sales	**301**	**341**	**121**	**161**	**59**	**54**	**140**	**134**	**165**	**103**	**-81**	**-79**	**705**	**714**

[1] Income from external customers is attributable to individual geographical areas according to the country in which the customer is domiciled.
[2] New sales channel from Q3 2018 and comparative figures for Q2 2018. Income from Food service was essentially recognised in the sales channel FMCG retail for the comparison year.

SEK million	Sweden		Norway		Finland		Denmark		Germany		Group functions		Group	
January–June	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Geographical areas[1]														
Sweden	542	571	1	2	–	–	39	41	0	0	-38	-36	544	578
Norway	39	36	268	308	–	–	5	7	0	0	-42	-38	270	313
Finland	33	28	–	–	117	109	27	26	–	–	-59	-52	118	111
Denmark	15	14	0	–	–	–	174	171	6	1	-20	-14	175	172
Germany	–	–	–	–	–	–	5	5	289	87	-5	–	289	92
Rest of Europe	15	14	–	–	–	–	28	26	49	15	–	–	92	55
Other countries	1	2	–	–	–	–	1	1	1	–	–	–	3	3
Net sales	**645**	**665**	**269**	**310**	**117**	**109**	**279**	**277**	**345**	**103**	**-164**	**-140**	**1,491**	**1,324**
Sales channel														
Pharmacies	97	92	48	50	18	15	9	7	–	–	–	–	172	164
FMCG retail	326	374	147	173	85	81	120	131	126	77	–	–	804	836
e-trade/post order	53	30	2	7	3	3	17	16	3	0	–	–	78	56
Food service[2]	28	–	–	–	2	–	10	–	106	–	–	–	146	–
Healthfood retailers	33	41	43	48	8	9	12	42	94	23	–	–	190	163
Other specialist retailers	2	28	21	22	–	–	11	8	10	3	–	–	44	61
Others	20	23	7	8	1	1	28	12	1	0	–	–	57	44
Group-internal sales	86	77	1	2	–	–	72	61	5	–	-164	-140	–	–
Net sales	**645**	**665**	**269**	**310**	**117**	**109**	**279**	**277**	**345**	**103**	**-164**	**-140**	**1,491**	**1,324**

[1] Income from external customers is attributable to individual geographical areas according to the country in which the customer is domiciled.
[2] New sales channel from Q3 2018 and comparative figures for Q2 2018. Income from Food service was essentially recognised in the sales channel FMCG retail for the comparison year.

Note 5 Intangible assets, Group

SEK million	30 June 2019	30 June 2018	31 Dec 2018
Brands	982	875	974
Goodwill	1,452	1,556	1,408
Other intangible fixed assets	90	44	84
Total	**2,524**	**2,475**	**2,466**

Note 6 Property, plant and equipment, Group

SEK million	30 June 2019	30 June 2018	31 Dec 2018
Owned assets	231	214	232
ROU assets	205	0	22
Total	**436**	**214**	**254**

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

SEK million	30 June 2019	30 June 2018	31 Dec 2018
Non-current interest-bearing liabilities			
Bank loans	1,070	1,186	1,107
Lease liabilities	163	0	17
Total	**1,233**	**1,186**	**1,124**
Current interest-bearing liabilities			
Bank loans	87	46	88
Lease liabilities	44	1	5
Total	**131**	**47**	**93**
Total	**1,364**	**1,233**	**1,217**

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

SEK million	30 June 2019	30 June 2018	31 Dec 2018
Assets			
Financial instruments measured at fair value via the income statement			
Currency option	0	–	–
Total	**0**	**–**	**–**
Financial instruments not measured at fair value			
Other non-current liabilities	4	3	4
Other current receivables	16	13	22
Total	**20**	**16**	**26**
Total receivables	**20**	**16**	**26**
Liabilities			
Financial instruments measured at fair value via the income statement			
Interest-rate swaps	0	1	1
Conditional purchase considerations	41	47	46
Total	**41**	**48**	**47**
Financial instruments not measured at fair value			
Other non-current liabilities	13	37	36
Other current liabilities	115	66	33
Total	**128**	**103**	**69**
Total liabilities and provisions	**169**	**151**	**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	30 June 2019	30 June 2018	31 Dec 2018
Pledged assets			
Blocked bank balances	1	10	–
Net assets in subsidiaries	1,945	1,933	1,929
Others	245	241	202
Total	**2,191**	**2,184**	**2,131**
Contingent liabilities			
Guarantees	11	11	10
Total	**11**	**11**	**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 December 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**

Definitions

Midsona presents certain financial measures in the Interim 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 interim report January–June 2019, 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 1 6 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 16 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	April–June 2019	April–June 2018	Jan–June 2019	Jan–June 2018	Rolling 12-month	Full year 2018
Operating profit/loss	**39**	**34**	**61**	**81**	**158**	**178**
Amortisation of intangible assets	8	6	16	13	34	31
Depreciation of tangible assets	18	5	36	8	49	21
EBITDA	**65**	**45**	**113**	**102**	**241**	**230**
Items affecting comparability [2,3]	-6	12	19	12	18	11
EBITDA, before items affecting comparability	**59**	**57**	**132**	**114**	**259**	**241**
Net sales	705	714	1,491	1,324	3,019	2,852
EBITDA-Margin, before items affecting comparability	**8.4 %**	**8.0 %**	**8.9 %**	**8.6 %**	**8.6 %**	**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	April–June 2019	April–June 2018	Jan–June 2019	Jan–June 2018	Rolling 12-month	Full year 2018
Restructuring expenses, net	–	2	25	2	25	2
Reversal of purchase consideration for previous years' acquisitions recognised as a liability	-6	–	-6	–	-7	-1
Acquisition-related expenses	–	10	–	10	–	10
Total	**-6**	**12**	**19**	**12**	**18**	**11**

[3] Corresponding line in the consolidated income statement.

SEK million	April–June 2019	April–June 2018	Jan–June 2019	Jan–June 2018	Rolling 12-month	Full year 2018
Expenses for goods sold	–	2	18	2	18	2
Selling expenses	–	-1	3	-1	3	-1
Administrative expenses	–	1	2	1	2	1
Other operating income	-6	–	-6	–	-7	-1
Other operating expenses	–	10	2	10	2	10
Total	**-6**	**12**	**19**	**12**	**18**	**11**

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

SEK million	Rolling 12-month	Full year 2018
EBITDA	**241**	**230**
Acquisition-related restructuring expenses	–	1
Acquisition-related transaction expenses	-7	9
Pro forma adjustment	–	14
Adjusted EBITDA	**234**	**254**

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

SEK million	30 June 2019	30 June 2018	31 Dec 2018
Non-current interest-bearing liabilities	1,233	1,186	1,124
Current interest-bearing liabilities	131	47	93
Cash and cash equivalents [1]	-37	-41	-101
Net liabilities	**1,327**	**1,192**	**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	April–June 2019	April–June 2018	Jan–June 2019	Jan–June 2018	Rolling 12-month	Full year 2018
Shareholders' equity and liabilities	**3,932**	**3,687**	**3,932**	**3,687**	**3,932**	**3,699**
Other non-current liabilities	-45	-85	-45	-85	-45	-83
Deferred tax liabilities	-273	-215	-273	-215	-273	-271
Accounts payable	-346	-339	-346	-339	-346	-357
Other current liabilities	-124	-66	-124	-66	-124	-33
Accrued expenses and deferred income	-111	-126	-111	-126	-111	-108
Capital employed	**3,033**	**2,856**	**3,033**	**2,856**	**3,033**	**2,847**
Capital employed at the beginning of the period	3,070	2,332	2,847	2,256	2,856	2,256
Average capital employed	**3,052**	**2,594**	**2,940**	**2,556**	**2,945**	**2,552**

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

SEK million	Rolling 12-month	Full year 2018
Profit/loss before tax	**115**	**163**
Financial expenses	49	31
Profit before taxes, excluding financial expenses	**164**	**194**
Average capital employed	2,945	2,552
Return on capital employed, %	**5.6**	**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	April–June 2019	April–June 2018	Jan–June 2019	Jan–June 2018	Rolling 12-month	Full year 2018
Shareholders' equity	**1,669**	**1,623**	**1,669**	**1,623**	**1,669**	**1,630**
Shareholders' equity at the beginning of the period	1,680	1,636	1,630	1,550	1,623	1,550
Average shareholder's equity	**1,675**	**1,630**	**1,650**	**1,587**	**1,646**	**1,590**

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

SEK million	Rolling 12-month	Full year 2018
Profit for the period	**92**	**129**
Average shareholder's equity	1,646	1,590
Return on equity, %	**5.6**	**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	April–June 2019	April–June 2018	Jan–June 2019	Jan–June 2018	Rolling 12-month	Full year 2018
Cash flow from operating activities	**87**	**54**	**52**	**56**	**208**	**212**
Cash flow from investing activities	-12	-295	-19	-301	-75	-357
Acquisitions of companies or operations	–	281	–	281	14	295
Expansion investment, new production line	–	–	–	–	26	26
Free cash flow	**75**	**40**	**33**	**36**	**173**	**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	April–June 2019	April–June 2018	Jan–June 2019	Jan–June 2018	Rolling 12-month	Full year 2018
Net sales	**705**	**714**	**1,491**	**1,324**	**3,019**	**2,852**
Net sales compared with the corresponding period in the preceding year	-714	-481	-1,324	-1,002	-2,468	-2,146
Net sales, change	**-9**	**233**	**167**	**322**	**551**	**706**
Structural changes	-53	-163	-226	-234	-549	-557
Exchange rate changes	-10	-22	-29	-26	-88	-85
Organic change	**-72**	**48**	**-88**	**62**	**-86**	**64**
Organic change	-10.1 %	10.0 %	-6.7 %	6.2 %	-3.5 %	3.0 %
Structural changes	7.4 %	33.9 %	17.1 %	23.4 %	22.2 %	26.0 %
Exchange rate changes	1.4 %	4.5 %	2.2 %	2.5 %	3.6 %	4.0 %

EBITDA, before items affecting comparability adjusted for IFRS 16 effects – 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	April–June 2019	April–June 2018	Jan–June 2019	Jan–June 2018	Rolling 12-month	Full year 2018
EBITDA, before items affecting comparability	**59**	**57**	**132**	**114**	**259**	**241**
Leasing fees on ROU assets with application of IFRS 16	-11	–	-22	–	-22	–
EBITDA, before items affecting comparability and adjusted for the IFRS 16 effect	**48**	**57**	**110**	**114**	**237**	**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[1,2]

SEK million	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3
Net sales	**705**	**786**	**755**	**773**	**714**	**610**	**571**	**573**	**481**	**521**	**521**	**522**
Expenses for goods sold	-490	-570	-536	-546	-496	-402	-376	-377	-328	-354	-337	-348
Gross profit	**215**	**216**	**219**	**227**	**218**	**208**	**195**	196	**153**	**167**	**184**	**174**
Selling expenses	-123	-131	-119	-125	-119	-110	-102	-109	-88	-94	-108	-107
Administrative expenses	-59	-61	-52	-56	-56	-48	-42	-62	-39	-36	-42	-44
Other operating income	7	1	1	3	2	1	1	0	1	1	3	0
Other operating expenses	-1	-3	-3	2	-11	-4	-2	-4	-1	-1	-5	-7
Operating profit/loss	**39**	**22**	**46**	**51**	**34**	**47**	**50**	**21**	**26**	**37**	**32**	**16**
Financial income	0	0	6	0	4	6	0	0	0	0	0	1
Financial expenses	-14	-17	-8	-10	-8	-5	-4	-5	-7	-6	-7	-9
Profit/loss before tax	**25**	**5**	**44**	**41**	**30**	**48**	**46**	**16**	**19**	**31**	**25**	**8**
Tax on profit for the period	-2	-1	-11	-9	-5	-9	-12	-5	-4	-7	-9	-1
Profit for the period	**23**	**4**	**33**	**32**	**25**	**39**	**34**	**11**	**15**	**24**	**16**	**7**
Items affecting comparability												
Items affecting comparability included in operating profit	-6	25	–	-1	12	–	-1	22	–	–	7	19
Operating profit, before items affecting comparability	**33**	**47**	**46**	**50**	**46**	**47**	**49**	**43**	**26**	**37**	**39**	**35**
Depreciation/amortisation and impairment												
Depreciation/amortisation and impairment included in operating income	26	26	13	18	11	10	10	9	8	8	7	7
EBITDA	**65**	**48**	**59**	**69**	**45**	**57**	**60**	**30**	**34**	**45**	**39**	**23**
Depreciation/amortisation, impairment and items affecting comparability												
Depreciation/amortisation, impairment and items affecting comparability included in operating profit	20	51	13	17	23	10	9	31	8	8	14	26
EBITDA, before items affecting comparability	**59**	**73**	**59**	**68**	**57**	**57**	**59**	**52**	**34**	**45**	**46**	**42**
Free cash flow	75	-42	44	96	40	-4	49	17	29	30	53	8
Number of employees as per the balance sheet date	530	526	525	533	528	382	384	386	329	326	322	341

[1] Quarterly data for 2016 have not been recalculated for effects on net sales and operating expenses in connection with conversion to IFRS 15..
[2] The quarterly data for 2016–2018 have not been restated for effects in the income statement in connection with conversion to IFRS 16.

Friggs launched three kinds of cookies in the Swedish market.

Financial calendar

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

Interim Report January–September 2019 *23 October 2019*

Year-end Report 2019 *6 February 2020*

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 acquisition in Germany, which is the largest market for organic products in Europe. 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 and Germany. 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 >15.0 percent through organic growth and acquisitions.
- EBITDA margin >12.0 percent.
- A ratio between net debt/EBITDA of a multiple of 3.0–4.0.
- A dividend over time of >30.0 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 45 percent of net sales. These are the brands Urtekram, Friggs, Dalblads, Naturdiet, Kung Markatta, Eskimo-3, 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 Sweden, Finland and Norway.

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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