MIDSONA 2018

Midsona

ANNUAL REPORT 2018

midsona

Contents

Information about the Annual General Meeting
The Annual General Meeting of Midsona AB (publ) will be held on 3 May 2019 at 3:00 p.m. at Malmö Börshus, Skeppsbron 2 in Malmö, Sweden. Registration of voting rights will commence at 2:00 p.m. Before the meeting, the company will offer light refreshments.

Right to participate
To be entitled to participate in the Annual General Meeting, shareholders must be included in the share register maintained by Euroclear Sweden AB no later than 26 April 2019, and shall have registered their intention to participate by 26 April 2019 at the latest. Shareholders whose shares are nominee registered must temporarily re-register the shares in their own name at Euroclear Sweden AB in order to be permitted to participate in the meeting. Such registration must be completed by 26 April 2019 at the latest and should be requested of the nominee in good time before this date.

Notification of participation
Notification can be submitted in writing to Midsona AB, c/o Fredersen Advokatbyrå AB, Turning Torso, 211 15 Malmö, by email to: midsona@fredersen.se. Notification should include the name, address, personal or corporate identity number, daytime phone number of the participant and, if applicable, the number of assistants (maximum two). Admission cards will be distributed a few days before the meeting and shall be presented at the entrance to the meeting.

Dividend
The Board has decided to propose to the Annual General Meeting that a dividend of SEK 1.25 per share be paid for the 2018 financial year.

The picture of strong brands – now with sights set on the rest of Europe

Midsona’s rapid growth in recent years is based on developing and acquiring strong brands with leading products in health and well-being. Our aim is to be a leader in the market by developing current brands and bringing in new ones, enabling us to meet, even better, existing and new trends. Midsona is the leader in the Nordic region and now has the goal of becoming one of the leaders in Europe. The acquisition of German Davert in 2018 is the first step towards this goal. Urtekram, Kung Markatta, Helios and Davert are our key brands for organic foods and hygiene products. Other prioritised brands are Friggs, Dalblads, Naturdiet and Eskimo-3.

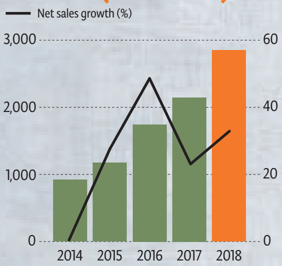
Midsona 2018

- Acquisition of Davert GmbH, a leading actor in Germany, that provides Midsona a strong position in Europe's largest market for organic food. Davert, which had sales of SEK 616 million in 2017, strengthens Midsona's position in the strategically important organic food segment with brands and products that supplement the existing organic portfolio.
- Erk Schuchhardt was appointed a new member of Midsona's Group Management. Erk has been the President of Davert GmbH since 2013, which Midsona will continue to operate as an independent unit after the acquisition. Erk previously held a number of senior positions in Weleda Germany, Weleda North America Inc and Weleda S.A. Argentina.
- Ulrika Palm was named the new Division Director Nordic. Ulrika has been employed in the Midsona Group since 2016 as the Business Area Manager for Midsona Sweden and has also been a member of Midsona's Group Management since 2016.
- The brand Urtekram was ranked as Denmark's most sustainable brand in the "Food and beverage" category and ranked second in the total assessment in the independent annual brand survey Sustainable Brand Index 2018, the largest Scandinavian sustainability survey where 40,000 Nordic consumers rate companies' sustainability work. Kung Markatta was voted the 12th most sustainable brand in Sweden in the same survey.
- Dalblads' protein bar Swebar was named an official supplier to the Swedish men's national team in football in the 2018 World Cup, a cooperation that will continue in 2019.
- Midsona signed an agreement with HRA Pharma, a fast-growing and innovative French consumer health company, to represent some of its brands in the Nordic region, among which, Compeed® is the single largest.
- Midsona's distribution agreement with Alpro was terminated.
- Nasdaq Stockholm decided to move Midsona from Small Cap to Mid Cap. The change came into effect on 1 January 2018.

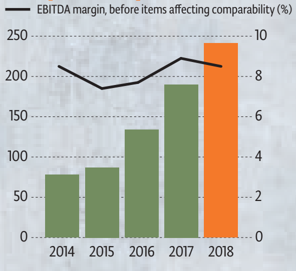
After the end of the year

- Decision on an efficiency improvement programme for Midsona's Nordic operations. Expected savings of around SEK 40 million with full effect in 2021.

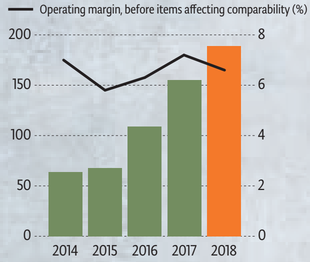
Net sales (SEK million)



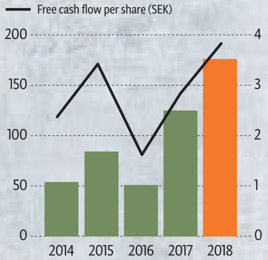
EBITDA, before items affecting comparability (SEK million)

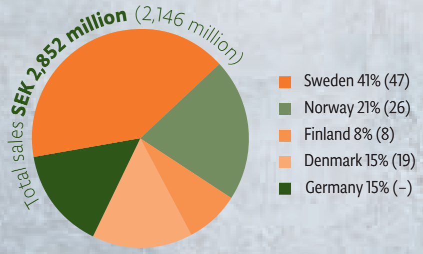


Operating profit, before items affecting comparability (SEK million)



Free cash flow (SEK million)

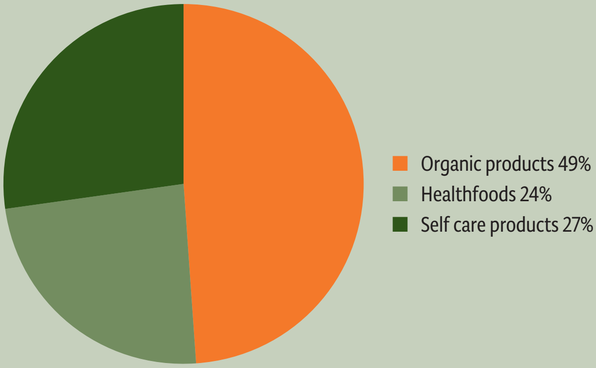




This is Midsona

Midsona develops, produces and markets products that make it easier for people to live a healthy life.

Three priority product categories*



* Pro forma full year after the acquisition of Davert.

Mission

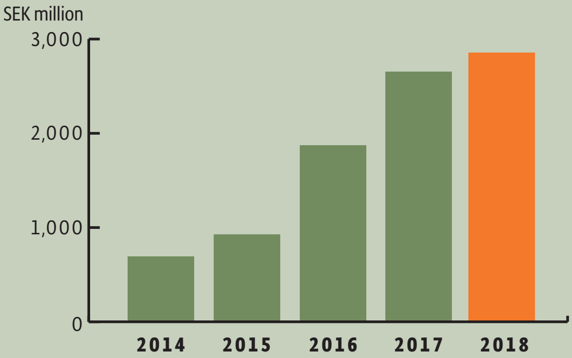
We help people achieve a healthier life.

Vision

One of the leaders in Europe in health and well-being.

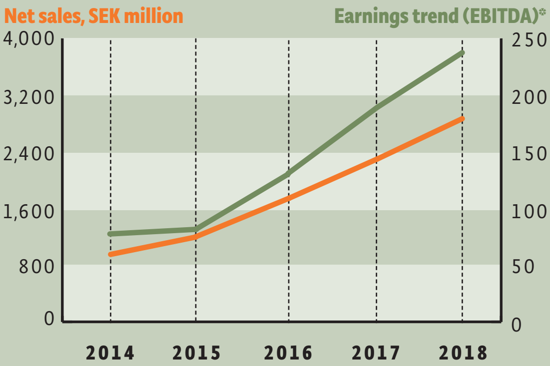
Generating shareholder value

In the past seven years, Midsona has generated significant shareholder value. Market capitalisation increased from SEK 305 million in 2012 to SEK 2,834 million at the end of 2018, which is more than a nine-fold increase in value. Midsona's shares are listed on the Nasdaq Stockholm, Mid Cap list.



High profitable growth

Growth in recent years has taken place profitably and with a gradually improved EBITDA. Midsona achieves economies of scale in the entire value chain, from purchasing to sales, which will strengthen EBITDA. An improved product mix and synergies from acquisitions are also expected to improve earnings.



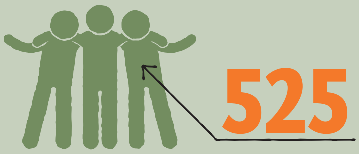
* Before items affecting comparability.

Leader in the Nordic region – with the goal of becoming one of the leaders in Europe

Today, Midsona is the leader in the Nordic region in health and well-being. By using the same recipe for success that made us the leaders in the Nordic region, the goal is now to become one of the leaders in Europe. In 2018, the first step was taken through the acquisition of Davert, which provides us a strong position in Europe's largest market for organic food. Davert's brand and products supplement Midsona's existing organic portfolio.

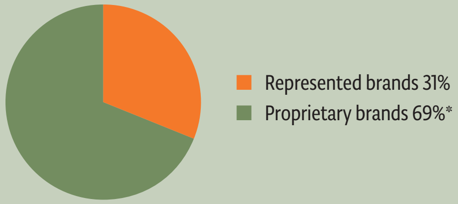
Employees

In 2018, the number of employees increased to 525 (384).



Strong brands

Midsona focuses on developing and marketing powerful brands. The business builds on a portfolio with Midsona's own brands supplemented with assignments for international brands. The proprietary brands are our backbone and, together with client brands, they form a strong and broad portfolio.



* Including private label.

Priority brands

Midsona has eight priority brands: Urtekram, Kung Markatta, Friggs, Helios, Dalblads, Naturdiet, Eskimo-3 and Davert.

Stable platform for the next step in Europe

At lunch, I often choose a vegetarian alternative. At home with my family, it's similar. Meat is increasingly replaced with a plant-based alternative. I realise that I am in no way unique in my choices. Many people are doing likewise, and as I've been waiting for my vegetarian lunch salad recently, it's struck me that I am standing there with growing numbers of other people. Just a few years ago, most of them wouldn't have thought of eating a vegetarian dish for lunch.

The foundation of Midsona's business rests on strong trends around the growing interest in health and well-being. Linked to this, there is an increased interest in sustainability and the environment, including a consideration for animals, which is expressed in growing numbers choosing a more plant-based diet.

These are global trends that benefit many of our products, which we also see in the statistics over people's eating habits (see Trends and external development on pages 18–21).

First important step out into the rest of Europe

In 2018, Midsona took the important strategic step out into the rest of Europe in accordance with our vision of becoming one of the leaders in health and well-being in Europe. The acquisition of German Davert is the single most important event during the year. Davert gives us a strong position in the German organic market and fits the Midsona Group well.

Midsona has a model for how we acquire companies and how we integrate them. It involves processes, as well as corporate culture. Davert's and Midsona's cultures are similar to one another. We work based on the same organic and plant-based products, which has led to a rapid and smooth integration.

Similar development in Europe as in the Nordic region

The strategy behind our European vision is that the development we have seen in the Nordic region in recent years is now also taking place in the rest of Europe. In the Nordic region, Midsona has led the consolidation of a fragmented market in health and well-being. We are now seeing similar patterns in Europe and I am convinced that Midsona has major opportunities to be involved and consolidate this market as well.

In the Nordic region, there has also been a shift in sales from specialist retailers to FMCG retail, a change that reflects the broad interest in health that is now also taking place in the rest of Europe. The Nordic markets have been ahead, but now a great deal of this is happening out in Europe.

With Davert, we now have a stable European platform. We will now take the next step. This may be a further acquisition in Germany to create cost synergies or an acquisition in another European country to achieve more market and product synergies. Both routes are possible.

Creating a common Nordic organisation

In the Nordic region, we are working to create a common and thereby more efficient Nordic organisation, including better coordination of purchasing and distribution. Focus is on organic growth by strengthening our brands and spreading them between countries. One very good example is Friggs (see pages 26–27).

Midsona has grown strongly in recent years and sales have increased to nearly SEK 3 billion. In 2018, we have had strong earnings, although strongly negatively impacted by the weak development of the SEK. To compensate, we carried out price increases in Sweden and improved the efficiency of the organisation. This provided some effects in 2018, but the major effects will take place in 2019.

Midsona's production facility in Ascheberg, Germany, with 3,633 m^2 solar panels on the roof.

Plant based, pure and organic products

The foundation of Midsona's business rests on strong trends around the growing interest in health and well-being combined with a clear desire for sustainable consumption – a paradigm shift where people increasingly avoid animal products, unnecessary additives and products with poor nutritional content. Midsona's focus on plant-based, pure and organic products is benefited by these trends. We have a great passion for influencing people's eating habits towards healthy and sustainable alternatives.

The operations in Midsona are driven and developed by our roughly 525 employees in the Nordic region and Germany. We have a fantastic organisation, where everyone works hard to further hone our competitiveness. Today, we are a significantly larger company than just a few years ago and for us in management, it is difficult to have time to meet everyone and show our appreciation. I therefore want to direct a huge thanks for a job well done in 2018 and am looking forward to creating continued success together in 2019.

Malmö, March 2019

Peter Åsberg
President and CEO

Our strategy

Today, Midsona is the leader in the Nordic region in health and well-being and the vision is now to become one of the leaders in Europe. To grow further and at the same time safeguard our won positions, we carefully monitor and analyse the consumer trends. Through the trends, we identify our end-customers' new or changed needs. We continuously develop, acquire and nurture successful brands with strong market positions and choose the best channel strategy for each product.

Leading brands in prioritised categories

Midsona works with strong proprietary brands and a select number of licensed brands in the currently primary markets of Sweden, Denmark, Norway, Finland and Germany. The vision is to take our concept to a growing market in the rest of Europe and the first step was taken in 2018 through the acquisition of the German company Davert.

Our brands should hold position number one or two in their categories and should be in the right channels, where we have the best knowledge and where there are opportunities for strong growth. In recent years, Midsona has launched numerous new products and innovations. In addition, the Group has renewed several packages so that products are more visible and meet both consumers' and retailers' requirements.

In 2018, Midsona:

- Carried out the strategically important acquisition of the German company Davert, a pioneer in organic foods in Germany, with a continued strong position in consumer sales, food service and private label.
- Integrated the acquisition of Bringwell, which significantly strengthens Midsona's position in the product category of self care products.
- Continued focus on innovation and increasing the pace of innovation even further, which entails that we have launched more new products than ever before. Most under the brands Urtekram, Friggs, Kung Markatta and Davert.
- Further developed the category corn cakes under the Friggs brand in several markets.

Cost-efficient value chain

Midsona works continuously to adapt and streamline its organisation. The Group assesses 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 or are deemed not to meet the profitability requirements.

To streamline operations, Midsona has 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, flexible production that can be adjusted to trends and demands, without compromising on quality. In 2018, Midsona:

- Removed a number of unprofitable items and smaller sales assignments.
- Implemented a common business system in Denmark and Sweden. Norway and Finland will be implemented in 2019.
- Created a new Nordic purchasing organisation that among other things resulted in Nordic purchasing for the brands Kung Markatta and Urtekram.
- Streamlined the warehouse structure and closed a warehouse in Denmark, consolidated warehousing operations in Norway to one central warehouse and consolidated health care in Sweden to one warehouse.

Selective acquisitions

Acquisitions are an integral and fundamental part of Midsona's business. We have in recent years played a major role in consolidating the market in the Nordic region, primarily through the acquisitions of the brands Urtekram and Kung Markatta. The strategy is now to apply corresponding concepts to the growing market in the rest of Europe. Midsona has shown a very good ability to find the right acquisitions and integrate and develop businesses with good short- and long-term synergies. Learn more about Midsona's structured acquisition process on page 13.

In 2018, Midsona:

- Acquired the German company Davert, providing Midsona a strong position in the organic market in Germany (read more on pages 14–16).
- Continued to map, contact and visit possible acquisitions in the rest of Europe outside of the Nordic region to further strengthen the Group's position in Europe.
- Consolidated and integrated the acquisition of Bringwell, significantly strengthening the Group's position in self care products.
- At the same time, continued to be open to possible complementary acquisitions in prioritised areas in the Nordic region, a market that is now more consolidated, however.

Sustainable and healthy culture

Midsona's core and mission is about offering products that help people live a healthier life. We want to build further on the Group's strong position as experts in health and well-being. Midsona's brands and products play a key role in this work.

Working and acting sustainably through the entire value chain up to the consumer is becoming increasingly important and Midsona's customers and consumers set high standards on sustainable products. There is a strong relationship between their interest in organic products and sustainability. Midsona presents its sustainability work on pages 53–73.

Based on the Global Sustainable Development Goals, which were adopted in 2015 by the UN General Assembly, Midsona has chosen three main focus areas that are about promoting a healthy lifestyle, offering safe products of high quality and a sustainable use of resources.

In 2018, Midsona:

- Continued the work to develop a sustainability strategy with concrete objectives in a fundamental and structured manner.
- Chose three focus areas (promoting a healthy lifestyle, safe products of high quality and sustainable use of resources) and six sustainability targets (sustainable brands, healthy work environment, responsible sourcing, safe products, efficient resource use and efficient transports).
- Received recognition by its brand Urtekram being named Denmark's second most sustainable brand in the Sustainable Brand Index 2018 survey. In the same survey, the Kung Markatta brand came in 12th place in Sweden.
- Carried out an employee survey and identified focus areas for 2019.

Our recipe for growth

Select brands in priority product categories

Based on a well-defined strategy, Midsona streamlined towards developing and marketing products that help improve the health and well-being. The goal is to generate growth by further developing Midsona's brands and continuously seeking complementary acquisitions with strong brands.

Since 2012, we have had profitable growth and sales have increased from nearly SEK 900 million to nearly SEK 3 billion, meaning that Midsona is now more than three times larger and thereby an even more important player in our priority product categories.

When the strategy was launched, the market in the Nordic region was fragmented with few strong actors. In recent years, Midsona has acquired one to two companies a year in the Nordic region and had an active role in the consolidation of the market. The acquisitions have been integrated and significant synergies have been realised.

Through careful analysis, a clear acquisition agenda and a well-developed process of integration, the company has in recent years implemented planned synergies in all acquisitions. The acquisitions have contributed to building a stronger Midsona with the aim of leading the ongoing market consolidation.

Setting sights on the rest of Europe

Backed by a market-leading Nordic platform, it is now natural to lift our sights towards the rest of Europe. The market is fragmented, in the same way as the Nordic market was when we began our journey of acquisitions.

We have conducted an extensive analysis of a large number of European markets to understand them and the companies' market positions. In 2018, we took the first step out into the rest of Europe through the acquisition of Davert, one of the pioneers in organic foods in Germany. The acquisition gives Midsona an excellent platform to continue the consolidation in Europe in the same successful way that we have used in the Nordic region, which is acquiring small or medium-sized family companies, integrating them and taking synergies on both the cost and sales sides. We are also looking at new categories and geographies.

The first acquisition outside the Nordic region was the German company Davert.

Resources and competencies in place

Midsona is a growth-oriented company with resources and competencies to drive time- and resource-consuming acquisition processes. We seek companies with strong brands in health and well-being that add value. This involves companies with positions in complementary categories or geographies, meaning companies in the same product groups as Midsona, but in other countries. Good examples of this are Urtekram, Kung Markatta and Helios, where Urtekram was strong in Denmark and Finland, Kung Markatta in Sweden and Helios in Norway.

Between 2012 and 2017, focus was on consolidating and generating growth at the same time that cost savings were made, and we are the leader in the Nordic region in health and well-being today. Midsona is continuing to seek acquisition opportunities, mainly in the rest of Europe outside the Nordic region, even if we are not ruling out complementary acquisitions in the Nordic region.

Main focus in the Nordic region on organic growth

The acquired brands have been refined and launched in new channels and new geographic markets. The main focus in the Nordic region will be to create organic growth for our prioritised brands in the future. In addition, cost-effectiveness will gradually be improved through a long-term change process. Through careful analysis, a clear acquisition agenda and a well-developed process of integration, the company has in recent years implemented planned synergies in all acquisitions. The acquisitions have contributed to building a stronger Midsona and consolidated the market.

Investment in food service

Midsona's focus has been and will continue to be on proprietary brands. The acquired German company Davert has shown that it is possible to generate profitable business in food service, as well as in private label. Davert has worked with food service for several decades, around one third of the sales now come from there, and continues to have extensive potential.

The Midsona Group has sales in food service that account for around 10 percent of the Group's sales in 2018. Sweden is the country in the Nordic region that has the highest organic share in the public sector in the world at 33 percent. Despite the relatively high share, one is still just half way to the goal.

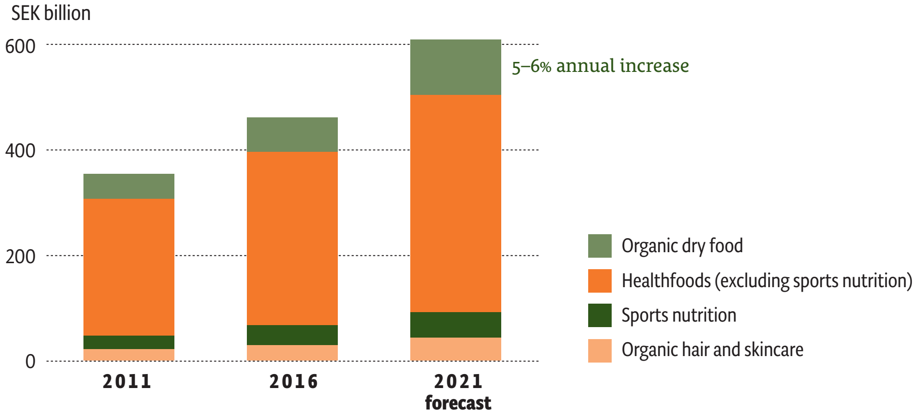
With an investment in private label and food service, we can create further conditions to even better use our production capacity in Ascheberg, Germany and Mariager, Denmark.

Organic share in the Nordic region public sector

Country	Organic share	Target
Sweden	33%	60% (2030)
Denmark	20%	60% (2020)
Finland	10%	20% (2020)
Norway	1%	15% (2020)

Source: EkomatCentrum, 2018.

Attractive growth opportunities for selected markets in the EU



Source: Internal market analysis 2017.

Our acquisition process

Midsona acquires companies with strong brands in health and well-being. We have developed an effective and structured acquisition process for analysis and implementation. Through this process, we ensure the quality of various dimensions in the acquisitions we carry out. All acquisitions that Midsona has made since 2012 have been successful and have all been integrated through a structured approach.

The basis of the acquisition process is identifying preferably family-owned companies through a direct dialogue. Midsona continuously evaluates possible acquisitions with complementary products and clear cost or growth synergies. Potential acquisitions are evaluated based on parameters, such as brands, market position, market activity, customers, competitors, financial position, history, the continued involvement of key people and what added value the company can create for Midsona and our shareholders.

In the negotiations and close that follows, it is of central importance that the acquisition can be implemented at a price that means that the deal generates value. Midsona acquires with multiples, which means that the businesses contribute to the Group's development from day one. It is also important that key individuals continue their involvement after the acquisition.

In connection with an acquisition, a plan is prepared for how the business can be developed and how synergies can be realised. The most important thing at the beginning is to secure customers and representation assignments. Acquired companies should, to the extent possible and reasonable, become a natural part of Midsona to create a uniform strength in the Group. At the same time, there is a respect for the new company's integrity and expertise, which can and will be spread to the rest of the Group.

Acquisition process

1. Mapping and identification
2. Evaluation
3. Negotiation and close
4. Integration

Steering process

- Follow-up
- Implementation

Acquisitions 2012-2018

Year	Company	Country	Sales*	Priority product category
2012	Nordsveen AS	Norway	NOK 74 million	Healthfoods, Self care products
2012	Dalblads Nutrition AB	Sweden	SEK 51 million	Healthfoods
2013	Supernature AS	Norway	NOK 49 million	Healthfoods
2013	Elivo**	Finland	EUR 1.3 million	Self care products
2014	Soma Nordic AS	Norway	NOK 51 million	Organic products, Healthfoods
2015	Urtekram Intl A/S	Denmark	DKK 368 million	Organic products
2016	Internatural AB	Sweden	SEK 637 million	Organic products
2016	Biopharma**	Norway	NOK 30 million	Self care products
2017	Bringwell AB (publ)	Sweden	SEK 335 million	Self care products
2018	Davert GmbH	Germany	EUR 64 million	Organic products

* At the time of acquisition.

** Trademark acquisition.

Case: the acquisition of Davert

The name Davert comes from a nature reserve a few kilometres from today's production facility with fantastic animal life with unique species.

After Midsona's successful consolidation of the Nordic market for organic foods, the strategy is to become one of the leaders in Europe. The acquisition of the German company Davert is an important step in this direction.

Davert is a leading actor in Germany and gives Midsona a strong position in Europe's largest market for organic food. Davert's brand and products complement Midsona's existing organic portfolio and will continue to be run as an independent unit with the same management as before the acquisition.

With new, innovative products like cook-in-bag and soups and pan and soy dishes, Davert provides new inspiration to creative kitchen. Davert has a strictly organic holistic view through the product's entire cycle. The company takes responsibility from the grower to the consumer by the product thereby obtaining a complete certificate of origin and exact product documentation at the same time that the EU's organic farming regulation is followed.

In recent years, Davert has launched a new brand design, broadened its product portfolio and expanded its distribution. During this period, the company also moved to a new, customised production facility and made major investments in state-of-the-art production lines and a fully automated warehouse.

Brand sales combined with private label and food service

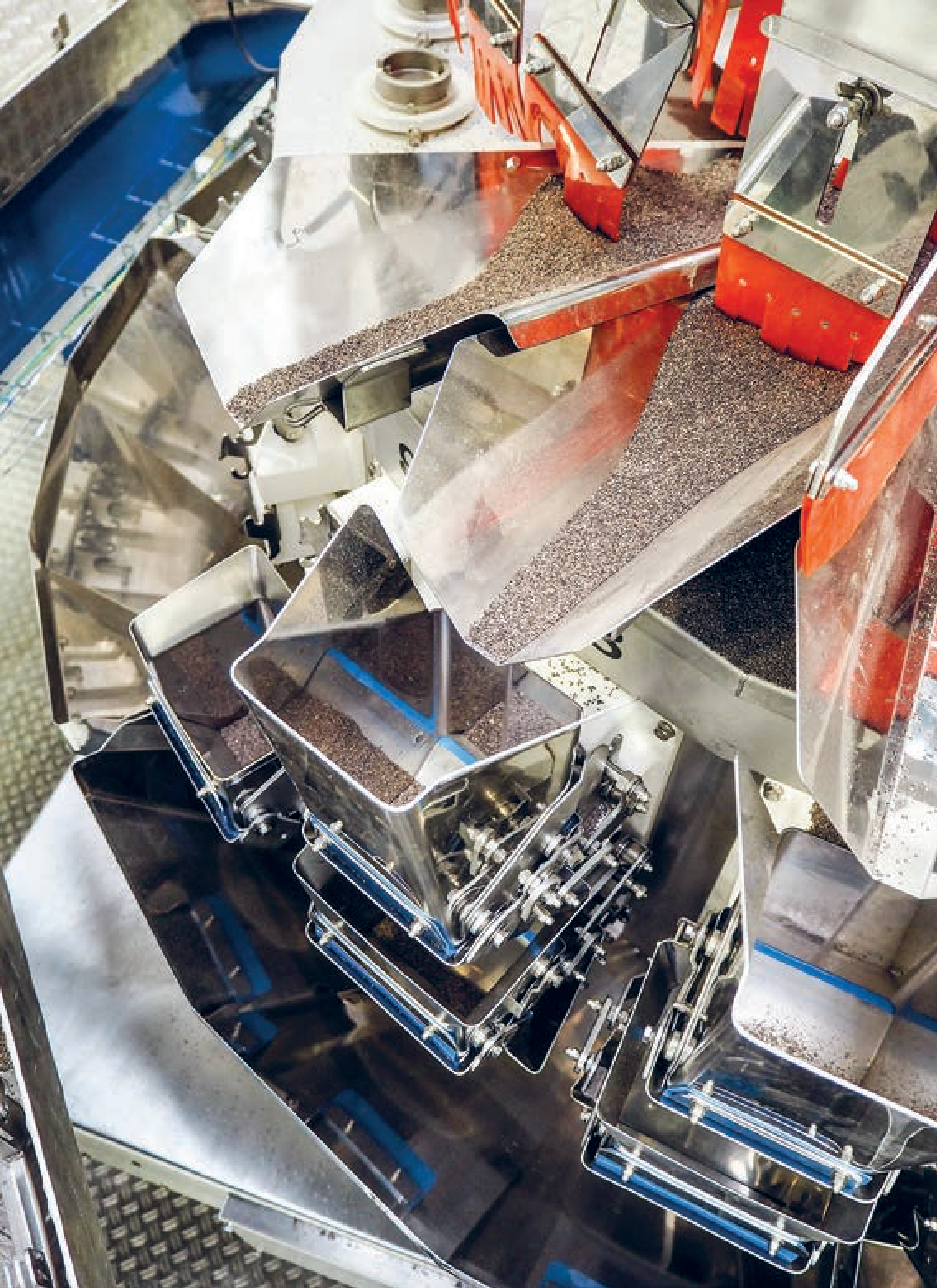
Davert's business model means innovative thinking for Midsona. Today, Davert has three business units: brand sales, food service and private label. The business units interact effectively. The consumer component stands for innovation. Private label contributes efficiency and productivity. Food service provides quantity and quality of raw materials from many perspectives.

Midsona will continue to be a brand company, but if there are products where we cannot compete with the brand, private label is considered. We see extensive opportunities to develop our business in food service. Davert can serve as a role model and contribute important experience for the continued internal work in these areas.

A logical next step

For Midsona, the acquisition of Davert is a logical step out into the rest of Europe. We are now building further on the successful expansion of our organic platform in the Nordic region. Davert's product portfolio, market position and broad customer base combined with expertise means that the company is a very good strategic fit. The outlooks for the German organic market are good and Midsona is now well positioned to take part in this growth.

There is a lot in common between Davert and Midsona; the same values, a common view of the importance of the environment, the need for sustainable food production and the advantages of organic food.



Davert's origin is purchasing of organic raw materials in dry categories, initially from Germany and Europe, eventually around the entire world. The first customers were organic bakeries and companies in food service.

When interest in organic products began to reach larger volumes in the 1980s, a need arose for own brands, private labels, among the FMCG retailers.

Synergies will mainly be achieved in production, purchasing and cross-selling (selling existing products in other geographic markets). By 2022, these synergies are expected to have an annual effect on EBITDA of approximately SEK 40 million (EUR 3.8 million).

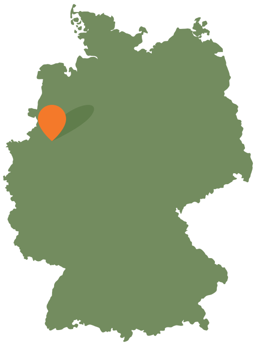
The German food market

The major trends in the German food market are today a development from individual healthfood retailers to a consolidation of retailers and retail chains, just as it happened in many other large markets, including the Nordic region. There is also a shift from shopping in stores to e-trade.

This is a trend that will probably continue. The large growth of organic products will take place in retailing, just like it happened in the U.S., the Nordic region and several other countries.

There is a major change in consumer behaviour in Germany. There are generally more discussions about health, both from a private and public perspective, and that the way we consume and handle the environment must change.

Now, retailing has begun to realise that organic is not a niche, but a growth market and that the volumes are here to stay. People are changing their eating habits and living healthier, both with care for themselves and the development of the Earth.



The acquisition of Davert GmbH

Founded	1984
Head office and production	Ascheberg, North Rhine-Westphalia, Germany
Sales 2017	EUR 64 million (around SEK 616 million)
Business units	Food service, Private Label and Brand sales
Adjusted EBITDA 2017	EUR 4.4 million (around SEK 42 million)
Number of employees	160
Geographic sales	Around 85% in Germany and 15% in other European countries

“It feels exciting with such a goal-oriented company”

— Sebastian Vogel, Product Developer, Davert, Ascheberg, Germany. Employed 2015, in the Group since Midsona’s acquisition of Davert in 2018.

What do you think about becoming a part of Midsona?
The news came as a surprise to me, but I was very pleased and see it as a positive development for Davert and the organic market in Europe. We gained a good partner and it feels exciting to work in such a goal- and future-oriented company.

In what way do you believe the acquisition of Davert can contribute to Midsona’s future success?
Organic foods are becoming increasingly important in people’s lives. This means that it is even more important to have qualified contacts around the world. Through Midsona’s presence in various countries, various brands and products, it is possible to represent and live according to the right values on healthy food, sustainability and ecology. Davert is a successful, organic and innovative company and can contribute with extensive experience and expertise.

How can you personally contribute to the success?
As a product developer, I strive to develop the best flavours for our products with innovative ideas and high-class raw materials. I will primarily continue to develop and support innovative products in our new machine in snacks and cereal flakes.

What is your best Midsona recipe?
I like simple, fast dishes. Davert’s roasted dishes are perfect for regular days. My favourite is sweet potato with curry flavour. You just need a little coconut milk to make a perfect meal in just 15 minutes. If you want, you can add a little smoked tofu to it.

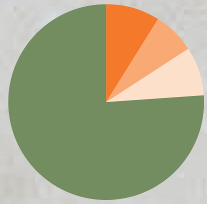
Trends and external development

Picking up early on trends and changes in consumer behaviour is fundamental to how Midsona helps people live a healthy life. Midsona has well-developed methods and processes to actively monitor the outside world and identify new trends.

Strong continued trends in health and well-being

The overall health trend in Europe, which generally drives demand for most of Midsona's products, is at least as strong as before. Insight into the value of a balanced diet and other macro trends in health mean that Midsona is positively impacted.

A plant-based diet is an increasingly clearer trend and a growing share of the population in the Nordic countries, and also in the rest of Europe, say that they are flexitarians, vegetarians or vegans, i.e. a clear trend away from eating meat. Driving forces for these groups can, for example, be animal rights, health and the environmental perspective. Organic products still have a strong position in the Nordic countries and are showing strong growth in many countries in the rest of Europe.



9% of Swedes are flexitarians, 7% vegetarians and 8% vegans.

Young generations are driving the development towards plant-based diets

Increased awareness of food's significance to personal health and the environment manifests itself partly in the form of an increased distrust of processed and animal-based foods, as well as an increased interest in the origins of raw ingredients, what the food contains and what a balanced and healthy diet entails.

Another strong trend is convenience. People do not have the same amount of time to prepare food, but still want to eat healthy. The service trade is therefore growing at the same time that there is an extensive need for healthy ready-made or quickly prepared dishes to themselves make at home.

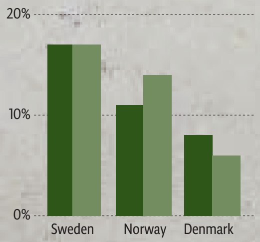
These are trends that Midsona sees throughout Western Europe and are supported in several reports, such as the Nielsen Health Report 2018.

Nielsen Health Report 2018 shows that 9 percent of Swedes are flexitarians with the goal of reducing their consumption of meat and fish and increasing the amount of plant-based food. 7 percent say they each vegetarian and 8 percent that they eat vegan diets. The Swedes are more inclined than others in the Nordic region to exclude meat. A full 17 percent say that they are trying to reduce their consumption of meat compared with 11 percent in Norway and 8 percent in Denmark. It is interesting that roughly as many Swedes say that they are trying to reduce their consumption of dairy products, which 14 percent of Norwegians, but only 6 percent of Danes also say.

The report shows that it is the younger generations who are driving the development towards more plant-based food with generation Z (15–20 years old) on the forefront.

Sweden on the forefront

Share of the population who says that they are trying to reduce their consumption of meat and dairy products.



Source: Nielsen Health Report 2019.

Nearly one in three, 32 percent, in this group say that they are trying to reduce their consumption of meat and the corresponding figure for the group Millennials (21–34 years old) was 23 percent, meaning almost one in four.
21 percent of generation Z is also trying to reduce their consumption of chicken, a figure that is 16 percent for Millennials.

Another trend – separate from the health trend – is that FMCG retailers are increasingly developing their own brands, private label, which primarily applies to slightly simpler products. Private label is not our main focus, but to meet this trend, we will be more open to these kinds of products when production capacity arises (see pages 10–12 Our recipe for growth).

Choice of brands strengthen one's personal brand

Food and drink will increasingly contribute to create or strengthen one's personal brand. Choosing organic foods creates an image that what you eat is healthy and good for the planet. The personal branding trend also encompasses what shops one chooses.

Nordic consumers are generally trend-sensitive and thus pioneers who embrace new trends early. According to Ekoweb, the market for organic foods in Sweden increased by 4 percent in 2018, to over SEK 28.8 billion. In Denmark, the corresponding rate was estimated at 14 percent in 2017. This means that organic foods are deemed to account for nearly 15 percent of the total Danish food trade and in 2017, Denmark was the country in the world with the highest per capita share of the organic food trade.

In 2017, Denmark became the first country with more than 10 percent of food retailing as organic.

Sports nutrition and dietary supplements growing, weight control declining

Growth for the Swedish self care market is stable. As the number of sales channels has grown, competition has increased. According to the Egenvårdsmarknaden 2018 market report, growth in Sweden was around 3.6 percent. The only category to decline comprises weight control products.

The three largest sales channels are still FMCG retail (24.4 percent), pharmacies (22.4 percent) and healthfood retailers (20.1 percent). Sales over the Internet are increasing and are in fourth place with a share of 16.4 percent.

Even if international comparisons are difficult to make, the statistics show that the consumers in Norway and Finland continue to spend significantly more money on self care products than the average Swedish or Danish consumer does.

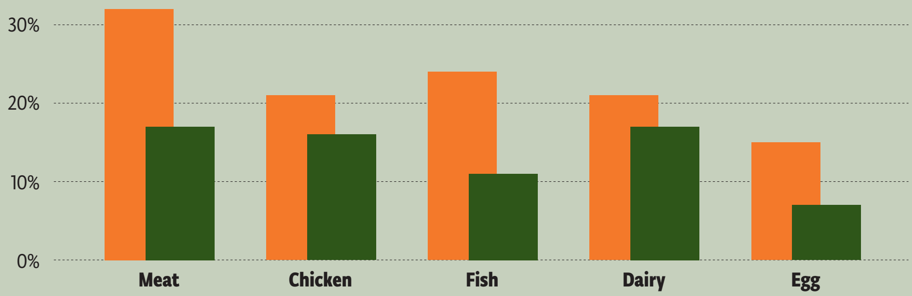
Various driving forces behind vegetarian eating

According to the Vegetarian Society of Denmark, there are various reasons behind vegetarian eating: For vegans, animal ethics are most often the main reason. For vegetarians and flexitarians, it is usually a combination of various reasons all of which are equally important (even if more vegetarians mention animal ethics as the primary reason, while flexitarians are most often motivated by sustainability and health).

For most of the non-vegetarians that have meat-free days, health is the main reason for eating vegetarian food.

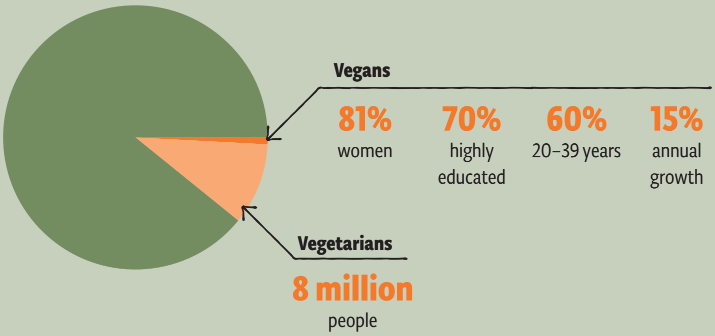
Generation Z is leading the trend in Sweden

Share of the population trying to reduce their consumption of… in ■ generation Z and ■ Sweden as a whole.

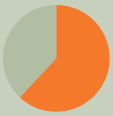


Vego trend on the advance in Germany as well

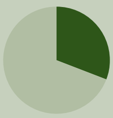
In Germany, 1.3 million of the residents are vegans. Around 10% are vegetarians.



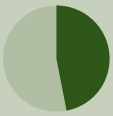
The content is important



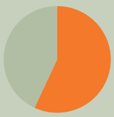
62%
keep careful track of the ingredients



31%
are prepared to sacrifice taste for good products



47%
feel that not having undesirable ingredients is more important than the content of desirable ingredients



57%
are prepared to pay more for products that do not contain undesirable ingredients

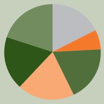
Source: Nielsen Consumer Confidence Index.

Swedish hopes for the future

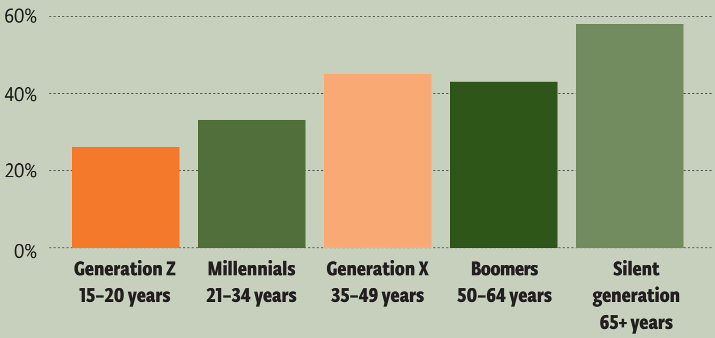
Staying in shape and being healthy are very important for Swedes over the age of 20, and become even more important the older one gets. When we are asked about our hopes for the future, the most common answers are to earn a lot of money, travel around the country/the world, work and have a career, stay in shape and be healthy, have children and spend time with one's family.

Health and well-being are important

Share of Swedes who place good health as one of their top three expectations for the future.



Share of residents in the various generations (■ Under 15)



"There are many interesting opportunities"

— Björn Ullemark, Head of Operations, Midsona Sweden, Falköping, Sweden.
Employed 2014, in the Midsona Group since the acquisition of Bringwell in 2017

What do you think about becoming a part of Midsona?
I'm very happy to be part of the Midsona Group. Midsona is an expansive and profitable company where there are many interesting opportunities, both for the company and for us employees. Midsona has grown quickly in recent years and is now a hybrid of a small and a large company. This means that we are in constant change and it is an exciting journey to be a part of.

In what way do you believe the acquisition of Bringwell will contribute to developing Midsona's success?
I believe that Bringwell's experience of dietary supplements and plant-based medications can be of benefit in Midsona. It entails a broader base for the self care portfolio, which creates a possibility of synergies in both marketing and sales, as well as Regulatory affairs and Supply chain.

How can you personally contribute to this recipe for success?
By identifying synergies and improvement possibilities in the supply chain and then ensure that the plans become reality. It is easier to identify potentials than to ensure that the potentials are converted to concrete plans and that they are also done in a good way. I had a really good school in Atria and now most recently at Bringwell in this. I hope to be able to contribute this at Midsona.

What is your best Midsona recipe?
Our family really likes a vegetarian variant of Pasta Bolognese made of Kung Markatta's Beluga lentils instead of minced meat. Beluga bolognese – it's the big favourite in our house right now!

Our product categories

Midsona's products are within three categories: organic products, healthfoods and self care products.

Organic products



Share of the Midsona Group's sales*

49%

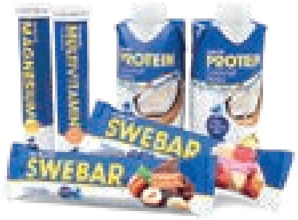
Examples of brands

- Urtekram
- Kung Markatta
- Davert
- Helios
- Soma

* Pro forma full year after the acquisition of Davert.

Healthfoods





Share of the Midsona Group's sales*

24%

Examples of brands

- Friggs
- Naturdiet
- Dalblads

* Pro forma full year after the acquisition of Davert.

Self care products



Share of the Midsona Group's sales*

27%

Examples of brands

- Eskimo-3
- Miwana
- Kan Jang

* Pro forma full year after the acquisition of Davert.

Our strong brands

Midsona's wide range of strong brands with leading products in health and well-being satisfy the needs of many consumers. We have achieved a leading position by developing our brands so that we can now meet trends even better.

We develop our brands by continuously reviewing the range and being innovative with exciting new flavours, relevant ingredients and new categories. We are also developing our brands in the way we communicate and where we communicate about them. The largest part of the market advertising in 2018 continued to be directed at digital channels and social media. Digital development demands that we are constantly present, are easy to find, can answer our consumers' questions and have a dialogue with them.

Midsona made the strategic choice to invest in leading, distinct brands. In 2018, proprietary brands accounted for a total of approximately 69 percent (64) of the Group's sales of products. Many of our brands have strong and leading positions in selected segments in the respective product category.

Midsona's strategic goal is to work with brands that are number one or two in their markets. This creates opportunities for increased exposure in shops, making it even easier for consumers to choose these products. Midsona prioritises eight of its proprietary brands: Urtekram, Kung Markatta, Davert, Friggs, Helios, Dalblads, Naturdiet and Eskimo-3.

In addition, we work with several other brands of our own with good profitability, and we represent a number of clients' brands.

Midsona's acquisition of Davert in 2018, Bringwell in 2017, Internatural in 2016 and Urtekram in 2015 has multiple dimensions. One of the most important is the fact that the brands are strong and clearly niched and personal. Therefore, they fit very well into Midsona's branding strategy.

Through the brands Kung Markatta, Urtekram, Davert and Helios, we have leading positions in the organic market in all Nordic markets and Germany.

Kung Markatta

In 2018, Kung Markatta continued to make a stand for good food that both has a good impact and tastes good. Organic vegetarian products that can simplify everyday life for the consumers have been the focus of the innovation work, which will continue to have an impression on the market in the future. In 2018, Kung Markatta was voted Sweden's 12th most sustainable brand in the Sustainable Brand Index™ survey.

Urtekram

Urtekram has a clear sustainability profile and has continued to maintain a high pace of innovation in its category. In 2018, Urtekram was elected as Denmark's second most sustainable brand in the Sustainable Brand Index™ survey, which further strengthens the brand's sustainable profile, as it is the consumers' nominations that determine who takes home the prize. Urtekram has also developed a new plant-based packaging solution with sugar cane instead of conventional plastic. The packaging will gradually be rolled out in 2019.

Davert

The German company Davert was acquired in May 2018 and has a strong position in the organic market in Germany. Davert has the entire value chain from contact with growers around the world to production, marketing, sales and distribution. The product range is very wide and business is conducted in food service, private label and brand work towards consumers.

Friggs

Friggs has continued to develop strongly in 2018, mainly driven by a continued positive development for corn cakes throughout the Nordic region. During the year, the innovation work was focused on corn cakes for continued success in future years. In recent years, Friggs has laid the foundation to continue to develop in more channels and for more consumption occasions thanks to its strong brand. In the tea category, Friggs is the leader in healthy teas and the Swedish player that has been in the market the longest.

Case: Friggs' recipe for success

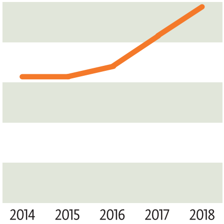
Friggs turned 50 years old in 2018 and since the beginning has offered healthfoods and dietary supplements with proprietary product development in Sweden, but it is innovation over tradition that that has taken the brand to where it is today. In the past three years, sales and recognition of the brand have increased sharply and Friggs' products are now in everything from the kitchens of health-conscious families to children's school backpacks.

Dare to try something new

Friggs has long worked based on Midsona's philosophy of daring to test new products. Speed, courage and initiative are encouraged. In recent years, Midsona has focused on developing new products based on the market's trends and needs. One of the keys to success was to reduce the time from concept to launch.

In recent years, Midsona has launched several new products in new and existing categories. One of the most successful is corn cakes and today there is a broad range of many different flavours and package sizes throughout the Nordic region. Through the launch, the brand found a niche in healthy snacks with quickly growing demand. FMCG retailing became an important sales channel and partner. The corn cakes have a high fibre content, natural ingredients, no flavour enhancers and no added sugar, properties that match the needs of health-conscious consumers. Corn is also gluten-free, which is attractive to many.

Friggs' sales 2014–2018



Visible and responsive

An important part of the success has been a continued close dialogue with the customers to listen to needs and find areas of improvement. For example, this means jointly reviewing how selected categories can be developed in stores based on demand and growth opportunities. In 2018, Midsona implemented a category project in cooperation with one of the larger customers in FMCG retailing. This resulted in strongly increased growth for the entire category including Friggs' assortment. Friggs is now well positioned with continued good growth opportunities.

To strengthen the brand and increase sales, Friggs' packaging design was updated a few years ago. Friggs is now working according to a clear design model, where every product and flavour should be easy to recognise with a consistent pattern and unique package colours. Midsona is working actively to be visible in stores with the help of various exposure possibilities that shall make it easier for the consumer to find Friggs' products and generate added sales for the stores.

Another success factor for Friggs is a well-functioning market communication that is based on three parts:

1. Broad recognition through outdoor advertisements near stores
2. Inspiration and commitment in social media
3. Taste testing in connection with events linked to health. For Midsona, it is important to support various activities that promote children and adolescent health and the brand Friggs was a sponsor for the Swedish championships in Beach Volleyball in summer 2018.

Corn cakes are one of Friggs' most successful products.

Consumer insight drives development

Friggs' broad assortment is attractive to many consumer groups. The largest are families with children and health-conscious women between the ages of 25 to 45. For them, health, well-being and the products' environmental impact are important. Many believe that it can be difficult to find time to eat healthy and Midsona's strategy is for it to be easy to choose delicious, simple, affordable and healthy alternatives among Friggs' portfolios.

Friggs' product portfolio is developed in line with the overall healthtrends that Midsona built all of its brand portfolios from.

- Organic – the product's content and origin
- Natural ingredients – products with few and pure ingredients
- "Free from" – for example, gluten-free, preferably with a low sugar content
- Function – the health effects of the contents

79 percent are familiar with Friggs and 36 percent say that they bought a Friggs product in the past year. In the tea category, Friggs is the leader in healthy teas and is the Swedish player that has been in the market the longest.
— YouGov, September 2018

Nordic cooperation

Midsona regularly arranges workshops with all of the Nordic colleagues. The objective is to strengthen the cooperation between the countries and encourage knowledge exchange to create synergies and increased growth for Friggs. Business intelligence and trends from the respective country are important points. Current innovation work and new opportunities are also important areas.

Friggs offers a broad range of corn cakes, lintel cakes, rice cakes, healthy snacks, tea, juice and dietary supplements.

Our priority brands

Urtekram

Urtekram is a leading brand in organic food and hygiene products that Midsona acquired in 2015. The range is broad and is mainly sold in supermarkets and grocery stores. Urtekram offers a wide range of dried fruits, nuts, oils, spices, fruit cream, muesli, rice and pasta. Urtekram was one of the first to offer products for consumers seeking vegan alternatives. Urtekram's hair and bodycare products are organically certified and offer several series with contemporary fragrances. The range is exported to 30 countries and is continuously developed.

Kung Markatta

Kung Markatta is a leading brand in organic food that Midsona acquired in 2016. With a broad range of food products for all kinds of cooking and baking, such as oils, grains, pasta, bouillon and various kinds of flour, Kung Markatta offers food that both tastes good and has a good impact. Through strong campaigns, Kung Markatta wants to call attention to the significance of cooking more vegetarian dishes in a climate smart way and thinking of the importance of avoiding food waste.

Davert

Davert is a leading brand in organic food with one of Germany's broadest assortments of selected organic products. The company, which Midsona acquired in 2018, owns the entire value chain, meaning purchases of organic raw materials, production and distribution. Davert offers a wide range of rice, cereal flakes, dried fruits, nuts and more.

Friggs

Friggs is a broad health brand that focuses on the latest trends. The assortment is primarily available in FMCG retailing. Friggs has a leading position on the market in corn and rice cakes and in 2018, worked to launch a number of new flavours. Friggs' range of teas focuses on good taste with ingredients that have strong health ties. The dietary supplements have a leading position in the Swedish market.

Midsona's business builds on strong proprietary brands that are continuously developed in new channels, with relevant communication to speak to existing consumers and attract new consumers. Urtekram, Kung Markatta, Davert, Friggs, Helios, Dalblads, Naturdiet and Eskimo-3 are prioritised and many of them have sales in several of the Group's markets. The prioritised brands play a key role in the Group's growth and together stand for a significant part of Midsona's total sales.

Helios

Helios is a leading brand in organic food with Norway's most extensive range of select organic and bio-dynamic products, such as breads, beverages, cold cuts, dinner, accessories, pasta sauce, pesto, oil, sugar, syrup, nuts, seeds, flour and tea. Helios was launched as early as 1969 as Norway's first organic brand in food. The brand has since worked to offer pure, honest products of a high quality. Today, Helios' products are in grocers throughout Norway.

Dalblads

Dalblads develops and markets products for the everyday exerciser and those who exercise regularly to get stronger and increase their endurance. The products are suitable before, during and after exercise. Extensive focus continued to be on developing entirely new kinds of Swebars with a low sugar content. Interest in sports nutrition is growing strongly and Dalblads grew in the FMCG retail segment during the year. The products are mainly marketed within e-trade.

Naturdiet

Naturdiet offers weight control products. Common to all products is their low calorie content, at the same time that they contain the vitamins and minerals needed in meal replacement products. The range consists of shakes, smoothies, bars and drink mixes. In 2018, focus was on developing even more flavours of beverages and bars with lower sugar content. Naturdiet is mainly sold in FMCG.

Eskimo-3

High-quality products with omega are sold and marketed under the brand Eskimo-3. The brand is characterised by stable oils with a low oxidation rate thanks to Pufanox, which is in most Eskimo-3 products. Fish oils in Eskimo-3 are certified by Friends of the Sea, which means that the fish is caught responsibly with consideration of the method, stocks and social responsibility. The range includes both natural and highly concentrated fish oils. Eskimo-3 is available in the Nordic region and in some ten other markets around the world.

Our product innovation

Some launches in 2018

Friggs launched lintel cakes.

Naturdiet launched low sugar shakes with a new base in three flavours.

Kung Markatta launched three kinds of tempeh.

Innovations have become increasingly important for Midsona as we have approached categories of consumers with a significant interest in nutrition, high product standards and interest in testing new products. Innovation and staying abreast of trends is part of building consumer trust and loyalty. This entails reacting quickly to new trends, which requires a streamlined innovation process.

Midsona's innovation forum decides on initiating projects for new product development. Once an idea is approved by the innovation forum, local project groups continuing working on it. In presenting the idea, market trends and competition conditions have been analysed to best determine why Midsona should develop the product.

Several factors decide

What decides if an idea will be developed into a new product can be production costs or finding suppliers with the desired quality. It can also be so that the market analysis shows that there is no room for the idea, but by adjusting it, it can nonetheless become interesting. It's all about the right timing, both internally and externally.

Several of Midsona's brands, such as Urtekram, Kung Markatta, Davert and Helios, are known for their high rate of innovation. Every year, hundreds of new products and product variations are launched. Friggs and Naturdiet also have a successful innovation process with several new products per year.

Fast innovation and development

To satisfy customers' and end-consumers' rapidly changing needs, Midsona has to work simply and smoothly with innovations. The goal is to create a simple process to be able to quickly nurture ideas and evaluate if they have market potential.

In 2018, Midsona continued working on innovations within entire new categories. This involves refrigerated and frozen food, an important part of the store since the consumers frequent areas where staple items like milk and butter are located. The products that Midsona develops are vegetarian hamburgers, sausages and meatballs, to name a few. Plant-based food is a trend at the same level as organic food in recent years; the ambition is to develop products that are in both of the categories.

Another important development area is finding possibilities to geographically broaden the marketing and distribution of existing products. Midsona has many brands that are in one or two of the four Nordic countries and we work efficiently to be able to launch them in all four countries. There are strong brands, products and campaigns to work from and there is major potential in launching them in all countries.

Focus on innovation in organic

Organic products account for about half of Midsona's sales. It is also the segment in health and well-being that is expected to grow fastest in Europe in the next few years, with an annual growth rate of 8 to 10 percent. But there are challenges. After a period of strong growth in the Nordic region, it slowed mainly in Denmark and Sweden at the same time that competition increased.

Denmark and Sweden have the highest consumption per capita of organic food in the world. In the rest of Europe, growth is still high. Conventional large food companies have begun to be interested in organic and are launching both organic variants under strong conventional brands and entirely new organic brands.

To further strengthen our positions in the organic markets, we began an innovation project in 2018 with a focus on:

Reaching the right organic consumers

The goal is to attract the right consumers with strong purchasing power and above all reach enough relevant customer occasions with our products. In autumn 2018 and 2019, the work continues to create pioneering designs, relevant consumer innovations and motivating marketing.

Innovation

We will increase the degree of innovation for the whole organic portfolio by offering new product groups.

Cross-selling

We will work with cross selling, meaning offering Davert's best and most innovative products in the Nordic region under the brands Urtekram and Kung Markatta and vice versa, in other words starting sales of Urtekram's and Kung Markatta's best products in Germany under the Davert brand.

Our sales channels

The basis for Midsona is strong brands in health and well-being. The primary function of Midsona's sales work is to ensure a flow of products at customers' outlets that continuously meets the effects of the marketing department's activities directed at consumers. The more channels Midsona has and the more aggressive its marketing communications, the higher the demands on production and distribution.

Sales channels

Midsona should be where the consumers are. We do not exclude any channels, but assign priority to certain channels based on size. The sales department is structured according to the size of each customer or channel – or the scope of the potential.

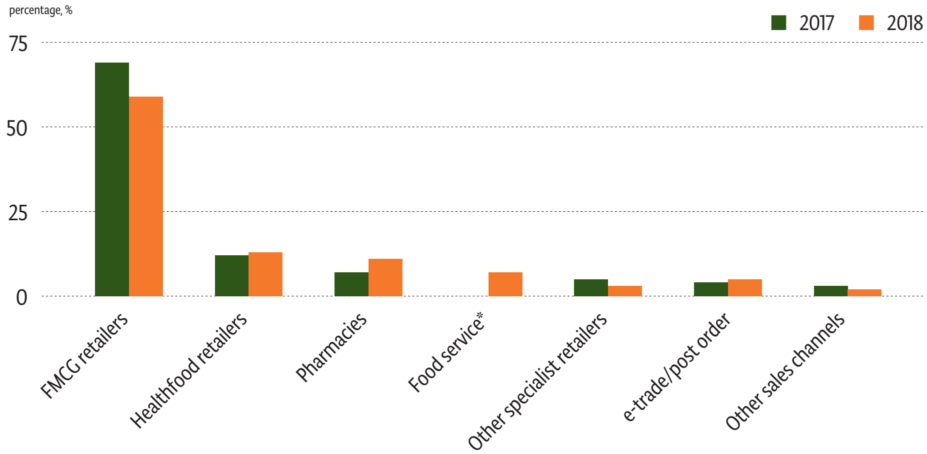
Midsona has a well-defined structure for the sales processes in all business areas.

The basis entails working centrally with large customers in FMCG and healthfood retail. Other significant channels are pharmacy chains and other specialist retailers. The sales through e-trade are growing strongly and essentially doubling every year.

The Nordic market currently differs quite a lot from the European market. Especially in Germany where a significantly larger share of the products are sold through traditional healthfood stores or specialist organic stores. However, they are currently losing large volumes to FMCG retailing.

So the German market is where the Nordic region was six or seven years ago. It is a challenge to follow this change at the same time that it is important since it means that the market will grow by the products becoming available to a significantly larger share of consumers. Midsona sees it as very positive since it entails more possibilities for organic products, at the same time that Davert, which we acquired during the year, is well-established in FMCG retailing.

Sales channels, external product sales



* New sales channel in 2018 and comparative figures are unavailable for 2017. Income from Food service was essentially recognised in the sales channel FMCG retail for 2017.

Introducing products

Processing and business sales take place centrally; then the customer ensures that Midsona's products come into the stores. This means Midsona must do both central processing and development of customer relations at shops out in the field.

To achieve optimal distribution, clear planning and structure are important. Midsona works on the basis of seven sales cycles per year, with each cycle lasting six to eight weeks. The year commences with a sales conference, including education and training in sales calls, as well as the planning of the sales cycle.

Shelf exposure

In parallel with business sales, the sales staff also work to create an effective exposure of the products on the store shelves. This involves creating activities in various ways that support the shops in how they sell the products. What is of most interest to the shops – and also to Midsona of course – is naturally selling to end consumers. We must continuously have creative ideas, displays and shelf exposure.

Midsona mainly works with its own sales force, which streamlines the management of the sales process. Since the information paths are becoming simpler and shorter, salespeople can change or refocus their sales activities more quickly.

Logistics and purchasing

Midsona is continuing to work towards the goal of having a new Nordic organisation for logistics and purchasing in place in 2019. The objective is to create a sustainable value chain with consideration of the environment and our highly set goals for continued growth and cost efficiency.

One organisation, one system, one plan

By building a common organisation for supply chain in the Nordic region, based on a common business system and an operational plan, purchasing and logistics will be coordinated fully. Synergies will also be created by deepening the cooperation with Davert in Germany. Altogether, this provides conditions for greater growth and cost efficiency.

A basic prerequisite for being able to work as one organisation is a common business system. A new business system has therefore been implemented in Sweden and Denmark in 2018. In 2019, the system will be in place in Norway and Finland as well.

Nordic coordination provides results

A new management has been formed for the Nordic supply chain organisation. It works across country borders to streamline the Group's processes. It is in charge of common Nordic functions, such as purchasing, warehousing, logistics, customer service, quality assurance and production. Although a lot of work remains, the work has already begun providing positive effects.

In 2018, we signed a sales agreement with HRA Pharma and now have a Nordic structure for the regulations that are required within the healthcare and pharmaceutical industry.

The organisational changes have among other things resulted in common Nordic purchasing for the brands Kung Markatta and Urtekram and several common procurements have been done with good results. By combining and coordinating purchasing volumes, there is a possibility for extensive cost savings and better conditions at suppliers. The Group's Danish production plant, which previously only produced for Urtekram, is now allocating 10 percent of the capacity to Kung Markatta and Helios.

An important part of the logistics work has been to streamline the warehousing structure. In connection with the change in Mariager in Denmark, the Danish warehouse for health care in Copenhagen was closed. In Norway, the warehouse operations were consolidated to one central warehouse and, in Sweden, all volumes in health care were consolidated to Falköping.

In 2018, the work began with an optimisation of Midsona's Nordic organisation and as a part of this, closure of the operations in Örebro was proposed. The proposal was announced in connection with the publication of Midsona's 2018 year-end report.

During the year, the Group also coordinated quality assurance and regulatory requirements between the Nordic countries. In February 2018, the Group signed a Nordic sales agreement with HRA Pharma on the brand Compeed®, among others. The agreement is evidence that we now have a Nordic structure based on the regulations that are required within the healthcare and pharmaceutical industry.


Himalayan salt
Himalayan salt

More certain forecasts and smarter purchases

Supply chain will to a greater extent be coordinated based on an overall Nordic forecast effort regarding sales, purchasing and finance. During the year, Demand Planners were hired in Sweden and Denmark to coordinate this work. More certain forecasts at a Nordic level provide more opportunities for improvements, a higher degree of service to customers and less tied-up capital. Purchasing is a focus area for supply chain that will be centrally coordinated through the new organisation.

Greener transports

During the year, the Group carried out a Nordic transport procurement with the aim of lowering costs and reducing the environmental footprint. We will now more clearly be able to monitor all transports based on a sustainability perspective since the suppliers will present an account of their carbon dioxide emissions.

As a part of the improvement work in common purchasing, a Nordic Supply Code of Conduct was introduced for all suppliers. Setting higher demands on the suppliers accepting responsibility for one of the basic prerequisites for the Group's sustainability work in the future. 77 percent of the suppliers have signed the Supply Code of Conduct and the first effects of the agreement are expected as early as 2019.

The Nordic supply chain unit has been a driver in the Group's overall sustainability work and among other things prepared measurable and long-term sustainability targets. The targets are intended to improve the organisation based on measurable factors, such as carbon dioxide emissions, packaging, capacity utilisation in deliveries and responsible sourcing.

Potential in Davert

The acquisition of the German company Davert means that a new organisation on purchasing and logistics will be developed and integrated with the Group's Nordic organisation. The Group sees great potential in Davert, which is now being mapped based on possible improvement areas and production strategy.

Bringwell, which was acquired in 2017, is now integrated in the Group. At the time of acquisition, many new employees transferred to Midsona and Bringwell's factory in Falköping has already begun to be used as a Nordic hub for the self care products category.

In 2017, Bringwell was acquired and in 2018, the factory in Falköping began to be used as a Nordic hub in self care products.

"I am looking forward to developing products for other countries"

— Anita Becker, Food Engineer, Davert, Ascheberg, Germany.
Employed 2010, in the Group since Midsona's acquisition of Davert in 2018.

What do you think about becoming a part of Midsona?
I have worked with the development of food for 20 years and have focused on Germany so far. With support from Midsona, I hope that Davert will be involved in creative development even outside Germany and I am looking forward to being able to exchange knowledge with others in the Group.

In what way do you believe the acquisition of Davert can contribute to Midsona's future success?
Davert's size should fit Midsona well to rapidly support further development of products. Short decision-making and information pathways contribute to our efficiency. During the process, the development and product department can do taste tests quickly and together directly plan for the next step. As a result, the number of new products per year is very high. We have made major investments in filling technology and the possibilities of developing innovative products have improved considerably.

How can you personally contribute to the success?
Since my studies in food engineering, I have been interested in food production and have constantly worked with product development and therefore have a broad experience. I know the technologies and my knowledge has developed continuously. I am inquisitive, creative and willing to learn more. I love challenges and believe that I can contribute to developing successful products.

What is your best Midsona recipe?
I love to cook and actually every recipe is a favourite. I like to use our rice products or mixes with quinoa. If I don't have much time, the Bulgur salad is a favourite that can be piffed up with fresh vegetables.

Our business areas

Business operations are conducted in five business areas that are close to customers in each market, providing optimum conditions for being able to combine the Group's economies of scale with flexible and efficient business decisions.

Sweden

- Sales increased substantially, driven by both organic growth and acquired sales volumes.
- A large programme was initiated to increase the organic brands' attractiveness to customers and consumers.
- An agreement was signed to represent a selection of brands for HRA Pharma in the Nordic region, such as Compeed®.
- Negative impact by currency and raw materials. A Nordic action plan was prepared.
- Kung Markatta was ranked as Sweden's tenth most sustainable brand in 2017, according to the Sustainable Brand Index™ survey.
- Midsona's new business system was deployed.
- All volumes in health care have been moved to Falköping.

Key figures	2018	2017
Net sales, SEK million	1,315	1,070
Net sales growth, %[1]	22.9	47.0
EBITDA, before items affecting comparability, SEK million	143	133
Depreciation/amortisation and impairment	−9	−7
Operating profit, before items affecting comparability, SEK million	134	126
Items affecting comparability included in operating profit, SEK million	1	−6
Operating profit, SEK million	135	120
Operating margin,%	10.3	11.2

[1] The figures for 2016 have not been recalculated for effects on net sales in connection with conversion to IFRS 15.

Sales channels external product sales

FMCG retailers 62% | Healthfood retailers 7% | Pharmacies 15%
Food service 4% | Other specialist retailers 1% | E-trade/post order 8% | Others 3%

Gender distribution in the business area and share of Midsona's total number of employees

Men: 57 | Women: 64 | Total: 121

Denmark

- The sales trend was weak, in part due to an agreement of contract manufacture having ended.
- Midsona's new business system was deployed.
- In Denmark, Urtekram won the food category in the Sustainable Brand Index™ survey and came second in the collective assessment.
- A new packaging solution with sugar cane was developed for the brand Urtekram's beauty products, which will be rolled out in 2019.
- The production unit in Mariager now also produces parts of Kung Markatta's and Helios' assortment.
- The Danish warehouse for health care in Copenhagen was closed.

Key figures	2018	2017
Net sales, SEK million	554	521
Net sales growth, %[1]	6.3	−3.0
EBITDA, before items affecting comparability, SEK million	13	24
Depreciation/amortisation and impairment	−6	−8
Operating profit, before items affecting comparability, SEK million	7	16
Items affecting comparability included in operating profit, SEK million	–	–
Operating profit, SEK million	7	16
Operating margin,%	1.3	3.1

[1] The figures for 2016 have not been recalculated for effects on net sales in connection with conversion to IFRS 15.

Sales channels external product sales

FMCG retailers 61% | Healthfood retailers 17% | Pharmacies 3%
Food service 4% | Other specialist retailers 4% | E-trade/post order 7% | Others 4%

Gender distribution in the business area and share of Midsona's total number of employees

Men: 58 | Women: 79 | Total: 137

Norway

- The Norwegian market has been characterized by restrained growth with lower sales volumes to specialist retailers in favour of the FMCG retailers.
- The NOK weakened against the EUR during the year, which entailed higher costs or product purchases. The action programme prepared at a Nordic level also applies to Norway, where a number of positions will be discontinued or moved to Malmö.
- One of Midsona's two warehouses in Norway has been closed as a part of the measures to reduce the earnings effects of the distribution agreement with Alpro expiring in February 2019.

Key figures	2018	2017
Net sales, SEK million	601	553
Net sales growth, %[1]	8.7	16.4
EBITDA, before items affecting comparability, SEK million	67	54
Depreciation/amortisation and impairment	–5	–5
Operating profit, before items affecting comparability, SEK million	62	49
Items affecting comparability included in operating profit, SEK million	–3	–4
Operating profit, SEK million	59	45
Operating margin,%	9.8	8.1

[1] The figures for 2016 have not been recalculated for effects on net sales in connection with conversion to IFRS 15.

Sales channels external product sales

FMCG retailers 59% Healthfood retailers 16% Pharmacies 15% Other specialist retailers 8% E-trade/post order 1% Others 1%

Gender distribution in the business area and share of Midsona's total number of employees

Men: 29 Women: 43 Total: 72

Finland

- The Finnish market is growing stably. Prioritised brands had strong growth and strengthened their positions, above all in FMCG retailing, despite competition by the retail trade's own brands.
- A major focus was on the integration of the acquired Bringwell's Finnish operations. The integration was completed at the end of the year.
- The action programme prepared at a Nordic level also applies to Finland, where a number of positions will be discontinued or moved to Malmö.
- A few sales assignments were signed.

Key figures	2018	2017
Net sales, SEK million	225	173
Net sales growth, %[1]	30.1	5.5
EBITDA, before items affecting comparability, SEK million	26	18
Depreciation/amortisation and impairment	–1	–1
Operating profit, before items affecting comparability, SEK million	25	17
Items affecting comparability included in operating profit, SEK million	–	–1
Operating profit, SEK million	25	16
Operating margin,%	11.1	9.2

[1] The figures for 2016 have not been recalculated for effects on net sales in connection with conversion to IFRS 15.

Sales channels external product sales

FMCG retailers 76% Healthfood retailers 8% Pharmacies 13% E-trade/post order 8% Others 1%

Gender distribution in the business area and share of Midsona's total number of employees

Men: 7 Women: 18 Total: 25

Germany

- Erk Schuchhardt took office as the manager for the newly established Business Area Germany.
- The integration of Davert is proceeding according to plan and promised synergies began to be realised, mainly in production and purchasing. By 2022, synergies from the acquisition of Davert are expected to have an annual positive effect on EBITDA of approximately SEK 40 million.
- Through so-called cross-selling, Kung Markatta and Urtekram's best products were offered in Germany under the brand Davert and vice versa.
- Investment in production line in Ascheberg.
- Development opportunities for Midsona's business in food service.
- The distribution of the brand Davert to FMCG retailing increased.

Key figures	2018[1]	2017
Net sales, SEK million	426	–
Net sales growth, %	–	–
EBITDA, before items affecting comparability, SEK million	33	–
Depreciation/amortisation and impairment	–11	–
Operating profit, before items affecting comparability, SEK million	22	–
Items affecting comparability included in operating profit, SEK million	–	–
Operating profit, SEK million	22	–
Operating margin,%	5.2	–

[1] Pertains to 3 May–31 December.

Sales channels external product sales

FMCG retailers 41% Healthfood retailers 24% Food service 31% Other specialist retailers 3% E-trade/post order 1%

Gender distribution in the business area and share of Midsona's total number of employees

Men:106 Women: 48 Total: 154

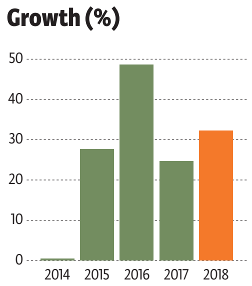
Financial targets

The financial targets are a way for Midsona's 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.

Growth: more than 10 percent on average per year

The growth target is to be achieved by focusing on our vision and set strategies. Growth will be achieved organically, through acquisitions and through new partnerships or alliances. For the long term, the target entails Midsona expecting to grow significantly faster than the underlying market (2–4 percent annually).

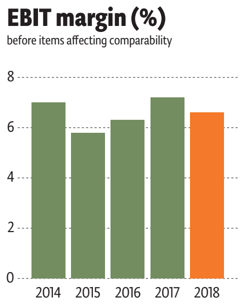
Goal completion 2018: Net sales increased by 32.2 percent, driven by organic growth and acquired business volumes. Organic growth was 3.0 percent. Structural changes also contributed to net sales growth by 26.0 percent, and exchange rate changes contributed by 3.9 percent.



EBIT margin >10 percent

The level is set to create space and conditions to develop the operations in the long term and to provide a stable return. As a focused brand company, Midsona achieves economies of scale in all functions, from purchasing to sales, which will strengthen the EBIT margin. In addition, an improved product mix and synergies from acquisitions are expected to affect the margin positively.

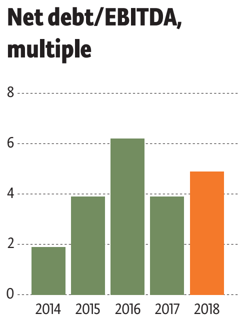
Goal completion 2018: The EBIT margin, before items affecting comparability, amounted to 6.6 percent (7.2). The margins were negatively affected above all by significantly higher product costs as a result of the weakened SEK against the EUR and some temporary additional costs attributable among other things to challenges in a change of business systems.



Net debt/EBITDA: less than 2 times

The target links borrowing to earnings capacity and shall define a reasonable level of risk. The target is to be achieved through active investments and a clear focus on operating cash flow.

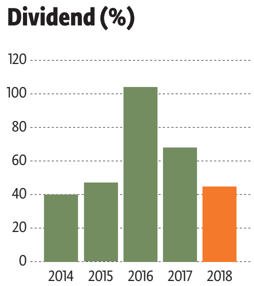
Goal completion 2018: The relationship between net debt and EBITDA on a rolling 12-month basis was 4.9 times (3.9), despite a strong cash flow and improved earnings. Periodically, the key ratio can be significantly higher than the target at the time after an acquisition as the results from the acquisition have not yet achieved full impact in the key ratio calculation.



Dividend >30 percent of profit after tax

The target is a well-considered proportion that provides shareholders with a reasonable return while ensuring that the company has the funds necessary to develop its operations aggressively.

Goal completion 2018: The Board of Directors proposes a dividend of SEK 1.25 per share (1.25), corresponding to a pay-out ratio of 44.7 percent (68.2). 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 six years.



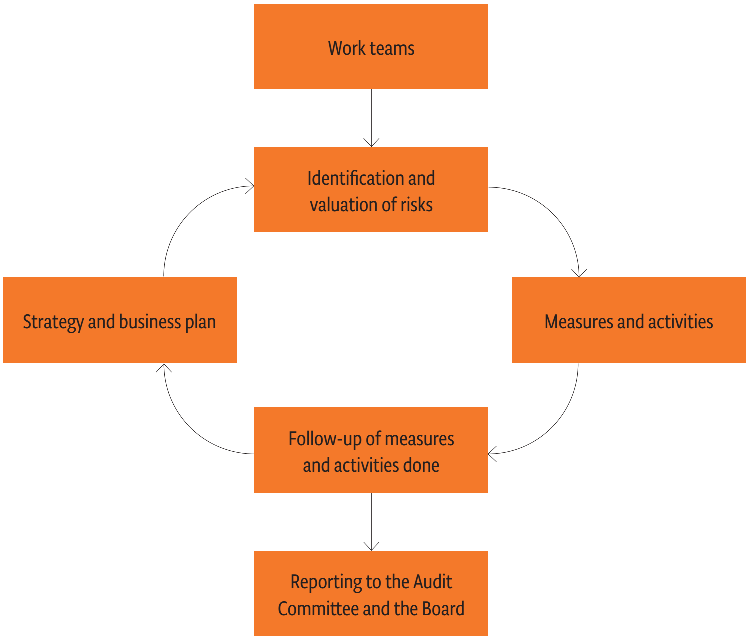
Risks and risk management

All business operations must manage uncertainty regarding future events that could affect the operations positively, bringing opportunities to generate increased value, or negatively, incurring a risk that set targets will not be reached, with reduced value being generated for shareholders and other stakeholders as a consequence. The ability to identify, evaluate, manage and follow up risks constitutes an important part of the governance and control of the business activities. The objective is for the Group's targets to be achieved through a well-considered risk taking within set limits.

The risk work is governed at an overall level by the Board, which is responsible for the risk management before the shareholders. At an operational level, the risk work is managed by the CEO, the management team and other employees. As a basis for the operational risk management, which is handled at all levels in the organisation, there is a Code of Conduct and a number of overall policies. Risks related to business development and strategic planning are prepared in Group Management and decided on by the Board. Group Management continuously reports risk issues regarding the Group's financial position and compliance to finance policy to the Board.

Midsona has an iterative risk management process, which constitutes a basis for the Group's work with risks. The process aims to provide a Group-wide overview of risks, by identifying, evaluating and preparing decision documentation for risk management and to enable follow-up of the risks and how they were handled.

Risk management process



In the risk management process, a number of risks were identified that were categorised into four risk areas – operational risks, market risks, financial risks and sustainability risks. The account of the various risks in the respective risk area does not claim to be exhaustive, nor is it ranked by order of importance. Not all risks are described in detail, and a complete assessment must include other information and a general assessment of external conditions.

Operational risks

BUSINESS ETHICS

Description of risk
It is of central significance that consumers associate our brands with positive values, where both a good reputation and credibility are vital to sales success. Reputation and credibility can easily be damaged in the event that we or our cooperative partners undertake actions that are in conflict with the values that our brands represent, with a negative sales trend as a consequence.

Risk management
We conduct systematic prevention work both internally and externally towards cooperative partners through a Code of Conduct, policies, ethical guidelines and procedures for our products to live up to the brand promise with the right quality, function, product labelling and correct market communication.

Comment
A case is being processed by the Swedish Consumer Agency regarding whether or not marketing of hair and haircare products under the Urtekram brand conflicts with the Marketing Act. Midsona has made a statement on the text and among other things stated that the marketing does not conflict with the Marketing Act and that steps have been taken to ensure that it does not happen in the future either.

RENEWAL OF PERMITS, CERTIFICATIONS AND LICENCES

Description of risk
We have operations requiring permits and such permits must be renewed at regular intervals. We also have a number of important certifications and licences for the operations that must be maintained. Operations could be adversely affected in the event that we fail to meet the set requirements in inspections by the authorities or other organisations, with permits, certifications and licenses being revoked as a result.

Risk management
We continuously conduct quality assurance according to a management system that includes quality and environmental management. The purpose of the management system includes continuously addressing quality and the development of operations while adhering to relevant legislation and guidelines to maintain required permits from authorities, certifications and licences. The management system is authorised by the CEO.

Comment
All permits, certifications and licenses were renewed in 2018 after authority inspections and other revisions were carried out.

INSURABLE RISKS

Description of risk
Production facilities, production equipment and other assets can be damaged in fire, power failure or the like. There is a risk that our assets do not have adequate insurance protection, which could lead to a negative impact on the Group's financial position upon damage.

Risk management
We cooperate with external insurance brokers to maintain a well-balanced and cost-effective insurance protection for our assets in line with policy. It is an extensive insurance programme that covers property and loss-of-profit insurance, transport insurance, capital insurance and liability and product liability insurance. A systematic work is conducted to both minimise the risk of incidents and have contingency plans in place to limit effects of possible incidents.

Comment
No incidents occurred in 2018 that meant that insurance redemption needed to be claimed or to activate existing contingency plans.

INFORMATION SYSTEMS

PROBABILITY

EFFECT

Description of risk
The operations are dependent on a well-functioning and secure IT infrastructure. Disruptions or faults in critical systems have a direct impact on our production, distribution and financial reporting. Sophisticated data infringement and deficiencies in the handling of customer and employee information can damage financial capacity and reputation.

Risk management
We continuously work to keep existing systems well protected from hacking and to improve the level of service with regard to the IT infrastructure, in line with policy, guidelines and procedures. We establish processes to increase the information security in and between systems. Investments are made among other things to improve restoration plans and data storage functions. Information security is followed up on a regular basis through IT security audits. We have a centralised IT environment for greater control, overview and cost-effectiveness at the same time that we collaborate with local experts to ensure that legal requirements are complied with in the countries in which the Group is active.

Comment
A new ERP system was implemented in Sweden and Denmark in 2018 to improve information security and internal control. It was ensured that a new practice is observed to protect individuals' rights in connection with personal data that is handled in the Group in line with requirements in the EU's new General Data Protection Regulation (GDPR). The digital tool InsiderLog began to be used in 2018 to ensure the handling of insider information.

COMPETENCE – A CRITICAL RESOURCE

PROBABILITY

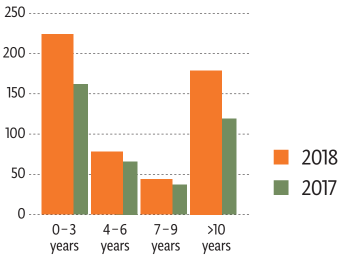
EFFECT

Description of risk
The operations require both business and product expertise. The Group's development is affected by the availability of competent and motivated employees, as well as the knowledge, experience and commitment of management and other key individuals. Development could be negatively affected if one or more of these key individuals were to leave the Group or if the Group is unable to recruit and retain qualified and committed employees.

Risk management
We work with mapping and skills planning to secure the supply of employees with the right knowledge and commitment. By placing considerable emphasis on a good working environment, health-promoting measures and good leadership, Midsona nurtures its brand as an employer. We have good procedures in recruitments and they are often done in cooperation with recruitment specialists to get the right person for the right position. The view that we can both attract and retain qualified employees.

Comment
During the year, 103 new hires (76) were made in the Group. A large part of the new hires were attributable to the Danish operations as a result of retirements.

Employment period for employees



PRODUCTION

PROBABILITY

EFFECT

Description of risk
We have three production facilities, one in Denmark for the manufacture of organic food and bodycare products, one in Germany for production of organic food and one in Sweden for production of dietary supplements. The production units in Denmark and Germany are certified for organic production. The risk is purely in terms of the production technology. That is to say, an unplanned interruption to production could directly affect deliveries to customers, since a large part of production is conducted to order.

Risk management
For the large volume products, production can be transferred to other machines. Machines are maintained continuously in accordance with established schedules, and larger maintenance measures are normally scheduled during the summer months. Investments in new machines or to replace older ones are made continuously as needed.

Comment
The production disruptions that occurred in the Group's Danish production facility in 2018 related to challenges in a change of business systems, which entailed efficiency problems and temporary costs. A major investment in a new production line was made in the German production facility.

SUPPLIERS

PROBABILITY EFFECT

Description of risk
We buy raw materials and finished products primarily from European and Asian suppliers. There is always a risk that the supplier cannot deliver ordered quantities on time as a result of production disruptions or capacity shortages, which can in turn negatively impact our commitments and relationships to customers.

Risk management
We work actively with product sourcing issues, with close cooperation with suppliers being necessary for reliable deliveries. We also work to establish alternative suppliers to delivery critical volume products where possible to reduce dependence on individual suppliers.

Comment
Product sales were also negatively impacted in 2018 to some extent by some delivery problems to customers as a result of production disruptions and capacity shortages at some suppliers. Customer relationships were not affected to any greater extent more than an occasionally too low service level resulting in punitive charges being levied. Activities are both initiated and on-going in the supply chain organisation to minimise the risks from the supply chain and at the same time ensure a good delivery capacity to customers. This is mainly done by us building up a new Nordic department for strategic purchasing work at the same time that we are investing in a new supplier evaluation system and implementing a new process for improved forecast work, which in the long term will be shared with critical suppliers.

ENVIRONMENT

PROBABILITY EFFECT

Description of risk
Transports, water and energy consumption, wastewater, raw materials and package waste and production waste constitute the main sources for our environmental impact.

Risk management
We conduct systematic preventive environmental work at our production facilities and set environmental requirements on our transports, through policies, guidelines and procedures to reduce our environmental impact. We regularly follow up the environmental impact by measuring electricity and water consumption and the amount of waste.

Comment
The energy consumption in the Danish production facility mainly comes from wind turbines and solar panels, while one fourth of the energy consumption in the German production facility comes from solar panels.

STRUCTURE AND ORGANISATIONAL CHANGES

PROBABILITY EFFECT

Description of risk
Upon acquisitions, there are risks in the selection and valuation of possible target companies, as well as in the acquisition and integration process. An integration of an acquired business is a complicated process, which is not always successful. The integration costs can be higher than expected and synergy effects can be less than expected or take more time to realise. Acquired goodwill is subject to annual impairment testing and if it is not considered to be correctly valued, it may result in an impairment, which negatively affects the Group's earnings. Large organisational changes can entail a risk of higher costs or lower income than expected, that key individuals quit, or that estimated savings are lower that set targets.

Risk management
There is an established team for the acquisition process. The process is updated and improved continuously to manage and prevent risks. Thorough investigations and analyses are done before a transaction to arrive at the right valuation. Events after the transaction, such as handover and integration, are planned carefully in consultation with representatives of the target company. Likewise, in larger organisational changes, thorough investigations and analyses are done to prevent negative consequences.

Comment
We have developed an effective and structured acquisition process for analysis and implementation. Since 2012, eight business combinations and two brand acquisitions have been carried out and integrated in a structured way. The acquired goodwill from these acquisitions has not been subject to any impairment.

PRODUCT SAFETY

PROBABILITY EFFECT

Description of risk
Handling foods imposes rigorous demands on traceability, hygiene and handling. Poor control can lead to contamination, allergic reactions or various kinds of injuries. Deficiencies in food handling could lead to the reputation of and confidence in our brands decreasing and defective products having to be recalled or repurchased. Recalls can damage the reputation of the Group as a whole and be costly as a result of goods in inventory not being able to be sold. Product liability claims can also be made if a product is considered to have caused personal injury.

Risk management
Quality and product safety work is governed by current legislation, requirements from authorities and customers and industry guidelines, as well as internal policy, guidelines and procedures. Quality requirements are high in all processes to minimise the risk of deficiencies, product recalls or product liability claims. All suppliers must meet our requirements on product safety. To ensure this, we carry out a risk evaluation and classification of our suppliers with help from standardised questionnaires and an annual audit plan. All raw materials and semi-finished goods undergo tests in laboratories to ensure the right raw materials and quality before they are used in our products. Any complaint flows are captured early on in our quality assurance system in for proactive purposes. Our insurance solution includes a liability and product liability insurance against any product liability claims.

Comment
In 2018, 17 unplanned product recalls (15) were made. Altogether, they had no material impact on the company's results and financial position. Steps have been taken to reduce unplanned product recalls. A new portal for evaluation of suppliers was developed in 2018 to better be able to analyse our suppliers with regard to product and delivery quality and sustainability. The new portal will be brought into operation in the first half of 2019.

Market risks

DISTRIBUTION AGREEMENT

PROBABILITY EFFECT

Description of risk
A considerable proportion of our sales of goods derives from distribution agreements, with an exclusive right to market, sell and distribute other companies' products in a defined market. Normally, the agreements extend over a period of one to five years and can, under certain circumstances, be cancelled prematurely if, for example, agreed minimum sales volumes cannot be achieved. There is always a risk that we will not manage to extend distribution agreements or enter new distribution agreements with acceptable terms.

Risk management
We have extensive experience of marketing, selling and distributing products on customers' behalf in the Nordic health and self care market. In such partnerships, relations with the customer are built up in the long term through continuous follow-up meetings and other joint activities at different levels in the organisation, generating mutual trust. With access to the Group's market expertise, licensed products are afforded favourable opportunities for growth and favourable profitability, which normally provides a good foundation for long-term cooperation.

Comment
A distribution agreement was signed with HRA Pharma to represent some of their brands, including Compeed, in the Nordic region. The agreement is expected to generate net sales of SEK 150 million on an annual basis. The distribution agreement for the Alpro brand in the Swedish and Norwegian markets ended during the first quarter of 2019. The owner, Danone, chose to coordinate distribution under its own administration with its other products. The distribution assignment had net sales of SEK 268 million for 2018.

COMPETITORS – AND, AT THE SAME TIME, CUSTOMERS

PROBABILITY

EFFECT

Description of risk

Customers are primarily pharmacy, FMCG and healthfood retail chains. To a varying extent, these players offer competing products that they sell under their proprietary brands (private label), which are growing stronger each year and that occupy an increasingly large share of the product range on shop shelves. These actors are also not dependent on individual brands and can hold back price increases and require greater marketing efforts. If these players continue to broaden their product ranges under their own brands, this could lead to further competition and increased price pressure, which would affect Midsona's sales and results negatively.

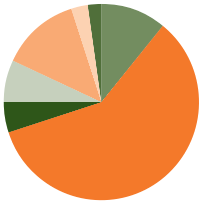
Risk management

We work actively with development and innovation of our brands and to earn its place on the shelf in shops and, at the same time, to convey a clear and accurate message to consumers at the point of sale. The customer's and consumer's trust in our brands is of central importance to our long-term development. Without strong confidence in the company's brands, it would be difficult to capture market shares and to grow. Thorough development, innovations and sustainability processes enhance conditions for winning and retaining the confidence of customers and consumers.

Comment

A clear trend is that private label products are getting more space on the store shelves. Price increases were announced towards the retail trade in 2018 as compensation for higher raw material prices resulting from an unfavourable exchange rate trend for the SEK against the EUR.

Proportion of sales of goods for each sales channel[1]



- Pharmacies 11% (7)
- FMCG retailers 59% (69)
- e-trade/post order 5% (4)
- Food service 7% (–)
- Healthfood retailers 13% (12)
- Other specialist retailers 3% (5)
- Other sales channels 2% (3)

[1] Product sales are allocated to a new sales channel in 2018, Food service. These sales essentially were included in the FMCG retailing sales channel in 2017.

CONSUMER BEHAVIOUR AND TRENDS

PROBABILITY

EFFECT

Description of risk

The consumers change their buying behaviour and new consumption trends come and go. There is always a risk of not capturing such changed consumption behaviours in time or when new trends arise, leading to a loss of competitiveness against competitors.

Risk management

In order to help people live a healthy life, it is fundamental for us to identify trends and changes in consumer behaviour early on. For this, knowledge is needed on trends, consumer behaviour and product content. We believe we have well-developed methods and processes to actively monitor the outside world and identify new consumer behaviours and trends. We attend important trade fairs in Europe and North America, read and analyse trend reports and buy market data on our local markets.

Comment

During the year, we carried out a major qualitative study of the organic market in Sweden and Denmark (1,400 interviews per country). This is to better understand the organic landscape and consumer drivers and behaviour. We see a movement towards more sustainable consumption (such as more plant based) and increased demand for organic and healthy products that make daily life easier. The study chiselled out consumer insights that will be used in our innovation work in the upcoming year.

PRICES FOR RAW MATERIALS

Description of risk
The raw material price trend is largely linked to supply and demand, which is beyond the control of the Group. The prices of certain raw materials that we purchase are also affected by agricultural policy decisions, subsidies, trade barriers and activity on commodity exchanges.

Risk management
We continuously monitor the price trend on all key raw materials. To secure both supply and price of key raw materials, supplier agreements are normally signed that cover the need for the upcoming 6–12 months. The guideline for higher raw material costs is to take it out in the next link through price increases to customers.

Comment
Price revisions normally take place once a year. It is generally difficult to achieve price increases to customers immediately following a demonstrable rise in prices for raw materials. In certain special cases, discussions are continuously held with the customer during the year if there is a drastic change in the price of a raw material.

Financial risks

FINANCING RISK

Description of risk
Financing risk refers to the risk that future capital procurement and refinancing of maturing loans could be difficult or costly.

Risk management
The ensure that the Group always has access to necessary external financing at a reasonable expense, the guideline is that confirmed credit commitments should have an average remaining maturity of at least 12 months.

Comment
Current financing agreements extend until 1 June 2020. At year-end, the average remaining maturity on the Group's confirmed loan commitments was 16 months (23).

CREDIT RISK

Description of risk
There is a risk of losses if the counterparties that the Group has cash and cash equivalents, financial investments or entered derivatives with cannot fulfil their obligations, a so-called financial credit risk. There is also a risk that our customers cannot fulfil their payment commitments, a so-called customer credit risk. The Group has more than 1,000 active customers, of whom the ten largest accounted for 51 percent (62) of net sales.

Risk management
How surplus liquidity is to be placed is set in policy. If the Group is a net borrower, surplus liquidity shall be used to reduce loans from credit institutions. The Group companies shall place their surplus liquidity in bank accounts belonging to Group account systems or in bank accounts approved by the Group's finance function. The Group's counterparties in financial transactions are credit institutions with good credit ratings. Customer credit risk is managed on an on-going basis by each subsidiary through credit checks and internal credit limits for each customer. Bank guarantees or other sureties are required for customers with low creditworthiness or insufficient credit history.

Comment
The financial credit risk in cash and cash equivalents was SEK 101 million (54) at year-end. At year-end, trade accounts receivable amounted to SEK 259 million (213), corresponding to an average customer credit period of 37 days (38). The accounts receivable were included in a reserve for expected credit losses of SEK 1 million. Customer losses have been at a very low level for a long time.

LIQUIDITY RISK

Description of risk
There is a risk that the Group cannot meet its payment obligations as a consequence of inadequate access to cash and cash equivalents.

Risk management
The Group's liquidity reserve, consisting of unutilised credit facilities, cash and cash equivalents, shall, at any given time, exceed the Group's loan maturities for the next six months.

Comment
Liquid assets SEK 376 million (154) at the end of year and were allocated to cash SEK 101 million (54), unused part of the overdraft facility SEK 100 (100) and unutilised acquisition loan SEK 175 million. Loan maturity, including principal and interest, to credit institutions, over the next six months amounts to SEK 56 million (27).

INTEREST RATE RISK

Description of risk
Interest rate risk refers to the impact on profits of a change in interest rates. How quickly a change in interest rates affects profits depends on the periods of fixed interest on loans and investments. As the Group is a net borrower and does not invest funds in listed instruments, it is mainly the Group's interest-bearing liabilities to credit institutions that are exposed to interest rate changes.

Risk management
The guideline is that the average period of fixed interest for the Group's interest-bearing liabilities to credit institutions should be three months. To avoid uncertainty regarding future interest rate levels and to gain knowledge of future interest expenses over a given period, the Group applies interest rate hedging in the form of interest rate swaps.

Comment
The average duration of the Parent Company's interest-bearing liabilities to credit institutions was 3 months (3). The fixed interest period on facilities taken over in the business combination in May 2018 was fixed over the maturity period. A change in interest rates of +/– 1 percentage point causes an impact of +/– 12 million (7) calculated in debt to credit institutions of SEK 1,195 million (705) at year-end if the entire loan portfolio were to mature with a variable interest rate. Loans of SEK 50 million were interest rate hedged at year-end with a maturity period until 30 June 2020.

CURRENCY RISK – TRANSACTION EXPOSURE

Description of risk
The Group's sales of goods are conducted primarily in the currencies SEK, NOK and EUR, while procurement of goods is made primarily in SEK, NOK, EUR, GBP and USD. The net exposure in EUR is considerable because purchases exceed sales.

Risk management
The Group does not hedge forecast currency exposure in line with the current policy. Potential currency risks shall be managed in the respective supplier and customer agreement through currency clauses. With the aim of reducing the earnings impact of changed exchange rates, Midsona works continuously with price adjustments to customers and suppliers based on the exchange rate development primarily tied to EUR.

Comment
An isolated shift in exchange rates against the SEK by +/– 5 percentage points for the four currencies with the largest estimated net flows is calculated to have an effect on profit before tax of +/– SEK 44 million (23).

Sustainability risks

Personal and social conditions

EMPLOYEE HEALTH – A HEALTHY CULTURE

PROBABILITY

EFFECT

Description of risk
High sickness absence and other kinds of absence can have consequences for operations both in the ability to implement and the ability to recruit new employees through the impact on Midsona's reputation.

Risk management
We actively work for the employees to have a healthy, creative and developing work environment and tries in various ways to stimulate health-promotion activities, such as through Midsona's Health and Well-being Policy. Midsona cooperates with occupational health services in every location where we have operations. We regularly review the organisation in various ways, such as compulsory development discussions and employee surveys.

Comment
Sickness absence is registered and all absence is discussed with the individual based on his or her needs. In 2018, an employee survey was carried out. It identified a need for health initiatives and initiatives such as "Health Focus 2019" were therefore started in the Business Area Denmark, with health check-ups and particular focus on smoking and stress. The other business areas will work with these areas at their respective kick-off conferences in 2019.

Absence due to illness, %

	2014	2015	2016	2017	2018
Sweden	4.3	3.6	6.0	3.8	4.7
Norway	4.9	5.3	5.7	5.0	3.4
Finland	3.6	2.7	3.2	2.1	2.7
Denmark	–	4.1	4.5	5.7	8.4
Germany	–	–	–	–	6.2
Group	**4.5**	**4.3**	**5.1**	**4.6**	**5.7**

Environment

CLIMATE CHANGES

PROBABILITY

EFFECT

Description of risk
The consequences of climate change can impact the ability to secure raw materials and thereby affect the operations and profitability.

Risk management
We work based on the respective brand's sustainability plan to secure raw materials. Initiatives are taken to reduce the environmental impact of packaging, optimising the filling level of packaging, carbon-offset for product transports, increasing the filling rate on transport pallets and in trucks, ecolabeling and ensuring supplier environmental work. We measure carbon dioxide emissions from our production and warehouse facilities with the aim of keeping them to a minimum. Locally within the respective business area, courses are being carried out in eco-driving for sales representatives.

Comment
In 2018, we developed plant-based packaging for hygiene products under the brand Urtekram, which will gradually be launched. We have also joined the Plastic Initiative, which means that by 2022 all of our plastic packages will be able to be recycled, and the Transport Initiative, which means that all of our domestic transports will be fossil-free by 2025. During the year, three (4) ecodriving training sessions were held. All production and warehouse facilities transitioned to renewable electricity in 2018. An updated travel policy has also been prepared with the aim of reducing emissions for business travel.

Respect for human rights

DIVERSITY AND EQUALITY

PROBABILITY EFFECT

Description of risk
A lack of diversity and equality can have consequences for Midsona's business in that valuable competence would be lost, thereby decreasing the innovative capacity. It can also have consequences on Midsona's reputation in society.

Risk management
Our Code of Conduct determines important primary principles, including diversity and equality principles. We continuously work with such issues by making sure that the working conditions suit all employees, that instructions and criteria in the setting of salaries are fair and that wages are mapped, that it is possible to combine work with parenthood and when competence of candidates is equal to recruit the gender under-represented at the department.

Comment
Our Code of Conduct is published in six languages, including Swedish, English, German, Danish, Norwegian and Finnish.

SUPPLIER WORKING CONDITIONS

PROBABILITY EFFECT

Description of risk
Poor conditions at our suppliers can have major consequences for our reputation, as well as business relationships, product quality and ultimately profitability.

Risk management
We want to take responsibility through the entire value chain by cooperating with our suppliers in such areas as quality, safe raw materials and products, environment, human rights, sound competitive conditions and ethical businesses. We do so through our Supplier Code of Conduct (SCOC) that was put into use during the year, through which we can set higher requirements on the supplier level and improve important processes. SCOC is a fundamental part of our procurement documentation. We also actively work with various certifications, including KRAV and Fairtrade.

Comment
At the end of 2018, 77 percent of our suppliers had signed the Supplier Code of Conduct. Since autumn 2018, we have worked on the implementation of a portal that will be used in the evaluation of suppliers. The system will make it easier for the Group to analyse its suppliers in terms of product quality, delivery quality and sustainability, as well as facilitating the evaluation of which suppliers our quality and regulatory employees should mainly apply resources to through follow-up, such as audits, and which one have sustainability work that is in line with our own requirements. 16 quality audits of suppliers (10) were conducted during the year.

Combating corruption

CORRUPTION RISK

PROBABILITY EFFECT

Description of risk
Risks related to corruption can damage our reputation and it can also affect business relationships and ultimately profitability and cause socio-economic consequences.

Risk management
We have a Code of Conduct policy that all employees must sign. It sets forth zero tolerance to corruption. The Group also has a whistle-blower policy. In the relationship to suppliers, our Supplier Code of Conduct is the most important tool to be able to take responsibility through the entire value chain and actively cooperate with our suppliers with regard to ethical business.

Comment
No reported corruption incidents in 2018 or 2017.

Sustainability report

Helping people achieve a healthier life

What we choose to eat and how the food is produced is crucial to human health and the health of the planet. The food industry has long been operated in a way that has meant that it became a threat to the environment and our choices of food impact public health negatively. Nearly everyone is aware of this, but there is sometimes confusion and uncertainty among consumers about what food is best for them.

Midsona's solution to the problems is driven by the mission to help people live a healthy life. Continuing to develop products that help people feel good and be able to live a good life, and at the same time contributing to a greater insight into the value of commitment to the raw materials' origins, what the food contains and what a balanced diet means for body and environment is our contribution to a healthier planet.

Mission

We help people achieve a healthier life.

Why we believe in organic and plant-based products

More and more studies indicate the significance of food and they all point in the same direction – we people have to eat less meat and more plant-based food and production conditions must become more sustainable[1]. And it is precisely this that is happening. People's interest in health and well-being is growing, the interest in sustainability and environmental consideration is growing and especially people's consideration of animals is growing, which means that more and more people are choosing a more plant-based diet.

Plant-based food is good for the environment, it requires less land area, water and energy, while the production of animal food is resource intensive and the greenhouse gases that the meat and dairy industry generates affects the environment in the same way as cars, trains, boats and air planes.

The consumers demand organic and plant-based food and it is here that Midsona can be involved and help – by continuing to create and develop products that help people live a healthy life.

[1] National Food Agency.

Midsona's prioritised organic focus brands are Urtekram, Kung Markatta, Helios and Davert, but we also have several other proprietary brands, such as Friggs, Dalblads, Naturdiet, Eskimo-3, KanJang, and Miwana/Renässans. As a complement, we sell high-quality brands from various clients, including Compeed, Probi and Blutsaft.

Plant-based, organic and sustainable

The foundation of Midsona's business rests on strong trends around the growing interest in health and well-being combined with a clear desire for sustainable consumption – a paradigm shift where people increasingly avoid animal products, unnecessary additives and products with poor nutritional content. Midsona's focus on plant-based, pure and organic products is benefited by these trends. We have a great passion for influencing people's eating habits towards healthy and sustainable alternatives.

Midsona has in recent years structured the Group's sustainability work based on targets. This resulted in us now focusing the work on three areas: promoting a healthy lifestyle, safe products and quality and sustainable use of resources. There are six aspects for sustainable development linked to the three areas. The three areas will continuously be revised so that we focus on issues that are relevant to the Group and to our stakeholders.

More concrete steps for our sustainability work

In 2018, our sustainability work was further strengthened. We now have a good structure and measurements so that we can see annual improvements. We carried out a transport procurement that means that we use increasingly environmentally friendly transports. And we continuously develop new products to make them even healthier.

Moving ahead, the sustainability work will become increasingly important for Midsona and for all of our stakeholders. On the following pages, you can read about our sustainability perspective and what we achieved in 2018 in more detail.

Peter Åsberg
President and CEO

In-depth sustainability work

Midsona began to work with sustainability in a more structured way in 2016 and the Group has since taken major strides even if sustainability has always been important for Midsona. Strategies have been developed, focus areas have been identified and sustainability has increasingly become a central part of a Midsona's business.

Our sustainable strategy

For Midsona, the consumers are the focus. The company's products are a part of our daily lives and especially well-being. The consumers' – and other stakeholders' – perspectives and views of sustainability efforts have therefore, together with the sustainability profile of the company's brands, been a cornerstone in Midsona's sustainability work.

Midsona's sustainability strategy is based on the company's mission to help people live a healthy life. What a healthy life means is of course individual, but Midsona's interpretation is that it is about feeling good and being able to live a good life without risking future generations' possibilities of doing the same.

Our sustainability strategy is based on what we are best at, namely:

- Understanding our consumers and being in phase with their needs.
- Having the best knowledge about health and about the central role that food plays in our daily well-being.
- Cooperating with our suppliers through the entire value chain and being able to require them to act in a sustainable way.

Through the strategy, we are gradually advancing towards a more sustainable Midsona, where we always strive to help our stakeholders live a healthy life, by developing products and solutions that – in addition to being functional and having a positive financial impact – are good for both people and the environment. Step by step, we are incorporating sustainability in every part of Midsona's operations.

Our approach

Reporting

The framework for Midsona's sustainability report is based on the Global Reporting Initiative (GRI) framework.

In 2018, Midsona began using a reporting platform, Position Green, to be able to report results and advances more systematically. The platform also provides an opportunity to set goals and make comparisons to be able to continue working internally with the sustainability work.

Stakeholders

Midsona communicates with its stakeholders in many different forms and for the company, it is important to understand the stakeholders. Midsona has had several contacts with key stakeholders to find out what areas they think are the most important and if they feel Midsona's sustainability efforts are headed in the right direction. Such contacts can, for example, be customer surveys, personal meetings, supplier evaluations, employee surveys, share investor meetings and social media in particular.

Groups that we have mutual relationships with and that have influence at Midsona regarding sustainability

Our stakeholders	How we have created value	How we engage our stakeholders
Employees	A good work environment, health, satisfaction, development opportunities, fair wages, benefits	Personal meetings, development talks, employee surveys, intranet, union organisations
Customers	By supporting our customers in their sustainability work towards their customers, such as by developing sustainable packaging that affects several aspects, such as quality, storage and transport possibilities.	Personal meetings, discussions with quality managers at our customers, customer conferences
Consumers	Accurate product information and certifications so the consumer can make well-informed choices. Anyone who chooses our products shall know that they at the same time are contributing to good conditions in areas, such as human/labour law, business ethics and animal husbandry.	Consumer surveys, traditional customer contacts, social media, influencers
Suppliers	Through the Group's Supplier Code of Conduct that the suppliers must sign, Midsona has gained more opportunities to clarify for the suppliers our expectations on their work based on quality, safety and sustainability perspectives. The aim is to ensure the right deliveries and sustainable development for both parties.	Supplier Code of Conduct, personal meetings and continuous dialogue in e.g. purchasing negotiations
Shareholders including investors*	Through credible sustainability work, the image of Midsona is presented at a reliable company with products that are safer and of better quality, which leads to better business opportunities.	Financial reports, General Meetings of Shareholders, investor meetings, share investor meetings, the website, press releases
Society	As a company, Midsona takes a responsibility in society for measures that contribute to the fulfilment of national and global targets, such as by joining various initiatives, such as the UN Global Compact, the Plastic Initiative, the Transport Initiative or the Packaging and Newspaper Collection.	Annual reports to the UN Global Compact, follow-ups and reporting to the trade association DLF.

* Potential future shareholders.

Materiality analysis

Midsona bases its sustainability work on the global sustainable development goals adopted by the UN General Assembly in 2015. By working to achieve these goals, we also achieve a sustainable development in the various areas.

A materiality analysis was done in 2016 through several internal workshops and customer surveys and the results were weighed together with Midsona's view of sustainability, business strategy and competitive situation and then became the starting point for the upcoming work.

Midsona's work with the three focus areas

The results of the work with these analyses were that three overall focus areas were established, and six underlying aspects for sustainable development were linked to them.

Midsona focuses its sustainability work on these areas, which will regularly be reviewed to ensure that we work with issues that are relevant to the Group and our stakeholders.

Promoting a healthy lifestyle		Safe high-quality products		Sustainable use of resources	
Sustainable brands	**Healthy work environment**	**Responsible sourcing**	**Safe products**	**Efficient resource use**	**Efficient transports**
pages 58–62	pages 63–66	pages 67–68	page 69	pages 70–72	page 72

Promoting a healthy lifestyle

i This section addresses disclosures linked to Midsona's work with the sustainability areas *Personnel, Social conditions, Corruption* and *Respect for human rights* according to *Chapter 6 Section 12 of the Annual Accounts Act.*

Midsona produces and markets products that make it easier for people to live a healthy life and are sustainable for our planet. We believe in promoting a sound culture among our stakeholders, and we conduct extensive efforts within several areas to ensure that we practice what we preach.

Sustainable brands

Midsona has developed a thorough understanding of the role that diet and nutrition play in health and well-being. This knowledge-base determines the Group's strategic decisions regarding business acquisitions and other investments, while it also serves as the basis for innovation work and product development.

Sustainable brands are brands that are covered by all dimensions of sustainable development – financial, social and environmental. Midsona's prioritised organic focus brands are chosen based on their share of the total consolidated sales and the brands' development potential. in Sweden, Denmark, Norway, Finland and Germany, we represent leading brands, such as Urtekram, Kung Markatta, Davert and Helios. All four were early pioneers in organic food and continuously try to find new sustainable solutions and identify trends and products that live up to Midsona's requirements.

Under these brands, we launch products that take us in the right direction and we follow a sustainable process, where all innovations and changes of products will have the goal of meeting at least industry practice in relevant focus areas. For each brand, it is prioritised to work to secure a better sustainability through clear goals for product care and innovation.

Increased offering of plant-based and healthy food

What is sometimes called lifestyle diseases are the most common reason for illness in Sweden and the Nordic region[1] and the food people eat affects how they feel. This is a major health challenge that Midsona wants to be involved in handling by developing and launching products that help people live a healthy life at the same time that they do not harm the environment. It is about increasing the insight among people of the value of commitment for the raw materials origins, what the food contains and what a balanced diet means for the body and the environment. Our goal is to increase our offering of plant-based and/or organic food and we do so through a well-developed innovation process.

[1] National Food Agency.

Innovation

The consumers demand healthy and natural products, such as plant-based food, organic food and hygiene products and products without additives. Midsona's innovation strategy is to increase the assortment of healthy products and, in 2018, Midsona took several initiatives to develop and market products that make it easier for people to live healthy and are sustainable for our planet. In the innovation process, consideration was taken to the brands' sustainability plans, for example we reduced the amount of salt and refined sugar, developed healthier alternatives to some of the foods used in everyday cooking and developed more plant-based foods and more packaging that the consumers can recycle. During the year, there were several successful launches of products and packages that are organic and/or plant based.

Some of Midsona's most important launches in 2018

Launch	Brand	Country	Product category	Comment
Tempeh of fermented beans or peas	Kung Markatta	SE	Organic products	Organic and labelled with KRAV, the keyhole and the Ä label
Vegomixes	Kung Markatta	SE	Organic products	Organic, vegan and Ä labelled
Ketchup	Kung Markatta	SE	Organic products	KRAV
Hair oil	Urtekram	DK, SE, FI	Organic products	Organically certified according to Cosmos organic. Vegan, the content is 100 percent natural. Certified free from animal testing according to the Leaping Bunny Certification
Packaging hygiene products	Urtekram	DK, SE	Organic products	Plant-based packaging made of sugar cane waste from the food industry
Low sugar shakes and mealbars	Naturdiet	SE	Healthfoods	Low sugar content, high vitamin and mineral content Meets the National Food Agency's requirements on meal replacements for weight control
Corn cakes in portion packaging	Friggs	SE, FI	Healthfoods	Gluten-free
Snacks	Dalblads	SE	Healthfoods	Lower fat content and higher protein content than regular crisps in the product category
Bake mixes	Helios	NO	Organic products	Organic, gluten-free Debio- and Crossed Grain-labelled

Our work of developing and launching new healthy and sustainable products has been a contributing cause that our organic brands rank high on the Sustainable Brand Index™ list for the second consecutive year. In Denmark, Urtekram won the prestigious food category and came second in the collective assessment. Kung Markatta ranked 12th in the category for best food companies on the corresponding list in Sweden.

In 2018, two of the Group's brands were highly ranked on the Sustainable Brand Index™ list of sustainable brands. In Denmark, consumers voted Urtekram as the second most sustainable brand and, in Sweden, Kung Markatta came in 12th place.

Sponsorship and social commitment

Midsona contributes further to promote a healthy lifestyle by being involved in various events to create social and environmental benefits. Sponsorship and commitment is governed by the Group's sponsorship policy and the choice of activity is made with Midsona's mission to help people to live a healthier life in mind. The choice shall also have an attractiveness among the Group's target groups and be able to increase the internal pride and commitment among Midsona's employees.

Through the German campaign #givingisthenewblack, Midsona has donated money to various educational projects for young people.

Some of Midsona's activities in 2018

- The brand Dalblads was the chief sponsor of all of the races of the Nordic obstacle course run Toughest, where the competitors could try Dalblads' products at the finish line and where Midsona participated with its own team in Malmö.
- Eco Store of the Year – In Sweden, Midsona is the sponsor of the award Eco Store of the Year at the annual FMCG Retail Gala.
- Through the campaign #givingisthenewblack, Midsona donated 5 percent of Davert's sales on Black Friday to various educational projects for young people. The campaign shall be seen as an initiative for giving instead of consuming.
- In Sweden, the brand Dalblads supported Team Rynkeby with products. Team Rynkeby is part of a charity organisation that raises money for children with cancer and their families.
- Midsona donated products from the brands Kung Markatta and Alpro to the rescue efforts in the forest fires in Bergslagen in summer 2018.
- In Denmark, Midsona has for several years been one of the donors to the Fødevarebank, an initiative that serves as a middleman for surplus food for the socially disadvantaged.

Creating financial growth

Midsona's goal is to understand our consumers' needs and be cost effective through close relationships to our suppliers.

If the Group grows, Midsona can help even more people to live a healthy life, such as by developing and launching more healthy products. In order for Midsona to in turn continue to be sustainable and understand the consumers' needs, and at the same time create financial growth, it is important that the product selection, communication and marketing strategy go hand in hand with being cost-effective. Midsona's strategy for achieving this is to:

- increase sales through successful launches and building our brand identity and recognition of our products
- be sustainable by combining short-term perspectives with long-term perspectives
- optimise our assortment.

Sustainable packaging

Sustainable product packaging is an important part of Midsona's work in the area of sustainable brands. Midsona wants to contribute to minimising the packaging's impact on the environment and the world's oceans and to increasing the degree of recycling by:

Increasing the amount of recyclable plastic in the products

The work of reducing the amount of waste among consumers and the impact our packaging has on the climate has resulted in changes in how Midsona's innovation teams work. When it is possible, recycled plastic shall always be used in our packages. This has been placed as an action point in the innovation teams' checklists. In 2019, the procedures shall be in place.

In Sweden, DLF launched the Plastic Initiative, to further drive the development of the plastic strategy that the European Commission initiated. Midsona Sweden has signed the initiative, which means that by 2022 all of the company's plastic packages must be able to be recycled.

During the year, Midsona developed a solution that means that the packages for

A majority of Urtekram's hygiene products are switching to packaging materials of sugar cane in 2019 – a sustainable alternative to conventional plastic.

hygiene products under the brand Urtekram can be 50–70 percent made of sugar cane, a sustainable alternative to conventional plastic. The material originates from sugar cane waste from the food industry. Midsona expects 85 percent of Urtekram's hygiene products to switch packages in 2019. At the same time, the innovation work continues by finding an alternative that also means that the lids are strong enough and then the packages will be 100 percent plant based.

In 2018, the packages for Kung Markatta's organic teas gradually became plastic free by the plastic film being removed.

Increasing the awareness of the consumers with messages and labels on the products

Every year, around 20 kilograms of edible food per person is thrown out in Sweden[1]. Besides the cost aspect, it is bad for the environment. Midsona therefore wants to contribute to increasing the knowledge among consumers that the best-before date is not always the same as the product being inedible after this date. If the consumers themselves check the food, such as by smelling and tasting it, they will discover that most of it lasts significantly longer. Under the brands Helios and Supernature, Midsona has gradually added the label "best before, often good after" on the products in the second half of the year. The initiative will be implemented in more of Midsona's brands.

[1] National Food Agency.

Optimising the filling level

By filling the packages better, so that they contain as little air as possible, the amount of packaging materials and the amount of freight space decrease. This is both an environmental and a cost issue. Midsona's goal is for all packaging to contain as little air as possible and considerable focus has therefore been placed on the project in 2018. At the beginning of 2019, the filling level will gradually be optimised in most of our newly developed products.

Kung Markatta's organic teas have been given plastic-free packaging.

Healthy work environment

In order to promote a healthy lifestyle for Midsona's stakeholders in a convincing manner, the company also needs to look at itself and work to help Midsona's employees to a healthier life. We do so by offering a good work environment, an inspiring corporate culture, health-promoting measures, collective agreements and a good leadership. For Midsona, health is not just a priority – it is one of our overall objectives in the Group. Midsona shall be a company that is permeated by health and that, based on the employees' own responsibility, can stimulate and give them the chance to have good health based on their own possibilities. This provides space for both personal initiatives and team building at the offices or the business areas, but some health measures are common, including fitness benefits, bicycles to borrow and massages.

This creates a good foundation for success and is above all a prerequisite for Midsona to be credible and able to keep and attract employees in the future. The responsibility for creating a good work environment with motivated employees rests with the respective business area. In 2018, a new position was created in the Group – HR Nordic – with the task of supporting the business areas in this work.

Motivated employees

Our employees being motivated is the basis for success and we will continue the work of making Midsona an even better and more attractive workplace by:

Ensuring our employees have a good balance between work and leisure

- Making health one of our overall objectives in the Group.
- Flexible workdays.
- Preventively helping our employees live a healthy life and reducing sickness absence by taking initiatives to and encouraging activities.

A balanced organisation with regard to gender

- Actively continuing to work with gender equality and diversity as a natural part of the operations, such as by reviewing the recruitment process, the working conditions and setting of salaries.

Employees from Midsona's office in Oslo.

Continued improvements

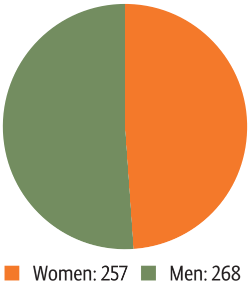
- Continuing to develop the work with employee talks and employee surveys to be able to even better capture the employee's thoughts and wishes regarding the cooperative climate and the working environment.
- Encouraging a higher response frequency in employee surveys to capture areas of improvement.

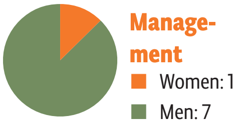
Sickness absence as % per business area

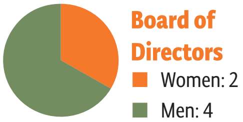
	2014	2015	2016	2017	2018
Sweden	4.3	3.6	6.0	3.8	4.7
Norway	4.9	5.3	5.7	5.0	3.4
Finland	3.6	2.7	3.2	2.1	2.7
Denmark	–	4.1	4.5	5.7	8.4
Germany	–	–	–	–	6.2
Group	**4.5**	**4.3**	**5.1**	**4.6**	**5.7**

Gender distribution

On the balance sheet date.

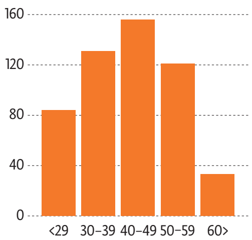






Age structure

Number of employees.



Employee survey

The employee survey conducted during the year was completed by 83 percent of the employees. Among the criteria that received the highest marks by Midsona's employees were work tasks, employee commitment and the Group's management. In earlier employee surveys, internal information came up as a point for improvement. In this year's employee survey, internal information showed the highest level of improvement of all areas. A majority of the respondents said that they are aware of and can explain Midsona's vision and goals.

Balance leisure time/work was identified as an area for improvement and the focus areas for 2019 have already been identified. Health Focus 2019 was already started in Business Area Denmark, with health check-ups and particular focus on smoking and stress. The other business areas will work with these areas at their respective kick-off conferences in 2019.

Gender equality and diversity

Midsona has a relatively equal gender distribution with 49.0 percent women and 51.0 men in total in the Group, although a few work teams have a preponderance of one gender. Midsona works actively to improve the gender distribution by for example ensuring that the working conditions suit all employees, that instructions and criteria in setting salaries are fair, and that wages are mapped. Midsona also works to make it possible to combine work with parenthood and so that the company will look at the gender distribution in the recruiting work team in recruitment and, with equal competence among candidates, to recruit the under-represented gender.

As it is set out in Midsona's diversity policy, Midsona values the dynamics that arise through differences and believes that diversity in all areas will make Midsona's development even better, both at the individual level and in the teams. Midsona's diversity plan encourages the workplaces to actively work for diversity in the organisation and to thereby better understand and be able to meet the consumers' various needs and thereby improve the business opportunities.

The Board of Directors of Midsona also believes that diversity will have positive effects. The Board's diversity policy states that it is important to promote diversity so

Midsona prioritises its employees' health and safety. Here, Andreas Seel at Davert's production facility.

that appointments shall only be based on merit and to ensure that the Board possesses the required competence necessary for board work with regard to industry knowledge and experience of long-term strategy work.

Safety at the workplace

Midsona's goal is that no employee will be injured at their workplace. This is achieved in part through prioritised and transparent work environment efforts with commitment from employees and in part through well-established procedures for risk assessment and systematic work environment efforts. During the year, safety committees were established at all workplaces in Sweden. Equivalents already exist in Denmark and Norway.

In 2018, Midsona had one case of a work-related injury, within Business Area Denmark.

Midsona's internal policies in work environment are communicated over the intranet and personnel presentations to ensure that the information reached all of the Group's employees and that the workplaces are safe, respectful and healthy. These are organisational and social working environment including diversity and gender equality, skills and development, employee talks and whistle blowers.

Education

Midsona is to be a company, where the employees feel they have opportunities for development. At the same time, it is important that the Group at all times has the right competencies as needed to achieve Midsona's visions and goals.

The Group's competence and development policy provides guidance in building, developing and maintaining competence in the organisation. Midsona develops skills through lectures, external courses, seminars or training programmes. In regular development and follow-up talks, the need for skills development in relevant areas is discussed with the employee, and the employee's skills development plan for the next year is documented and then followed up.

In 2018, a number of skills development sessions were implemented in the entire Group and locally in the business areas. All employees have attended compulsory online training in the area of GDPR for employees and lectures were implemented on pharmacovigilence, meaning systems for safety follow-up and side-effect reporting for medications. Within the business areas, Business Area Finland has operated the Midsona Academy, with lectures on how social media works and about trends in health and well-being.

Governance

For Midsona, it is important to have common core values in the five countries as a stable base for the Group. The most important steering document is the Group's Code of Conduct and all employees are expected to be aware of its contents. It is included as a natural part of the introductory course for new employees. The individual employee, the Board and all others who act in Midsona's name must act in a responsible manner, with integrity, responsibility, loyalty and respect for other people and the environment.

As further guidance, Midsona has prepared a number of other policies, mainly in Finance, HR/Health and IR. The goal is for Midsona to review in detail and when necessary revise two to five policies every year. In 2018, the following policies were examined and revised:

- Communications and IR policy
- Organisational and social work environment policy
- Insider and logbook policy
- Social media policy.

Respect for human rights

Midsona does not accept any form of discrimination and respects and respects the employees' rights and freedoms. Midsona does not accept any form of forced and child labour.

Social conditions and personnel

Midsona prioritises its employees' health and safety and offers a creative and developing working environment.

Combating corruption

In all contexts, Midsona seeks to encourage and act in line with sound competition principles. All communication should take place in accordance with applicable legislation and the Group's policies. Midsona's employees are expected to act in an ethical manner in relation to the Group's stakeholders and no form of corruption is accepted.

The whistle-blower policy adopted in 2017 shall make it easier for employees to report illegal or unethical behaviour. The policy is an important tool to quickly call attention to and combat conduct that is not in line with Midsona's values. No corruption cases have been reported.

A healthy and sustainable environment

Midsona works to reduce its negative impact on the environment, takes consideration of the environment and health in the development of products and processes and prioritises environmentally friendly technology.

Safe high-quality products

Our products being safe, high quality and sustainable alternatives in the market is fundamental to Midsona as a company in health and well-being and one of our highest priorities. We want to take responsibility through the entire value chain by cooperating with our suppliers in such areas as quality, safe raw materials and products, environment, human rights, sound competitive conditions and ethical businesses.

i This section addresses disclosures linked to Midsona's work with the sustainability areas *Social conditions* and *Respect for human rights* according to *Chapter 6 Section 12 of the Annual Accounts Act.*

Responsible sourcing

The common Nordic supply chain organisation, which was implemented in 2017 as a part of Midsona's strategy on an effective and sustainable value chain, has been very important for Midsona. Through it we can gradually improve the support to the commercial operations and lower the cost level with, for example, shared purchasing and transport.

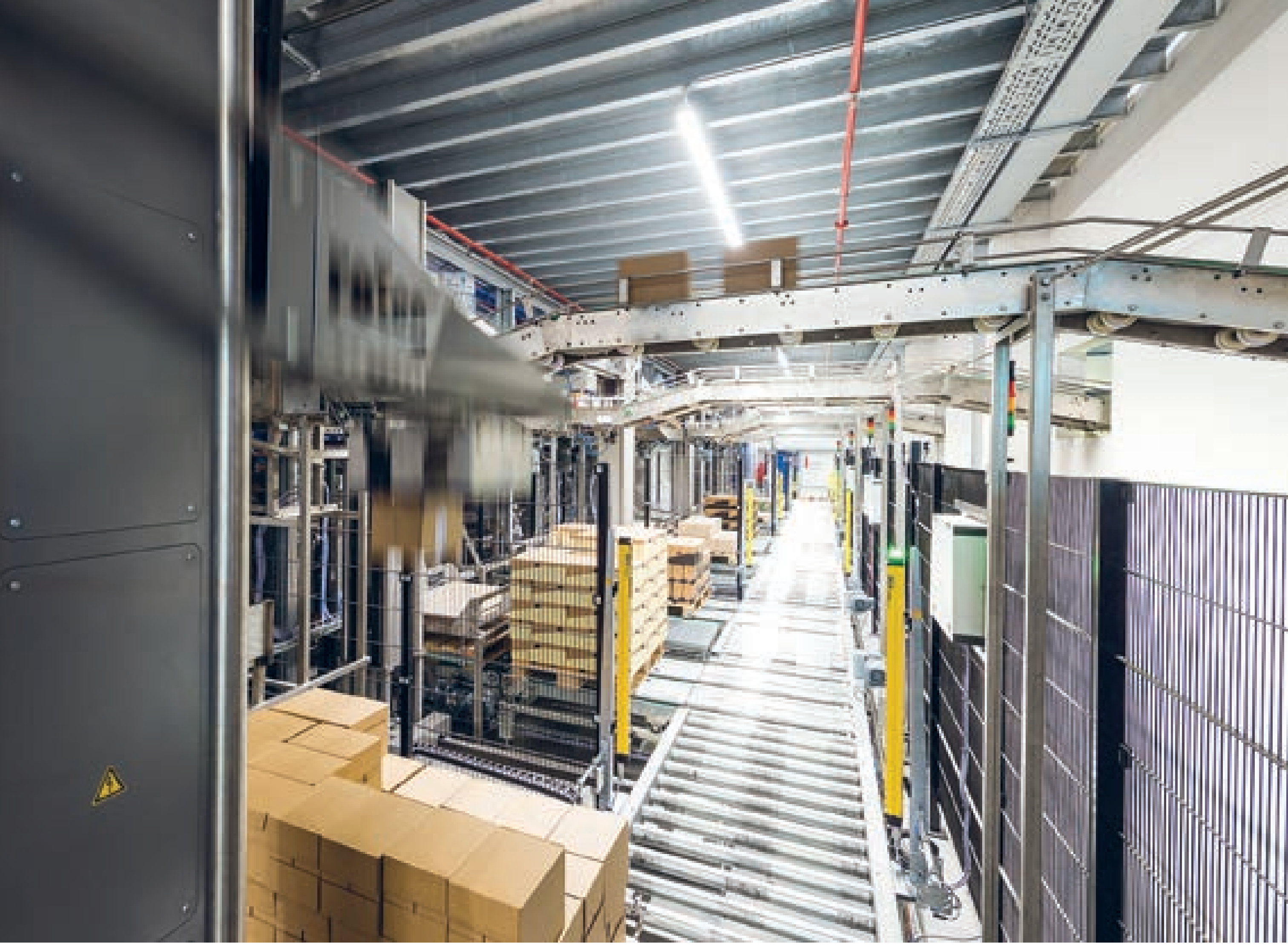
More sustainable suppliers

Through the Supplier Code of Conduct (SCOC), Midsona can set higher requirements in the supplier level and improve important processes, which in turn contributes to the Group's sustainability work being able to be conducted in a successful manner. Midsona's supplier inspections build on close relationships with our suppliers and are one of the most important tools to be able to place clear requirements on their work environment and environmental impact.

For example, Midsona is mapping, approving and following up all of its own suppliers in order to:

- Obtain an overview of whether or not they conduct their work in a sustainable manner in terms of controls, environment, emissions, personnel, etc.
- Check that they have signed the Supplier Code of Conduct.
- Get an impression of which of our suppliers work with the ISO 20400 framework for sustainable procurement/purchasing.
- Get an idea of which of our suppliers work with certifications, such as RSPO (Roundtable on Sustainable Palm Oil), MSC (Marine Stewardship Council) regarding fish oil or GMO Free (Genetically Modified Organisms) regarding food.

The Supplier Code of Conduct is a fundamental part of our procurement documentation and since 2018 has been included as a part of new agreements and existing agreements in renegotiations. At year-end, 77 percent, or 445 out of 579 unique suppliers, had signed the document. Some percentage deviation comes from the large suppliers most often being able to verify that they work with equivalent sustainability requirements and have their own Code of Conduct that is satisfactory for Midsona. Another explanation is that Midsona gained more suppliers through the acquisition of Davert. If these are not counted, 80 percent of the suppliers have signed the document.



Midsona's new specially adapted and fully automated production facility in Ascheberg, Germany.

By producing in its own specially built and sustainable production facility and by buying as much raw materials as possible directly from the countries of origin, Davert has just as good control over its delivery chain and the sustainability aspects as Midsona has. Midsona's goal is for all suppliers to sign the Supplier Code of Conduct except for those who can verify that their own sustainability work satisfies our requirements.

Portal for evaluation of the suppliers

Since autumn 2018, Midsona has conducted a project to develop a portal that will be used in the evaluation of suppliers, where the suppliers themselves answer directly in the portal. The system is being implemented at the beginning of 2019 and will, once implemented in all countries, make it easier for the company to evaluate risk and analyse its suppliers in terms of e.g. product quality, delivery quality and sustainability. It will also facilitate the evaluation of which suppliers Midsona's quality and regulatory employees should mainly devote resources to through follow-up, such as audits, and which already have sustainability work that is in line with Midsona's requirements.

Safe products

Midsona's consumers must be able to rely on our products being safe, sustainable and of the highest quality possible. Which is a significant factor in Midsona's mission to help people live a healthy life.

Today's consumer is increasingly interested in what they eat. Food plays an important role and demand is increasing for plant-based, climate-smart food. The consumers want to know that we have good processes for traceability, that we know how the food was produced, that the hygiene products they use are safe and produced in a sustainable manner. The documentation over what is included in our products and how they are produced is therefore a significant part of Midsona's quality work, for example in our work to illustrate ingredients and continue to require suppliers to work with certifications.

Midsona has a large product portfolio and to be able to guarantee safe and sustainable products, a risk analysis is required of all of our processes and a detailed product evaluation. In addition, a good relationship and close cooperation with our suppliers is necessary. We choose our suppliers with care and focus on a long-term, structured collaboration. Midsona's goal is for our suppliers to sign the Supplier Code of Conduct, but if the suppliers are not prepared to sign, Midsona hopes to be able to be an important partner in helping the supplier in the right direction.

Our products are certified according to many different standards, such as EU organic, KRAV, Fairtrade, Äkta Vara, Vegan, Eco-cert, etc. All of these set stringent requirements on quality, environmental and sustainability issues and become like a stamp of quality on our products.

All suppliers must meet Midsona's requirements on product safety, but it is also important that they have operations that are socially, ethically, environmentally and economically sustainable. To ensure this, a risk evaluation and classification of our suppliers is done with help from standardised questionnaires and an annual audit plan.

Correct and accurate labelling of products is something that Midsona's consumers demand and that the Group has long prioritised. We never want to mislead our consumers, but want to give them a correct product labelling that they can rely on and that gives them necessary information on content and origin, among other things. This is to help them make the right choice based on their health and lifestyle. Our certifications, such as KRAV and Fairtrade, are also shown on our packages and provides the consumer further guidance to choose sustainable and healthy alternatives.

Midsona's quality work is governed by current legislation, requirements from authorities and customers and industry guidelines. In addition to this, there is also our quality policy and our strive to satisfy our consumers' needs and wishes.

Some of Midsona's certifications

KRAV: Renewed annually. Issued by Kiwa, Uppsala, Sweden.

Fairtrade: An independent certification, which through controls and criteria for sustainable development gives people in countries with widespread poverty an opportunity to improve their conditions.

Eco-cert: Used only on bodycare products, new approval every year. Issued by Ecocert Group, France.

Nordic Swan Ecolabel: Environmental label. Issued by Miljømærkning, Denmark.

Vegan: The product does not contain ingredients derived from animals.

Äkta vara: Swedish labelling that the products are free from additives.

EU labelling: For organic products that are produced and sold in the EU.

Sustainable use of resources

i This section addresses disclosures linked to Midsona's work with the sustainability area *Environment* as per *Chapter 6 Section 12 of the Annual Accounts Act.*

Midsona seeks to contribute to health and well-being and create value and benefit for all of its stakeholders. This entails a long-term commitment, where the Group must review and check that the operations use resources in a sustainable manner so that people will be able to live and feel well without risking future generations' possibility to do the same.

Efficient resource use

Midsona is aware that the operations affect the environment by using water, energy, packaging and transport of products. The Group already takes responsibility for its own organic production having the smallest possible negative impact on the environment and people. In extension, this shows the way for Midsona in terms of offices, warehouses and also the transport of our products.

New production methods, energy savings, even better waste control and package solutions are areas that Midsona has identified as important for effective resource utilisation in the Group, for example:

- Energy shall be renewable and the consumption shall be kept to a minimum.
- The amount of waste shall be minimised and as much as possible shall be sorted.
- Midsona shall reduce the amount of packaging material and today measures all electricity consumption, water consumption and all waste.

Energy

The energy used in the Midsona Group's units in Malmö, Falköping and Örebro come entirely from renewable energy sources through agreements on sustainable electricity with Fortum. In Mariager, the largest part of the energy consumption comes from local wind turbines or its own solar panels. Other energy consumption comes from a local biofuel plant. At Midsona's production unit in Ascheberg, Germany 3,633 m^2 solar panels were installed on the plant's roof. The panels produce around 24 percent of the energy need; the remainder comes from renewable energy sources.

Within all units in Midsona, we are working with our energy consumption in various ways, for example, we are using LED lamps, motion detectors and offices with as much daylight as possible. All electricity consumption in Midsona is measured.

Waste

Midsona sorts and measures all waste at all of its own facilities. Organic waste is used in various ways in the business areas. For example, all organic waste from the Malmö office is used for biofuel for the municipality's cars, while at the Ascheberg unit it is used for external biofuel plant, a compost facility or as animal feed. Also in Norway, where Midsona moved into Oslo's most sustainable office building in 2016, the waste is used for biogas, including as fuel for buses.

Midsona's sustainability strategy means that the consideration for the environment


Aceto Balsamico

shall be integrated into and weighed into all decision in Midsona's daily operations. This applies to workplace issues, in changes in production methods, when new packages and packaging is discussed and not least when it concerns transports and business travel.

Efficient transports

Within the food industry, transports of raw materials and finished products are often a major source of environmental impact. Transports in Sweden account for around one third of the Swedish emissions of greenhouse gases[1]. Linked to the climate agreement that the countries of the world signed on 2015, DLF has launched the Transport Initiative that Midsona has chosen to join. This means that by 2025 all of Midsona's domestic transports shall be fossil free.

The supply chain organisation that Midsona created in 2017 has started an efficiency improvement and route optimisation effort on the company's flows of goods and through the common structure, Midsona took a broader hold of the work on transports. As a result of a Nordic transport procurement made to coordinate Midsona's transports, Midsona's domestic refrigerated and frozen transports and domestic transports to and from the company's unit in Falköping will be made with trucks run on entirely renewable diesel, so-called HVO (hydrated vegetable oil), as of 2019.

Midsona is also working to fill the goods transports as much as possible by either using double positioning of pallets or so-called beaming, where the transporters place beams so that even pallets with fragile good can be stacked.

Transports not only involve goods or raw materials, but also business travel. Within the scope of the Transport Initiative, employees' business travel by train, boat and car will also be entirely fossil-free by 2025. Midsona's travel policy is under revision to better address these issues. To reduce Midsona's general travel needs, video conferencing equipment was introduced as a standard at the Group's offices. In recent years, several Nordic Group projects were conducted and thanks to video conference equipment, the Group has been able to make significantly fewer trips with less environmental impact as a result, at the same time that the efficiency in the projects could be preserved. In 2018, 5,701 video conferenced were held in the Media Group.

Midsona's travel policy encourages employees who travel to always have the environment in mind in both planning and booking travel, and during the actual journey, and to replace as many trips by air as possible with alternatives that have lower carbon dioxide emissions.

For the past few years, salespeople from the Midsona Group – both its own and external teams – must attend training in so-called eco driving, which is a frugal way of driving that saves both money and the environment.

[1] Swedish Environmental Protection Agency.

CO_2 Klimat-kompenserade transporter

Carbon-offset for transports

Since 2009, Midsona carbon-offsets under the brand Kung Markatta, as the first company in the FMCG sector in Sweden, all transports that are necessary to import organically grown products from around the world. Transports of goods to customers will also be offset. Midsona has chosen tree planting for its carbon-offset. The cooperation Midsona has chosen is the Vi-forest and its own symbol has been developed for the labelling of our products.

Also under the brand Helios, Midsona has chosen to carbon-offset for CO_2 emissions in connection with production. Focus is on Project Ghana, where Midsona in the region Ashanti offers the local population energy efficient ovens instead of those fired with charcoal.

Sustainability governance

Board of Directors

Midsona's Board took the initiative to a more intensified and overall sustainability work in the middle of 2016 and has declared this work to be of the highest priority. The Board has the overall responsibility for us working with a realistic agenda for sustainable development in our industry. Reporting of results is made at Board meetings once or twice a year.

Group's sustainability team

Those responsible for various sustainability issues and other experts in the Group, such as in production, sourcing, quality, transport, etc. have been identified and constitute, together with representatives of the business areas, Midsona's sustainability team. The team drafted the proposal on the sustainability strategy and the focus areas that were approved by Midsona's Board and form the basis of the Group's sustainability work. The Group handles strategy issues for Midsona's focus areas and is responsible for the governance and implementation of the business areas' collection of result indicators.

CEO and Group Management

Midsona's sustainability group is supported by the CEO and Group Management, which monitors the development and implementation of various measures.

Sustainability risks

Midsona has chosen to integrate its risks in the sustainability area with the Group's other risk management processes. Information on how Midsona analyses and handles sustainability risks is therefore in the annual report's risk section on pages 43–52.

Auditor statement on the statutory sustainability report

To the Shareholders of Midsona AB (publ), corporate identity number 556241-5322.

Assignment and responsibilities

The Board of Directors is responsible for the sustainability report for 1 January 2018 to 31 December 2018 on pages 53–73 and for it being prepared in accordance with the Annual Accounts Act.

Review focus and scope

Our review has been conducted in accordance with FAR's recommendation RevR 12 Auditor's statement on the statutory sustainability report. This means that our statutory examination of the sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our statement.

Statement

A sustainability report has been prepared.

Malmö, 28 March 2019

Deloitte AB

Per-Arne Pettersson
Authorised Public Accountant

Share and ownership structure

Midsona's shares were introduced on the Stockholm Stock Exchange in 1999. Series A and series B shares are listed on the Nasdaq Stockholm Mid Cap list in the FMCG segment under the tickers MSON A and MSON B.

Share capital

The total number of shares at the end of the period was 46,008,064 (46,008,064) distributed between 539,872 Series A shares (539,872) and 45,468,192 Series B shares (45,468,192). The number of votes at the end of the period was 50,866,912 votes (50,866,912).

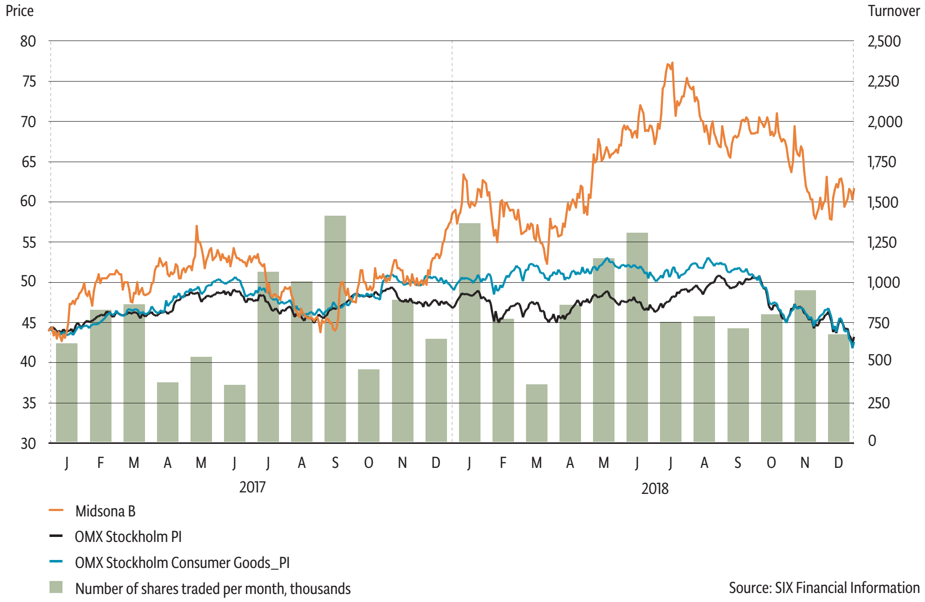
A series A share entitles the holder to ten votes and a series B share entitles the holder to one vote at the Annual General Meeting. All shares convey equal rights to the company's net assets and profits.

Capital development is reported on www.midsona.com/Investerare/Aktien.

Share turnover and bid price

Over the period January–December 2018, 10,450,744 shares (9,098,376) were traded. The highest price paid for Series B shares was SEK 78.90 (58.50), and the lowest was SEK 51.00 (42.40). On 28 December, the most recent price paid for the share was SEK 61.60 (58.50). For the comparison year, the share price has been adjusted for the new share issue. The total value of trade in Series B shares was SEK 668 million (443). The average daily turnover for both Series A shares and Series B shares together was 41,825 shares (37,062), corresponding to SEK 2,688,541 (1,504,063).

Over 2018, Series B shares rose from SEK 58.50 to SEK 61.60, equivalent to 5.3 percent (33.0). The stock market as a whole, as indicated by the OMX Stockholm PI (OMXSPI), decreased by about 7.8 percent (increase: 6.4). The index for the FMCG segment decreased by 10.8 percent (increase: 12.0).



Source: SIX Financial Information

Warrants programme

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. In the TO2016/2019 series, 50,000 warrants were repurchased in January 2018 and can now provide a maximum of 554,400 new Series B shares on full conversion. In the TO2017/2020 series, 187,000 warrants were outstanding and can provide a maximum of 187,000 new Series B shares on full conversion. On the balance sheet date, the average price for Series B shares exceeded the subscription price for the warrants outstanding, and accordingly the earnings per share after full dilution were calculated. For more information on TO2016/2019 and TO2017/2020, see Note 10 Employees, personnel expenses and senior executives' remuneration, pages 101–102.

Ownership

The largest shareholder in Midsona AB (publ) was Stena Adactum AB, which, at 31 December 2018, held 385,641 Series A shares and 10,467,828 Series B shares, corresponding to 23.6 percent of the capital and 28.2 percent of votes. No other shareholder held 10 percent or more of the total number of shares as per 31 December 2018. The ten largest shareholders in Midsona AB (publ) are detailed in the current shareholder list, as of 31 December 2018.

The ten largest shareholders, 31 December 2018

Source: Euroclear Sweden AB.

	Number of shares	Share of capital, %	Share of votes, %
Stena Adactum AB	10,853,469	23.6	28.2
Handelsbanken Fonder	3,405,430	7.4	6.7
Second Swedish National Pension Fund	2,321,257	5.0	4.6
Nordea Investment Funds	2,080,810	4.5	4.1
Cliens Funds	1,851,989	4.0	3.6
LINC AB	1,705,302	3.7	3.4
Peter Wahlberg and companies	1,534,568	3.3	3.0
Lannebo Funds	1,191,684	2.6	2.3
BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC)	1,041,454	2.3	2.0
CBNY-OFI GLOBAL OPP FUND	1,000,000	2.2	2.0
Total	**26,985,963**	**58.6**	**59.9**
Other shareholders	19,022,101	41.4	40.1
Total	**46,008,064**	**100.0**	**100.0**

The ten largest shareholders accounted for 58.6 percent (61.1) of the capital and 59.9 percent (62.9) of the votes.

The members of Group Management held a total of 267,260 Series B shares (164,310) at year-end. Board members held 2,485,230 Series B shares (2,482,943) at year-end. Neither Midsona AB (publ) nor its subsidiaries held any treasury shares at the end of 2018.

Of the total number of shares, foreign shareholders accounted for 21.9 percent of the capital and 20.0 percent of the votes, which was a decrease of 4.4 percentage points and

4.5 percentage points respectively since last year. Of the Swedish shareholders, legal entities held 62.8 percent of the capital and 64.2 percent of votes, while physical persons held 37.2 percent of the capital and 35.8 percent of the vote.

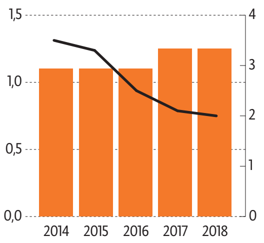
The total number of shareholders (including nominee-registered) was 7,175, which was an increase of 745 on the preceding year. The distribution of shareholdings within various intervals is shown in the current shareholder list as of 31 December 2018.

Distribution of shares in intervals, 31 December 2018

Source: Euroclear Sweden AB.

Number of shares	Number of shareholders	Shareholder, %	Number of holdings	Holdings, %
1–500	5,763	80.3	635,155	1.38
501–1,000	601	8.4	459,770	1.00
1,001–5,000	546	7.6	1,154,820	2.51
5,001–10,000	83	1.2	585,640	1.27
10,001–15,000	35	0.5	436,712	0.95
15,001–20,000	23	0.3	413,845	0.90
20,001–	124	1.7	42,322,122	91.99
Total	**7,175**	**100.0**	**46,008,064**	**100.0**

Dividend per share and yield



Dividend policy and dividend

The dividend policy is for dividends to exceed 30 percent of profit after tax over the long term. Dividends are adjusted to take into aspects including profit levels, financial position and future development opportunities.

The Board of Directors proposes that a dividend of SEK 1.25 per share (1.25) be paid for the 2018 financial year, equivalent to SEK 57,510,080 (57,510,080). The proposed dividend corresponds to a dividend percentage of 44.7 percent (68.2) and is proposed to be divided into two payment occasions at SEK 0.65/share and SEK 0.60/share per occasion.

Key figures per share[1]

		2018	2017	2016	2015	2014
Profit attributable to Parent Company shareholders	SEK	2.80	1.91	1.42	2.71	2.75
Shareholders' equity	SEK	35.43	33.69	31.63	30.85	33.02
Cash flow from operating activities	SEK	4.61	3.44	2.19	3.56	2.46
Free cash flow	SEK	3.83	2.83	1.62	3.44	2.37
Share price on balance sheet date (Series B shares)	SEK	61.60	58.50	44.00	33.00	31.00
Dividend[2]	SEK	1.25	1.25	1.10	1.10	1.10
Yield	%	2.0	2.1	2.5	3.3	3.5
Pay-out ratio	%	44.7	68.2	104.5	47.2	40.0
P/E ratio	multiple	22.0	30.6	30.9	12.2	11.3

[1] Midsona presents certain financial measures in the Annual Report that are not defined under IFRS. For definitions and reconciliation to IFRS, see pages 134–137.

[2] Dividend for 2018 relates to the proposal by the Board of Directors.

Stock market data

The publication of information is guided by the information policy adopted by the Board of Directors. Annual and interim reports, as well as press releases are published in Swedish. Annual Report and interim reports are published in English. Information meetings, conferences with analysts, fund managers and the media are held on an on-going basis over the year.

Annual reports, interim reports and the Corporate Governance Report are available from the website, www.midsona.com, where it is also possible to subscribe for reports and order specific information. The 2018 annual report is published as a PDF on Midsona's website on 29 March 2019 and the printed report will be available from Midsona's headquarters in Malmö by 12 April 2019. Printed copies of the Annual Report will be sent to shareholders on request.

Analysts and other monitoring

Johan Dahl (johan.dahl@danskebank.se) is an analyst at Danske Bank and continuously monitors Midsona.

ABG Sundal Collier compiles and distributes information on Midsona on its website www.introduce.se, where, for example, key performance indicators, press releases, shareholder data and technical analyses can be accessed.

Erik Penser Bankaktiebolag monitors Midsona through its EP Access service at www.penser.se.

Silent periods

Midsona observes a silent period of at least 30 days before the publication of its interim reports. During this silent period, Group representatives do not meet with the financial press, analysts or investors.

Financial calendar 2019

Interim Report, January–March 2019	3 May 2019
Annual General Meeting in Malmö	3 May 2019 at 3:00 p.m.
Interim Report, January–June 2019	19 July 2019
Interim Report, January–September 2019	23 October 2019
Year-end Report 2019	February 2020

Organically plant-based beverages from Kung Markatta.

Why Midsona's shares are attractive

A growing market

Midsona operates in a growing market where growth is driven by consumers' increasing interest in their own health and well-being. Midsona holds a very strong position in health products, an area that is growing more than the overall market for FMCG products.

A leading position

Midsona holds a leading position in most of its sales channels, making Midsona a preferred supplier and generating economies of scale. In 2018, Midsona continued to strengthen its leading positions in the Nordic market and now has the goal to become one of the leaders in Europe.

Strong brands

Midsona's strategy builds on strong brands that are continuously developed and supplemented through acquisitions and alliances. Eight brands are particularly in focus. In 2018, the brand Davert was acquired with a long organic history and a strong product portfolio that excellently complements Midsona.

Aggressive goals and clear strategies

Midsona has a clear mission and vision, aggressive growth targets, clear strategies and the financial and organisational capacity to implement its plans.

Active in the consolidation of the market – now in all of Europe

Midsona is participating actively to consolidate the market for products in health and well-being. In recent years, Midsona has been an active player in the Nordic region with acquisitions of brands, such as the Danish Urtekram and Swedish Kung Markatta. Now, the vision is to be involved and consolidate the fragmented European market. The first step was taken in 2018 through the acquisition of the German company Davert, which in 2017 had sales of around SEK 616 million.

Administration Report

The Board of Directors and President of Midsona AB (publ), corporate identity number 556241-5322, headquartered in Malmö, Sweden, hereby presents its annual and consolidated accounts for the 2018 financial year.

Operations

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 self care products. During the year, the Group took the first major step outside the Nordic region by acquiring the German company Davert GmbH, with the vision of becoming one of the leading actors in Europe in health and well-being. The acquisition was strategically significant, to obtain a strong position in Europe's largest market for organic products.

A growing proportion of sales has an organic profile. The products are aimed at helping people achieve a healthier life. The business model is based on strong brands with good market positions, innovation and an effective marketing and distribution structure.

The brand portfolio consists of both proprietary brands and international brands that Midsona represents. The proprietary brands form the backbone of the operations and, together with client brands, these form a strong and broad brand portfolio that is marketed to customers. Customers are primarily pharmacy chains, FMCG and healthfood retailers and other specialist retailers, as well as actors in food service and the food industry.

Midsona is represented in five countries through wholly-owned subsidiaries, with sales predominantly in the Nordic market and the German market for health and well-being. Operations are divided into five operating segments: the geographical areas Sweden, Norway, Finland, Denmark and Germany, which bear the operational responsibility for marketing, sales and distribution to customers. Moreover, there are three production facilities located in Denmark, Sweden and Germany. Group-wide management, administration and IT are operated as Group functions in the Parent Company Midsona AB. For more information on the Group's operating segments, see Note 4 Operating segments, pages 98–99.

Significant events

First quarter

OMX Nasdaq Stockholm decided to move Midsona from Small Cap to Mid Cap. The change entered into effect on 1 January 2018.

A distribution agreement was signed with HRA Pharma to represent some of its brands in the Nordic market, of which Compeed is the largest individually. The agreement began in February 2018.

Second quarter

The brand Kung Markatta was ranked as Sweden's 12th most sustainable brand and the brand Urtekram was ranked as Denmark's second most sustainable brand in the annual independent sustainability survey where 40,000 Nordic consumers rate companies' sustainability efforts according to multiple criteria, including UN principles of sustainability and social responsibility.

On 3 May, 100 percent of the shares and votes in the German company Davert GmbH were acquired, with office, warehouse and production facility in Ascheberg, North Rhine-Westphalia, Germany. The total purchase consideration amounted to SEK 378 million (EUR 35.8 million), of which SEK 281 million (EUR 26.6 million) was paid in cash upon Midsona gaining control, SEK 50 million (EUR 4.7 million) being purchase consideration entered as a liability, and SEK 47 million (EUR 4.5 million) being conditional purchase considerations. The acquisition was financed with an extension of existing credit facilities by SEK 375 million. For further information on the acquisition, please see Note 2 Acquisitions of operations on pages 97–98.

In the second quarter, the cooperation with HRA Pharma was expanded to include representing another of their brands in the Nordic market. Following this addition, the agreement is expected to generate total net sales of SEK 150 million on an annual basis.

The distribution agreement for the Alpro brand in the Swedish and Norwegian markets ended during the first quarter of 2019. The owner, Danone, has chosen to coordinate distribution under its own administration with its other products. In 2018, that sales assignment generated net sales of SEK 268 million.

On 28 May, Erk Schuchhardt was appointed as the head of the newly established Business Area Germany and as a new member of Group Management.

Fourth quarter

Ulrika Palm took over as the Head of the Division Nordic on 30 November. She succeeded Anders Dahlin, who accepted a new position outside the Group.

Net sales and profit

Financial overview [1,2]	2018	2017
Net sales, SEK million	2,852	2,146
Net sales growth, %	32.9	23.1
Organic change, net sales, %	3.0	-4.2
Gross margin, %	30.6	33.1
EBITDA, before items affecting comparability, SEK million	241	190
EBITDA-margin, before items affecting comparability, %	8.5	8.9
EBITDA SEK million	230	169
EBITDA margin, %	8.1	7.9
Operating profit, before items affecting comparability, SEK million	189	155
Operating margin, before items affecting comparability, %	6.6	7.2
Operating profit, SEK million	178	134
Operating margin,%	6.2	6.2
Profit for the year, SEK million	129	84
Earnings per share for the year before dilution, SEK	2.80	1.91

1 Midsona presents certain financial measures in the Annual Report that are not defined under IFRS. For definitions and reconciliation to IFRS, see pages 134–137.

2 The financial overview is based on restated figures for 2017 in conversion to IFRS 15, see Note 1 Accounting principles, pages 88–96.

Net sales amounted to SEK 2,852 million (2,146), an increase of 32.9 percent (23.1), driven by organic growth and acquired business volumes. The organic change in net sales was 3.0 percent (negative: 4.2). Structural changes also contributed to net sales growth by 26.0 percent (26.2), and exchange rate changes contributed by 3.9 percent (1.0). Several prioritised brands had a strong sales growth.

Gross profit amounted to SEK 872 million (711), corresponding to a margin of 30.6 percent (33.1). The gross margin was negatively impacted, partly as a result of an unfavourable product mix, and partly due to higher product costs as a consequence of the unfavourable exchange rate trend for the SEK against the EUR. The changed cost structure within the Group, related to acquired operations, contributed to a lower gross margin in 2018 compared with the preceding year. The negative gross margin trend was countered to some extent by coordinated supply chain activities on a Nordic basis with, among other things, joint product purchasing and transports.

EBITDA amounted to SEK 241 million (190) before items affecting comparability, corresponding to a margin of 8.5 percent (8.9). Improved EBITDA was attributable to higher sales volumes, realised synergies from acquisitions in earlier years and good earnings development in the German operation acquired during the year. Items affecting comparability negatively impacted EBITDA by SEK 11 million (21), consisting of acquisition-related expenses of SEK 10 million (5), restructuring costs of a net SEK 2 million (16) and a reversed purchase consideration booked as a liability related to an acquisition from earlier years of SEK 1 million. EBITDA amounted to SEK 230 million (169), corresponding to a margin of 8.1 percent (7.9). Amortisation and depreciation for the year amounted to SEK 52 million (35), divided between SEK 31 million

(24) in amortisation of intangible assets and SEK 21 million (11) in depreciation of tangible assets. Operating profit amounted to SEK 178 million (134), with an operating margin of 6.2 percent (6.2).

Profit before tax amounted to SEK 163 million (112). Net financial items amounted to an expense of SEK 15 million (22), of which interest expenses on external loans to credit institutions amounted to SEK 25 million (18). Interest expenses to credit institutions increased as a result of higher indebtedness from completed business combinations in 2017 and 2018. Unrealised translation differences on financial receivables and liabilities in foreign currency affected the net financial items positively by SEK 14 million (negative 1).

Tax on profit for the period amounted to a negative SEK 34 million (28), of which a negative SEK 11 million (7) consisted of current tax and negative SEK 23 million (21) consisted of deferred tax. In Sweden, a reduction was approved of the corporate tax rate from 22.0 percent to 20.6 percent in two steps, on 1 January 2019 to 21.4 percent and on 1 January 2021 to 20.6 percent. In line with these changes, deferred tax assets/liabilities were revalued based on anticipated outflows and the tax rate applicable at that time. In Norway, a decision was made to lower the corporate tax rate from 23.0 percent to 22.0 percent from 1 January 2019. In line with this change, deferred tax assets/liabilities were revalued. The effective tax rate was 20.8 percent (24.6) and it differs from the current tax rate for the Parent Company mainly as an effect of changed tax rates in Sweden and Norway. Profit for the year was SEK 129 million (84), corresponding to earnings per share of SEK 2.80 (1.91) before dilution and SEK 2.75 (1.89) after dilution.

Cash flow, liquidity and financial position

Cash flow from operating activities improved to SEK 212 million (152) as a consequence of both stronger operating activities and improved changes in working capital.

Cash flow from investing activities amounted to a negative SEK 357 million (91), which consisted of outflows for acquisitions of operations for SEK 295 million (64) and investments in tangible and intangible assets of SEK 63 million (27), as well as inflows from sales of tangible and intangible assets of SEK 1 million (0). Free cash flow improved to SEK 176 million (125).

Cash flow from financing activities amounted to SEK 189 million (negative: 69), of which SEK 375 million (60) was in raised bank loans and outflows were bank loan repayments of SEK 53 million (80), lease liability repayments of SEK 5 million (1), dividends of SEK 58 million (47) and repayment of acquired overdraft facilities of SEK 37 million and other acquired interest-bearing loans of SEK 33 million. The comparative period also included issue expenses of SEK 1 million.

Cash and cash equivalents amounted to SEK 101 million (54) and there were unutilised credit facilities of SEK 275 million (100) at year-end.

Summary of capital and liquidity structure[1]	31 Dec 2018	31 Dec 2017
Average capital employed, SEK million	2,552	2,166
Return on capital employed, %	7.6	6.2
Equity/assets ratio	44.1	54.3
Net debt, SEK million	1,116	652
Net debt/EBITDA, multiple	4.9	3.9
Net debt/Adjusted EBITDA, multiple	4.4	3.6
Shareholders' equity, SEK million	1,630	1,550
Net debt/equity ratio, multiple	0.7	0.4
Interest coverage ratio, multiple	6.3	6.1

[1] Midsona presents certain financial measures in the Annual Report that are not defined under IFRS. For definitions and reconciliation to IFRS, see pages 134–137.

Net debt amounted to SEK 1,116 million (652) with the increase being primarily attributable to the financing of acquisitions. The net debt/equity ratio was a multiple of 0.7 (0.4). The ratio between net debt and EBITDA on a rolling 12-month basis was a multiple of 4.9 (3.9) and the ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 4.4 (3.6).

Shareholders' equity rose to SEK 1,630 million (1,550). The change in equity during the year consisted of net profit of SEK 129 million, translation differences from translation of foreign operations of SEK 9 million and a reduction by dividend of SEK 58 million. The equity/assets ratio was 44.1 percent (54.3) at the end of the year.

Investments

Investments in intangible and tangible assets amounted to SEK 63 million (27) and consisted mainly of an expansion investment in a new production line in the German operation and investments in software in the form of business systems.

Risks and risk management

For risks and risk management, refer to pages 43–52. For financial risks, see also Note 30 Financial risk management, on pages 111–112.

Guidelines for remuneration of senior executives

The Board of Directors' proposed guidelines for remuneration of senior executives to be presented for approval by the Annual General Meeting of 3 May 2019 agree to all intents and purposes with the previous year's guidelines. For information on the guidelines for remuneration of senior executives adopted by the 2018 Annual General Meeting, see Note 10 Employees, personnel expenses and senior executives' remuneration on pages 101–102.

Share and shareholders

The total number of shares was 46,008,064 shares (46,008,064) distributed at 539,872 series A shares (539,872) and 45,468,192 series B shares (45,468,192), at year-end. At the Annual General Meeting, each series A share conveys ten votes and each series B share conveys one vote. The number of votes at year end was 50,866,912 votes (50,866,912).

All shares convey equal rights to the company's net assets and profits. Neither the company nor its subsidiaries hold any treasury shares. The Articles of Association contain no restrictions on the transferability of shares.

The largest shareholder in the company was Stena Adactum AB, which held 385,641 series A shares (385,641) and 10,467,828 series B shares (10,587,528), representing 23.6 percent of capital (23.8) and 28.2 percent of the voting rights (28.4) on 31 December 2018. No other shareholder had a holding of 10 percent or more of the total number of shares as per 31 December 2018. To the company's knowledge, there are no agreements between shareholders that could entail limitations to the right to transfer shares.

The Annual General Meeting appoints and dismisses members of the Board of Directors and amends the Articles of Association.

The company has no commercial agreements that could be affected if control of the company were to change as a consequence of a public takeover bid, beyond valid applicable credit facilities. There are agreements between the company and senior executives that prescribe compensation if these individuals are dismissed without due cause or if their employment is terminated as a consequence of a public takeover bid for shares in the company. Agreements between the company and other employees regulating resignations or dismissal by the company follow normal practices in the labour market.

For more information about the share and shareholders, see the section Shares and shareholders, pages 74–77.

Environmental information

The basis for reducing Midsona's environmental impact lies in organised environmental efforts. The greatest environmental impact is caused by water and energy consumption, waste, wastewater and transportation. Midsona complies with statutory environmental requirements and is not involved in any environmentally-related disputes. Midsona had the use of three production facilities at the end of 2018, one in Sweden, one in Denmark and one in Germany. The Swedish production facility in Falköping conducts operations that it is required to register in accordance with the Swedish Environmental Code. Each year, an audit is performed by the local environmental authority regarding compliance with the Swedish Environmental Code.

The production facilities in Denmark and Germany adjust their operations, apply for the required permits and report to authorities in accordance with local legislation.

The Group's production facilities conduct organized environmental efforts, including action plans and review in a number of areas. Environmental efforts form an integrated part of Midsona's business and decision making always takes environmental considerations into account. All production and warehouse facilities transitioned to renewable electricity in 2018. For more information on Midsona's environmental work, see the Sustainability Report section on pages 53–73.

Corporate Governance Report

For the Corporate Governance Report, see pages 122–127.

Sustainability report

For the Sustainability Report, please see pages 53–73.

Parent Company

Net sales amounted to SEK 45 million (38), and related primarily to invoicing of services provided internally within the Group.

Profit before tax amounted to SEK 19 million (negative 3). Profit before tax included impairment of shares in subsidiaries of SEK 120 million (51), dividends from subsidiaries of SEK 120 million (70), of which SEK 120 million (5) comprised anticipated dividends, and Group contributions received of SEK 29 million and Group contributions paid of SEK 0 million. Financial income increased significantly as a result of positive currency translation differences on financial receivables and liabilities in foreign currencies. Interest expenses to credit institutions amounted to SEK 22 million (17) and increased as a result of a higher indebtedness related to implemented business combinations.

Investments in tangible and intangible assets amounted to SEK 26 million (18) and were mainly related to an on-going investment in software for a new business system being rolled out to most of the Group's units in 2018 and 2019. Depreciation and amortisation on tangible and intangible assets amounted to SEK 3 million (1).

Cash and cash equivalents, including unutilised credit facilities, amounted to SEK 322 million (131). At year-end, borrowing from credit institutions amounted to SEK 1,030 million (705). In connection with the acquisition of operations in May, new loans of SEK 375 million were raised.

Shareholders' equity amounted to SEK 1,390 million (1,433), of which non-restricted equity amounted to SEK 1,102 million (1,145). The changes in equity during the year consisted of net profit for the year of SEK 15 million and a reduction by a dividend of SEK 58 million.

At the end of the year, the Parent Company had 15 employees (12).

Proposed appropriation of profit or loss

The following amount in SEK is at the disposal of the Annual General Meeting:

Share premium reserve	SEK 580,723,600
Profit brought forward	SEK 506,428,883
Profit/loss for the year	SEK 14,819,969
Total	**SEK 1,101,972,452**

The Board of Directors proposes that the non-restricted shareholders' equity in the Parent Company, amounting to SEK 1,101,972,452 be appropriated as follows:

Dividend, SEK 1.25 per share	SEK 57,510,080
Carried forward	SEK 1,044,462,372
Total	**SEK 1,101,972,452**

Statement by the Board of Directors regarding the proposed dividend

At the 2019 Annual General Meeting, shareholders shall take a position regarding matters including the dividend proposed by the Board of Directors.

The proposed dividend decreases the equity/assets ratio in the Parent Company to 46.3 percent and the consolidated equity/assets ratio to 42.5 percent. The proposed measure does not affect the company's capacity to meet current and foreseen payment obligations in a timely manner. The company's liquidity forecast includes contingencies for managing variations in on-going payment obligations. The company's financial position does not give rise to any assessment other than that the company can continue its operations and that it can be expected to meet its obligations in both the short and long term.

It is the assessment of the Board of Directors that the scope of the shareholders' equity as reported in the latest annual report is in reasonable proportion to the scope of the company's operations and the risks associated with the conduct of the operations taking the proposed dividend into account.

In reference to the above and what has otherwise come to the knowledge of the Board, it is the Board's assessment that a comprehensive assessment of the company's and the Group's financial position means that the dividend is justifiable according to Chapter 17 Section 3 Paragraphs 2 and 3 of the Companies Act, i.e. in reference to the requirements set by the nature, scope and risks of the business on the size of the company's and Group's equity and the company's and Group's consolidation requirements, liquidity and position otherwise.

The financial accounts were approved for publication by the Board of Directors of the Parent Company on 28 March 2019.

With regard to the company's performance and position otherwise, please see the following financial statements and associated notes.

Financial statements

Consolidated income statement

SEK million	Note	2018	2017
Net sales	2, 3, 4, 5	2,852	2,146
Expenses for goods sold		-1,980	-1,435
Gross profit		**872**	**711**
Selling expenses		-473	-393
Administrative expenses		-212	-179
Other operating income	6	7	3
Other operating expenses	7	-16	-8
Indirect expenses, net		**-694**	**-577**
Operating profit/loss	2, 4, 8, 9, 10, 15, 16, 17, 27	**178**	**134**
Financial income		16	0
Financial expenses		-31	-22
Net financial items	11	**-15**	**-22**
Profit/loss before tax		**163**	**112**
Tax	13	-34	-28
Profit/loss for the year		**129**	**84**
Attributable to			
Parent Company shareholders (SEK million)		129	84
Earnings per share to Parent Company shareholders, before dilution (SEK)	14	2.80	1.91
Earnings per share to Parent Company shareholders, after dilution (SEK)	14	2.75	1.89
Number of shares (thousands)	14		
On the balance sheet date		46,008	46,008
Average for the period, before dilution		46,008	44,141
Average during the period, after dilution		46,748	44,548

Consolidated statement of comprehensive income

SEK million	Note	2018	2017
Profit/loss for the year		**129**	**84**
Items that have or can be reallocated to profit for the year			
Translation differences for the year on translation of foreign operations		9	-16
Items that have or can be reallocated to profit for the year		**9**	**-16**
Other comprehensive income for the year		**9**	**-16**
Comprehensive income for the year		**138**	**68**
Attributable to			
Parent Company shareholders (SEK million)		138	68

Consolidated balance sheet

SEK million	Note	31 Dec 2018	31 Dec 2017
Assets			
Intangible assets	15	2,466	2,129
Tangible assets	16, 17	254	58
Non-current receivables	20	4	3
Deferred tax assets	13	74	99
Fixed assets		**2,798**	**2,289**
Inventories	21	482	272
Tax receivables		4	1
Accounts receivable	22	259	213
Other receivables	20	22	9
Prepaid expenses and accrued income	23	33	19
Cash and cash equivalents	30, 35	101	54
Current assets		**901**	**568**
Assets	2, 4, 31, 33	**3,699**	**2,857**
Shareholders' equity			
Share capital		230	230
Additional paid-up capital		629	629
Reserves		24	15
Profit brought forward, including profit for the year		747	676
Shareholders' equity	24	**1,630**	**1,550**
Liabilities			
Non-current interest-bearing liabilities	25, 30, 35	1,124	665
Other non-current liabilities	26	82	1
Other provisions	28	1	4
Deferred tax liabilities	13	271	221
Non-current liabilities		**1,478**	**891**
Current interest-bearing liabilities	25, 30, 35	93	41
Accounts payable		357	220
Other current liabilities	26	29	37
Accrued expenses and deferred income	29	108	105
Other provisions	28	4	13
Current liabilities		**591**	**416**
Liabilities		**2,069**	**1,307**
Shareholders' equity and liabilities	2, 4, 31, 33	**3,699**	**2,857**

Changes in consolidated shareholders' equity

Note 24 SEK million	Share capital	Additional paid-up capital	Reserves	Profit brought forward, including profit for the year	Total shareholders' equity
Opening shareholders' equity 1 Jan 2017	**213**	**466**	**31**	**639**	**1,349**
Comprehensive income for the year					
Profit/loss for the year	–	–	–	84	84
Other comprehensive income for the year	–	–	-16	–	-16
Comprehensive income for the year	–	–	**-16**	**84**	**68**
Transactions with the Group's owners					
New share issue	17	162	–	–	179
Issue expenses	–	0	–	–	0
Issue of warrant programme TO2017/2020	–	1	–	–	1
Dividend	–	–	–	-47	-47
Transactions with the Group's owners	17	**163**	–	-47	**133**
Closing shareholders' equity 31 Dec 2017	**230**	**629**	**15**	**676**	**1,550**
Opening shareholders' equity 1 Jan 2018	**230**	**629**	**15**	**676**	**1,550**
Changed accounting principle (IFRS 9)	–	–	–	0	0
Comprehensive income for the year					
Profit/loss for the year	–	–	–	129	129
Other comprehensive income for the year	–	–	9	–	9
Comprehensive income for the year	–	–	**9**	**129**	**138**
Transactions with the Group's owners					
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**

Consolidated cash flow statement

SEK million	Note	2018	2017
Operating activities			
Profit/loss before tax		163	112
Adjustment for non-cash items	35	31	41
Income tax paid		-12	-7
Cash flow from operating activities before changes in working capital		**182**	**146**
Cash flow from changes in working capital			
Increase (–)/decrease (+) in inventories		-29	10
Increase (–)/decrease (+) in operating receivables		-13	27
Increase (+)/decrease (–) in operating liabilities		72	-31
Changes in working capital		**30**	**6**
Cash flow from operating activities		**212**	**152**
Investing activities			
Acquisitions of companies or operations	35	-295	-64
Acquisitions of intangible assets		-26	-18
Divestments of intangible assets		1	–
Acquisitions of tangible assets		-37	-9
Divestments of tangible assets		0	0
Cash flow from investing activities		**-357**	**-91**
Cash flow after investing activities		**-145**	**61**
Financing activities			
Issue expenses		–	-1
Loans raised	35	375	60
Repayment of loans	35	-128	-81
Dividend paid		-58	-47
Cash flow from financing activities		**189**	**-69**
Cash flow for the year		**44**	**-8**
Cash and cash equivalents			
Cash and cash equivalents at beginning of year		54	65
Translation difference in cash and cash equivalents		3	-3
Cash and cash equivalents at end of year	35	**101**	**54**

Income statement, Parent Company

SEK million	Note	2018	2017
Net sales	3	45	38
Selling expenses		-2	0
Administrative expenses		-58	-49
Other operating income	6	1	–
Other operating expenses	7	0	–
Operating profit/loss	9, 10, 15, 16, 17, 27	**-14**	**-11**
Profit from participations in subsidiaries	11	0	19
Financial income	11	34	21
Financial expenses	11	-30	-32
Profit/loss after financial items		**-10**	**-3**
Allocations	12	29	–
Profit/loss before tax		**19**	**-3**
Tax	13	-4	4
Profit/loss for the year		**15**	**1**

Balance sheet, Parent Company

SEK million	Note	31 Dec 2018	31 Dec 2017
Fixed assets			
Intangible assets	15	39	15
Tangible assets	16, 17	3	3
Participations in subsidiaries	18	2,066	1,697
Receivables from subsidiaries	19, 32	547	574
Deferred tax assets	13	3	7
Financial assets		**2,616**	**2,278**
Fixed assets		**2,658**	**2,296**
Current assets			
Receivables from subsidiaries	19, 32	163	19
Other receivables	20	4	9
Prepaid expenses and accrued income	23	9	7
Current receivables		**176**	**35**
Cash and bank balances	30, 35	47	31
Current assets		**223**	**66**
Assets	31, 33	**2,881**	**2,362**
Shareholders' equity			
Restricted shareholders' equity			
Share capital		230	230
Statutory reserve		58	58
Restricted shareholders' equity		**288**	**288**
Unrestricted shareholders' equity			
Share premium reserve		581	581
Profit/loss brought forward		506	563
Profit/loss for the year		15	1
Unrestricted shareholders' equity		**1,102**	**1,145**
Shareholders' equity	24	**1,390**	**1,433**
Non-current liabilities			
Liabilities to credit institutions	25, 30, 35	953	665
Liabilities to subsidiaries	19, 32, 35	113	40
Other non-current liabilities	26	81	–
Non-current liabilities		**1,147**	**705**
Current liabilities			
Liabilities to credit institutions	25, 30, 35	77	40
Accounts payable		11	3
Liabilities to subsidiaries	19, 32, 35	247	168
Other current liabilities	26	2	6
Accrued expenses and deferred income	29	7	7
Current liabilities		**344**	**224**
Shareholders' equity and liabilities	31, 33	**2,881**	**2,362**

Changes in equity for the Parent Company

Note 24	Restricted shareholders' equity		Unrestricted shareholders' equity		
SEK million	Share capital	Statutory reserve	Share premium reserve	Profit brought forward, including profit for the year	Total shareholders' equity
Opening shareholders' equity 1 Jan 2017	**213**	**58**	**419**	**610**	**1,300**
Profit/loss for the year	–	–	–	1	1
Comprehensive income for the year	–	–	–	**1**	**1**
New share issue	17	–	162	–	179
Issue expenses	–	–	0	–	0
Dividend	–	–	–	−47	−47
Closing shareholders' equity 31 Dec 2017	**230**	**58**	**581**	**564**	**1,433**
Opening shareholders' equity 1 Jan 2018	**230**	**58**	**581**	**564**	**1,433**
Profit/loss for the year	–	–	–	15	15
Comprehensive income for the year	–	–	–	**15**	**15**
Dividend	–	–	–	−58	−58
Closing shareholders' equity 31 Dec 2018	**230**	**58**	**581**	**521**	**1,390**

Parent Company cash flow statement

SEK million	Note	2018	2017
Operating activities			
Profit/loss after financial items		−10	−3
Adjustment for non-cash items	35	−13	−18
Cash flow from operating activities before changes in working capital		**−23**	**−21**
Cash flow from changes in working capital			
Increase (−)/decrease (+) in operating receivables		6	−1
Increase (+)/decrease (−) in operating liabilities		4	5
Changes in working capital		**10**	**4**
Cash flow from operating activities		**−13**	**−17**
Investing activities			
Acquisitions of companies or operations	35	−305	−101
Acquisitions of intangible assets		−25	−15
Acquisitions of tangible assets		−1	−3
Change in financial assets		9	175
Cash flow from investing activities		**−322**	**56**
Cash flow after investing activities		**−335**	**39**
Financing activities			
Issue expenses		–	−1
Loans raised	35	458	95
Repayment of loans	35	−49	−80
Dividend paid		−58	−47
Cash flow from financing activities		**351**	**−33**
Cash flow for the year		**16**	**6**
Cash and cash equivalents			
Cash and cash equivalents at beginning of year		31	25
Cash and cash equivalents at end of year	35	**47**	**31**

Notes to the financial statements

Note 1 Accounting principles

Group accounting principles

Compliance with standards and regulations
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 IFRS Interpretations Committee (IFRIC) as approved by the European Commission for application within the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 *Supplementary Accounting Rules for Groups* has been applied.

The Parent Company applies the same accounting principles as the Group except in the cases listed below under *Parent Company accounting principles*.

Basis of valuation applied in the preparation of the financial statements
Assets and liabilities are reported at historical cost except for certain financial assets and liabilities measured at fair value. Financial assets and liabilities measured at fair value consist of derivatives and financial assets classified as financial assets at fair value through profit for the year

Functional and presentation currency
The Parent Company's functional currency is the Swedish krona (SEK), which is also the reporting currency for the Parent Company and the Group. This means that the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded off to the nearest million.

Estimates and assumptions in the financial statements
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.

Assumptions made by management in the application of IFRS that have a significant impact on the financial statements and estimates that can result in significant adjustments in future financial statements are described in more detail in Note 34 Significant estimates and assumptions, page 114.

Accounting principles applied
With the exceptions described in closer detail, the following accounting principles have been consistently applied in the reporting consolidation of the Parent Company and subsidiaries in the consolidated financial statements.

Changes in accounting principles due to new or amended IFRS
The following changes in accounting principles are effective from 1 January 2018 and have had an impact on the consolidated financial statements.

- IFRS 9 *Financial instruments*, issued on 24 July 2014 and replacing IAS 39 *Financial instruments*: *Classification and Measurement*. The new standard has been adopted by the EU. IFRS 9 addresses classification and measurement of financial assets and liabilities, new rules for hedge accounting and a new model for impairment of financial assets. Classification and measurement of financial assets and liabilities were done based on the categories stated in the standard without any material impact on the balance sheet. The new rules for hedge accounting have not had any impact on the Group's financial statements as hedge accounting according to IFRS 9 is not applied. The application of a new model for recognition of expected credit losses, according to an "expected loss model", had an effect of SEK 0 million on consolidated equity. The new standard accordingly has not had any material impact on the consolidated financial statements.
- IFRS 15 *Revenue from Contracts with Customers* replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts*. The new standard has been approved by the EU. The fundamental principle for IFRS 15 is that revenue is to be recognised to portray the transfer of promised goods and services in an amount that reflects the compensation one is expected to be entitled to in exchange for these goods and services. The standard is based on a principle-based five-step model to apply this principle. After evaluating the effects of the new standard, Midsona chose to apply the full retrospective method as the transition method at the introduction of IFRS 15, which means that an accumulated effect is recognised in profit brought forward as of 1 January 2017 and that affected comparative figures are restated. It should be noted that the effect of application in the consolidated balance sheet and income statement will be minor. The most significant income streams were identified and analysed in the Group. The analysis showed that income will essentially be reported at the same time as a performance commitment as in the previous standard and application, albeit with a reclassification of a non-material nature between the items Net sales, Expenses for goods sold and Selling expenses in the income statement. This is as a result of clarifications of whether or not temporary fixed and variable discounts in connection with activities, as well as the right to return expired products in customer contracts, are to be addressed in the accounts. Therefore, Midsona makes the assessment that the introduction of IFRS 15 has not entailed any significant effects on the Group's accounting other than the comparison figures

being reclassified in the income statement to improve comparability and had the following effects on net sales and operating expenses.

SEK million	2017	Re-calculation IFRS 15	Re-calculated 2017
Net sales[1,2,3]	2,173	-27	2,146
Expenses for goods sold[3,4]	-1,430	-5	-1,435
Gross profit	**743**	**-32**	**711**
Selling expenses[1,2,4]	-425	32	-393
Administrative expenses	-179	–	-179
Other operating income	3	–	3
Other operating expenses	-8	–	-8
Operating profit/loss	**134**	**0**	**134**

[1] Agreements with fixed and variable compensation to customers in connection with activities where a contingent undertaking by a customer is reported as selling expense rather than as a reduction of net sales.

[2] Agreements with fixed and variable central compensation to customers are reported as a reduction in net sales rather than as selling expenses.

[3] Agreements under which the customer is entitled to return products are reported as a reduction of net sales rather than as expenses for goods sold.

[4] Distribution agreements that include profit sharing agreements are reported as part of expenses for goods sold rather than as selling expenses.

The application of IFRS 15 entails increased disclosures in the notes of income, as presented in Note 5 Income, see pages 99–100.

Other amended or new IFRS standards taking effect from 2018 have not had any impact on the Group's financial reports for the 2018 financial year.

New IFRS that have yet to begin being applied

The following new standards are published by the IASB, but have either not yet come into force or been adopted by the EU.

- IFRS 16 *Leases*, was issued on 13 January 2016 and will replace IAS 17 *Leases*. The new standard has been approved by the EU. It will entail all leases to which Midsona is a party being recognised partly as a fixed asset (the right to use a leased item) and partly as a financial liability (commitment to pay future lease payments) in the consolidated balance sheet. For short-term leases and low-value leases, a relief rule applies, under which such assets are exempt from being reported in the consolidated balance sheet. The standard primarily affects the accounting of the Group's operating leases. A phase during which the new standard is implemented was initiated at the beginning of 2018 with all lease agreements being collected and subjected to an impact assessment, which in a subsequent step led to a reporting solution for leases classified as operating leases with application of IAS 17. Based on the impact analysis, a modified retrospective transitional solution was chosen, whereby comparative periods cannot be recalculated. The lease liability is valued at the present value of the outstanding lease payments on the first application date discounted by the applied discount rate. The lease asset is valued at a carrying amount, as if IFRS 16 had been applied since the effective date of the leases, discounted by the applied discount rate. The accumulated effect of initial application is recognised as an adjustment of the opening balance for retained earnings on the first application date 1 January 2019. The following relief rules have been applied in the transition. Agreements concluded within 12 months from the initial application date were excluded and handled as short-term agreements. Initial direct expenses have been excluded from the valuation of the lease asset.

  Assessments afterwards have also been done in the valuation of leases as of the initial application date. Discount rates as per 1 January 2019 were applied in the calculation of the lease liability and the right-of-use asset – these are based on the geographic location of the right-of-use asset and the Group's loan margin, which includes the interest rates on government bonds of various durations and a risk premium. For leases that were classified as finance leases under IAS 17, the lease asset and lease liability are recognised on the initial application date at the carrying amounts immediately before the transition date valued according to IAS 17. The leases that will be reported in the consolidated balance sheet as a consequence of the introduction of IFRS 16 relate mainly to office and warehouse premises, production equipment, vehicles, forklifts and IT-related equipment. The actual effect on the Groups financial statements is preliminarily estimated to entail lease assets of SEK 196 million, deferred tax assets of SEK 1 million, prepaid leasing expenses of SEK 4 million, lease liabilities of SEK 197 million and adjustment of retained earnings by a decrease of SEK 4 million at the transition date of 1 January 2019.

Other new and amended standards and interpretations are not deemed to have any effect on the consolidated financial statements in the initial period of application.

Classification

Fixed assets consist essentially of amounts expected to be recovered or paid after more than 12 months of the balance sheet date, while current assets consist essentially of amounts expected to be recovered or paid within 12 months of the balance sheet date. Non-current liabilities consist essentially of amounts for which Midsona has, as per the end of the reporting period, an unconditional right to choose to pay later than 12 months following the end of the reporting period. If Midsona does not have that right as per the end of the reporting period – or if the asset is held for trade or expected to be settled within the normal business cycle – the amount of the liability is reported as current.

Consolidated accounts

Subsidiaries are all companies over which Midsona AB (publ) has a controlling influence. A controlling influence exists if Midsona AB (publ) has influence over the object of investment, is exposed or entitled to variable returns from its commitment and can exert its influence over the investment to affect yield.

In assessing whether a controlling influence exists, shares conveying potential voting rights are taken into account, as is the existence of de facto control. All subsidiaries within the Group are wholly owned subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from the consolidated financial statements from the date on which that controlling influence ceases.

The acquisition method is applied for the accounting of business combinations. The cost of an acquisition is measured as the fair value of the transferred assets, liabilities and shares issued by the Group. Transaction expenses that are directly attributable to an acquisition are expensed in consolidated profit for the year. Identifiable acquired assets and liabilities assumed in a business combination are initially measured at their fair value on the acquisition date.

In the case of acquisitions where the transferred consideration exceeds the fair value of the identifiable acquired net assets, the difference is recognised as goodwill. When the difference is negative – a bargain purchase – this is recognised directly in profit for the year.

Group-internal receivables and liabilities, income and expenses, as well as unrealised gains and losses arising from Group-internal transactions between Group companies are eliminated in full when preparing the consolidated financial statements.

Where valuations of assets and liabilities differ at the Group and company levels, temporary differences are taken into account and recognised as a deferred tax asset or deferred tax liability. However, deferred tax is not taken into account with regard to goodwill.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the highest executive decision maker. The highest executive decision maker is the function responsible for allocating resources and assessing performance of the operating segment's results. In the Group, this function has been identified as Group Management. The principal basis for the division is geographical areas. See Note 4 Operating segments on pages 98–99 for further details on the division and a presentation of the operating segments.

Foreign currency

Transactions in foreign currencies

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing on the transaction date. Functional currency is the currency of the primary economic environments in which the Group companies operate. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing on the balance sheet date. Exchange rate differences arising on translation are recognised in profit for the year. Exchange gains/losses on operating receivables/liabilities recognised in other operating income/expenses and gains/losses on financial assets and liabilities are recognised in financial income/expenses.

Foreign operations' financial statements

Assets and liabilities in foreign operations, including goodwill and other consolidated surplus and deficit values, are translated from their functional currency to the Group's reporting currency, SEK, at the exchange rate prevailing on the balance sheet date. Income and expenses in foreign operations are translated to SEK at an average rate that approximates the exchange rates prevailing on the respective transaction dates. Translation differences arising in connection with the translation of foreign operations are reported in other comprehensive income and accumulated in a separate component in equity, titled translation reserve. On divestment of a foreign operation, the accumulated translation differences attributable to the operations are realised in profit for the year.

Income

The Group's income originates from the following activities:

- Sales of consumer goods in the categories of organic products, healthfoods and self care products.
- Sales of services linked to product handling.

Income is measured based on the compensation specified in agreements with the customer, meaning net after VAT, fixed and variable discounts and returns. Income from sales of goods and services is recognised in the profit for the year at the time when the customer gets control of goods and services.

Sales of consumer goods in the categories of organic products, healthfoods and self care products.

The Group sells organic products, healthfoods and self care products through a number of different sales channels both through resellers, but also directly to end-customers. The guarantees associated with these products cannot be bought separately and aim to ensure that sold products match agreed specifications. Such guarantees are therefore recognised in accordance with IAS 37. Income for organic products, healthfoods and self care products are recognised at the time that control of the good is transferred to the customer and the Group has fulfilled its performance commitment, which most often takes place upon delivery of the goods to the agreed place.

In the Group's customer contracts, there are contractual obligations on the return right for both expired products that are not commercially viable and for products that are still commercially viable. At the time of sale, a return obligation is recognised corresponding to the expected level of returns with a corresponding reduction of income. At the same time, a return asset is booked corresponding to the expected right to receive products in return with a corresponding reduction of expenses for goods sold on condition that the product is expected to be received back in sellable condition. The Group bases the above adjustments on historical experience and handles this on a portfolio level valued at the anticipated values. The Group also assesses that there is not a risk of material reversals as the level of these items has been historically stable and there are currently no indications that this would change. At present, the returns do not amount to material amounts and the Group thereby does not recognise any return liability or return asset.

Sales of services linked to product handling.

Income for services linked to product handling is considered to be a distinct service and is thereby handled as a separate performance undertaking, which is recognised separately. Income is recognised over time as the services are rendered. Considering that such services are normally invoiced monthly in arrears and pertain to a limited time period, such income is recognised straight-line over the period during which services will be provided, meaning on a monthly basis.

Operating expenses

Expenses for goods sold

Expenses for goods sold encompass direct and indirect expenses for functions attributable to generated income (manufacturing, warehousing, inventory coordination).

Selling expenses

Selling expenses encompass both expenses for activities and functions connected directly to the consumer (marketing, product and package development, product manager, marketing coordinator), and expenses for activities and functions connected with customers (sales, key account manager, order reception).

Administrative expenses

Administrative expenses encompass expenses for functions such as purchasing, IT, finance and administration, quality systems and quality assurance, as well as Group Management.

Other operating income and expenses
Other operating income and expenses include income and expenses not normally considered to belong to the actual business, for example, exchange gains/losses on operating assets/liabilities and capital gains/losses on disposal of assets. Exchange rate gains/losses are reported net.

Items affecting comparability
Items affecting comparability comprise significant items that, because of their size or incidence, are reported separately to enable a better understanding of the Group's financial development. Items affecting comparability are reported in the function to which they belong, depending on the nature of the item, and normally consist of restructuring expenses and acquisition-related expenses.

Leasing

Operating leases
Expenses associated with operating leases are recognised in profit for the year over the lease term. Benefits received in connection with the signing of a contract are recognised in net income as a reduction of the lease payments over the lease agreement. Variable expenses are expensed in the period they are incurred.

Finance leases
Minimum lease fees are allocated between interest expense and repayment of the outstanding liability. The interest expense is distributed across the leasing period so that each accounting period is burdened by an amount equal to a fixed interest rate for the liability reported in each period. Variable expenses are expensed in the period they are incurred.

Financial income and expenses

Financial income comprises interest income on funds invested, dividend income, and gains on changes in the value of financial assets at fair value through profit or loss for the year.

Interest income on financial instruments is recognised using the effective interest method (see below). Dividend income is recognised when the right to receive payment is established. Profit from sale of financial instruments is recognised when the risks and rewards associated with ownership are transferred to the buyer and the Group no longer has control over the instrument.

Financial expenses consist of interest expenses on loans, losses on value changes of financial assets at fair value through profit or loss for the year and impairment of financial assets. Borrowing expenses are not recognised in profit to the extent they are directly attributable to the acquisition, construction or production of assets that take a substantial period of time to complete for their intended use or sale, so-called qualified assets. In these cases, they are included in the cost of the assets. The Group currently has no assets duly qualified.

Foreign exchange gains/losses on financial assets/liabilities are recognised net.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts during a financial instrument's expected life at the reported net value of the financial asset or liability. The calculation includes all fees paid or received between parties that are a part of the effective interest rate, transaction expenses and all other premiums or discounts.

Taxes

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except when the underlying transaction is recognised in other comprehensive income or shareholders' equity, in which case it is recognised in other comprehensive income or in shareholders' equity.

Current tax
Current tax is the tax payable or refundable for the current year using the tax rates that have been enacted or substantively enacted as per the balance sheet date. Current tax also includes adjustments of current tax attributable to previous periods.

Deferred tax
Deferred tax is calculated using the balance sheet method, providing for temporary differences between the reported values and tax bases of assets and liabilities. Temporary differences are not recognised in consolidated goodwill, or for differences arising on the initial recognition of assets and liabilities that are not business combinations that, at the time of the transaction, affect neither accounting nor taxable profit. Nor are temporary differences taken into account that relate to participations in subsidiaries that are not expected to be reversed within the foreseeable future. The assessment of deferred tax is based on how the underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated applying the tax rates and regulations in force or substantively approved on the balance sheet date.

Deferred tax is reported together with current tax in profit for the year. Deferred tax assets are recognised among fixed assets and deferred tax liabilities are recognised among non-current liabilities in the consolidated balance sheet.

Deferred tax assets pertaining to deductible temporary differences and tax loss carryforwards are recognised only to the extent that it is probable that they will be utilised. The value of deferred tax assets is reduced when it is no longer probable that they can be utilised.

Any additional income tax incurred on payment of dividends is recognised at the same time as the dividend is recognised as a liability.

Financial instruments – classification and measurement

A financial asset or financial liability is recognised in the balance sheet when Midsona becomes party to the contractual terms. A financial asset is derecognised from the balance sheet when all benefits and risks associated with ownership have been transferred. A financial liability is derecognised from the balance sheet when the contractual obligation is discharged or otherwise extinguished.

Financial instruments are initially measured at fair value and then continuously at fair value or amortised cost depending on the classification. Financial instruments recognised at cost are initially recognised in an amount corresponding to the instrument's fair value with additions for transaction expenses. Financial instruments recognised at fair value are initially recognised in an amount corresponding to the instrument's fair value, transaction expenses are expensed directly. On initial recognition, a financial instrument is classified based on the purpose for which it was acquired. The classification determines how the financial instrument is measured after initial recognition, as described below.

All financial derivatives are recognised continuously at fair value. The purchase or sale of financial assets is reported on the transaction date, which is the date on which the Group pledges to buy or sell the asset. As of 1 January

2018, the group applies the principle of recognising provisions for expected credit losses for financial assets and receivables classified as at amortised cost.

Classification of financial instruments

Financial assets

Debt instrument Classification of financial assets as debt instruments is based on the Group's business model for management of the asset and the nature of the asset's contractual cash flows. The instruments are classified at *amortised cost, fair value through other comprehensive income for the year or fair value through profit or loss for the year.*

Financial assets are classified based on the business model that the asset is handled in and the nature of the asset's cash flows. If the financial asset is held within the scope of a business model the goal of which is to collect contractual cash flows ("hold to collect") and the agreed terms for the financial asset at set times give rise to cash flows that only consist of payments of principal and interest on the outstanding principal, the asset is recognised at *amortised cost.*

If the goal of the business model is instead achieved by both collecting contractual cash flows and selling financial assets ("hold to collect and sell"), and the agreed terms for the financial asset at set times give rise to cash flows that only consist of payments of principal and interest on the outstanding principal, the asset is recognised at *fair value through other comprehensive income for the year*.

All other business models ("other") where the aim is speculation, holding for trade or where the nature of the cash flow excludes other business models entail recognition at *fair value through profit or loss for the year*.

All of the Group's holdings of this kind of financial asset are recognised at *amortised cost*. Financial assets classified at *amortised cost* are initially measured at fair value plus transaction expenses. Accounts receivable are initially recognised at the invoiced value. After initial recognition, the assets are valued according to the effective interest method. According to the business model, assets classified at amortised cost are held to collect contractual cash flows that are only payments of principal and interest on the outstanding principal. The assets are covered by a loss provision for expected credit losses.

The Group has no assets classified at *fair value through other comprehensive income for the year*.

Fair value through profit or loss for the year are all other debt instruments that are not valued at *amortised cost* or *fair value through other comprehensive income for the year*. Financial instruments in this category are initially recognised at fair value. Changes in fair value are recognised in profit for the year. The Group's debt instruments are classified at *amortised cost*, except debt instruments held for trade. In 2018, no debt instruments were recognised at fair value.

Derivatives Derivatives recognised in the balance sheet as of the contract date and valued at fair value, both initially and at subsequent revaluations. Derivatives not identified as hedging instruments are classified in the balance sheet as financial assets and liabilities valued at *fair value through profit or loss for the year*. Gains and losses resulting from changes in fair value are recognised in the income statement's financial items in the period in which they arise. Derivative instruments are primarily used to protect the Group's exposure to fluctuations in interest rates. In case the available loan instrument in terms of interest and/or currency does not directly correspond to the desired structure of the loan portfolio, various forms of derivatives are used. Interest-rate swaps are then used to obtain a desired fixed-rate period. The Group does not apply hedge accounting.

Financial liabilities

Financial liabilities are measured at *amortised cost* or *fair value through profit or loss for the year*. A financial liability is measured at *fair value through profit or loss for the year* if it is classified as held for trade, a derivative that is not hedge accounted, a purchase consideration in a business combination classified as a financial liability or other liability classified at a financial liability, measured at *fair value through profit or loss for the year*. Financial liabilities measured as *fair value through profit or loss for the year* are continuously measured at fair value with changes in value recognised in profit for the year. Other financial liabilities are continuously measured at *amortised cost* using the effective interest method.

Reservation for expected credit losses

The Group's financial assets and receivables, except those classified at fair value through profit or loss for the year, are covered by impairment for expected credit losses. Impairment for credit losses, according to IFRS 9, is prospective and a loss reservation is made when there is an exposure to credit risk, usually for initial recognition. Expected credit losses reflect the present value of all deficits in cash flows attributable to cancellation of payment. Impairment requirements are taken into account for various maturity periods depending on the asset classes and on potential credit deterioration since initial recognition. Expected credit losses reflect an objective, probability-weighted outcome that takes into account most scenarios on reasonable and verifiable forecasts.

The Group recognises expected credit losses for remaining maturity periods for all financial instruments for which there have been significant increases in the credit risk since initial recognition, either assessed individually or collectively, considering all reasonable and verifiable information, including prospective information. The Group values expected credit losses from a financial instrument in a way that reflects an objective and probability-weighted amount, which is determined by evaluating an interval of possible outcomes, the time value of money and reasonable verifiable information regarding current conditions and forecasts of future financial circumstances.

For accounts receivable, contract assets and lease receivables, there are simplifications that mean that the Group directly recognises expected credit losses on the asset's remaining maturity period ("the simplified model").

Cash and cash equivalents are covered by the general model for impairments. For cash and cash equivalents, the exception is applied for low credit risk. Other receivables, receivables from Group companies and accrued income are also covered by the general model.

The Group's accounts receivable are covered by the simplified model for impairments. The expected credit losses for accounts receivable are estimated using a provision matrix, which is based on earlier events, current circumstances and forecasts of future financial circumstances and the time value of money if applicable. A loss provision is recognised in the simplified model for the receivable's or asset's expected remaining maturity period, see Note 30 Financial risk management, pages 111–112.

The financial assets are recognised in the balance sheet at amortised cost, i.e. net of gross value and loss provision. Changes in the loss provision are recognised in the income statement item selling expenses for accounts receivable and the item financial expenses for other reserves, respectively.

The Group defines default as it being deemed unlikely that the counterparty will fulfil its commitments due to indicators, such as financial difficulties and missed payments. Regardless, default is considered to exist when the payment is 90 days late. The Group writes off a receivable when no possibilities for further cash flows are deemed to exist. The Group's credit exposure is presented in Note 22 Accounts receivable on page 108 and Note 30 Financial risk management on pages 111–112.

Comparison year 2017 – classification and measurement of financial instruments according to IAS 39

Recognition of financial instruments for comparison year 2017 takes place with application of IAS 39. For such information, please refer to Note 1 Accounting principles in the 2017 Annual Report.

Tangible assets

Owned assets

Tangible assets are recognised as assets in the consolidated balance sheet if it is probable that future economic benefits will flow to the Group and the cost of the asset can be measured reliably.

Tangible assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenses directly attributable to the acquisition of the asset to put it in place and bring it to such a condition that it can be used in accordance with the purpose of the acquisition. Such expenses include purchase consideration, shipping and handling, installation, registration of title, consulting and legal services.

Tangible assets consisting of components with different useful lives are treated as separate components of tangible assets.

Leased assets

Leases are classified as either financial or operating leases. Financial leasing is when the risks and rewards associated with ownership are substantially transferred to the lessee. Where this is not the case, the lease is considered to be an operational lease.

Assets leased under finance leases are recognised as fixed assets in the balance sheet and are initially measured at the leased asset's fair value or the present value of the minimum lease payments at the start of the contract, whichever is lower. The obligation to pay future lease payments is recognised in the balance sheet under non-current interest-bearing liabilities and current interest-bearing liabilities.

Assets leased under operating leases are generally not recognised as assets in the balance sheet. Nor do operating leases give rise to a liability.

Additional expenses

Additional expenses for acquiring replacement components are added to the fixed asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced component is derecognised. All other types of repairs and maintenance are expensed in profit for the year in the period in which they arise.

Depreciation principles

Depreciation is applied on a linear basis over the asset's estimated useful life. Land is not depreciated because its useful life is considered indefinite. Leased assets are also depreciated over their estimated useful life or, if shorter, over the agreed lease period.

In calculating depreciation, tangible assets are classified on the basis of their expected useful life according to the following groups:

Operating properties	10–40 years
Plant and equipment	8–15 years
Equipment, fixtures and fittings	3–10 years
Leasing	3–10 years
Land improvements	10–20 years
Expenses for improvements to property owned by another	3–5 years

The depreciation methods, residual values and useful lives of the assets are reviewed at least annually and adjusted if necessary. The assets are typically depreciated without any remaining residual value.

Capital gains and losses on divestments of intangible assets are determined by comparing the proceeds with the carrying amount of the asset, less direct selling expenses. Capital gains and losses are recognised in profit for the year as other operating income and other operating expenses.

Intangible assets

Intangible assets are classified into two groups, with assets with a determinable useful life being amortised over a predetermined useful life and assets with an indefinite useful life not being depreciated.

Goodwill

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see accounting principle Impairment).

Expenses incurred for internally generated goodwill are recognised in profit for the year or when incurred.

Brands

Brands with a determinable useful life are recognised at cost less accumulated depreciation and any accumulated impairment losses. Brands with an indefinite useful life are tested for impairment annually and carried at cost less accumulated impairment losses.

Expenses incurred for internally generated brands are not recognised in the balance sheet but in profit for the year when incurred.
The reason for this is that such expenditures cannot be distinguished from expenditures for the development of the entire business.

Other intangible assets

Other intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment.

Other intangible assets consist of customer relations, software and other intangible assets. Expenses incurred for internally developed customer relations are not recognised in the balance sheet but in profit for the year when incurred. Software has been capitalised based on the expenses incurred when the software in question was acquired and put into operation.

Additional expenses

Additional expenditures for capitalised intangible assets are recognised as an asset in the balance sheet only when they increase the future economic benefits of the specific asset to which they relate. All other expenditures are expensed as they are incurred.

Amortisation principles

Amortisation is applied on a linear basis over the asset's estimated useful life, unless the useful life is indefinite.

Goodwill and trademarks with an indefinite useful life are tested for impairment annually or whenever circumstances indicate that the asset concerned may be impaired. Intangible assets with determinable useful lives are amortised from the date on which they become available for use.

For the calculation of amortisation, intangible assets are classified on the basis of their expected useful life in accordance with the following groups:

Trademarks 5–20 years
Customer relations 8 years
Software 5 years
Other intangible assets 3–5 years

The residual values and useful lives of the assets are reviewed annually and adjusted if necessary. The assets are typically amortised without any remaining residual value.

Capital gains and losses on divestments of intangible assets are determined by comparing the proceeds with the carrying amount of the asset, less direct selling expenses. Capital gains and losses are recognised in profit for the year as other operating income and other operating expenses.

Inventories

Inventories are valued at cost or net realisable value, whichever is lower, with cost being calculated using the first-in, first-out method (FIFO). In calculating cost, a weighted average value is normally applied to approximate FIFO.

The net realisable value is the estimated normal selling price less estimated expenses for completion and the achievement of a sale. For raw materials, replacement expense is applied as the best measure of net realisable value. Raw materials are depreciated below cost if the finished products in which they are included are expected to be sold at a price that exceeds the expense of production. Products in progress and inventories of finished goods are valued at production cost or net realisable value, whichever is lower. Necessary provisions for the risk of obsolescence are made on a continuous basis.

The cost of inventories includes all expenses for purchases, manufacturing and other expenses to bring the inventories to their present location and condition.

Impairment

The Group's recognised assets are assessed on each balance sheet date to determine whether there is any indication of impairment. IAS 36 is applied for the impairment of assets other than financial assets, which are recognised in accordance with IFRS 9, assets held for sale, inventories and deferred tax assets. For the exempt assets in accordance with the above, the carrying amount is assessed according to the relevant standard.

Impairment of tangible and intangible assets

If an indication of impairment exists, the asset's recoverable amount is calculated (see below). For goodwill, other intangible assets with indefinite useful lives and intangible assets not yet ready for use, the recoverable amount is calculated annually or as soon as there is an indication that impairment is necessary. If it is not possible to determine significant independent cash flows for an individual asset and its fair value less sales expenses cannot be used, assets are grouped, when testing for impairment, at the lowest level where it is possible to identify significant independent cash flows – a so-called cash-generating unit.

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit (group of units) exceeds the recoverable amount. Impairment is recognised as an expense in profit for the year. When impairment has been identified for a cash-generating unit (group of units) the impairment need is primarily allocated to goodwill. Other assets included in the unit (group of units) are then impaired proportionally.

The recoverable amount is the higher of fair value less sales expenses and value in use. In calculating the value in use, future cash flows are discounted applying a discount rate that reflects a risk-free interest rate and the risk associated with the specific asset.

The Group's cash-generating units consist of the operating segments, since their payment flows are considered independent of other assets in all material regards.

Reversal of impairment

Impairment of assets within the scope of application of IAS 36 are reversed if there is an indication that the need for impairment no longer exists and there has been a change in the assumptions underlying the calculation of the recoverable amount. However, impairment of goodwill is never reversed. A reversal is applied only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognised (less depreciation where applicable) if no impairment loss been recognised.

Impairment losses on loan receivables and accounts receivable carried at amortised cost are reversed if the previous reasons for the impairment no longer exist, and full payment is expected from the customer.

Payment of capital to shareholders

Dividends

Dividends are recognised as a liability after the Annual General Meeting has approved the dividend.

Earnings per share

The calculation of earnings per share is based on consolidated profit attributable to Parent Company shareholders and the weighted average number of shares outstanding during the year. There were two outstanding option programmes at year end, which can cause effects of dilutive potential shares. On the balance sheet date, the average price for Series B shares exceeded the subscription prices for the warrants outstanding, and accordingly the earnings per share after full dilution were calculated.

Employee benefits

Pensions

Employees in the Group are mainly covered by defined contribution plans.

In Sweden, commitments for retirement pensions and family pensions for salaried employees are secured through an insurance plan with Alecta. Such insurance comprises a defined benefit plan covering several employers. For the 2018 financial year, there has been no access to information making it possible to report this as a defined benefit plan. Consequently, this pension obligation is reported as a defined contribution plan.

In Norway, a special pension agreement is in place, the AFP scheme, which has been agreed between the social partners as a supplement to retirement pension. Such insurance comprises a defined benefit plan covering several employers. For the 2018 financial year, there has been no access to information making it possible to report this as a defined benefit plan. Consequently, this pension obligation is reported as a defined contribution plan. It is of an immaterial nature.

A defined contribution pension plan is one whereby the Group pays fixed contributions to a separate legal entity. The Group has no legal or informal obligations to pay further contributions if this legal entity lacks sufficient assets to pay all employee benefits relating to employee's service in current and prior periods.

A defined benefit pension plan is one that is not a defined contribution plan. Typically, defined benefit pension plans state an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary.

Termination benefits

An expense related to staff redundancies is reported at the earliest date on which Midsona can no longer withdraw the offer to employees or when Midsona reports its restructuring expenses. Compensation expected to be settled after 12 months is reported at its present value. Compensation not expected to be fully settled within 12 months is reported as non-current compensation.

Short-term benefits

Short-term employee benefits are calculated without discounting and are recognised as an expense when the relevant benefits are paid.

A provision is recognised for the expected expense of bonus payments when the Group has a present legal or informal obligation to make such payments as a result of services rendered by employees and the obligation can be estimated reliably.

Provisions

Provisions are recognised when the Group has an obligation as a result of a past event, and it is probable that payments will be required to settle that obligation. A further requirement is that it should be possible to reliably estimate the amount to be paid.

Restructuring

A provision for restructuring is recognised when there is an established, detailed and formal restructuring plan and the restructuring has either commenced or has been publicly announced. No provisions are made for future operating expenses.

Contingent liability

A contingent liability is recognised when there is a possible obligation arising from past events and the existence of which is substantiated only by one or more uncertain future events, or when there is an obligation which is not recognised as a liability or provision because it is not likely that an outflow of resources will be needed.

Cash flow statement

The cash flow statement is prepared using the indirect method. The reported cash flow only includes transactions entailing receipts and disbursements.

Parent Company accounting principles

Compliance with standards and regulations

The Parent Company has prepared its financial statements in accordance with the Annual Accounts Act (1995:1554) and the Financial Reporting Board's recommendation RFR 2 *Accounting for Legal Entities.* The Financial Reporting Board's statements relating to listed companies are also applied. RFR 2 entails the Parent Company applying, in the annual accounts of the legal entity, all EU-approved IFRS and statements as far as this is possible within the framework of the Annual Accounts Act, the Pension Protection Act and taking into account the relationship between accounting and taxation. The recommendation specifies which exceptions and additions to IFRS apply.

Differences between the accounting principles of the Group and Parent Company

The differences between the accounting principles of the Group and Parent Company are described below. The accounting principles of the Parent Company have been applied consistently to all periods presented in the Parent Company's financial statements.

Changes in accounting principles

The Parent Company's accounting principles changed in 2018 as detailed under Group accounting principles.

Others amendments to RFR 2 *Accounting for legal entities* that have entered into force for the 2018 financial year have had no impact on the Parent Company's financial statements.

Changes in accounting principles not yet been applied
Management's assessment is that the agreed changes in RFR 2 relating to the financial year 2019 and onward will not have any material effect on the Parent Company's financial reports when they first apply.

Classification and presentation
The Parent Company's income statement and balance sheet are presented in accordance with the Annual Accounts Act, while the statement of comprehensive income, changes in shareholders' equity and cash flow statement are based on IAS 1 *Presentation of Financial Statements* and IAS 7 *Statement of Cash Flows*. The differences compared with the consolidated accounts that are evident in the Parent Company's income statement and balance sheet consist primarily of the accounting of financial income and expenses, fixed assets, shareholders' equity and the inclusion of provisions as a separate heading in the balance sheet.

Subsidiaries
Participations in subsidiaries are recognised according to the cost method. This means that transaction expenses are included in the carrying amount of holdings in subsidiaries. In the consolidated accounts, transaction expenses are recognised directly in profit or loss as they are incurred.

Conditional purchase considerations are measured based on the probability that the purchase consideration will be paid. Any changes to the provision/receivable are added to/deducted from the cost. In the consolidated financial statements, conditional purchase considerations are measured at fair value with changes in value in profit for the year.

Bargain acquisitions equivalent to expected future losses and expenses are dissolved over the anticipated periods in which the losses and expenses incurred. Bargain acquisitions for other reasons are recognised as provisions to the extent they do not exceed the fair value of acquired identifiable non-monetary assets. The part exceeding this value is immediately recognised as income. The part that does not exceed the fair value of acquired identifiable non-monetary assets is systematically recognised as income over a period calculated as the remaining weighted average useful life of those acquired identifiable assets that are depreciable. In the consolidated accounts bargain acquisitions are recognised immediately in net income.

Financial instruments
Because of the connection between accounting and taxation, the rules for financial instruments in IFRS 9 are not applied in the Parent Company as a legal entity.

In the Parent Company, financial assets are measured at cost less and impairment and financial current assets are measured at the lower of cost or market.

Financial guarantees
The Parent Company's financial guarantee contracts consist primarily of guarantees on behalf of subsidiaries. Financial guarantees entail the company having an obligation to compensate the holder of a debt instrument for losses that holder incurs because a specified debtor fails to make payment when due in accordance with contractual terms. In the reporting of financial guarantee contracts, the Parent Company applies a relief rule permitted by the Financial Reporting Board compared with the rules in IFRS 9. This rule applies to financial guarantee contracts issued on behalf of subsidiaries. The Parent Company recognises financial guarantees as provisions in the balance sheet when there is an obligation for which payment will probably be required to settle the obligation.

Anticipated dividends
Anticipated dividends from subsidiaries are recognised if the Parent Company alone is entitled to determine the size of the dividend and the Parent Company has determined the size of the dividend before publishing its financial statements.

Segment reporting
The Parent Company does not report segments according to the same division as the Group or to the same extent, and instead discloses the distribution of net sales according to the Parent Company's business lines.

Tangible assets
Tangible assets are recognised at cost less accumulated depreciation and any impairment in the same manner as the Group, albeit with the addition of any revaluations.

Leased assets
In the Parent Company, all leases are recognised in accordance with the regulations for operating leases.

Borrowing expenses
In the Parent Company, borrowing expenses are charged against profit in the period to which they relate. No borrowing expenses are capitalised on assets.

Intangible assets
Goodwill and other intangible assets with indefinite useful lives that, within the Group are not subject to amortisation, are amortised in the Parent Company in accordance with the Annual Accounts Act. This normally entails amortisation over a period of five years. In specific cases, the amortisation period may be longer than five years.

Employee benefits
The Parent Company applies a different basis for the calculation of defined benefit plans than that specified in IAS 19. The Parent Company complies with the provisions of the Pension Protection Act and the regulations of the Swedish Financial Supervisory Authority's (Finansinspektionen) since they are a condition for tax deductibility. The most significant differences compared to IAS 19 is the how the discount rate is determined, the fact that the calculation of the defined benefit obligation is based on current salary level without taking future salary increases into account, and the fact that all actuarial gains and losses are recognised in the income statement as they occur.

Taxes
In the Parent Company's balance sheet, untaxed reserves are recognised without being divided between shareholders' equity and deferred tax liabilities, in contrast to the Group. Similarly, the Parent Company income statement does not specify any part of appropriations as deferred tax expenses.

Shareholder contributions
Shareholder contributions are recognised directly in the shareholders' equity of the recipient and are capitalised in the shares and participations of the contributor, to the extent that no impairment is required.

Group contributions
Group contributions are recognised as appropriations.

Note 2 Acquisitions of operations

Acquisitions in 2018

On 3 May, 100 percent of the shares and votes in the German company Davert GmbH were acquired, with offices, warehousing and production facilities in Ascheberg, North Rhine-Westphalia, Germany. The acquisition is an important step for Midsona in becoming a European leader in health and well-being. The total purchase consideration amounted to SEK 378 million (EUR 35.8 million), of which SEK 281 million (EUR 26.6 million) was paid in cash upon Midsona gaining control, SEK 50 million (EUR 4.7 million) being purchase consideration entered as a liability, and SEK 47 million (EUR 4.5 million) being conditional purchase considerations. Of the purchase consideration recognised as liability, SEK 14 million (EUR 1.3 million) was paid in the third quarter of 2018 and the remaining SEK 36 million (EUR 3.4 million) is to be paid in January 2020. The conditional purchase considerations that may become payable are based on targets set for 2019, 2020 and 2021. The fair values of these are based on an assessment of the likelihood that the set targets will be achieved. The acquisition was financed entirely through a new credit facility. Through the acquisition, Midsona will gain access to the Davert brand, a broad customer base, a customised production facility with modern production lines and a fully automated warehouse.

Davert holds a leading position in the German market for organic foods. The company offers products under its own brand and through contract manufacturing (private label) in categories including snacks, superfoods and nuts, breakfast cereals, rice, beans and seeds. The company also trades in commodities. Net sales amounted to SEK 616 million (EUR 64.0 million) and EBITDA to SEK 32.7 million (3.4 million) in 2017. Of net sales, 28 percent derived from the company's own brands, 37 percent from contract manufacturing (private label) and 35 percent from trade in commodities. Customers are mainly found in the healthfood retail and FMCG retail segments, as well as among operators in the food service and the food industry. The acquisition is expected to provide synergy effects in the form of increased revenue through cross-selling, as well as reduced expenditure, mainly in production and purchasing, totalling approximately SEK 40 million (EUR 3.8 million) annually, with full effect from 2022. At the time of acquisition, the company had 143 employees.

The acquired operations were consolidated into the Midsona Group effective from 3 May 2018, forming a distinct geographical business areas and being reported as the Germany operating segment in segment reporting. From the acquisition date until 31 December 2018, the acquired operations contributed SEK 426 million to consolidated net sales and SEK 33 million to consolidated EBITDA. If the acquisition had occurred on 1 January 2018, estimated consolidated net sales for the period January–December 2018 would have been SEK 3,068 million and EBITDA SEK 243 million.

Effects of acquisitions

The acquired company's net assets on the acquisition date, SEK million	Fair value
Intangible assets	161
Tangible assets	184
Financial assets	1
Inventories	182
Accounts receivable	50
Other receivables	7
Prepaid expenses and accrued income	10
Cash and cash equivalents	0
Deferred tax liabilities	-50
Non-current interest-bearing liabilities	-224
Current interest-bearing liabilities	-48
Accounts payable	-21
Other current liabilities	-18
Accrued expenses and deferred income	-18
Total	**216**
Consolidated goodwill	162
Total	**378**

Transferred consideration, SEK million	Fair value
Cash on transfer of control	281
Purchase consideration recognised as liability	50
Conditional additional purchase considerations entered as liability	47
Total	**378**

The fair value of identified assets and liabilities of SEK 272 million (EUR 25.8 million) was allocated to brands at SEK 122 million (EUR 11.6 million), customer relationships at SEK 38 million (EUR 3.6 million) and deferred tax liability related to identified intangible assets at SEK 50 million (EUR 4.7 million). The remaining SEK 162 million (EUR 15.3 million) constitutes consolidated goodwill. The brand was assessed to have an indefinite useful life while customer relationships 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 European market for organic foods, 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 50 million (EUR 4.7 million) and was, in its entirety, fully settled at the end of the period.

Acquisition-related expenses amounted to SEK 10 million and were recognised as other operating expenses in profit for the year for 2018.

The acquisition analysis that has been prepared is preliminary.

Integration

The acquired operations are gradually being integrated into the Midsona Group and are not expected to entail any restructuring costs.

Acquisitions in 2017

Bringwell AB (publ) was acquired on 4 July 2017 through a public takeover bid. The purchase consideration amounted to SEK 279 million, which was partly paid in cash at SEK 96 million, and partly with new shares issued on a non-cash basis valued at SEK 179 million. The liability of SEK 4 million, for shares under compulsory redemption, was paid in January 2018 after a decision in special arbitration.

Through the acquisition, the Group gained access to the brands Eskimo-3, Kan Jang, Mivitotal and Movo in the category of self care products, which strengthened the position in the pharmacy and healthfood retail trade in the Nordic market and created significant synergies.

The acquired operations were consolidated into the Midsona Group as of 4 July 2017 and are included in all Nordic operating segments in the in the reporting of the operating segments. From the acquisition date until 31 December 2017, the acquired operations contributed SEK 140 million to consolidated net sales and SEK 5 million to consolidated operating profit. If the acquisition had occurred on 1 January 2017, estimated consolidated net sales for the period January–December 2017 would have been SEK 2,287 million and consolidated operating income SEK 122 million.

The acquisition analysis that has been prepared has been approved.

Effects of acquisitions

The acquired company's net assets on the acquisition date, SEK million	Fair value
Intangible assets	40
Tangible assets	5
Financial assets	0
Deferred tax assets	32
Inventories	39
Accounts receivable	32
Other receivables	4
Prepaid expenses and accrued income	4
Cash and cash equivalents	32
Deferred tax liabilities	-10
Non-current interest-bearing liabilities	-2
Current interest-bearing liabilities	-13
Accounts payable	-31
Other current liabilities	-4
Accrued expenses and deferred income	-23
Total	**105**
Consolidated goodwill	174
Total	**279**

Transferred consideration, SEK million	Fair value
Cash	96
Shares	179
Debt for shares under compulsory redemption	4
Total	**279**

Acquisition-related expenses amounted to SEK 5 million and were recognised as other operating expenses in profit for the year for 2017.

Integration

Acquired operations were gradually integrated with the Midsona Group's existing operations, which was completed in 2018. The integration incurred restructuring expenses of SEK 16 million that were charged against profit for the year in 2017, of which SEK 6 million for Sweden, SEK 4 million for Norway, SEK 1 million for Finland and SEK 5 million for Group-wide operations.

Note 3 Net sales by major income category

SEK million	Group		Parent Company	
	2018	2017	2018	2017
Sale of goods	2,838	2,131	–	–
Service assignments	12	13	–	–
Other income	2	2	45	38
Total	**2,852**	**2,146**	**45**	**28**

No income is included, neither in the Group nor the Parent Company, that is attributable to the exchange of goods or services.

Note 4 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the highest executive decision maker. The highest executive decision maker is the function responsible for allocating resources and assessing performance of the operating segment's results. In the Group, this function has been identified as Group Management.

The division is based on geographical areas. The acquired operation Davert GmbH is included in the newly established operating segment of Germany as of 3 May 2018, see Note 2 Acquisitions of operations, pages 97–98, for more information on the acquisition.

Five geographic segments have currently been identified:

- **Sweden:** The operations are conducted directly through proprietary companies performing production, marketing and sales of products in the three categories healthfoods, self care products and organic products to and through pharmacies, FMCG retailers, e-trade/post order, food service, healthfood retailers and other specialist retailers in both the Swedish market and markets beyond the Nordic region.
- **Norway:** Operations are conducted directly through proprietary companies through marketing and sales of products in the three categories of healthfoods, self care products and organic products to and through pharmacies, supermarkets, e-trade, specialist healthfood retailers and other specialist retailers in the Norwegian market.
- **Finland:** Operations are conducted directly through proprietary companies through marketing and sales of products in the three categories of healthfoods, self care products and organic products to and through pharmacies, supermarkets, e-commerce, specialist healthfood retailers and other specialist retailers in the Finnish market.
- **Denmark:** The operations are conducted directly through proprietary companies performing production, marketing and sales of products in the three categories healthfoods, self care products and organic products to and through pharmacies, FMCG retailers, e-trade, food service, healthfood retailers and other specialist retailers in both the Danish market and markets beyond the Nordic region.
- **Germany:** The operations are conducted directly through an own company through production, marketing, raw materials trading and sale of products in the category of organic products to and through FMCG retail, e-trade, food service, healthfood retailers and other specialist retailers mainly in the European market.

Segment consolidation is based on the same principles as for the Group as a whole.

The operating segments' profit, assets and liabilities include directly attributable items and items that can be allocated in a reasonable and reliable way. The items recognised in the operating segments' operating profit, assets and liabilities are measured in accordance with the operating profit, assets and liabilities followed up by Group Management. Assets and liabilities are not allocated to the two segments are deferred tax assets, deferred tax liabilities, financial investments and financial liabilities.

Internal pricing policy

For the pricing of goods between the Group's sales companies, an internal pricing model is applied based on the purchasing sales company receiving a predetermined gross margin. The method, called TNMM (Transactional Net Margin Method) is an accepted model for pricing. In addition to this also receives companies, as owners of select brands, a sales-based royalty to cover investments and risks in relation to the brand's development.

For pricing of services between Group companies, TNMM (Transactional Net Margin Method) is applied, based on the full coverage of expenses and a profit margin. The method is applied to both manufacturing services as well as central services.

For pricing of capital, an internal rate is charged, which entails the borrower receiving an interest rate based on a reference rate in the local country with a risk premium.

SEK million	Sweden		Norway		Finland		Denmark		Germany		Group-wide functions, Group adjustments		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net sales, external	1,173	1,015	599	550	225	173	430	408	425	–	0	0	2,852	2,146
Net sales, intra-Group	142	55	2	3	0	0	124	113	1	–	-269	-171	–	–
Net sales	**1,315**	**1,070**	**601**	**553**	**225**	**173**	**554**	**521**	**426**	**–**	**-269**	**-171**	**2,852**	**2,146**
Operating expenses, external	-1,100	-876	-469	-476	-94	-86	-521	-499	-402	–	-88	-75	-2,674	-2,012
Operating expenses, intra-Group	-80	-74	-73	-32	-106	-71	-26	-6	-2	–	287	183	–	–
Operating expenses	**-1,180**	**-950**	**-542**	**-508**	**-200**	**-157**	**-547**	**-505**	**-404**	**–**	**199**	**108**	**-2,674**	**-2,012**
Operating profit, undistributed	**135**	**120**	**59**	**45**	**25**	**16**	**7**	**16**	**22**	**–**	**-70**	**-63**	**178**	**134**
Financial items													-15	-22
Profit/loss before tax													**163**	**112**
Significant income (+) and expense (–) items reported in the income statement:														
Acquisition-related expenses	–	–	–	–	–	–	–	–	–	–	-10	-5	-10	-5
Restructuring expenses, net	1	-6	-3	-4	–	-1	–	–	–	–	0	-5	-2	-16
Reversal of purchase consideration for previous years' acquisitions recognised as a liability	–	–	–	–	–	–	–	–	–	–	1	–	1	–
Significant non-cash items:														
Depreciation/amortisation	-9	-7	-5	-5	-1	-1	-6	-8	-11	–	-20	-14	-52	-35
Impairment losses on inventories	-2	-1	–	-1	–	0	–	–	–	–	–	–	-2	-2
Impairment of accounts receivable	0	0	0	0	–	–	0	0	0	–	0	0	0	0
Segment assets	1,704	1,628	1,356	1,303	141	121	513	495	791	–	-880	-789	3,625	2,758
Unallocated assets													74	99
Total assets													**3,699**	**2,857**
Segment liabilities	604	488	282	405	61	54	132	135	180	–	-678	-703	581	379
Unallocated liabilities													1,488	928
Shareholders' equity													1,630	1,550
Total shareholders' equity and liabilities													**3,699**	**2,857**
Investments in intangible and tangible assets	0	3	1	1	0	0	0	5	35	–	27	18	63	27
Average number of employees	124	110	79	80	24	24	138	126	92	–	16	13	473	353
Number of employees as per the balance sheet date	121	130	72	83	25	22	137	132	154	–	16	17	525	384

Information about major customers

In 2018, the Group's largest customer generated income totalling SEK 385 million (377). This income recognised in the operating segment Sweden.

Other information

The Group does not monitor its activities in such a way that sales information by product or by group of related products is immediately available. The Group has concluded that the expense of producing such information cannot be considered commensurate with its usefulness. The Group instead recognises sales by sales channel and geographic area, see Note 5 Income, pages 99–100.

Fixed assets by geographic area[1],

SEK million	Group	
	2018	2017
Sweden	1,337	1,343
Norway	578	582
Finland	58	58
Denmark	309	306
Germany	516	–
Total	**2,798**	**2,289**

[1] Fixed assets by individually significant countries.

Note 5 Income

Midsona recognises income received through the transfer of goods and services at a certain time for each reported segment according to IFRS 8. Income is broken down based on geographic market and sales channels.

Geographic areas[1], SEK million	Sweden		Norway		Finland		Denmark		Germany		Group-wide functions		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Sweden	1,142	1,000	2	3	–	–	76	77	1	–	-70	-69	1,151	1,011
Norway	64	28	599	550	–	–	12	17	0	–	-69	-29	606	566
Finland	55	24	–	0	225	173	52	49	0	–	-105	-70	227	176
Denmark	26	4	–	–	–	–	341	316	2	–	-23	-3	346	317
Germany	0	–	–	–	–	–	15	9	364	–	0	–	379	9
Rest of Europe	25	12	–	–	–	–	56	52	58	–	-2	–	137	64
Other countries	3	2	–	–	–	–	2	1	1	–	–	–	6	3
Total	**1,315**	**1,070**	**601**	**553**	**225**	**173**	**554**	**521**	**426**	**–**	**-269**	**-171**	**2,852**	**2,146**

[1] Income from customers is attributable to individual geographical areas according to the country in which the customer is domiciled.

Sales channel[2], SEK million	Sweden		Norway		Finland		Denmark		Germany		Group-wide functions		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Pharmacies	176	88	90	53	29	14	12	2	–	–	–	–	307	157
FMCG retailers	722	728	345	316	171	134	264	296	173	–	–	–	1,675	1,474
e-trade/post order	90	46	9	13	5	4	29	20	2	–	–	–	135	83
Food service[2]	44	–	–	–	–	–	17	–	134		–	–	195	0
Healthfood retailers	81	74	92	93	18	18	75	64	101		–	–	367	249
Other specialist retailers	18	52	47	42	–	–	16	9	14	–	–	–	95	103
Others	42	27	16	33	2	3	17	17	1	–	–	–	78	80
Group-internal sales	142	55	2	3	–	–	124	113	1	–	-269	-171	–	–
Total	**1,315**	**1,070**	**601**	**553**	**225**	**173**	**554**	**521**	**426**	**–**	**-269**	**-171**	**2,852**	**2,146**

[2] New sales channel in 2018 and comparative figures are unavailable for 2017. Income from Food service was essentially recognised in the sales channel FMCG retail for 2017.

Note 6 Other operating income

SEK million	Group		Parent Company	
	2018	2017	2018	2017
Rent	3	2	–	–
Royalty	–	1	–	–
Capital gains on divestments of tangible assets	0	0	–	–
Exchange rate gains relating to operations	–	0	–	–
Damages	1	–	–	–
Reversal of purchase consideration for previous years' acquisitions recognised as a liability	1	–	1	–
Other	2	0	–	–
Total	**7**	**3**	**1**	**–**

Note 7 Other operating expenses

SEK million	Group		Parent Company	
	2018	2017	2018	2017
Capital gains on divestments of intangible assets	-1	0	–	–
Capital loss on divestments of tangible assets	-1	-1	–	–
Exchange rate losses relating to operations	-4	-2	0	–
Expenses incurred in acquisitions of operations	-10	-5	–	–
Other	0	0	–	–
Total	**-16**	**-8**	**0**	**–**

Note 8 Operating expenses by expense category

Operating expenses are presented in the consolidated income statement using a classification based on the functions "Expenses for goods sold", "Selling expenses", "Administrative expenses" and "Other operating expenses". The sum of the expenses divided by function is distributed among the following expense categories.

SEK million	Group	
	2018	2017
Expenses for goods and materials	-1,848	-1,365
Personnel expenses	-333	-248
Selling expenses	-163	-104
Marketing expenses	-74	-76
Rental and other property expenses	-55	-40
Purchase of services	-71	-65
Amortisation/depreciation	-52	-35
Impairment	-2	-2
Other direct and indirect expenses	-67	-72
Other operating expenses	-16	-8
Total	**-2,681**	**-2,015**

Note 9 Fees and and remuneration to auditors

SEK million	Group		Parent Company	
	2018	2017	2018	2017
Deloitte				
Audit assignment	-2	-2	0	0
Auditing tasks beyond the audit assignment	-1	0	0	0
Tax advice	0	0	0	0
Other assignments	-1	0	-1	0
Total	**-4**	**-2**	**-1**	**0**

Audit assignments involve the examination of the annual accounts and the accounting procedures, as well as the administration by the Board of Directors and the CEO, other tasks incumbent on the company's auditors and advice or other assistance resulting from observations made during the audit or the performance of such other tasks.

Note 10 Employees, personnel expenses and senior executives' remuneration

Employees

Average number of employees by country	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Sweden	140	123	16	10
of whom women	*66*	*66*	*5*	*2*
Norway	79	80	–	–
Finland	24	24	–	–
Denmark	138	126	–	–
Germany	92	–	–	–
Total abroad	**333**	**230**	–	–
of whom women	*172*	*142*	–	–
Total	**473**	**353**	**16**	**10**
of whom women	*238*	*208*	*5*	*2*

Number of women in company management teams	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Boards of Directors, %	18	17	33	43
President and management team, %	32	37	13	13

Personnel expenses

Personnel expenses, SEK million	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Salaries and other remuneration				
Board of Directors, President and management team [1]	-56	-47	-12	-10
of which variable salary	*-5*	*-3*	*-1*	*-2*
of which severance pay	*–*	*-3*	*–*	*–*
Other employees	-202	-146	-5	-4
of which variable salary	*-5*	*-2*	*0*	*0*
Total salaries and other remuneration	**-258**	**-193**	**-17**	**-14**
Pension expenses, defined contribution plans [2]				
Board of Directors, President and management team [1]	-7	-6	-3	-2
Other employees	-18	-14	-1	-1
Total pension expenses	**-25**	**-20**	**-4**	**-3**
Social security expenses				
Board of Directors, President and management team [1]	-11	-9	-5	-4
Other employees	-34	-23	-2	-1
Total social security expenses	**-45**	**-32**	**-7**	**-5**
Other personnel expenses				
Board of Directors, President and management team [1]	0	0	0	0
Other employees	-5	-3	-1	0
Total other personnel expenses	**-5**	**-3**	**-1**	**0**
Total personnel expenses	**-333**	**-248**	**-29**	**-22**

[1] With regard to the Group, "Board of Directors" refers to all boards of Group companies. Members of the Boards of subsidiaries consist of employees who do not receive Board fees for their services. With regard to the Group, "President" refers to all persons holding the position of President in any Group company. "Management team" includes all management teams in Group companies. An individual can have more than one Board assignment while being included in more than one management team within the Group. Collectively, the Boards of Directors, Presidents and management teams consist of 91 (80) individuals in the Group and 14 (15) individuals in the Parent Company.

[2] For more information on pension expenses, see Note 27 Provisions for pensions, page 110.

Remuneration to senior executives

Remuneration to members of the Board of the Parent Company

Definitions

Since the Annual General Meeting on 25 April 2018, the Board consists of Ola Erici (Chairman), Henrik Stenqvist, Birgitta Stymne Göransson, Peter Wahlberg, Johan Wester and Kirsten Aegidius.

Principles for remuneration of Board

The 2018 Annual General Meeting resolved that fees for 2018/2019 should be paid to the Chairman in the amount of SEK 550 thousand (including committee work) and to the other members of the Board who are not employees of the company in the amount of SEK 225 thousand each. SEK 50 thousand shall also be paid to the chair of the Auditing Committee, SEK 30 thousand to every other Board member, except the Chairman of the Board, who is on the Audit Committee and SEK 20 thousand to each Board member, except the Chairman of the Board, who is on the Remuneration Committee. Authorised fees totalled SEK 1,825 thousand. Beyond this remuneration, members of the Board are not entitled to any other compensation other than for travel and lodging. Remuneration of members of the Board is prepared by the Nominating Committee and approved by the Annual General Meeting.

Board fees

The following fees were paid to the Board of Directors over the year.

Board of Directors, SEK thousand	Parent Company 2018 Board fees	Fee Remuneration Committee	Fee Audit Committee	Total
Ola Erici (Chairman)	550	–	–	550
Birgitta Stymne Göransson	225	20	–	245
Peter Wahlberg	225	–	30	255
Johan Wester	225	20	30	275
Kirsten Ægidius	225	–	–	225
Henrik Stenqvist	225	–	50	275
Total	**1,675**	**40**	**110**	**1,825**

Board of Directors, SEK thousand	Parent Company 2017 Board fees	Fee Remuneration Committee	Fee Audit Committee	Total
Ola Erici (Chairman)	500	–	–	500
Cecilia Marlow	200	–	20	220
Birgitta Stymne Göransson	200	20	–	220
Peter Wahlberg	200	–	20	220
Johan Wester	200	20	20	240
Kirsten Aegidius	200	–	–	200
Henrik Stenqvist	200	–	20	220
Total	**1,700**	**40**	**80**	**1,820**

Remuneration to senior executives

Definitions

Senior executives are those who, together with the CEO Peter Åsberg, were included in Group Management during all or part of the year. These senior executives comprised Lennart Svensson, Markku Janhunen, Lars Börresen (until 31 January 2018), Ulrika Palm, Anders Dahlin (until 30 November 2018), Tobias Traneborn, Christoffer Mørck, Peter Overgaard (from 1 February 2018) and Erk Schuchhardt (from 28 May 2018).

Principles for remuneration of senior executives

Principles for remuneration of senior executives are determined by the Annual General Meeting. Senior executives are considered to be the CEO and other members of the management team.

The 2018 Annual General Meeting approved the following guidelines for remuneration of senior executives. Senior executives are to be offered competitive remuneration in line with the market. Remuneration levels for individual executives are to be based on factors including position, competence, experience and performance. Remuneration consists of fixed salary and pension, and shall additionally be able to include variable pay, severance pay and non-monetary benefits. Variable pay shall be based on quantitative and qualitative targets being achieved. It shall be possible for the President to earn variable pay of at most 50 percent of basic salary and for other members of Group Management to earn variable pay of at most 30 percent of basic salary. Severance pay shall amount to at most six months' salary if notice is given by the company. Salary during the period of notice and severance pay shall be limited to at most 24 months' salary. Pension benefits shall be defined-contribution benefits and normally entitle the individual to pension from the age of 65. On termination of employment by the company, 6 to 12 months' salary normally applies. Remuneration and other terms of employment for the President are prepared by the Remuneration Committee and approved by the Board of Directors. Remuneration and other terms of employment for other members of the management team are determined by the Remuneration Committee in consultation with the CEO. The Board of Directors is kept continuously up-to-date regarding remuneration levels for other senior executives. The Board of Directors is entitled to diverge from these guidelines if there are specific reasons in individual cases.

Remuneration and other benefits

The following remuneration and other benefits were paid to senior executives over the year.

Remuneration and other benefits to the CEO and Group Management, SEK thousand	Basic salary	Variable remuneration	Other benefits	Pension expenses	Other remuneration[1]	Total
2018						
Peter Åsberg, CEO	3,768	900	116	1,659	–	6,443
Group Management (8 individuals)	13,201	1,552	857	2,645	–	18,255
Total	**16,969**	**2,452**	**973**	**4,304**	**–**	**24,698**
2017						
Peter Åsberg, CEO	3,525	357	115	1,420	–	5,417
Group Management (8 individuals)	11,203	1,008	615	2,240	3,316	18,382
Total	**14,728**	**1,365**	**730**	**3,660**	**3,316**	**23,799**

[1] Other remuneration refers to severance payments.

Comments on the table

- For the 2018 financial year, variable remuneration of SEK 1,350 thousand was paid to the CEO, of which SEK 450 thousand was allocated to pension benefits. The variable remuneration accounted for 36 percent of base salary.
- For the 2018 financial year, variable remuneration of SEK 1,552 thousand was paid to the other members of Group Management, which corresponded to 12 percent of the base salary.
- For the 2017 financial year, variable remuneration of SEK 937 thousand was paid to the CEO, of which SEK 580 thousand was allocated to pension benefits. The variable remuneration accounted for 27 percent of base salary.
- For the 2017 financial year, variable remuneration of SEK 1,008 thousand was paid to the other members of Group Management, which corresponded to 9 percent of the base salary
- Pension expenses refer to the expenses that affected profit for the year, excluding income tax.
- Other benefits primarily refer to company cars and telephones.

Share-related benefits

Two option programmes were outstanding at the end of the year, the TO2016/2019 and TO2017/2020 series respectively. In the TO2016/2019 series, 50,000 warrants were repurchased in January 2018 and can now provide a maximum of 554,400 new Series B shares on full conversion. On the transaction date, the fair value per warrant was SEK 7.80. The subscription price for the option programme was recalculated in light of the dividend paid in May and was calculated at SEK 49.60 (previously SEK 50.30).
In the TO2017/2020 series, 187,000 warrants were outstanding and can provide a maximum of 187,000 new Series B shares on full conversion. On the transaction date, the fair value per warrant was SEK 7.30. The subscription price for the option programme was recalculated in light of the dividend paid in May and was calculated at SEK 56.80 (previously SEK 57.40).
At year-end, there were a total of 547,000 warrants outstanding that could give a maximum of 741,400 new Series B shares.

Note 11 Net financial items

SEK million	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Profit from participations in subsidiaries				
Dividends from subsidiaries[1]			120	70
Impairment of shares in subsidiaries			-120	-51
Total			**0**	**19**
Financial income				
Interest income[2]	0	0	0	0
Interest income, subsidiaries			19	21
Exchange rate gains	16	–	15	–
Total	**16**	**0**	**34**	**21**
Financial expenses				
Interest expenses[2]	-26	-18	-22	-17
Interest expenses, subsidiaries			-3	-3
Exchange rate losses	–	-1	-1	-10
Other financial expenses	-5	-3	-4	-2
Total	**-31**	**-22**	**-30**	**-32**
Total financial items	**-15**	**-22**	**4**	**8**

[1] The dividends from subsidiaries of SEK 120 million (70), include SEK 120 million (5) in anticipated dividends.
[2] All interest income and interest expense is attributable to financial instruments measured at amortised cost.

Note 12 Appropriations

SEK million	Parent Company 2018	Parent Company 2017
Group contributions received	29	–
Total	**29**	**–**

Note 13 Taxes

Recognised in profit for the year, SEK million	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Current tax				
Current tax	-11	-7	–	–
Adjustment of tax relating to previous years	0	0	–	–
	-11	**-7**	**–**	**–**
Deferred tax				
Deferred tax relating to temporary differences	-7	-10	0	0
Deferred tax resulting from changes in tax rates	5	1	0	–
Deferred tax income in tax loss carryforwards capitalised during the year	4	4	–	4
Deferred tax expense resulting from utilisation of previously capitalised tax loss carryforwards	-25	-16	-4	–
Adjustment of deferred tax relating to previous years	–	0	–	0
	-23	**-21**	**-4**	**4**
Total	**-34**	**-28**	**-4**	**4**

Current tax

Reconciliation of tax, SEK million	Group		Parent Company	
	2018	2017	2018	2017
Profit/loss before tax	**163**	**112**	**19**	**-3**
Tax at the applicable tax rate for the Parent Company of 22.0% (22.0)	-36	-25	-4	1
Non-taxable dividends from subsidiaries	–	–	26	15
Non-deductible impairment of shares in subsidiaries	–	–	-26	-11
Other non-deductible expenses/ Other non-taxable income	-2	-3	0	-1
Effect of other tax rates on foreign subsidiaries	-1	0	–	–
Effect of changed tax rates	5	1	0	–
Decrease/increase in deductible temporary differences without corresponding capitalisation of deferred tax	0	0	–	–
Tax attributable to previous years	0	-1	–	0
Total	**-34**	**-28**	**-4**	**4**
Reported effective tax rate, %	20.8	24.6	24.1	162.3

The applicable corporate tax rate in Sweden is 22.0 percent, while subsidiaries in Norway, Finland, Germany and Denmark apply local corporate tax rates. The reported effective tax rate for the Group was 20.8 percent (24.6). The effective tax rate differs from the current tax rate for the Parent Company mainly as an effect of changed tax rates in Sweden and Norway. The effective tax rate for the Parent Company was 24.1 percent (162.3) as a consequence of non-deductible expenses.

Changed tax rates

In Sweden, a reduction was approved of the corporate tax rate from 22.0 percent to 20.6 percent in two steps, on 1 January 2019 to 21.4 percent and on 1 January 2021 to 20.6 percent. In line with these changes, deferred tax assets/liabilities were revalued based on anticipated outflows and the tax rate applicable at that time.

In Norway, a decision was made to lower the Norwegian corporate tax rate from 23.0 percent to 22.0 percent from 1 January 2019. In line with this change, deferred tax assets/liabilities were revalued.

In Norway, a decision was made to lower the Norwegian corporate tax rate from 24.0 percent to 23.0 percent from 1 January 2018. In line with this change, deferred tax assets/liabilities were revalued.

Deferred tax

Changes in deferred tax in temporary differences and tax loss carryforwards, SEK million	Group					Parent Company		
	Opening balance, 1 Jan 2017	Recognised in the income statement	Translation differences	Change through acquisition of operations	Closing balance 31 December 2017	Opening balance 1 January 2017	Recognised in the income statement	Closing balance 31 December 2017
Deferred tax liability								
Intangible assets	203	-4	-2	9	206	–	–	–
Tangible assets	3	0	0	–	3	–	–	–
Inventories	-1	1	0	–	0	–	–	–
Provisions	-1	-1	0	–	-2	–	–	–
Untaxed reserves	3	10	–	1	14	–	–	–
Total	**207**	**6**	**-2**	**10**	**221**	**–**	**–**	**–**
Deferred tax assets								
Intangible assets	3	1	0	0	4	–	–	–
Tangible assets	–	0	0	0	–	0	0	0
Inventories	0	0	0	0	0	–	–	–
Provisions	3	-2	0	–	1	–	–	–
Tax loss carryforwards	76	-14	0	32	94	3	4	7
Total	**82**	**-15**	**0**	**32**	**99**	**3**	**4**	**7**
Total net deferred tax liability	**125**	**21**	**-2**	**10**	**122**	**-3**	**-4**	**-7**

Changes in deferred tax in temporary differences and tax loss carryforwards, SEK million	Opening balance, 1 Jan 2018	Recognised in the income statement	Translation differences	Change through acquisition of operations	Closing balance, 31 Dec 2018	Opening balance, 1 Jan 2018	Recognised in the income statement	Closing balance, 31 Dec 2018
Deferred tax liability								
Intangible assets	206	-14	2	50	244	–	–	–
Tangible assets	3	1	0	–	4	–	–	–
Inventories	0	0	0	–	0	–	–	–
Provisions	-2	1	0	–	-1	0	–	–
Untaxed reserves	14	10	–	–	24	–	–	–
Total deferred tax liability	**221**	**-2**	**2**	**50**	**271**	**–**	**–**	**–**
Deferred tax assets								
Intangible assets	4	-1	0	–	3	–	–	–
Tangible assets	–	0	0	–	–	0	0	0
Inventories	0	0	0	–	0	–	–	–
Provisions	1	0	0	–	1	–	–	–
Tax loss carryforwards	94	-24	0	–	70	7	-4	3
Total	**99**	**-25**	**0**	**–**	**74**	**7**	**-4**	**3**
Total net deferred tax liability	**122**	**23**	**2**	**50**	**197**	**-7**	**4**	**-3**

Deferred tax assets and deferred tax liabilities have been measured based on the nominal tax rate. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred taxes relate to the same tax authority. The amounts in the table have been reported gross.

Temporary differences

Temporary differences arise in cases where the carrying amounts and taxable values of assets and liabilities differ. Temporary differences are attributable to the balance sheet and have resulted in deferred tax assets and liabilities.

No deferred tax is recognised regarding temporary differences attributable to investments in subsidiaries. Any future effects (withholding taxes and other deferred tax on profit taking within the Group) are recognised when Midsona is no longer able to control the reversal of such differences or it is for other reasons no longer probable that the reversal will occur in the foreseeable future.

Tax loss carryforwards

The total tax-loss carryforwards in the Group amounted to SEK 337 million (427) at 31 December 2018 and decreased as a result of being utilised against taxable profit in Sweden and Norway. All loss carryforwards were capitalised on 31 December 2018 as well as 31 December 2017. The maturities of the tax loss carryforwards are undetermined.

Management believes that, given the Group's current and future structure, the opportunities to utilise the tax loss carryforwards are well founded.

Note 14 Earnings and dividend per share

Earnings per share were calculated by dividing the profit attributable to Parent Company shareholders by the weighted average number of shares outstanding during the period.

Earnings per share before and after dilution, SEK million	Group	
	2018	2017
Profit for the year, SEK million	129	84
Number of shares on balance sheet date, thousands	46,008	46,008
Average number of shares during the period, before dilution, thousands	46,008	44,141
Average number of shares during the period, after dilution, thousands	46,748	44,548
Earnings per share before dilution, SEK	2.80	1.91
Earnings per share after dilution, SEK	2.75	1.89

Instruments that may result in future dilution and changes after the balance sheet date

On the balance sheet date, the average price for Series B shares exceeded the subscription prices for the warrants outstanding, and accordingly the earnings per share after full dilution were calculated.

Dividend

The Board of Directors proposes that a share dividend of SEK 1.25 per share (1.25) be paid for the 2018 financial year, equivalent to SEK 57,510,080 (57,510,080) in total.

Note 15 Intangible assets

SEK million	Group				Parent Company
	Goodwill	Brands	Other intangible assets	Total	Other intangible assets
Accumulated cost					
Opening balance 1 January 2017	1,263	904	42	2,209	5
Acquired through business combinations	174	40	0	214	–
Other acquisitions/investments	–	–	18	18	15
Sales/scrappings	-1	–	0	-1	–
Reclassification	-20	–	-3	-23	–
Translation difference for the year	-30	2	0	-28	–
Closing balance 31 December 2017	**1,386**	**946**	**57**	**2,389**	**20**
Accumulated depreciation, amortisation and impairment					
Opening balance 1 January 2017	-181	-64	-24	-269	-4
Acquired through business combinations	–	–	0	0	–
Amortisation for the year	–	-19	-5	-24	-1
Sales/scrappings	1	–	0	1	–
Reclassification	20	–	3	23	–
Translation difference for the year	8	0	1	9	–
Closing balance 31 December 2017	**-152**	**-83**	**-25**	**-260**	**-5**
Carrying amount, 31 December 2017	**1,234**	**863**	**32**	**2,129**	**15**

SEK million	Group				Parent Company
Accumulated cost					
Opening balance, 1 Jan 2018	1,386	946	57	2,389	20
Acquired through business combinations	163	122	42	327	–
Other acquisitions/investments	–	–	26	26	26
Sales/scrappings	-1	–	-2	-3	–
Translation difference for the year	14	10	0	24	–
Closing balance, 31 Dec 2018	**1,562**	**1,078**	**123**	**2,763**	**46**
Accumulated depreciation, amortisation and impairment					
Opening balance, 1 Jan 2018	-152	-83	-25	-260	-5
Acquired through business combinations	–	–	-3	-3	–
Amortisation for the year	–	-20	-11	-31	-2
Sales/scrappings	1	–	1	2	–
Translation difference for the year	-3	-1	-1	-5	–
Closing balance, 31 Dec 2018	**-154**	**-104**	**-39**	**-297**	**-7**
Carrying amount, 31 Dec 2018	**1,408**	**974**	**84**	**2,466**	**39**

The carrying amount for the item other intangible assets includes SEK 42 million (9) for customer relations, SEK 42 million (23) for software and SEK 0 million (0) for other intangible assets.

There were no internally generated intangible assets at year-end.

Borrowing expenses

No borrowing expenses are included in the cost of assets, either for 2018 or for 2017.

Amortisation

All intangible assets (other than goodwill and acquired brands that are considered to have an indefinite useful life) are amortised. Amortisation was included in the following items in the income statement.

Amortisation for the year included in the income statement, SEK million	Group		Parent Company	
	2018	2017	2018	2017
Expenses for goods sold	−1	0	–	–
Selling expenses	−26	−21	–	–
Administrative expenses	−4	−3	−2	−1
Total	**−31**	**−24**	**−2**	**−1**

For information on amortisation, see Note 1 Accounting principles, pages 88-96.

Impairment testing

Goodwill and brands with indefinite useful lives have been allocated to cash-generating units for which there are identifiable cash flows in accordance with the commercial organisation. Identified cash-generating units agree with the Group's operating segments, see Note 4 Operating segments, pages 98–99. An assessment was made that the cash flows attributable to brands cannot be distinguished from other cash flows within the cash-generating units, which is why impairment testing of brands and goodwill is done annually in the respective cash-generating unit by calculating the recoverable amount. Goodwill and brands with indefinite useful lives are divided into operating segments as follows.

Goodwill and brands with indefinite useful lives by operating segment	Average discount rate before tax 2018 (2017), %	2018	2017
Sweden	10.4 (10.1)	1,142	1,140
Norway	10.6 (10.5)	494	482
Finland	10.5 (10.4)	36	35
Denmark	10.6 (10.5)	260	250
Germany	11.6 (–)	277	–
Total		**2,209**	**1,907**

The cash-generating unit Sweden included goodwill of SEK 687 million (685) and brands with indefinite useful lives of 455 million (455). Brands with indefinite life refer to Friggs and Kung Markatta, which are well-established brands on the market that the Group intends to maintain and further develop. The cash-generating unit Denmark included goodwill of SEK 33 million (32) and brands with indefinite useful lives of 227 million (218). Brands with indefinite useful lives refer to Urtekram, which is well-established in its market and which the Group intends to maintain and further develop. The cash-generating unit Germany included goodwill of SEK 158 million (–) and brands with indefinite useful lives of 119 million (–). Brands with indefinite useful lives refer to Davert, which is well-established in its market and which the Group intends to maintain and further develop. In the cash-generating units Norway and Finland, there were no brands of indefinite useful lives, but only goodwill.

The recoverable amount of each cash-generating unit was determined based on calculations of value in use. They are based on the actual performance of the operations and the business plan established by Group Management and subsequently approved by the Board for the next five years. Assumptions in the business plan based on market share, market growth, current market prices, current cost levels plus additions for real price increases and cost inflation, efficiency enhancements and the trend in the margin of each operating segment. Assumptions regarding sales volumes normally follow average growth of 3–5 percent, depending on the operating segment. The growth rate applied is consistent in all material respects with the forecasts included in sector reports on future market growth.

Effects of expansion investments are excluded in the impairment test. The basis for the calculation consists of projected future cash flows in accordance with the business plan, with a sustained growth rate of 2 percent (2). Cash flows for the period beyond five years were calculated by applying a multiple to sustainable cash flow.

When calculating the present value of anticipated future cash flows, the weighted average cost of capital (WACC) is applied that has been determined for each operating segment. The discount rate applied is stated pre-tax and reflects specific risks applicable to the various operating segments. Discounted cash flows are then compared to the book value of the assets, provisions and liabilities associated with each operating segment.

Impairment testing is normally conducted in the third quarter or whenever the need arises. Impairment testing conducted for the 2018 financial year showed, with the assumptions made, there was no need to recognise impairment in brands with indefinite useful lives.

Impairment

No impairment was applied to intangible assets in 2018 or 2017, neither in the Group nor the Parent Company. For information on impairment, see Note 1 Accounting principles, pages 88–96.

Sensitivity analysis

Management believes that no reasonable changes in key assumptions will lead to the total estimated recoverable amount of each cash-generating unit will be lower than their total carrying amount. This applies except for the cash-generating unit Denmark where minor adjustments of the assumptions in the impairment testing may entail an impairment of the value in the future.

Note 16 Tangible assets

SEK million	Group						Parent Company
	Operating properties	Plant and equipment	Equipment, fixtures and fittings	Leasing [1]	Other tangible assets	Total	Equipment, tools, fixtures and fittings
Accumulated cost							
Opening balance 1 Jan 2017	42	22	76	10	7	157	3
Acquired through business combinations	–	19	21	–	0	40	–
Other acquisitions/investments	1	0	8	0	0	9	3
Sales/scrappings	–	0	-7	-1	0	-8	–
Reclassification	0	0	-1	0	0	-1	–
Translation difference for the year	1	1	1	0	0	3	–
Closing balance 31 Dec 2017	**44**	**42**	**98**	**9**	**7**	**200**	**6**
Accumulated depreciation							
Opening balance 1 Jan 2017	-15	-20	-53	-9	-5	-102	-3
Acquired through business combinations	–	-18	-17	–	0	-35	–
Depreciation for the year	-1	-1	-7	-1	-1	-11	0
Sales/scrappings	–	–	5	1	1	7	–
Reclassification	–	0	1	0	0	1	–
Translation difference for the year	-1	-1	0	0	0	-2	–
Closing balance 31 Dec 2017	**-17**	**-40**	**-71**	**-9**	**-5**	**-142**	**-3**
Carrying amount, 31 Dec 2017	**27**	**2**	**27**	**0**	**2**	**58**	**3**

SEK million	Group						Parent Company
Accumulated cost							
Opening balance 1 Jan 2018	44	42	98	9	7	200	6
Acquired through business combinations	–	93	24	36	79	232	–
Other acquisitions/investments	–	3	4	0	30	37	1
Sales/scrappings	–	-6	-7	0	0	-13	–
Reclassification	–	93	0	0	-93	0	–
Translation difference for the year	2	1	2	0	0	5	–
Closing balance, 31 Dec 2018	**46**	**226**	**121**	**45**	**23**	**461**	**7**
Accumulated depreciation							
Opening balance 1 Jan 2018	-17	-40	-71	-9	-5	-142	-3
Acquired through business combinations	–	-27	-13	-10	-2	-52	–
Depreciation for the year	-2	-4	-10	-4	-1	-21	-1
Sales/scrappings	–	6	6	0	–	12	–
Reclassification	–	–	0	0	–	0	–
Translation difference for the year	-1	-1	-2	0	0	-4	–
Closing balance 31 Dec 2018	**-20**	**-66**	**-90**	**-23**	**-8**	**-207**	**-4**
Carrying amount, 31 Dec 2018	**26**	**160**	**31**	**22**	**15**	**254**	**3**

[1] For further information see Note 17 Leases, pages 106–107.

The carrying amount for the item other tangible assets includes SEK 2 million (2) for improvements to property owned by another entity.

Borrowing expenses

No borrowing expenses are included in the cost of assets, either for 2018 or for 2017.

Depreciation

All tangible assets are depreciated. Depreciation is included in the following items in the income statement.

Depreciation for the year included in the income statement, SEK million	Group		Parent Company	
	2018	2017	2018	2017
Expenses for goods sold	-16	-7	–	–
Selling expenses	-1	-1	–	–
Administrative expenses	-4	-3	-1	0
Total	**-21**	**-11**	**-1**	**0**

For information on depreciation, see Note 1 Accounting principles, pages 88–96.

Impairment

No impairment was applied to tangible assets in 2018 or 2017, neither in the Group nor the Parent Company. For information on impairment, see Note 1 Accounting principles, pages 88–96.

Note 17 Leases

Financial leasing

The Group utilised assets in the form of production, office and IT equipment under several finance leases. When the leases expire, there are usually options to purchase the equipment at an attractive price. The lease agreements include escalation clauses. On the balance sheet date, the carrying amount of the leased assets totalled SEK 22 million (0). The leased assets serve as collateral for the lease liabilities. The leases contain no restrictions on opportunities to pay dividends, raise new loans and enter into new leases. There is no subleasing of assets used under finance leases.

Depreciation of the assets leased under finance leases amounted to SEK 4 million (1). Lease payments amounted to SEK 5 million (1).

Future minimum lease fees and their present values under non-cancellable finance leases amounted to the following:

Due dates for future minimum lease payments, SEK million	Nominal values	Present values
Within one year	5	5
Later than one year but within five years	17	17
Total	**22**	**22**

The present value of future minimum lease payments is recognised as liabilities to credit institutions, partly as a current liability and partly as a non-current liability.

Operating leases

The Group utilised office and warehouse premises, vehicles, forklifts and IT-related equipment in accordance with operating leases. Several of the operating leases were covered by possibilities of lease extensions during varying periods of time. Part of a leased office and warehouse was sub-let.

Expensed operating lease fees, SEK million	Group		Parent Company	
	2018	2017	2018	2017
Expenses for operating leases	-34	-32	-5	-5
Total	**-34**	**-32**	**-5**	**-5**
Lease income for sub-let items amount to	1	2	–	–

The nominal value of future minimum lease payments under non-cancellable leases, SEK million	Group		Parent Company	
	2018	2017	2018	2017
Due for payment within one year	43	33	4	5
Due for payment after more than one year but within five years	101	75	1	5
Due for payment after more than five years	75	39	0	0
Total	**219**	**147**	**5**	**10**

Note 18 Participations in subsidiaries

	Corporate identity number	Domicile	Number of shares	Proportion of capital/ voting rights	Book value, SEK million
Bioglan AS	970,968,660	Oslo, Norway	1,400	100%	433
Midsona Norge AS	979,473,559	Oslo, Norway	–	100%	–
Soma Nordic AB in liquidation	556585-7942	Laholm, Sweden	–	100%	–
Bringwell AB	556484-3232	Stockholm, Sweden	258,225,180	100%	84
Bringwell Finland Oy	0805401-1	Salo, Finland	–	100%	–
Bringwell Sverige AB	556518-6789	Falköping, Sweden	–	100%	–
Dalblads Nutrition AB in liquidation	556542-8264	Lerum, Sweden	1,000	100%	–
Davert GmbH[1]	HRB 7603	Ascheberg, Germany	300,000	100%	388
Internatural AB in liquidation	556925-0961	Malmö, Sweden	358,712	100%	–
Midsona Danmark A/S[2]	31493994	Mariager, Denmark	6,000,000	100%	259
Midsona Finland Oy	1732881-1	Salo, Finland	16,000	100%	43
Midsona Sverige AB	559037-5951	Malmö, Sweden	15,937,684	100%	859
Trettiosjucorp AB	556480-0224	Malmö, Sweden	165,797	100%	–
Urtekram Sverige AB	556420-6646	Malmö, Sweden	2,000	100%	–
Bioglan Pharma AB in liquidation	556594-2025	Lund, Sweden	–	100%	–
Vitalas AB	556572-5040	Malmö, Sweden	–	100%	–
Total book value in the Parent Company					**2,066**

[1] On 10 January 2019, the company changed name to Midsona Deutschland GmbH.
[2] On 1 January 2018, A/S Anjo was merged into Midsona Danmark A/S.

SEK million	Parent Company	
	2018	2017
Accumulated cost		
Opening balance	3,047	2,704
Acquisitions of subsidiaries	390	323
Shareholder contributions in subsidiaries	99	20
Closing balance	**3,536**	**3,047**
Accumulated impairment		
Opening balance	-1,350	-1,299
Impairment for the year on shares in subsidiaries	-120	-51
Closing balance	**-1,470**	**-1,350**
Book value	**2,066**	**1,697**

Impairment for the year on shares in subsidiaries is recognised in the income statement under "Profit from participations in subsidiaries".

Note 19 Receivables from, and liabilities to, subsidiaries

SEK million	Parent Company	
	2018	2017
Fixed assets		
Interest-bearing receivables	547	574
Total	**547**	**574**
Current assets		
Interest-bearing receivables[1]	–	–
Other receivables	163	19
Total	**163**	**19**
Total	**710**	**593**
Non-current liabilities		
Interest-bearing liabilities	113	40
Total	**113**	**40**
Current liabilities		
Interest-bearing liabilities[1]	245	168
Other liabilities	2	0
Total	**247**	**168**
Total	**360**	**208**

[1] Interest-bearing receivables and liabilities refer to the consolidated accounts with internal interest.

Note 20 Other non-current receivables and other receivables

SEK million	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Other non-current receivables that are fixed assets				
Deposits	4	3	–	–
Other financial assets	0	0	–	–
Total	**4**	**3**	**–**	**–**
Other receivables that are current assets				
Deposits	–	8	–	8
Receivables from suppliers	19	0	–	–
Other receivables	3	1	4	1
Total	**22**	**9**	**4**	**9**

Note 21 Inventories

SEK million	Group 2018	Group 2017
Raw materials and consumables	160	51
Products in process	1	0
Completed products and goods for resale	321	221
Total	**482**	**272**

The consolidated income statement includes impairment of inventory in the item selling expenses of SEK 2 million (2), as a result of an increase in the obsolescence reserve.

Note 22 Accounts receivable

The Group has more than 1,000 active customers, of whom the ten largest accounted for 51 percent (62) of net sales. Customers are primarily chains in the pharmacy, FMCG and healthfood retail trade and other specialist retailers, as well as actors in food service. The Group also sells to private individuals, therapists and smaller, independent shops via on-line sales and post-order. Most net sales, 82 percent (96), derive from the Nordic market.

A large part of sales is based on a framework agreement that specifies general terms and discounts for a year at a time. Normally, assortment evaluations are performed a couple of times a year, in connection with which price levels can also be adjusted if there is evidence of this through, for example, large changes in commodity prices.

Accounts receivable, SEK million	Group 2018	Group 2017
Accounts receivable, gross	260	214
Expected credit losses	-1	-1
Total	**259**	**213**

Age analysis, accounts receivable, SEK million	Group 2018	Group 2017
Accounts receivable not past due	237	190
Past due 1–30 days	17	21
Past due 31–90 days	3	1
Past due >90 days	2	1
Total	**259**	**213**

The fair value of accounts receivable is consistent with the reported value.

Note 23 Prepaid expenses and accrued income

SEK million	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Prepaid rent	6	3	1	1
Prepaid insurance	1	1	1	1
Deferred leasing expenses	1	0	0	1
Prepaid marketing expenses	2	2	–	–
Prepaid commission	–	1	–	–
Prepaid purchases of goods and services	17	7	3	3
Other prepaid expenses	6	5	4	1
Total	**33**	**19**	**9**	**7**

Note 24 Shareholders' equity

Group

Share capital

Share capital consists of the Parent Company's share capital. See the Parent Company of this note.

Additional paid-up capital

Other capital consists of equity contributed by the owners. Includes share premium reserves transferred to the statutory reserve at 31 December 2005. Provision to the share premium reserve from 1 January 2006 and forward, are also recognised as paid-up capital.

Reserves

Reserves consist of a translation reserve, which comprises all exchange rate differences arising on the translation of the financial statements of foreign operations that have prepared their financial statements in a currency other than that in which the consolidated financial statements are presented. This includes exchange differences on monetary items receivable from or payable to the foreign operations, for which settlement is neither planned nor likely in the foreseeable future.

Profit brought forward, including profit for the year

Profit brought forward/accumulated losses, including profit for the year consists of earned profits/accumulated losses in the Parent Company and its subsidiaries. Provisions to the statutory reserve, excluding transferred share premium reserves, were previously included in this item. Also included is the amount of reduction of share capital.

Parent Company

Restricted shareholders' equity

Share capital

On 31 December 2018, the number of shares amounted to 46,008,064 divided between 539,872 Series A shares and 45,468,192 Series B shares. Holders of shares are entitled to dividends as determined by the Annual General Meeting. A shareholding entitles voting rights at the Annual General Meeting of 10 votes for each series A share and one vote for each series B share. All shares convey equal rights to the company's net assets and profits. The Articles of Association contain no restrictions on the transferability of shares. Upon written request from a holder of series A shares in the company, conversion of specified series A shares to series B shares will be granted.

Change in number of shares, number	Series A shares	Series B shares	Total
Number of shares 1 December 2017	539,872	42,106,608	42,646,480
Non-cash issue	0	3,361,584	3,361,584
Number of shares 31 December 2017	**539,872**	**45,468,192**	**46,008,064**
Number of shares 1 January 2018	539,872	45,468,192	46,008,064
Number of shares 31 December 2018	**539,872**	**45,468,192**	**46,008,064**
Quota value per share, SEK			**5.00**
Share capital on the balance sheet date, SEK			230,040,320

No treasury shares were held by the Parent Company or its subsidiaries at year-end or during the financial year.

Statutory reserve

The statutory reserve consists of amounts that, prior to 1 January 2006, had been transferred to the share premium reserve when shares were issued at a premium, at an amount exceeding the quota value of the shares.

Unrestricted shareholders' equity

Share premium reserve

The item consists of amounts transferred to the share premium reserve as of 1 January 2006 when shares were issued at a premium, at an amount beyond the quota value of the shares.

Profit brought forward

Profit brought forward consists of profit brought forward from the previous year in the Parent Company Amounts are also included from impairment of share capital in 2016 and from a transferred fair value fund in 2016 in accordance with IAS 21. Retained earnings, together with the share premium reserve and the profit total unrestricted equity available for distribution to shareholders.

Warrants

There were two of the company's outstanding stock option programmes at year-end; see Note 10 Employees, personnel expenses and senior executives' remuneration, pages 101–102.

Proposed appropriation of profit or loss

The following amount in SEK is at the disposal of the Annual General Meeting:

Share premium reserve	SEK 580,723,600
Profit brought forward	SEK 506,428,883
Profit/loss for the year	SEK 14,819,969
Total	**SEK 1,101,972,452**

The Board of Directors proposes that the unrestricted shareholders' equity in the Parent Company, amounting to SEK 1,101,972,452 be appropriated as follows:

Dividend, SEK 1.25 per share	SEK 57,510,080
Carried forward	SEK 1,044,462,372
Total	**SEK 1,101,972,452**

Note 25 Liabilities to credit institutions

Interest-bearing liabilities, SEK million	Group		Parent Company	
	2018	2017	2018	2017
Non-current interest-bearing liabilities				
Bank loans	1,107	665	953	665
Finance lease liabilities	17	0	–	–
Total	**1,124**	**665**	**953**	**665**
Current interest-bearing liabilities				
Bank loans	88	40	77	40
Finance lease liabilities	5	1	–	–
Total	**93**	**41**	**77**	**40**
Total	**1,217**	**706**	**1,030**	**705**

In June 2016, Midsona AB (publ) entered a financing agreement with Danske Bank regarding overdraft facilities of SEK 425 million. The financing consisted of a revolving credit facility of SEK 325 million, with a term of three years with a possible one-year extension and an overdraft facility of SEK 100 million to be reviewed on an annual basis with a possible one-year extension. The option of extension was exercises in June 2017 and the financing agreement applies until 1 June 2020. An addition was made to the financing agreement in June 2016 with an acquisition loan of SEK 400 million, an addition in June 2017 with an acquisition loan of SEK 60 million and an addition in May 2018 with an acquisition loan of SEK 550 million, of which SEK 175 million was not utilised at year-end. The acquisition loan from June 2016 has a ten-year repayment schedule with a repayment commitment of SEK 10 million per quarter starting 30 September 2017. The acquisition loan from June 2017 was repaid in whole in October 2017 while the acquisition loan from May 2018 has a ten-year repayment plan with an obligation of quarterly repayments of 2.5 percent of the original loan amount beginning 31 December 2018.

Two financial covenants are linked to the financing agreement, which must be met during the maturity of the contract. These terms require that the key figures "net debt/adjusted EBITDA" and "interest coverage" shall not, on a rolling 12-month basis, deviate from agreed levels. Interest on facilities is calculated at the applicable base interest rate plus a margin based on the key figure "net debt/adjusted EBITDA" on a rolling 12-month basis.

In connection with the acquisition of Davert GmbH, the Group took over existing financing with facilities in three German banks, which at year-end amounted to SEK 164 million (EUR 16 million). The interest rate on the facilities is fixed over the maturity period.

Finance lease liabilities mature with contracted interest over the lease term.

Credit terms interest-bearing liabilities, SEK million	Nominal amount	Utilised amount	Unutilised amount	Interest terms	Maturity
Bank loans					
Revolving credit, SEK	325	325	0	STIBOR + 2.13 percent[1]	June 2016–June 2020
Acquisition loan, SEK	340	340	0	STIBOR + 2.13 percent[1]	June 2016–June 2027
Acquisition loan, SEK & EUR	541	366	175	STIBOR & EURIBOR + 2.42 percent[1]	April 2018–September 2028
Corporate loan, EUR[2]	51	51	0	Fixed interest, 1.75 percent	May 2018–April 2021
Corporate loan, EUR[2]	41	41	0	Fixed interest, 1.35 percent	May 2018–December 2021
Corporate loan, EUR[2]	61	61	0	Fixed interest, 1.31 percent	May 2018–September 2027
Investment loan, EUR[2]	10	10	0	Fixed interest, 1.65 percent	May 2018–December 2022
Corporate loan, EUR[2]	1	1	0	Fixed interest, 1.96 percent	May 2018–June 2019
Total	**1,370**	**1,195**	**175**		
Overdrafts					
Overdrafts, SEK	100	0	100	STIBOR + 1.20 percent[1]	July 2018–June 2019
Total	**100**	**0**	**100**		
Total	**1,470**	**1,195**	**275**		

[1] The margin represents an average percentage over the 2018 financial year for credit facilities and overdraft facility.

[2] Credit facilities that the Group took over in connection with the business combination in 2018.

Note 26 Other non-current and current liabilities

SEK million	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Other non-current liabilities				
Finalised purchase consideration, acquisition of operations	35	–	35	–
Conditional purchase consideration, acquisition of operations	46	–	46	–
Other liabilities	1	1	–	–
Total	**82**	**1**	**81**	**–**
Other current liabilities				
VAT liabilities	9	20	–	0
Settlement personnel taxes and fees	10	11	2	1
Debt for shares under compulsory redemption	–	4	–	4
Other liabilities	10	2	–	1
Total	**29**	**37**	**2**	**6**

Note 27 Provisions for pensions

Defined benefit pension plans

In Norway, a special pension agreement is in place, the AFP scheme, which has been agreed between the social partners as a supplement to retirement pension. Such insurance comprises a defined benefit plan covering several employers. For the 2018 financial year, the Group did not have access to information making it possible to report this as a defined benefit plan. Consequently, this pension obligation is reported as a defined contribution plan. It is of an immaterial nature.

In Sweden, commitments for retirement pensions and family pensions for salaried employees are secured through an insurance plan with Alecta. According to statement UFR 10, from the Financial Reporting Board, this is a defined benefit plan that covers several employers. For the 2018 financial year, the Group does not have access to information making it possible to report this as a defined benefit plan. Pension in accordance with the ITP plan and secured through insurance with Alecta is consequently recognised as a defined contribution plan.

The year's fees for pension insurance secured through Alecta amounted to SEK 3 thousand (3) in the Group, and SEK 0 thousand (0) in the Parent Company. For the next reporting period, the charges expected for ITP-2 insurance with Alecta amount to SEK 3 million for the Group and SEK 0 million for the Parent Company.

Alecta's surplus may be distributed to policyholders and/or the beneficiaries. At the end of 2018, Alecta's surplus in the form of the collective funding ratio was 142 percent (154). The collective consolidation level consists of the market value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's actuarial assumptions, which do not comply with IAS 19.

Defined contribution pension plans

For employees in Sweden, the Group has defined contribution pension plans paid entirely by the Group companies. In other countries, there are defined contribution plans that are paid partly by the subsidiaries and that are partly covered by fees paid by the employees. Payments to these plans are on-going, in accordance with the regulations for each of the plans.

SEK million	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Expenses for defined contribution plans[1]	-25	-20	-4	-3

[1] The ITP plan funded in Alecta is included as an expense of SEK 3 million (3) for the Group and SEK 0 million (0) for the Parent Company.

Note 28 Other provisions

SEK million	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Provisions that are non-current				
Expenses for restructuring measures	1	4	–	–
Total	**1**	**4**	**–**	**–**
Provisions that are current				
Expenses for restructuring measures	4	13	–	–
Total	**4**	13	–	–
Total	**5**	17	–	–
Expenses for restructuring measures				
Carrying amount at beginning of period	17	14	–	–
Provisions made during the year	2	16	–	–
Amounts utilised during the year	-14	-13	–	–
Total	5	**17**	–	–
Amount by which the provision is expected to be paid after more than twelve months	1	4	–	–

Restructuring measures

A provision of SEK 3 million was made in 2018 for the coordination of warehousing in Norway. At the end of the year, SEK 1 million of the provision had been utilised. As a result of a renegotiated agreement, SEK 1 million pertaining to a restructuring reserve related to acquisitions in earlier years was also reversed during the year.

Note 29 Accrued expenses and deferred income

SEK million	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Accrued expenses for goods	13	19	–	–
Accrued personnel expenses	41	35	6	5
Accrued marketing expenses	5	7	–	–
Accrued customer bonus expenses	19	21	–	–
Other accrued expenses	30	23	1	2
Total	**108**	**105**	**7**	**7**

Note 30 Financial risk management

The Group's activities expose it to a variety of financial risks. These financial risks are primarily comprised of financing, liquidity, currency, interest rate and credit risk.

The financial risk work is governed at an overall level by the Board, which sets financial policy and ensures that it is followed. At an operational level, the financial risk work is governed by Group Management. It is the finance function in the Parent Company that has the operational responsibility for financial risk management. The central finance function handles and governs financial risk exposure, ensures that the right financing is in place through loans and credit facilities, and manages the liquidity in line with the set financial policy.

Financing risk

Financing risk refers to the risk that future capital procurement and refinancing of maturing loans could be difficult or costly.

The ensure that the Group always has access to necessary external financing at a reasonable expense, the guideline is that confirmed credit commitments should have an average remaining maturity of at least 12 months.

A financing agreement was signed in June 2016 with Danske Bank regarding overdraft facilities of SEK 425 million. Additions were made to the financing agreement in the form of acquisition loans in June 2016 of SEK 400 million and in May 2018 of SEK 375 million. The Group also took over an existing financing at the implemented business combination in May 2018. For more information on utilised loans, maturity periods and available credit facilities, see Note 25 Liabilities to credit institutions, pages 109-110. A total of SEK 49 million (20) was repaid on the acquisition loans during the year. At the end of the year, the average remaining maturity on confirmed loan commitments was 16 months (23).

The maturity structure for all of the Group's financial liabilities, including principal and interest, is shown in the table below.

Nominal amounts, SEK million	0–6 months 2018	0–6 months 2017	7–12 months 2018	7–12 months 2017
Bank loans	56	27	55	27
Finance lease liabilities	2	0	3	1
Accounts payable	357	220	–	–
Other liabilities	–	0	–	1
Total	**415**	**247**	**58**	**29**

Nominal amounts, SEK million	1–5 years 2018	1–5 years 2017	5 years < 2018	5 years < 2017
Bank loans	1,096	681	27	–
Finance lease liabilities	17	0	–	–
Accounts payable	–	–	–	–
Other liabilities	47	–	–	–
Total	**1,160**	**681**	**27**	**0**

Liquidity risk

Liquidity risk means the risk that the Group cannot meet its payment obligations as a consequence of inadequate access to cash and cash equivalents.

In order to control and plan the Group's cash requirements, the finance function uses liquidity forecasts that the Group's subsidiaries report in on a monthly basis for the ensuing six months.

The Group's liquidity reserve, that is, the sum of unutilised credit facilities, cash and cash equivalents, shall, at any given time, exceed the Group's total loan maturities for the ensuing six months according to the current finance policy. The liquidity reserve amounted to SEK 376 million (154) at the end of year and were allocated to cash SEK 101 million (54), unused part of the overdraft facility SEK 100 million (100) and unutilised acquisition loan SEK 175 million (53). Loan maturity, including principal and interest, to credit institutions, over the next six months amounts to SEK 56 million (27). Liquidity was strong considering the maturity structure for external loans, the size of cash and cash equivalents and available credit facilities at year-end.

Currency risk

Currency risk refers to the risk that changes in exchange rates affect the Group's income statement, balance sheet and/or cash flows negatively.

Currency risks arise in part from the operational and financial transactions that are conducted in currencies other than the functional currency (transaction exposure) and in part by the currency exposure that occurs in the translation of foreign subsidiaries' net assets to the Parent Company's functional currency (translation exposure).

Transaction exposure

The Group's sales of goods are conducted primarily in the currencies SEK, NOK, DKK and EUR, while procurement of goods is made primarily in EUR. The net exposure in EUR is considerable because purchases exceed sales.

The finance function in the Parent Company makes monthly assessments of future currency exposure based on cash flow forecasts reported in. Estimated net flows for 2019 in the four currencies with the greatest net exposure are shown in the table.

Amounts are in millions in each currency[3]	Group 2018[1]	Group 2017[2]
EUR	-75	-96
DKK	-30	42
NOK	104	158
USD	-19	-6

[1] Transaction exposure is based on estimated net flows for the ensuing 12 months, i.e. for 2019.
[2] Transaction exposure is based on estimated net flows for the ensuing 12 months, i.e. for 2018.
[3] A positive net flow means that the flow in each currency exceeds outflow and a negative net flow means that the outflow in each currency exceeds inflow.

The Group does not hedge forecast currency exposure in line with the current policy. According to the policy, potential currency risks shall be managed in the respective supplier and customer agreement through currency clauses. With the aim of reducing the earnings impact of changed exchange rates, Midsona works continuously with price adjustments to customers and suppliers based on the exchange rate development primarily tied to EUR. At the end of 2018, there were no outstanding forward currency contracts.

An isolated shift in exchange rates against the SEK by +/− 5 percentage points for the four currencies with the largest estimated net flows is calculated to have an effect on profit before tax of +/− SEK 44 million (23).

Translation exposure

The Parent Company has holdings in foreign subsidiaries, whose net assets are exposed to currency translation risk. Currency exposure of net assets in the Group's subsidiaries can, for example, be managed by borrowing in the foreign currencies that are exposed.

Interest rate risk

Interest rate risk refers to the impact on profits of a change in interest rates. How quickly a change in interest rates affects profits depends on the periods of fixed interest on loans and investments. Since the Group is a net borrower and does not invest funds in listed instruments, it is primarily the Group's loans that are affected by changes in interest rates.

The guideline is that the average period of fixed interest for interest-bearing liabilities to credit institutions should be three months. The average period of fixed interest for the Parent Company's interest-bearing liabilities to credit institutions was three months (three) at year-end. The interest on the facilities taken over in connection with the business combination in May 2018 was fixed over the term.

A change in interest rates of +/− 1 percentage point causes an impact of +/− 12 million (7) calculated in debt to credit institutions of SEK 1,195 million (705) at year-end if the entire loan portfolio were to mature with a variable interest rate. Finance lease liabilities mature with contracted interest over the lease term.

To avoid uncertainty regarding future interest rate levels and to gain knowledge of future interest expenses over a given period, the Group applies interest rate hedging in the form of interest rate swaps. Loans of SEK 50 million were interest rate hedged at year-end with a maturity period until 30 June 2020.

The average interest on the Group's bank loans and overdrafts amounted to 1.8 percent (2.0) for 2018.

Credit risk

There is a risk that the counterparties that the Group has cash and cash equivalents, financial investments or entered derivatives with cannot fulfil their obligations, a so-called financial credit risk. There is also a risk that customers cannot fulfil their payment commitments, a so-called customer credit risk.

Financial credit risk

The Group's finance function has no mandate to enter into financial investments. How surplus liquidity is to be placed is set in policy. The Group is a net borrower and surplus liquidity shall be used to reduce loans from credit institutions. The subsidiaries shall place their surplus liquidity in bank accounts belonging to Group account systems or in bank accounts approved by the Group finance function. The Group's counterparties in financial transactions are credit institutions with good credit ratings.

The financial credit risk for cash and cash equivalents in bank account amounted to SEK 101 million (54) at year-end.

Customer credit risk

Customer credit risk is managed on an on-going basis by each Group company through credit checks and internal credit limits for each customer. Bank guarantees or other sureties are required for customers with low creditworthiness or insufficient credit history.

The Group's accounts receivable are covered by the simplified model for impairments. The expected credit losses for accounts receivable are estimated using a provision matrix, which is based on earlier events, current circumstances and forecasts of future financial circumstances. A loss provision is recognised in the simplified model for the accounts receivable expected remaining maturity period. The Group's credit exposure is presented by the following table:

Number of days in interval	Default probability, %	Expectation adjustments, %	Future default probability, %	Recognised accounts receivable gross, SEK million	Expected credit losses, SEK million	Recognised accounts receivable net, SEK million
Not past due	0.30	−0.15	0.15	238	−1	237
1–30	1.00	0.20	1.20	17	0	17
31–60	2.00	1.00	3.00	1	0	1
61–90	3.50	2.00	5.50	2	0	2
>91	5.50	3.50	9.00	2	0	2
Total				**260**	**−1**	**259**

Capital management

The Group's objective with its capital management is to safeguard the Group's capacity to continue its operations to generate reasonable returns for shareholders and benefit for other stakeholders. The target is to pay a dividend of >30 percent of profit for the year over time. For 2018, the Board of Directors proposes a dividend equivalent to 44.7 (68.2) percent of profit for the year.

The Group reviews its capital structure based on a ratio of net debt/EBITDA corresponding to a multiple of less than 2. The target, which has been set to define a reasonable risk level in the Group, links borrowing to the capacity for earnings. At the end of the financial year, the ratio between net debt and EBITDA on a rolling 12-month basis was a multiple of 4.9 (3.9) and the ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 4.4 (3.9).

Note 31 Pledged assets and contingent liabilities

	Group		Parent Company	
SEK million	2018	2017	2018	2017
Pledged assets				
Blocked bank balances	–	11	–	8
Shares in subsidiaries	–	–	1,551	1,385
Net assets in subsidiaries	1,929	1,647	–	–
Others	202	4	–	–
Total	**2,131**	**1,662**	**1,551**	**1,393**
Contingent liabilities				
Guarantees, external	10	19	1	1
General guarantee for subsidiaries	–	–	1	12
Parent Company guarantees	–	–	1	1
Total	**10**	**19**	**3**	**14**

Shares in subsidiaries have been pledged as collateral for overdrafts and bank loans. Liabilities to credit institutions are shown in Note 25 Liabilities to credit institutions, pages 109–110. Net assets in subsidiaries pertain to shares in subsidiaries that are stated at amounts equivalent to the consolidated net assets.

Note 32 Closely-related parties

Related party relations

The Parent Company has a close relationship with its subsidiaries; see Note 18 Participations in subsidiaries, on page 107.

Related party transactions

For the Parent Company, SEK 45 million (38), equivalent to 100 percent (100) of sales for the year and SEK 1 million (3), corresponding to 4 percent (9) of purchases for the year pertained to subsidiaries within the Group. Sales to subsidiaries pertained mainly to administrative services, while purchases from subsidiaries primarily pertained to consultancy services and other reimbursements for expenses. All pricing is conducted on market terms.

The Parent Company has receivables from, and liabilities to, subsidiaries, see Note 19 Receivables from, and liabilities to, subsidiaries, page 107.

Related persons or companies

Salaries and remuneration to the Board and other senior executives are detailed in Note 10 Employees, personnel expenses and senior executives' remuneration, pages 101–102.

In January 2018, 50,000 warrants were bought back in the series TO2016/2019 from a withdrawing member of Group Management for SEK 265 thousand. Beyond that, there have been no loans, purchases or sales involving members of the Board or senior executives.

Note 33 Assessment of financial assets and liabilities at fair value and categorisation

Fair value

Fair value is consistent in all material respects with the carrying amount in the balance sheet in respect of financial assets and liabilities. The aggregate carrying amounts and fair values for each category are shown .

Group 2018

Fair value and carrying amount in the balance sheet, SEK million	Measured at amortised cost	At fair value through profit or loss[1]	Total carrying amount	Fair value
Non-current receivables	4	–	4	4
Accounts receivable	259	–	259	259
Other receivables	22	–	22	22
Cash and cash equivalents	101	–	101	101
Total	**386**	**–**	**386**	**386**
Non-current interest-bearing liabilities	1,124	–	1,124	1,124
Other non-current liabilities	35	47	82	82
Current interest-bearing liabilities	93	–	93	93
Accounts payable	357	–	357	357
Other current liabilities	29	–	29	29
Total	**1,638**	**47**	**1,685**	**1,685**

[1] Other non-current liabilities measured at fair value via profit or loss consist of derivative instruments of SEK 1 million and conditional purchase considerations of SEK 46 million.

Group 2017

Fair value and carrying amount in the balance sheet, SEK million	Measured at amortised cost	At fair value through profit or loss[1]	Total carrying amount	Fair value
Non-current receivables	3	–	3	3
Accounts receivable	213	–	213	213
Other receivables	9	–	9	9
Cash and cash equivalents	54	–	54	54
Total	**279**	**–**	**279**	**279**
Non-current interest-bearing liabilities	665	–	665	665
Other non-current liabilities	1	1	1	1
Current interest-bearing liabilities	41	–	41	41
Accounts payable	220	–	220	220
Other current liabilities	37	0	37	37
Total	**963**	**1**	**964**	**964**

[1] Other non-current and current liabilities measured at fair value via profit or loss consist of derivative instruments of SEK 1 million.

Parent Company 2018

Fair value and carrying amount in the balance sheet, SEK million	Measured at amortised cost	At fair value through profit or loss[1]	Total carrying amount	Fair value
Other receivables	4	–	4	4
Total	**4**	**–**	**4**	**4**
Liabilities to credit institutions	1,030	–	1,030	1,030
Other non-current liabilities	81	46	127	127
Accounts payable	11	–	11	11
Other current liabilities	2	–	2	2
Total	**1,124**	**46**	**1,170**	**1,170**

[1] Other non-current liabilities measured at fair value via profit or loss consist of conditional purchase considerations of SEK 46 million.

Parent Company 2017

Fair value and carrying amount in the balance sheet, SEK million	Measured at amortised cost	At fair value through profit or loss	Total carrying amount	Fair value
Other receivables	9	–	9	9
Total	**9**	**–**	**9**	**9**
Liabilities to credit institutions	705	–	705	705
Accounts payable	3	–	3	3
Other current liabilities	6	–	6	6
Total	**714**	**–**	**714**	**714**

Certain disclosures regarding financial instruments assessed at fair value through profit for the year

The Group holds financial instruments such as forward currency contracts that are recorded at fair value in the balance sheet. 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 of SEK 46 million, which are measured at fair value. Fair value of this supplemental purchase consideration 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.

Netting agreements and similar agreements

The Group has no net reported balance sheet items. For derivative counterparties, there are ISDA agreements, which mean that derivative items can be reported net under certain conditions. The Group holds financial instruments that are covered by legally enforceable master netting agreements or similar agreements. Recognised financial liabilities attributable to derivative instruments amounted to SEK 1 million, which was with the same counterparty.

Calculation of fair value

The following summarises the methods and assumptions mainly used to determine the fair value of the financial instruments held.

Interest-bearing liabilities

Fair value of financial liabilities is calculated based on future cash flows of principal and interest discounted at the current market rate on the balance sheet date. There are no significant differences between fair value and the carrying amounts. For a maturity analysis, see Note 30 Financial risk management, pages 111–112.

Finance lease liabilities

Fair value is based on the present value of future cash flows, discounted at the market rate for similar leases.

Trade and other receivables

For trade and other receivables with a remaining life of less than 12 months, the carrying amount is considered to reflect fair value. Trade and other receivables with a term of more than 12 months are discounted when fair value is determined. There are no significant differences between fair value and the carrying amounts.

Accounts payable and other liabilities

For accounts payable and other liabilities with a remaining maturity of less than 12 months, the carrying amount is considered to reflect fair value. Accounts payable and other liabilities with a maturity of more than 12 months are discounted when fair value is determined. There are no significant differences between fair value and the carrying amounts.

Note 34 Significant estimates and assumptions

In preparing the financial statements, management makes estimates and judgements that affect the amounts of assets, liabilities, income and expenses. The estimates and assumptions that involve a risk of significant adjustments to the carrying amounts of assets and liabilities within the next financial year and critical judgements in applying the Group's accounting policies discussed below. Reported estimates regarded as reasonable under the circumstances.

Valuation of brands

The carrying amount of brands is contingent upon the future profitability of the products connected to the brands, and the value is tested annually. If it has not been possible to impairment testing for an individual mark has recoverable amount calculated on the cash-generating unit to which the trademarks are allocated. Several assumptions about future conditions and parameter estimates are made in the calculation of cash-generating units' recoverable amounts for the assessment of possible needs for impairment of goodwill and brands with indefinite useful lives. Management believes that no reasonable changes in key assumptions will lead to the total estimated recoverable amount of each cash-generating unit will be lower than their total carrying amount.

In establishing the acquisition analysis for Davert GmbH, acquired brands were deemed to amount to SEK 122 million (EUR 11.6 million) and deemed to have an indefinite useful life.

The carrying amount of brands at the end of the period amounted to SEK 974 million (863), of which SEK 801 million (673) was with an indefinite useful life. For further information, please see Note 15 Intangible assets, pages 104–105.

Valuation of goodwill

The carrying amount of goodwill is contingent upon the future profitability of the cash-generating unit to which the goodwill is allocated to goodwill annually. Several assumptions about future conditions and parameter estimates are made in the calculation of cash-generating units' recoverable amounts for the assessment of possible needs for impairment of goodwill and brands with indefinite useful lives. Management believes that no reasonable changes in key assumptions will lead to the total estimated recoverable amount of each cash-generating unit will be lower than their total carrying amount.

Upon preparing the acquisition analysis for Davert GmbH, goodwill amounted to SEK 162 million (EUR 15.3 million).

The carrying amount of goodwill amounted to SEK 1,408 million (1,234) at the end of the period. For further information, please see Note 15 Intangible assets, pages 104–105.

Taxes

To determine the current tax liabilities and current tax assets, as well as provisions for deferred tax liabilities and deferred tax assets, management is required to make assumptions, particularly in the valuation of deferred tax assets. This process includes the tax outcome being assessed in each country in which the Group operates. The process includes assessing the actual current tax exposure and assessing the temporary differences that arise as a consequence of certain assets and liabilities being valued differently in the accounts as compared to income tax returns. Management must also assess the likelihood that deferred tax assets will be recovered from future taxable income.

Upon preparing the acquisition analysis for Davert GmbH, deferred tax liabilities were deemed to be SEK 50 million (EUR 4.7 million).

All loss carryforwards in the Group were capitalised on both 31 December 2017 and 31 December 2018.

Management believes that, given the Group's current and future structure, the opportunities to utilise capitalised tax loss carryforwards is well founded. The carrying amount of deferred tax assets amounted to SEK 74 million (99) at the end of the period while the carrying amount of deferred tax liabilities was SEK 271 million (221). For further information, see Note 13 Taxes, pages 102–104.

Note 35 Supplementary disclosures to cash flow analyses

SEK million	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Interest paid				
Interest received	0	0	19	21
Interest paid	-26	-18	-25	-20
Adjustment for non-cash items				
Dividend	–	–	-120	-70
Depreciation/amortisation	52	35	3	1
Impairment	2	2	120	51
Unrealised exchange rate differences	-12	1	-15	0
Capital gain on sale of fixed assets	2	0	–	–
Other provisions and items not included in cash flow	-13	3	-1	–
Total	**31**	**41**	**-13**	**-18**
Transactions not involving payments				
Vendor mortgage issued in connection with an acquisition of operations	–	–	–	38
Acquisitions of companies or operations				
Intangible assets	161	40	–	–
Tangible assets	184	5	–	–
Financial assets	1	–	388	322
Deferred tax assets	–	32	–	–
Inventories	182	39	–	–
Trade and other receivables	67	40	–	–
Cash and cash equivalents	0	32	–	–
Deferred tax liabilities	-50	-10	–	–
Non-current interest-bearing liabilities	-224	–	–	–
Current interest-bearing liabilities	-48	–	–	–
Accounts payable and other liabilities	-57	-73	–	–
Net assets and liabilities	**216**	**105**	**388**	**322**
Consolidated goodwill	162	174	–	–
Purchase consideration	**-378**	**-279**	**-388**	**-322**
Less: Purchase consideration recognised as liability	83	4	83	42
Purchase consideration paid	**-295**	**-275**	**-305**	**-280**
Less: Cash and cash equivalents in acquired operations	0	32	–	–
Less: Purchase consideration financed through non-cash issue	–	179	–	179
Effect on cash and cash equivalents from acquisitions during the year	**-295**	**-64**	**-305**	**-101**
Repayment of loans				
Bank loans	-53	-80	-49	-80
Overdrafts[1]	-37	–	–	–
Other external loans[1]	-33	–	–	–
Lease liabilities	-5	-1	–	–
Total	**-128**	**-81**	**-49**	**-80**

[1] Credit facilities that the Group took over in connection with the business combination in 2018.

Cash and cash equivalents

Cash and cash equivalents in both the Group and the Parent Company consist solely of cash and bank balances. Consequently, there are no current investments equivalent to cash and cash equivalents.

Changes in liabilities whose cash flow is reported in the financing activities

Liabilities attributable to financing activities consist of non-current interest-bearing liabilities and current interest-bearing liabilities for the Group. For the Parent Company, liabilities are attributable to financing activities involving non-current liabilities to credit institutions, current liabilities to credit institutions, non-current interest-bearing liabilities to subsidiaries and current interest-bearing liabilities to subsidiaries.

			Changes not affecting cash flow				Group
SEK million	2017	Effect on cash flow	Reclassifications	Expensed purchase consideration	Acquired through business combinations	Currency changes	2018
Non-current liabilities to credit institutions	665	284	-6	–	169	-5	1,107
Lease liabilities	0	-4	0	–	22	-1	17
Other long interest-bearing liabilities	–	-33	–	–	33	0	–
Non-current interest-bearing liabilities	**665**	**247**	**-6**	**–**	**224**	**-6**	**1,124**
Current liabilities to credit institutions	40	0	6	–	44	-2	88
Lease liabilities	1	0	–	–	4	0	5
Current interest-bearing liabilities	**41**	**0**	**6**	**–**	**48**	**-2**	**93**
Total liabilities from financing activities	**706**	**247**	**–**	**–**	**272**	**-8**	**1,217**

			Group				
			Changes not affecting cash flow				
SEK million	2016	Effect on cash flow	Reclassifications	Expensed purchase consideration	Acquired through business combinations	Currency changes	2017
Non-current liabilities to credit institutions	695	-30	–	–	–	–	665
Lease liabilities	1	-1	–	–	–	0	0
Non-current interest-bearing liabilities	**696**	**-31**	**–**	**–**	**–**	**0**	**665**
Current liabilities to credit institutions	30	10	–	–	–	–	40
Lease liabilities	1	0	–	–	–	0	1
Current interest-bearing liabilities	**31**	**10**	**–**	**–**	**–**	**0**	**41**
Total liabilities from financing activities	**727**	**-21**	**–**	**–**	**–**	**0**	**706**

			Parent Company				
			Changes not affecting cash flow				
SEK million	2017	Effect on cash flow	Reclassifications	Expensed purchase consideration	Acquired through business combinations	Currency changes	2018
Non-current liabilities to credit institutions	665	289	–	–	–	-1	953
Non-current liabilities to subsidiaries	40	6	68	–	–	-1	113
Non-current interest-bearing liabilities	**705**	**295**	**68**	**–**	**–**	**-2**	**1,066**
Current liabilities to credit institutions	40	37	–	–	–	0	77
Current liabilities to subsidiaries	168	77	–	–	–	–	245
Current interest-bearing liabilities	**208**	**114**	**0**	**–**	**–**	**0**	**322**
Total liabilities from financing activities	**913**	**409**	**68**	**–**	**–**	**-2**	**1,388**

			Parent Company				
			Changes not affecting cash flow				
SEK million	2016	Effect on cash flow	Reclassifications	Expensed purchase consideration	Acquired through business combinations	Currency changes	2017
Non-current liabilities to credit institutions	695	-30	–	–	–	–	665
Non-current liabilities to subsidiaries	481	0	-479	38	–	–	40
Non-current interest-bearing liabilities	**1,176**	**-30**	**-479**	**38**	**–**	**–**	**705**
Current liabilities to credit institutions	30	10	–	–	–	–	40
Current liabilities to subsidiaries	133	35	–	–	–	–	168
Current interest-bearing liabilities	**163**	**45**	**–**	**–**	**–**	**–**	**208**
Total liabilities from financing activities	**1,339**	**15**	**-479**	**38**	**–**	**–**	**913**

Note 36 Events after the balance sheet date

An efficiency-enhancement programme for the Group's Nordic operations was adopted as a part of further strengthening the competitiveness. In the 2017 year-end report, it was announced that a shared supply chain organisation was implemented in the Nordic region as part of the strategy of establishing an efficient and sustainable value chain. Now, another step is being taken in harmonising and optimising the Nordic organisation with joint processes. The new organisation in Sweden is being concentrated to Malmö, which means that Midsona has an ambition to close 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. Efficiency-enhancement programme is estimated to entail restructuring costs of around SEK 20 million, which will be charged against profit for the period in 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.

Midsona works with eight prioritised brands, all with great potential for growth. In January 2019, it was decided that the brand Davert would replace the brand Miwana as one of the Group's eight prioritised brands. Miwana will continue to be developed within the Group. Midsona's prioritised brands after the change are – Urtekram, Friggs, Dalblads, Naturdiet, Kung Markatta, Eskimo-3, Helios and Davert.

Note 37 Information about the Parent Company

Midsona AB (publ), corporate identity number 556241-5322, is a Swedish limited company domiciled in Malmö. The visiting address for the head office is Dockplatsen 16 in Malmö and the postal address is PO Box 210 09, SE-200 21 Malmö, Sweden. The company's shares are listed on the Nasdaq Stockholm, Mid Cap list.

The consolidated financial accounts for 2018 comprise the Parent company and its subsidiaries; jointly referred to as "the Group".

Board of Directors' statement of assurance

The Board of Directors and the CEO certify that the consolidated and annual accounts have been prepared in accordance with the international accounting standards referred to in the European Parliament and Council Regulation (EC) No 1606/2002 of 19 July 2002 on the application of international accounting standards and generally accepted accounting principles and give a true and fair view of the financial position and results of the Group and the Parent company. The Administration Report for the Group and Parent company gives a true and fair view of the Group and Parent Company's financial position and results and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Malmö, 28 March 2019

Ola Erici
Chairman of the Board

Henrik Stenqvist
Board Member

Birgitta Stymne Göransson
Board Member

Peter Wahlberg
Board Member

Johan Wester
Board Member

Kirsten Ægidius
Board Member

Peter Åsberg
President and CEO

The annual and consolidated accounts were, as stated above, approved for issue by the Board of Directors on 28 March 2019. The consolidated income statement, statement of comprehensive income and balance sheet, and the Parent Company's income statement, statement of comprehensive income and balance sheet will be submitted for approval at the Annual General Meeting on 3 May 2019.

Our audit report was submitted on 28 March 2019.
Deloitte AB

Per-Arne Pettersson
Authorised Public Accountant

Audit Report

To the Shareholders of Midsona AB (publ), corporate identity number 556241-5322.

Report on the annual accounts and consolidated accounts

Statements

We have conducted an audit of the annual and consolidated financial accounts for Midsona AB (publ) for the financial year 1 January 2018 to 31 December 2018. The company's annual and consolidated accounts are included on pages 79–117 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our statements do not cover the Corporate Governance Report on pages 122–127 or the Sustainability Report on pages 53–73.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the Annual General Meeting adopt the Parent Company Income Statement and Balance Sheet and the Consolidated Statement of Financial Position.

Our statements in this report on the annual and consolidated accounts are consistent with the content of the supplementary report that has been submitted to the Parent Company Audit Committee in accordance with Article 11 of the Auditors Regulation (537/2014).

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Our liability under these standards is described in the section Responsibility of the auditor. We are independent of the Parent Company and the Group in accordance with generally accepted auditing practices in Sweden and have otherwise fulfilled our ethical responsibilities under these requirements. This entails that, based on our best knowledge and conviction, no prohibited services referred to in Article 5.1 of the Audit Regulation (537/2014) have been provided to the audited company or, where applicable, its Parent Company or its controlled companies in the EU.

We believe that the audit evidence we have gathered is sufficient and appropriate as a basis for our opinions.

Particularly important areas

Particularly important areas of the audit are the areas that, in our professional judgement, were the most significant for the audit of the financial statements for the current period. These areas were treated within the framework of the audit of, and in our standpoint regarding, the financial statements as a whole, although we do not make separate statements on these areas.

Acquisitions and identification of surplus values

Description of risk

- In 2018, Midsona completed the acquisition of the Davert GmbH for a total purchase consideration of SEK 378 million.
- The reporting of acquisitions entails significant estimates and assumptions being made by management to determine the fair value of the acquired assets and liabilities and allocating these to the appropriate cash-generating units.

For further information please refer to the Group's accounting policies in Note 1 on pages 88–96, Note 34 on significant estimates and assumptions on page 114, Note 15 on intangible assets on pages 104–105 and in Note 2 on the acquisitions on pages 97–98 in the Annual Report.

Our audit procedures

- Review of acquisition calculations including the Group's assumptions and assessments in the valuation of acquired assets and liabilities with the aid of valuation experts
- We have examined the accuracy and completeness of the relevant notes to the financial statements.

Valuation of goodwill and trademarks with indefinite useful lives

Description of risk

- In its balance sheet as per 31 December 2018, Midsona reported goodwill of SEK 1,408 million (1,234) and trademarks with indefinite useful lives for SEK 801 million (673). These pertain to surplus values arising in connection with acquisitions.
- The value of the reported assets is dependent on future profitability and viability of the cash-generating unit that the assets relate to and is tested at least annually. Impairment trial based on several assumptions including future cash flows, gross margins, discount rate and growth.

- Inaccurate estimates and assumptions may have a significant impact on the Group's earnings and financial position.

For further information, please refer to the Group's accounting policies in Note 1 on pages 88–96, Note 34 on significant estimates and assumptions on page 114 and Note 15 on intangible assets on pages 104–105 in the Annual Report.

Our audit procedures

- We have reviewed and assessed Midsona's procedures for impairment testing of the relevant cash-generating units to ensure that the reported values of the assets are defensible and that the assumptions are reasonable, that the routines are consistently applied and that there is integrity in the estimates made. We have also tested the arithmetic accuracy of the model used.
- We have examined the accuracy and completeness of the relevant notes to the financial statements.

Information other than financial statements and accounting

This document also contains information other than the annual and consolidated accounts and is presented on pages 3–52, 74–78, 121 and 128–138. The Board and the CEO are responsible for this other information.

Our statement regarding the annual and consolidated accounts does not include this information, and we make no statement of assurance regarding this other information.

In connection with our audit of the financial statements, it is our responsibility to read the information identified above and determine whether there are any significant inconsistencies with the financial statements. In this review, we also take into account the knowledge that we otherwise have obtained during the audit as well as assess whether the information in general seems to contain significant errors.

If, based on the work we have done regarding this information, we conclude that the this other information contains any material misstatements, we are obliged to report this. We have nothing to report in this regard.

Responsibility of the Board of Directors and the CEO

The Board and the CEO are responsible for the financial statements are prepared and give a true and fair view in accordance with the Annual Accounts Act and with regard to the consolidated financial statements in accordance with IFRS as adopted by the EU. The Board and the CEO are also responsible for such internal control as they deem necessary for the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual and consolidated accounts, the Board and CEO are responsible for the assessment of the ability of the company and the Group to continue operations. They state, as applicable, regarding circumstances that may affect the ability to continue operations and to use the assumption of continued operation. The assumption of continued operation is not applied if the Board and the CEO intend to liquidate the company, to cease trading, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditors' responsibility

Our goal is to achieve a reasonable level of assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to submit an audit report containing our statements. Reasonable assurance is a high degree of assurance, but is no guarantee that an audit performed in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement if available. Errors can occur due to fraud or error, and is considered to be material if they, individually or together reasonably be expected to influence the economic decisions of users taken with basis in the financial statements.

A further description of our responsibilities in the auditing of the annual and consolidated accounts is available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the audit report.

Of the areas that are communicated with the Board, we establish which of these areas have been the most significance for the audit of the financial statements, including the most important assessed risks of material misstatement, and therefore constitute the audit, particularly for important areas. We describe these areas in the Audit Report unless legislation or other regulations prevent disclosure.

Report on other legal and regulatory requirements

Statements

In addition to our audit of the annual and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Midsona AB (publ) for the financial year 1 January 2018 to 31 December 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the Annual General Meeting that the company's profit appropriate in accordance with the proposal presented in the statutory administration report (Board of Directors' Report) and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for opinions

We have conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibility according to this is described in the section Responsibility of the auditor. We are independent of the Parent Company and the Group in accordance with generally accepted auditing practices in Sweden and have otherwise fulfilled our ethical responsibilities under these requirements.

We believe that the audit evidence we have gathered is sufficient and appropriate as a basis for our opinions.

Responsibility of the Board of Directors and the CEO

The Board of Directors have the responsibility for the proposal to allocations regarding the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements of the company and the type of Group activity, scope and risks placed on the size of the Parent Company and the Group's equity and the company's consolidation requirements, liquidity and position in general.

The Board is responsible for the organisation and management of its affairs. This includes regular assessment of the company's financial position, to ensure that the company's organisation is designed so that accounting, cash management and financial affairs are controlled in a satisfactory manner. The CEO is responsible for the ongoing management of the Board's guidelines and instructions, including taking the measures necessary for the company's accounting to be performed in accordance with law and for asset management to be conducted in a prudent manner.

Auditors' responsibility

Our responsibility regarding the audit of the administration, and therefore our opinion, is to obtain audit evidence to a reasonable degree of certainty to determine whether any Board member or the CEO:

- before taking any action or been guilty of any omission, which could give rise to significant liability to the company, or
- in any significant way, acted in contravention of the Companies Act or the Articles of Association.

Our goal regarding the audit of the proposed appropriation of the profit or loss, and therefore our statement on this, is to determine with a reasonable degree of assurance whether a proposal is in accordance with the Companies Act.
Reasonable assurance is a high degree of assurance, but no guarantee that an audit is performed in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that may cause significant liability to the company, or that the proposed appropriation of the profit or loss is not is consistent with the Companies Act.

A further description of our responsibilities in the auditing of the management is available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the audit report.

Deloitte AB was appointed Midsona AB's auditor at the Annual General Meeting on 29 April 2014 with Per-Arne Pettersson as the Auditor in charge and has been the company's auditor since then.

Malmö, 28 March 2019
Deloitte AB

Per-Arne Pettersson
Auditor in charge

Chairman's Report

Dear shareholders and other readers – we live in a market without borders

Midsona is the leader in the Nordic region in health and well-being and is now aiming to become the leader in Europe.

By continuously monitoring the consumers' needs, understanding where he or she is headed and following the development in nearby product areas, we are entering Europe step by step. Midsona works intensively with the products we have, but we are not comprehensive and therefore want to be involved early on and discover when the consumer finds new areas.

Unbordered consumer trends

The consumer acts without borders and our task is to interpret and monitor these trends. We live in a market without borders and it's a strength for Midsona to have its home base in the Nordic region, which is on the forefront in health and well-being. This is an important cog in our European strategy.

The fruit of the unbordered trends and Midsona's ambition to grow lead among other things to what we call "cross selling". This means that we "cultivate markets" so to speak by moving products from one country to another and thereby create added value for our consumers.

Strong management

Midsona has a strong company management, which develops the business with expertise and a team spirit. It is pleasing that we were able to present the acquisition of Davert during the year, a major player in Germany in ecology and an important step in our European strategy. I am counting on further activities in 2019 and 2020 in this direction. The journey has just begun!

A dynamic Board

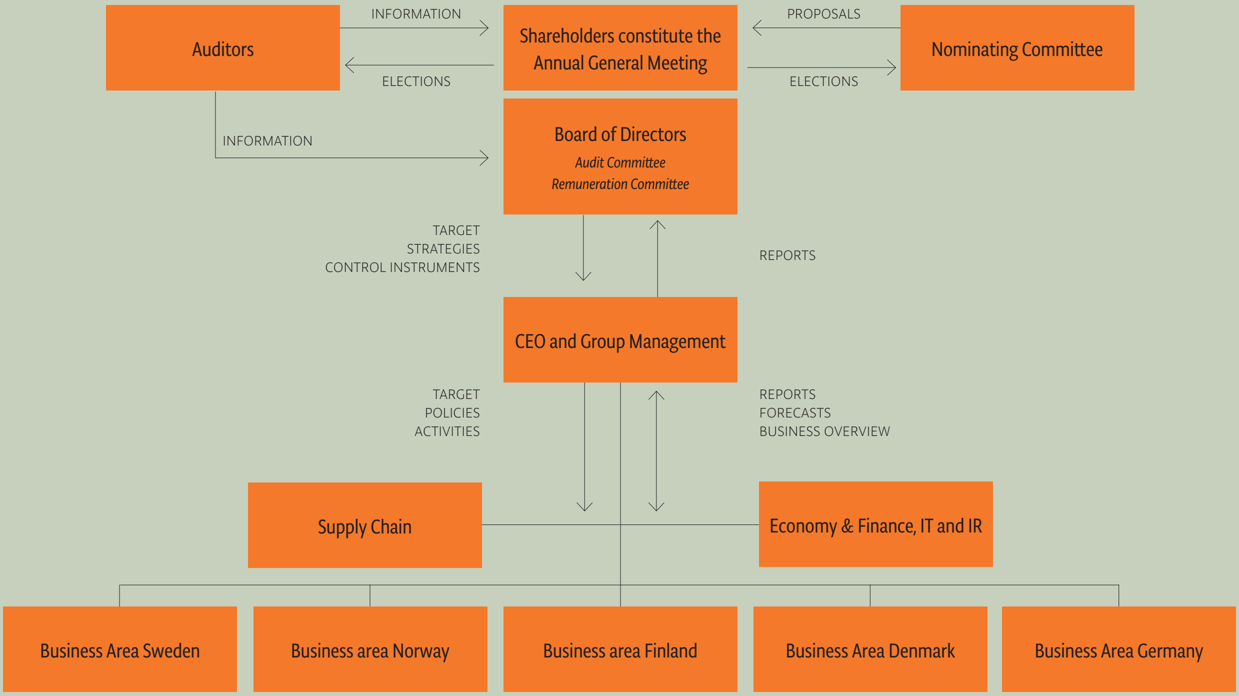
Midsona's Board is appointed by the Annual General Meeting to lead the company to profitable growth. Every year, we conduct an evaluation of the Board's work, and it continues to receive high marks. The evaluation also points out what we can develop and this year, it is time for a more in-depth screening of the Group's strategy. This is in line with the Board of Directors' long-term planning, meaning to raise our sights every three years and evaluate the company's strategy for the coming five years. Last time we did so was in 2016, which resulted in the decision on the on-going expansion in Europe.

The evaluation also shows that the Board has broad expertise relevant to Midsona. Our Board meetings are dynamic with lively discussions and it is my task to ensure that everyone contributes to these discussions in various ways. Just like market trends and consumer behaviour are without borders, the Board's way of thinking must be without borders. We thereby take responsibility for the company's development in the best way – in both the short and long terms.

Ola Erici
Chairman of the Board

Corporate Governance

Midsona AB (publ) (below "Midsona") is a Swedish public company listed on the Nasdaq Stockholm, Mid Cap list. Midsona applies the Swedish Code of Corporate Governance and hereby presents its Corporate Governance Report for 2018. In 2018, Midsona deviated from rule 9.7 in the Code that sets a vesting period of at least three years for incentive programmes based on warrants, which are directed at senior executives. During the year, the Group had two outstanding warrant programmes directed at senior executives, TO2016/2019 and TO2017/2020. The issued programmes have a slightly shorter vesting period than three years, which the Board found suitable. The report has been prepared by the company's Board of Directors and the company's has issued an opinion.



Governance instruments

The external governance instruments forming the framework of Midsona's corporate governance include:

- legislation
- Nasdaq Stockholm's Rules for Issuers
- Swedish Code of Corporate Governance

Midsona also has a number of internal governance instruments, including:

- Articles of Association
- Midsona's Code of Conduct
- formal work plan and instructions for the Board, committees, CEO and financial reporting to the Board
- policy documents, manuals and instructions

Midsona's Articles of Association and Code of Conduct are available for download at www.midsona.com.

Annual General Meeting

Midsona's Annual General Meeting is highest decision-making body at which shareholders exercise their voting rights.

The Annual General Meeting makes decisions regarding amendments to the Articles of Association and the Annual General Meeting which is the annual, ordinary General Meeting, shareholders make decisions on matters including the approval of the income statement and balance sheet, the appropriation of earnings, the discharge of the Board and CEO from liability, the election of Board members, the Chairman of the Board and audit firm, and approval of remuneration of the Board and the audit firm. The Annual General Meeting also decides in principles for the appointment of the Nominating Committee and work, as well as guidelines for remuneration of the CEO and other senior executives. Information on shareholders' right to request that matters be considered by the Annual General Meeting is published at www.midsona.com. Normally, the Annual General Meeting takes place in April or May. Following the meeting, decisions made at the Annual General Meeting are published in a press release. The minutes of the Meeting are published at www.midsona.com.

Shareholder

For information on shareholders, please see pages 74–77 and www.midsona.com.

Annual General Meeting 2018

The 2018 Annual General Meeting was held on 25 April 2018 in Malmö. At the Meeting, 56 shareholders were present in person or by proxy, representing 54.2 percent of the total number of votes. The minutes of the 2018 Annual General Meeting are available at www.midsona.com.

Annual General Meeting 2019

The 2019 Annual General Meeting will take place on 3 May 2019 in Malmö, as was announced in a press release on 17 September 2018. The complete announcement of the 2019 Annual General Meeting, including information about registration for participation at the Meeting was published in a press release on 2 April 2019 and is available at www.midsona.com.

Nominating Committee

The Nominating Committee represents the company's shareholders and nominates the chair of the Annual General Meeting, Board members, Chairman of the Board, audit firm and remuneration of them.

Nominating Committee for the 2019 Annual General Meeting

The 2018 Annual General Meeting resolved to task the Chairman of the Board with contacting representatives of the company's three largest shareholders at the end of August 2018 to ask them to appoint one member each to the Committee.

Name/representing, %	Percentage of votes 31/08/2018	Percentage of votes 28/12/2018
Henrik Munthe/Stena Adactum AB	28.2	28.2
Anna Sundberg/Handelsbanken Fonder	7.0	6.7
Ulrika Danielson/Second AP fund	4.6	4.6
Total	**39.8**	**39.5**

In preparation for the 2019 Annual General Meeting, the Nominating Committee held two minuted meetings prior to the publication of the notice of the Annual General Meeting and members have also maintained ongoing contacts. The Nominating Committee has interviewed two board members and received a presentation of Midsona's operations by the CEO. The Nominating Committee addressed the issues it is required to consider in accordance with the decisions of the Annual General Meeting and in accordance with the Swedish Code of Corporate Governance. Among other matters, the Committee has discussed and considered the extent to which the current Board of Directors meets the demands imposed on a listed company and otherwise as a consequence of the company's operations. In addition, the Nominating Committee has discussed the Board's gender distribution, size, competence, experience and diversity, as well as how well the Board functions, taking into account aspects including the outcome of the Board's own assessment of its work. The election of auditors and remuneration of Board Members and auditors have also been discussed. The Nominating Committee has received information from the Audit Committee on the work of the auditors. The Nominating Committee applied Midsona's Board's diversity policy and Rule 4.1 of the Swedish Code of Corporate Governance in preparing its proposal for the election of Board Members.

The convener of the Nominating Committee has been the Chairman of the Board, Ola Erici, who has also attended all of the meetings. The composition of the Nominating Committee was published in a press release 17 September 2018 and at www.midsona.com. Shareholders have been offered the opportunity to submit proposals to the Nomination Committee. Information on how shareholders can submit proposals to the Nominating Committee is provided at www.midsona.com.

The Nominating Committee's proposal, and reasoned opinion, is published in connection with the announcement of the 2019 Annual General Meeting at the latest.

Members do not receive any fees or remuneration for their work on the Committee.

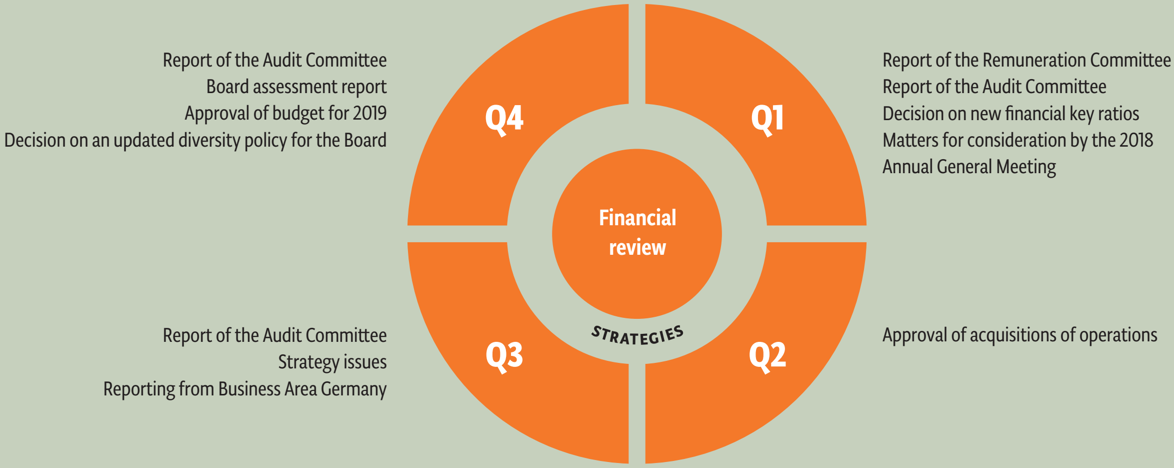
Proposal to the 2019 Annual General Meeting

The Nominating Committee has resolved to propose the following to the 2019 Annual General Meeting:

- Re-election of Board Members Ola Erici , Henrik Stenqvist, Birgitta Stymne Göransson, Peter Wahlberg, Johan Wester and Kirsten Ægidius.
- Re-election of Ola Erici as Chairman of the Board.
- Re-election of Deloitte AB as audit firm.
- Fees shall be payable in an amount of:
  - SEK 550,000 to the Chairman of the Board
  - SEK 235,000 to each of the other Board members
  - SEK 50,000 to the Chair of the Audit Committee
  - SEK 30,000 to each other Board member on the Audit Committee
  - SEK 30,000 to the Chair of the Remuneration Committee
  - SEK 20,000 to each other Board member on the Remuneration Committee

  In relation to the previous year's remuneration levels, the proposal entails the following changes: an increase in the fee to the Board members (except the Chairman of the Board) by SEK 10,000 each and that the Chairman of the Board is now proposed to be entitled to fees for committee work.

Work of the Board in 2018



The Nominating Committee's complete proposals are included in the announcement of the Annual General Meeting.

The Nominating Committee considers that the expertise that exists in the sitting Board meets the company's current needs well.

Board of Directors

Work and responsibilities of the Board

The Board of Directors is the highest management body beneath the Annual General Meeting and is responsible for the organisation and management of the company's affairs. It shall primarily engage in more overarching and long-term issues that are of substantial significance for the Group's future focus.

The work of the Board follows written rules governing its practices and responsibilities, the division of work between the Board and its committees, as well as the role of the Chairman. Also regulated is the framework for the Board meetings, including their convening, agenda and minutes, as well as how the Board is to be supplied with comprehensive information for its work. The Board has also decided on the introduction of general policies for the operations and other central governance documents for the regulation of responsibilities, guidelines, procedures, values and targets.

The work of the Board is normally cyclical in nature. At the beginning of the year, the year-end and annual reports are addressed, as are the matters to be presented at the Annual General Meeting. After the summer, the Group's long-term strategic plan and focus are addressed. At the end of the year, the budget for the coming year is addressed. Each quarter, financial reporting is reviewed and the interim reports are approved for publication. In connection with the Annual General Meeting, an inaugural Board meeting is held, at which Committee members and signatories are determined, among other things.

According to the Articles of Association, the Board of Directors shall consist of at least three members and not more than nine and that no deputies shall be appointed. Members of the Board are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting. There are no rules about how long a member may serve on the Board.

Composition of the Board in 2018

At the 2018 Annual General Meeting, the following six Board members were elected: Ola Erici (Chairman), Henrik Stenqvist, Birgitta Stymne Göransson, Peter Wahlberg, Johan Wester and Kirsten Ægidius. Board composition complies with the Swedish Code of Corporate Governance with regard to its independence in relation to both the company and its management and major shareholders. The gender distribution is two women and four men, which corresponds to a percentage of women of just over 33 percent. For information regarding the Board members' independence, other assignments and shareholdings in the company, see pages 128–129 or Midsona's website www.midsona.com.

The CEO and the CFO, who is also the Board's secretary, both participate in Board meetings. When necessary, other officials participate in Board meetings to report on particular matters.

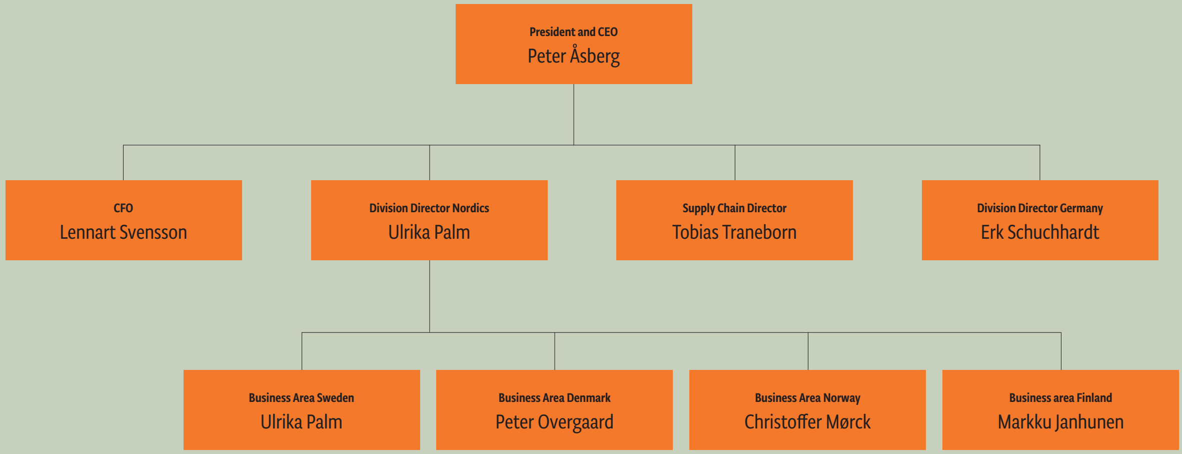
Work of the Board in 2018

In 2018, the Board held 7 meetings (15). For information on members' attendance, please see pages 128–129.

The Board regularly reviews the strategic issues affecting the Group's operations and general direction. The year's work largely focused on the acquisition of Davert GmbH, structural and growth issues, follow-up of prior years' acquisitions, sustainability strategy and strategic planning.

Board meetings follow a pre-approved agenda, to which specific issues will be added as necessary. The agenda, together with documentation for each of its items, is distributed to all Board Members approximately one week before the meeting. Each Board meeting commences with the minutes of the previous meeting and a review of any open matters. The CEO then provides an account of the Group's sales, earnings and business situation, including important external factors. Normally, the CFO then accounts for the Group's financial position in greater detail, together with any necessary analyses, reports are made regarding outstanding questions from earlier Board meetings, and plans and proposals are presented. All business areas present their operations at Board meetings according to a predetermined plan. In addition to the information provided in connection with Board meetings, the CEO distributes a monthly report to Board members. Minutes are kept for all Board meetings and sent to

Group structure



members for approval. One Board meeting is normally held every year at one of the business area's facilities.

Chairman of the Board

The Chairman organises and directs the work of the Board, represents the company on ownership issues and is responsible for evaluating the Board's work. The Chairman is also responsible for the on-going dialogue with the CEO regarding operations and for the Board's fulfilment of its duties.

Evaluation of the Board's work

The Chairman of the Board is responsible for evaluating the Board's work, including the assessment of individual Board members' performance in accordance with an established process. The evaluation is reported to the Nominating Committee and forms the part of the basis for the Committee's proposals to the AGM regarding the composition of the Board and its fees.

Board Committees

The Board has appointed an Audit Committee and a Remuneration Committee. The members of the committees and their chairpersons are appointed at the inaugural Board meeting for one year at a time. The work of the committees is mainly of a preparatory and advisory nature, although the Board may, in individual cases, delegate the right to determine specific issues to the committees. The matters addressed at committee meetings are minuted and reported to the Board at the next Board meeting.

Audit Committee

The Audit Committee's main task is to oversee the financial reporting and ensure that the adopted principles for financial reporting, internal controls, internal audit and risk assessment are adhered to and applied. Its mission is to support the Nominating Committee with proposals for the election of audit firm and audit fees.

In 2018, the Audit Committee consisted of Henrik Stenqvist (chairman), Peter Wahlberg and Johan Wester. The Committee met three times (twice) in 2018. For information on members' attendance, please see pages 128–129. The CEO and the CFO, who is also the Audit Committee's secretary, and the Auditor-in-Charge participate in the Committee's meetings.

As of 2018, the Audit Committee has increased the number of meetings, from the previous two meetings per year to three meetings a year, to ensure continuity in the work of the Audit Committee over the year.

Remuneration Committee

The Remuneration Committee's main task is to prepare business for decision by the Board relating to terms of remuneration and employment for the CEO and other senior executives on the basis of principles established by the Annual General Meeting. It is also tasked with proposing guidelines for remuneration to the CEO and other senior executives, and with monitoring and evaluating the objectives and principles for variable compensation.

In 2018, the Remuneration Committee consisted of Ola Erici (chairman), Birgitta, Stymne Göransson and Johan Wester. The Committee met twice (four times) in 2018. For information on members' attendance, please see pages 128–129.

CEO and Group Management

The President of the company, who is also the CEO of the Group, is appointed by the Board of Directors. Peter Åsberg is the CEO and is responsible for on-going management in accordance with the Board's guidelines and instructions. In consultation with the Chairman of the Board, the CEO prepares the information the Board needs to conduct its work, presents matters and proposals for decisions and keeps the Board informed of the company's development. The CEO leads the work of Group Management and makes decisions in consultation with other members of Group Management. In addition to the CEO, Group Management includes the Chief Financial Officer, Division Director Nordics, Division Director Germany, the Supply Chain Director and the heads of the business areas.

In 2018, the Group Management met eight times (10). Meetings focus primarily on the Group's strategic and operational development and reviewing performance. Operations are organised into five business areas.

For further information about Group Management, please see page 130–131 and www.midsona.com.

Instructions for the CEO

The Board adopts written instructions for the work of the President that, among other things, clarify responsibilities for day-to-day management, the division of duties between the Board and the CEO, as well cooperation with, and the information to, the Board.

Evaluation of the CEO

The Board continuously evaluates the CEO's work and expertise. The evaluation is made once a year without his presence.

Guidelines for remuneration of senior executives

For information on the guidelines for remuneration to senior executives adopted by the 2018 Annual General Meeting and the Board's proposed guidelines for remuneration to senior executives for the 2019 Annual General Meeting, please see pages 101–102 and www.midsona.com.

Regulations regarding share trading

Board members, the CEO and other senior executives registered as executives may trade in Midsona shares in accordance with applicable legislation and regulations. Beyond these, there are no specific internal regulations.

Insider information

Midsona is covered by the stipulations in the EU Market Abuse Regulation No 596/2014 (MAR) that sets requirements on how insider information is handled and the manner in which Midsona is obliged to keep a so-called log book. Since 2018, Midsona uses the digital tool InsiderLog to ensure the handling of insider information. Only authorised individuals in Midsona have access to InsiderLog.

External auditor

Deloitte AB, with authorised public accountant Per-Arne Pettersson as the principal auditor responsible, was elected by the 2018 Annual General Meeting for a period of one year. For information on fees and remuneration of audit firms, please see Note 9 Fees and remuneration to auditors on page 100.

Audit assignment

The audit assignment includes an audit of the annual and consolidated financial statements. An audit is also performed of the proposal for appropriation of the company's profit or loss and the administration by the Board of Directors and the CEO. Statements are also issued regarding the Corporate Governance Report and the Sustainability Report. Statutory reviews are also conducted of the interim reports for the periods 1 January to 30 September and for the period 1 January to 31 December within the framework of the audit assignment.

The principal auditor responsible participates in Audit Committee meetings and reports in an on-going manner to the Chairman of the Audit Committee as necessary. The Board meets with the principal auditor responsible in connection with its handling of the year-end report. The principal auditor responsible participates at the Annual General Meeting, outlining there the audit and presenting the Audit Report.

Additional information

At www.midsona.com, there are an overview of the company's application of the Swedish Code of Corporate Governance, the Articles of Association, the Code of Conduct, information from previous Annual General Meetings and previous Corporate Governance Reports.

Information on the laws and practices of Swedish corporate governance can be found at the Swedish Corporate Governance Board (www.bolagsstyrning.se), Nasdaq Stockholm (www.nasdaqomxnordic.com) and Finansinspektionen (www.fi.se).

Internal control of financial reporting

The report on internal control of financial reporting has been prepared by the Board of Directors in accordance with the Swedish Code of Corporate Governance and the guidelines issued by the Confederation of Swedish Enterprise and FAR. It describes how internal control is organised to manage and minimise the risk of errors in financial reporting.

Internal control

Within the company, the following targets have been set with regard to internal control.

- It shall ensure compliance with the framework of applicable laws, regulations, rules and standards to which we are subject.
- It shall ensure that financial reporting is reliable and provides shareholders, the Board of Directors, management and other stakeholders adequate information on which to assess performance and development.
- It shall ensure that business operations are appropriately organised and conducted in such a manner that risks are continuously assessed, managed and minimised to meet financial and operational targets. On-going efforts to meet these targets involves a process building on a framework for internal control in which there is a particularly crucial interplay between control activities and the development of an effective control environment whereby responsibilities are assumed within the organisation.

The description of how internal controls are organised is limited to the internal control of financial reporting and follows a framework developed by "The Committee of Sponsoring Organisations of the Treadway Commission" (COSO). The framework consists of five components: control environment, risk assessment, control activities, information and communication, and review.

Control environment

The control environment forms the basis for the internal control of financial reporting. An important part of the control environment is that decision-making paths, authorisations and responsibilities are clearly defined and communicated between different parts of the organisation and that control documents in the form of policies, manuals, guidelines and instructions are in place. Consequently, an important part of the Board's work is to develop and approve a number of basic policies, guidelines and frameworks. These include the Board's formal work plan, the instructions to the CEO, regulations regarding investments, a financial policy and an insider policy. The purpose of these documents is to establish a basis for good internal control. The Board also works to ensure that the organisational structure provides clear roles, responsibilities and processes, facilitating effective management of operational risks and enabling the achievement of targets.

As part of the responsibility structure, each month, the Board evaluates business performance and results through an appropriate package of reports containing income statements and balance sheets, analyses of key performance indicators, comments regarding the business situation of each operation and, on a quarterly basis, also forecasts for future periods. As part of efforts to strengthen the internal control, policies, regulations and procedures are in place that provide a clear picture of the economic situation. These are living documents that are updated regularly and adapted to changes in the operations. In addition to this there are instructions that provide guidance in the day-to-day work of the organisation.

Risk assessment

An on-going process is under way to map the Group's risks. In this process, a number of income statement and balance sheet items are identified where the risk of errors in financial reports is elevated. The company makes continuous efforts to strengthen controls around these risks. Furthermore, risks are addressed in specific forums, for example issues related to acquisitions. For information about items that are subject to significant estimates and assumptions, see Note 34 Important estimates and assumptions page 114 and the section Risks and risk management, pages 43–52.

Control activities

The Group's control structure is designed to manage risks that the Board deems relevant in the internal control of financial reporting. The purpose of control activities is to detect, prevent and correct errors and inconsistencies in reporting. Control activities include, for example, processes and procedures for the making of important decisions, earnings analyses and other analytical follow-ups, reconciliations, stock-taking procedures and controls in IT systems.

Information and communication

The company's governing documents, including policies, guidelines and manuals are continuously updated and communicated through the appropriate channels, primarily via e-mail, internal meetings and the intranet.

Follow-up

The Board continuously evaluates the information provided by the Audit Committee, Group Management and the external auditor. The CEO and CFO hold frequent briefings with each of the business area managers regarding the business situation, performance, financial position and forecasts. In addition, the central controller function maintains close cooperation with finance managers and controllers at the business area and company level with regard to reporting and closing the accounts. Follow-up and feedback on any problems arising in the internal controls form a central component in the internal control processes.

Financial reporting

Financial data are reported monthly from all reporting units, in accordance with standardised reporting procedures as documented in the Group's accounting manual. This reporting forms the basis of the Group's consolidated financial reporting. The consolidation, which is performed centrally, culminates in complete income statements and balance sheets for each company and for the Group as a whole. Reported financial data are stored in a central database from which it is retrieved for analysis and review at the Group, business area and company levels.

Assessment of the need for a special review function

The Group currently has no separate review function (internal audit). In light of the existing process for self-assessment and objective testing by an independent party, the view is taken that there is currently no need for a special review function to perform effective monitoring of internal control. However, at the end of 2018, the Group began an overhaul of the Group's internal governance and control systems.

System improvements in 2018

The level at which review and evaluation should be performed is assessed continuously. This assessment also takes into account what systems should be implemented or updated and when.

In Sweden and Denmark, Midsona implemented a common business system during the year that replaces the various business systems that were in the countries. The new business system will also be implemented in Norway and Finland in 2019.

In 2018, Midsona began using the digital tool InsiderLog to ensure the handling of insider information.

Auditor's statement regarding the Corporate Governance Report

To the Annual General Meeting of Midsona AB (publ), corporate identity number 556241-5322

Assignment and responsibilities

The Board of Directors is responsible for the Corporate Governance Report for the financial year 1 January 2018 to 31 December 2018 on pages 122–127 and for it being prepared in accordance with the Annual Accounts Act.

Review focus and scope

Our review has been conducted in accordance with FAR's statement RevU 16 Auditor's review of the corporate governance report. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our statements.

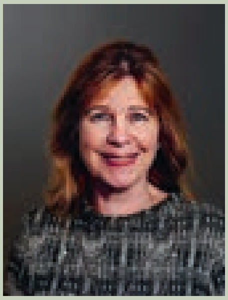
Statement

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, Section 6, second paragraph, Items 2–6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph of the same Act are consistent with the financial statements and are in accordance with the Annual Accounts Act.

Malmö, 28 March 2019
Deloitte AB

Per-Arne Pettersson
Authorised Public Accountant

Board of Directors

	Ola Erici	Henrik Stenqvist	Birgitta Stymne Göransson	Peter Wahlberg
				
Born	1960	1967	1957	1962
Position on the Board/attendance	Chairman – 7/7	Member – 7/7	Member – 7/7	Member – 7/7
Elected, year	2012	2017	2015	2015
Position	Industrial advisor	CFO Sobi	Industrial advisor	Self-employed
Previous experience	CEO of Ferrosan and Skånemejerier and several executive positions in the Tetra Laval Group and Gambro	CFO of Recipharm and Meda and management positions within the AstraZeneca Group	President Memira, President Semantix, Executive Vice President Telefos, CFO Åhléns and CFO McKinsey	Stockbroker Penser Fondkommission and Matteus Fondkommission
Education	MSc Economics, Stockholm School of Economics	MBA, Linköping University	Graduate Engineer, Royal Institute of Technology, Stockholm and MBA Harvard Business School	Economics studies at Lund University
Other assignments	Chairman of the Board of Ecobränsle AB, Geveko AB and Dynsafe AB. Board Member of Haarslev A/S and Tresu A/S, among others.	Board Member of MedCap AB	Chairman of the Board of MAG Interactive AB and BCB Medical Oy, Board member of Elekta AB, Pandora AS and Sportamore AB.	Chairman of the Board of Wallhouse AB. Member of the Boards of Walldoc AB, Hestermus, AB Nolefo, Wahlbergs Drycker AB, AB Data Doc Holding AB and Pudelqvist.
Dependent on the company and its shareholders	No	No	No	No
Own shareholdings and those of closely-related parties, 2018[2]	71,282 Series B shares (personal holding and through closely-related parties) 100,000 call options[3]	20,000 Series B shares	5,500 Series B shares	2,312,773 series B shares (family's and through the company), of which 753,406 is via endowment insurance.
Own shareholdings and those of closely-related parties, 2017	71,245 Series B shares (personal holding and through closely-related parties)	20,000 Series B shares	3,500 Series B shares	2,312,773 series B shares (family's and through the company), of which 753,406 is via endowment insurance.
Remuneration 2018[4]	Board fees 550,000[5] Total 550,000	Directors' fees 225,000 Committee fees 50,000 Total 275,000	Directors' fees 225,000 Committee fees 20,000 Total 245,000	Directors' fees 225,000 Committee fees 30,000 Total 255,000

[1] Johan Wester conducts assignments on behalf of Stena Adactum AB.

[2] Shareholding as of 28 February 2019. For updated shareholding, please see www.midsona.com/bolagsstyrning.

[3] The main owner Stena Adactum AB issued, in November 2016, 100,000 call options with their own holding in Midsona shares as guarantee. Midsona is not a party to the transaction and the future redemption of the warrants will not affect Midsona's financial position and earnings.

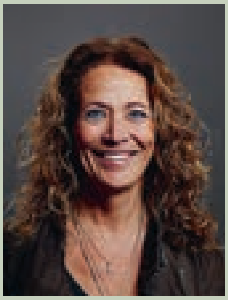
[4] Remuneration of the Board of Directors for the period May 2018 to April 2019. Remuneration to Board members elected by the 2018 Annual General Meeting following a proposal from the Nomination Committee. For more information, see Note 10 Employees, personnel expenses and senior executives' remuneration, pages 101–102.

[5] The Board fees include fees for work in the Remuneration Committee.

Johan Wester

	Johan Wester
1966	
Member – 7/7	
2009	
Investment Director, Stena Adactum AB	
CEO of Mediatec Group, partner at Arthur D. Little and member of the Boards of Ballingslöv International AB and Personec Oy	
Graduate engineer, Chalmers Institute of Technology	
Chairman of S-invest. Board member of Stena Renewable and Beijer Electronics.	
Yes [1]	
67,175 Series B shares (personal holding and through closely-related parties)	
66,425 class B shares (personal holding and through closely-related parties)	
Directors' fees 225,000 Committee fees 50,000 Total 275,000	

Kirsten Ægidius



1963	
Member – 7/7	
2016	
Global Sales and Marketing Manager Harboe Bryggeri A/S	
Group Marketing Director, Hilding Anders, CEO Weber-Stephan Nordics, Marketing Director Carlsberg Denmark and various positions at Coca-Cola and Unilever, member of the Board of Andersen/Martini A/S	
Master's Degree, Copenhagen Business School	
–	
No	
8,500 Series B shares	
4,500 series B shares	
Directors' fees 225,000 Committee fees – Total 225,000	

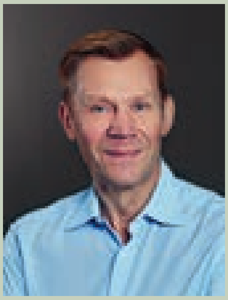
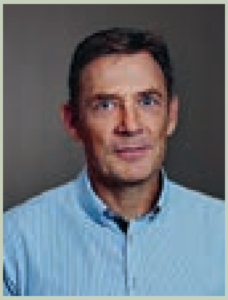
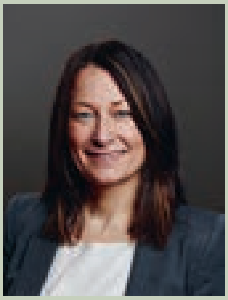
Auditor

Per-Arne Pettersson. Authorised Public Accountant with Deloitte AB and member of FAR.

Audit Committee/attendance
Henrik Stenqvist – Chairman – 3/3
Peter Wahlberg – Member – 3/3
Johan Wester – Board member – 3/3

Remuneration Committee/attendance
Ola Erici – Chairman – 2/2
Birgitta Stymne Göransson – Member – 2/2
Johan Wester – Board member – 2/2

Group Management

	Peter Åsberg	Lennart Svensson	Tobias Traneborn	Ulrika Palm
				
Born	1966	1961	1975	1973
Employed	2007	2009	2017	2016
In current position	2007	2009	2017	2018
Position	President and CEO	CFO	Supply Chain Director	Division Director Nordics, Business Area Manager Sweden
Previous positions	President of Cloetta Fazer, Sverige. Various positions at Procter & Gamble and Coca-Cola	Senior management positions within Ericsson, both in Sweden and internationally	Positions as Chief Operating Officer at CDON.COM, Operations Manager at HKC and as Logistics Manager at both Lantmännen Cerealia and Kjell&Company	CEO Lager 157, Director of Marketing and Innovation for Lantmännen Cerealia and various positions at Procter & Gamble, Wella and Unilever.
Education	MSc Economics, Lund University	MSc Economics, Stockholm University	BSc Engineering, University of Borås	MSc Economics, Gothenburg School of Economics
Other assignments	Chairman of the Board of Svensk Egenvård	–	–	–
Own shareholdings and those of closely-related parties, 2018 [1]	235,668 Series B shares, 100,000 warrants (2016/2019) and 60,000 warrants (2017/2020)	27,492 series B shares, of which, 8,742 in endowment insurance, 50,000 warrants (2016/2019) and 30,000 warrants (2017/2020)	20,000 warrants (2016/2019) and 15,000 warrants (2017/2020)	50,000 warrants (2016/2019) and 12,000 warrants (2017/2020)
Own shareholdings and those of closely-related parties, 2017	115,968 Series B shares, 100,000 call options[2], 100,000 warrants (2016/2019) and 60,000 warrants (2017/2020)	27,492 series B shares, of which, 8,742 in endowment insurance, 50,000 warrants (2016/2019) and 30,000 warrants (2017/2020)	20,000 warrants (2016/2019) and 15,000 warrants (2017/2020)	50,000 warrants (2016/2019) and 12,000 warrants (2017/2020)

[1] Shareholding as of 28 February 2019. For updated shareholding, please see www.midsona.com/om-midsona/bolagsstyrning.

[2] The main owner Stena Adactum issued, in June 2015, 100,000 call options with their own holding in Midsona shares as guarantee. Midsona was not a party to the transaction.

Principles for remuneration

Principles for remuneration of senior executives are determined by the Annual General Meeting. Senior executives are considered to be the CEO and other members of the management team. The 2018 Annual General Meeting approved the following guidelines for remuneration of senior executives: Senior executives shall be offered market-based and competitive compensation. Remuneration levels for individual executives are to be based on factors including position, competence, experience and performance. Remuneration consists of fixed salary and pension, and shall additionally be able to include variable pay, severance pay and non-monetary benefits. Variable pay shall be based on quantitative and qualitative targets being achieved. It shall be possible for the CEO to earn variable pay of at most 50 percent of basic salary and for other members of Group Management to earn variable pay of at most 30 percent of basic salary. Severance pay shall amount to at most six months' salary if notice is given by the company. Salary during the period of notice and severance pay shall be limited to at most 24 months' salary. The board has the right to deviate from these guidelines, if there is reasonable cause in a specific case.

Markku Janhunen	Christoffer Mørck	Peter Overgaard	Erk Schuchhardt
			
1971	1979	1967	1969
2011	2006	2017	2013
2015	2017	2018	2018
Business Area Manager Finland	Business Area Manager Norway	Business Area Manager Denmark	Division Director Germany
Senior positions in the Transmeri Group.	Business Unit Manager at Dangaard Telecom, various positions within the Midsona Group	Leading positions at Education Kompan, Cadbury, Scandic Food, Hjem Is and Jensens Bøfhus	Senior positions in Weleda Germany, Weleda North America and Weleda Argentina
Master of Business Administration, Haaga-Helia University of Applied Sciences	Master of Management degree	Master of Science in Economics, Aalborg University	Master degree from London School of Economics
–	–	–	–
2,100 Series B shares, 40,000 warrants (2016/2019) and 10,000 warrants (2017/2020)	15,000 warrants (2017/2020)	15,000 warrants (2017/2020)	–
2,100 Series B shares, 40,000 warrants (2016/2019) and 10,000 warrants (2017/2020)	15,000 warrants (2017/2020)	15,000 warrants (2017/2020)	–

For the 2018 financial year, variable remuneration of SEK 1,350 thousand was paid to the CEO, of which SEK 450 thousand was allocated to pension benefits. The variable remuneration accounted for 36 percent of base salary. For the 2018 financial year, variable remuneration of SEK 1,552 thousand was paid to the other members of Group Management, which corresponded to 12 percent of base salary.

The Board of Directors' proposed guidelines for remuneration of senior executives ahead of the 2019 Annual General Meeting agree to all intents and purposes with the previous year's guidelines as adopted by the 2018 Annual General Meeting.

Remuneration and other benefits to Group Management, 2018

Group Management (8 individuals)[1]	SEK thousand
Basic salary	16,969
Variable remuneration	2,452
Other benefits	973
Pension expenses	4,304
Total	**24,698**

[1] Group Management comprises those who, together with the CEO Peter Åsberg, were included in Group Management during all or part of the year. These senior executives comprised Lennart Svensson, Markku Janhunen, Lars Børresen (until 31 January 2018), Ulrika Palm, Anders Dahlin (until 30 November 2018), Tobias Traneborn, Christoffer Mørck, Peter Overgaard (from 1 February 2018) and Erk Schuchhardt (from 28 May 2018). For more information on remuneration and other benefits to Group Management, see Note 10 Employees, personnel expenses and senior executives' remuneration, pages 101–102.

Five-year summary

Excerpts from income statements

SEK million	2018	2017	2016	2015	2014
Net sales	2,852	2,146	1,744	1,174	920
Expenses for goods sold	-1,980	-1,435	-1,127	-699	-499
Gross profit	**872**	**711**	**617**	**475**	**421**
Selling expenses	-473	-393	-377	-323	-271
Administrative expenses	-212	-179	-149	-103	-87
Other operating income	7	3	5	9	6
Other operating expenses	-16	-8	-14	-10	-2
Operating profit/loss	**178**	**134**	**82**	**48**	**67**
Financial income	16	0	1	1	1
Financial expenses	-31	-22	-25	-10	-9
Profit/loss before tax	**163**	**112**	**58**	**39**	**59**
Tax	-34	-28	-13	27	4
Profit/loss for the year	**129**	**84**	**45**	**66**	**63**
Depreciation/amortisation and impairment					
Depreciation/amortisation and impairment included in operating income	52	35	25	19	14
EBITDA	**230**	**169**	**107**	**67**	**81**
Non-recurring items					
Items affecting comparability included in operating profit	11	21	27	20	-3
Operating profit, before items affecting comparability	**189**	**155**	**109**	**68**	**64**
Items affecting comparability and depreciation/amortisation and impairment					
Items affecting comparability included in EBITDA	63	56	52	39	11
EBITDA, before non-recurring items	**241**	**190**	**134**	**87**	**78**
Pro forma adjustment and acquisition-related restructuring and transaction expenses					
Pro forma adjustment and acquisition-related restructuring and transaction expenses affecting EBITDA	24	11	63	18	9
Adjusted EBITDA	**254**	**180**	**170**	**85**	**90**

Excerpts from balance sheets

SEK million	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
Intangible assets	2,466	2,129	1,940	1,067	875
Other fixed assets	332	160	139	128	57
Inventories	482	272	244	151	100
Other current assets	318	242	232	148	117
Cash and cash equivalents	101	54	65	61	50
Total assets	**3,699**	**2,857**	**2,620**	**1,555**	**1,199**
Shareholders' equity	1,630	1,550	1,349	877	751
Non-current interest-bearing liabilities	1,124	665	696	250	148
Other non-current liabilities	354	226	211	135	84
Current interest-bearing liabilities	93	41	31	69	53
Other current liabilities	498	375	333	224	163
Total shareholders' equity and liabilities	**3,699**	**2,857**	**2,620**	**1,555**	**1,199**

Excerpts from cash flow statements

SEK million	2018	2017	2016	2015	2014
Cash flow from operating activities before changes in working capital	182	146	103	64	73
Changes in working capital	30	6	-34	23	-17
Cash flow from operating activities	**212**	**152**	**69**	**87**	**56**
Cash flow from investing activities	-357	-91	-848	-254	-54
Cash flow after investing activities	**-145**	**61**	**-779**	**-167**	**2**
Cash flow from financing activities	189	-69	778	183	-14
Cash flow for the year	**44**	**-8**	**-1**	**16**	**-12**
Cash and cash equivalents at beginning of year	54	65	61	50	62
Exchange-rate difference in cash and cash equivalents	3	-3	5	-5	0
Cash and cash equivalents at end of year	**101**	**54**	**65**	**61**	**50**

Key figures [1,2]

		2018	2017	2016	2015	2014
Income and expense						
Net sales growth	%	32.9	23.1	48.6	27.6	0.4
Organic change, net sales	%	3.0	−4.2	−3.8	−7.7	−0.6
Selling expenses/net sales	%	16.6	18.3	21.6	27.5	29.5
Administrative expenses/net sales	%	7.4	8.3	8.5	8.8	9.5
Margin						
Gross margin	%	30.6	33.1	35.4	40.5	45.8
EBITDA margin	%	8.1	7.9	6.1	5.7	8.8
EBITDA-margin, before items affecting comparability	%	8.5	8.9	7.7	7.4	8.5
Operating margin	%	6.2	6.2	4.7	4.1	7.3
Operating margin, before items affecting comparability	%	6.6	7.2	6.3	5.8	7.0
Profit margin	%	5.7	5.2	3.3	3.3	6.4
Capital						
Average capital employed	SEK million	2,552	2,166	1,636	1,074	927
Return on capital employed	%	7.6	6.2	5.1	4.6	7.3
Return on shareholders' equity	%	8.1	5.8	4.0	8.1	8.6
Equity/assets ratio	%	44.1	54.3	51.5	56.4	62.6
Liquidity						
Net debt	SEK million	1,116	652	662	258	151
Net debt/EBITDA	multiple	4.9	3.9	6.2	3.9	1.9
Net debt/adjusted EBITDA	multiple	4.4	3.6	3.9	3.0	1.7
Net debt/equity ratio	multiple	0.7	0.4	0.5	0.3	0.2
Interest coverage ratio	multiple	6.3	6.1	3.3	4.9	7.6
Cash flow						
Cash flow from operating activities	SEK million	212	152	69	87	56
Free cash flow	SEK million	176	125	51	84	54
Employees						
Average number of employees	number	473	353	308	220	154
Number of employees at end of year	number	525	384	322	294	167
Shares and market capitalisation						
Average number of shares during the year	thousand	46,008	44,141	31,547	24,419	22,745
Number of shares at end of year	thousand	46,008	46,008	42,646	28,431	22,745
Market capitalisation	SEK million	2,834	2,691	1,876	938	705
Per share data						
Profit attributable to Parent Company shareholders	SEK	2.80	1.91	1.42	2.71	2.75
Shareholders' equity	SEK	35.43	33.69	31.63	30.85	33.02
Cash flow from operating activities	SEK	4.61	3.44	2.19	3.56	2.46
Free cash flow	SEK	3.83	2.83	1.62	3.44	2.37
Share price on balance sheet date (Series B shares)	SEK	61.60	58.50	44.00	33.00	31.00
Dividend[3]	SEK	1.25	1.25	1.10	1.10	1.10
Yield	%	2.0	2.1	2.5	3.3	3.5
Pay-out ratio	%	44.7	68.2	104.5	47.2	40.0
P/E ratio	multiple	22.0	30.6	30.9	12.2	11.3

[1] Midsona presents certain financial measures in the Annual Report that are not defined under IFRS. For definitions and reconciliation to IFRS, see pages 134–137.
[2] The figures for 2014–2016 have not been recalculated for effects on sales and operating expenses in connection with conversion to IFRS 15.
[3] Dividend for 2018 relates to the proposal by the Board of Directors.

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. The table below presents measures not defined under IFRS, unless otherwise stated. The purpose of each measure is presented in italics.

Return on Equity Profit for the year in relation to average shareholders' equity. *For assessing the company's ability to reach an industry-rate reasonable level of return on the total capital of the owners made available.*
Return on capital employed Profit before tax plus financial expenses in relation to average capital employed *For assessing the company's ability to reach an industry-rate reasonable level of return on the total capital of the owners and lenders made available.*
Gross margin Gross profit in relation to net sales. *Relevant for assessing the company's ability to reach an industry-rate level of profitability.*
Market capitalisation Number of shares at year-end multiplied by the price quoted for Series B share on the balance sheet date. *To assess the company's market value.*
Yield Dividend in relation to the price quoted for class B share on the balance sheet date. *Yield is one central financial measure for determining the share of earnings for the year that the company distributes to its shareholders.*
EBITDA Operating income before depreciation and depreciation of tangible assets and amortisation of intangible assets. *EBITDA is a key performance measure for assessing the earnings trend of the company over time.*
EBITDA margin EBITDA in relation to net sales. *The EBITDA margin is a key performance indicator for assessing the company's ability to reach an industry-based level of profitability.*
Shareholders' equity per share Shareholders' equity divided by the number of shares outstanding at the end of the year. *Is a measurement that measures the company's net asset value per share and allows assessment if the company increases shareholder wealth over time.*
Free cash flow Cash flow from operating activities less cash flow from investing activities, excluding acquisitions/sales of operations and acquisitions/sales of trademarks and product rights. *Is a measure of the company's underlying cash flow.*
Free cash flow per share Free cash flow in relation to the average number of shares. *Is a measure of the company's underlying cash flow per share.*
Average number of shares Average number of shares outstanding during the year. *Financial measure defined under IFRS.*

Adjusted EBITDA EBITDA, rolling 12 months pro forma, excluding acquisition-related restructuring and transaction expenses *Is a relevant measure to increase the comparability of EBITDA over time.*
Items affecting comparability Items affecting comparability, such as restructuring costs and acquisition-related costs. *This is a measure of operating items not normally included in the company's operating activities. Relevant for assessing the company's operating profit growth eliminated for those non-recurring operating items.*
Customer credit period Accounts receivable adjusted for VAT in relation to net sales. *Is a relevant measure to assess how quickly the company gets paid by its customers.*
Net sales growth Net sales for the year less the preceding year's net sales in relation to the preceding year's net sales. *Net sales growth is a key to determine whether the company's growth strategy and the fulfilment of one of the company's financial target of an average growth of at least 10 percent over time is met.*
Net debt Interest-bearing provisions and liabilities at the end of the year less cash and cash equivalents. *Net debt is a measure that the company regards as relevant to creditors and credit rating agencies.*
Net debt/EBITDA Net debt in relation to EBITDA. *Net debt/EBITDA is a figure that Midsona regards as relevant to investors who want to assess the company's opportunities to implement strategic investments, to meet its financial obligations, and to meet one of its financial targets of net debt/EBITDA being maintained at a multiple of less than 2.*
Net debt/adjusted EBITDA Net debt in relation to Adjusted EBITDA. *Net debt/Adjusted EBITDA is a figure that Midsona regards as relevant to investors who want to assess the company's opportunities to implement strategic investments, to meet its financial obligations, and to meet one of its financial targets of Net debt/EBITDA being maintained at a multiple of less than 2. This key figures increase the comparability of \Net debt/EBITDA over time.*
Net debt/equity ratio Net debt in relation to shareholders' equity. *Net debt/equity ratio is a key figure for assessing a company's capital structure.*
Organic change, net sales Net change in sales between years adjusted for translation effects on consolidation and for changes in the Group structure. *Organic change, net sales is a key figure determining whether the company's growth strategy is met, adjusted for currency effects on consolidation as well as acquisitions and divestments of operations.*
P/E ratio Share price on the balance sheet date in relation to earnings per share. *Is a key figure that is considered relevant to assess whether the company's stock is worth buying or not.*
Earnings per share Profit for the year in relation to the average number of shares. *Financial measure defined under IFRS.*
Interest coverage ratio Profit before tax plus interest expenses in relation to interest expenses. *Interest coverage is relevant for assessing the company's ability to execute strategic investments and assess the company's ability to meet its financial commitments.*

Working capital Non-interest-bearing current assets less non-current non-interest-bearing liabilities. *Working capital is a key figure for assessing the company's ability to meet short-term capital requirements.*
Operating margin Operating profit in relation to net sales. *Operating margin is relevant for assessing the company's ability to reach a level of profitability by segment as well as one of the company's financial goal of an operating margin in excess of 10 percent is met.*
Equity/assets ratio Shareholders' equity at the end of the year in relation to total assets. *The equity/assets ratio shows the proportion of the balance sheet total represented by shareholders' equity and has been included to gain a view of the company's capital structure.*
Structural changes Changes in net sales due to changes in the Group structure. *Structural changes measure how changes in the Group structure contribute to changes in net sales.*

Capital employed Total assets less non-interest-bearing liabilities and deferred tax liabilities. *Capital employed is a measure of the total capital that the company borrows from its shareholders, who usually receive compensation in the form of dividends, or that it borrows from credit institutions, who receive compensation in the form of interest.*
Pay-out ratio Proposed/approved dividend in relation to net income. *Pay-out ratio is relevant for assessing whether the company meets one of its financial objectives of having a long-term pay-out ratio exceeding 30 percent.*
Profit margin Profit before tax in relation to net sales. *Profit margin is relevant for assessing the company's ability to reach an industry-based level of profitability.*

Reconciliation to IFRS

EBITDA

Operating profit before amortisation/depreciation and impairment of tangible and intangible assets.[1]

SEK million	2018	2017	2016	2015	2014
Operating profit/loss	**178**	**134**	**82**	**48**	**67**
Amortisation of intangible assets	31	24	16	13	11
Depreciation of tangible assets	21	11	9	6	3
EBITDA	**230**	**169**	**107**	**67**	**81**
Item affecting comparability [2,3]	11	21	27	20	-3
EBITDA, before non-recurring items	**241**	**190**	**134**	**87**	**78**
Net sales	2,852	2,146	1,744	1,174	920
EBITDA-margin, before items affecting comparability	**8.5%**	**8.9%**	**7.7%**	**7.4%**	**8.5%**

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

[2] Specification of non-recurring items

SEK million	2018	2017	2016	2015	2014
Restructuring costs	2	16	20	18	–
Acquisition-related costs	10	5	7	6	0
Reversal of purchase consideration for previous years' acquisitions recognised as a liability	-1	–	–	-4	-3
Total	**11**	**21**	**27**	**20**	**-3**

[3] Corresponding line in the consolidated income statement

SEK million	2018	2017	2016	2015	2014
Expenses for goods sold	2	–	2	6	–
Selling expenses	-1	4	5	8	–
Administrative expenses	1	12	11	2	–
Other operating income	-1	–	–	-4	-3
Other operating expenses	10	5	9	8	0
Total	**11**	**21**	**27**	**20**	**-3**

Adjusted EBITDA

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

SEK million	2018	2017	2016	2015	2014
EBITDA	**230**	**169**	**107**	**67**	**81**
Acquisition-related restructuring expenses	1	16	20	8	–
Acquisition-related transaction expenses	9	5	6	6	0
Pro forma adjustment	14	-10	37	4	9
Adjusted EBITDA	**254**	**180**	**170**	**85**	**90**

Net liabilities

Interest-bearing provisions and interest-bearing liabilities less cash and cash equivalents, including short-term investments.

SEK million	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
Non-current interest-bearing liabilities	1,124	665	696	250	148
Current interest-bearing liabilities	93	41	31	69	53
Cash and cash equivalents[1]	-101	-54	-65	-61	-50
Net liabilities	**1,116**	**652**	**662**	**258**	**151**

[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 liability 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	2018	2017	2016	2015	2014
Equity and liabilities	**3,699**	**2,857**	**2,620**	**1,555**	**1,199**
Other non-current liabilities	-83	-5	-4	–	-4
Deferred tax liabilities	-271	-221	-207	-135	-80
Accounts payable	-357	-220	-212	-132	-88
Other current liabilities	-33	-50	-38	-31	-35
Accrued expenses and deferred income	-108	-105	-83	-61	-40
Capital employed	**2,847**	**2,256**	**2,076**	**1,196**	**952**
Capital employed at the beginning of the period	2,256	2,076	1,196	952	902
Average capital employed	**2,552**	**2,166**	**1,636**	**1,074**	**927**

Return on capital employed

Profit before tax plus financial expenses in relation to average capital employed.

SEK million	2018	2017	2016	2015	2014
Profit/loss before tax	**163**	**112**	**58**	**39**	**59**
Financial expenses	31	22	25	10	9
Profit before taxes, excluding financial expenses	**194**	**134**	**83**	**49**	**68**
Average capital employed	2,552	2,166	1,636	1,074	927
Return on capital employed, %	**7.6**	**6.2**	**5.1**	**4.6**	**7.3**

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	2018	2017	2016	2015	2014
Shareholders' equity	**1,630**	**1,550**	**1,349**	**877**	**751**
Shareholders' equity at the beginning of the period	1,550	1,349	877	751	710
Average shareholder's equity	**1,590**	**1,450**	**1,113**	**814**	**731**

Return on shareholders' equity

Profit for the period in relation to average shareholder's equity.

SEK million	2018	2017	2016	2015	2014
Profit/loss for the year	**129**	**84**	**45**	**66**	**63**
Average shareholder's equity	1,590	1,450	1,113	814	731
Return on equity, %	**8.1**	**5.8**	**4.0**	**8.1**	**8.6**

Free cash flow

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

SEK million	2018	2017	2016	2015	2014
Cash flow from operating activities	**212**	**152**	**69**	**87**	**56**
Cash flow from investing activities	-357	-91	-848	-254	-54
Acquisitions of companies or operations	295	64	800	251	52
Expansion investment in a new production line	26	–	–	–	–
Acquisitions of brands and product rights	–	–	30	–	–
Free cash flow	**176**	**125**	**51**	**84**	**54**

Organic change, net sales

Change in net sales between years adjusted for translation effects on consolidation and for changes in the Group structure.

SEK million	2018	2017	2016	2015	2014
Net sales	**2,852**	**2,146**	**1,744**	**1,174**	**920**
Net sales compared with the corresponding period in the preceding year	-2,146	-1,744	-1,174	-920	-916
Net sales, change	**706**	**402**	**570**	**254**	**4**
Structural changes	-557	-457	-619	-331	-11
Exchange rate changes	-85	-18	5	6	2
Organic change	**64**	**-73**	**-44**	**-71**	**-5**
Organic change, %	3.0%	-4.2%	-3.8%	-7.7%	-0.6%
Structural changes, %	26.0%	26.2%	52.7%	36.0%	1.2%
Exchange rate changes, %	4.0%	1.0%	-0.4%	-0.7%	-0.2%

Glossary

Bars Foods where the most common variant consists of protein bars and weight control bars. They can be eaten as, for example, a snack or meal replacement.
Convenience Service trade.
Cross-selling Selling existing products in other geographic markets.
DLF Trade association for companies that sell convenience goods to retailers, restaurants and institutional catering in Sweden.
Self care products Products consisting of healthy nutritional supplements that contribute to good health and well-being, such as natural and herbal medicines, dietary supplements and supplement-like medical aids.
Organic products Products grown without pesticides or chemical fertilisers. Those seeking to sell products as organic within the EU must comply with the EU regulations for organic production.
Sustainable development (sustainability) Development that meets today's needs without jeopardizing future generations' ability to satisfy their needs.
Healthfoods Food that may be good for our health and our well-being.
Global Compact UN initiative combining companies and community institutions with some ten principles on the environment and society.
GRI (Global Reporting Initiative) Global network in which industry, stakeholders and society work together to produce sustainability reporting based on consensus.
Gluten-free Products with a reduced gluten content, containing a maximum of 20 mg of gluten per kg of product.
GMO (Genetically modified organisms) In a genetically modified organism, the genetic material has been altered in a way that cannot occur naturally. Its use can be both harmful and beneficial to biodiversity.
Nutritional supplements These are classified as foods and serve as supplements to normal foodstuffs. They may contain vitamins and minerals or other nutrients such as omega-3.
Licensed brands Other companies' products that are marketed by Midsona.
Food A substance or a product intended for use as a food or beverage. Food should preferably provide the body with essential energy and nutrients while also tasting good.
Pharmaceutical According to the law, pharmaceuticals are all substances allegedly able to detect, prevent, treat or cure disease or disease symptoms.
Minerals The body comprises some 20 different minerals. They make up about 4 percent of bodyweight. Minerals are needed in small amounts but are vital because our bodies cannot produce them.
Omega-3 A number of polyunsaturated and beneficial fatty acids are referred to as omega-3. They are essential fatty acids, meaning the body cannot produce them itself and must instead obtain them through diet. The longer polyunsaturated fatty acids EPA and DHA from fish and fish oil in particular have been found to have additional health-beneficial effects.
Private Label Own brand products. For example, actors in retailing let their product be made by a third-party producer and then sells the product under an own brand, often in own stores.
Processed food Food that is industrially processed and lacks a significant part of its original nutrition.
Sports nutrition Nutritional and dietary supplements that cater to athletes.
Dry goods Semi-durable goods such as preserves, spices, cereal flakes, flour and nuts. They have in common a long shelf life.
Vegetarian Refraining from food from the animal kingdom. The reasons for choosing vegetarian food vary, for example for environmental or health reasons, for ethical or religious reasons, or simply because people prefer vegetarian foods.
Veganism Taking a position against the use of animals in any form. Accordingly, vegans refrain completely from animal products including all kinds of meat and foods produced by animals, such as milk, cheese, eggs and honey. Vegans also refrain from using animals in, for example, fashion and furnishings.
Vitamins Vitamins are organic substances. Their effect and appearance varies. Common to all of them is that they must be supplied from outside the body. Vitamins are needed in very small amounts but are vital because our bodies cannot produce them. Deficiencies may lead cause disease.
Plant-based diet In a plant-based diet, preferably 2/3 is comprised of plant-based food. Animal products normally do not need to be excluded entirely, but rather the proportions change.
Äkta vara Non-profit consumer association that uses the Swedish letter Ä as its symbol.

Sales channels

Pharmacies Parties conducting retail trade of medicines and other special pharmaceutical preparations through shops and those conducting wholesale operations specialised in sales to parties conducting retail trade of medicines and other special pharmaceutical preparations.
FMCG retail Parties conducting retail trade of a wide range of household products through shops. The term refers to hypermarkets, supermarkets, discount stores, after-hours supermarkets and convenience stores.
E-trade/post order Parties that primarily sell to consumers via the Internet, through webshops or portals from which end consumers can have the ordered items delivered to their homes or other designated locations. This channel also includes Midsona's own online shops/websites where sales are made directly to consumers, and post-order sales, which are also made directly to consumers.
Food service Actors that prepare finished meals, such as restaurants, catering, food industry, hospitals, schools and other institutions, as well as wholesalers that provide such actors with products.
Healthfood retailers Retailers specialised in health and self care, mainly through shops and those conducting wholesale operations specialised in sales to retailers specialised in health and self care.
Other specialist retailers Other retailers, conducting sales mainly through shops. This channel includes sports and leisure shops, health clubs, perfume shops, baby shops, clothing shops and bakeries.
Other sales channels Those who trade in ways other than those that can be classified under the other sales channels.

Denna rapport finns även på svenska
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The English version is a translation from Swedish.
In case of discrepancy, the Swedish version shall prevail.

The Annual Report is available in English and Swedish versions. In case of any discrepancies between the Swedish and English versions, the Swedish version is considered the official version. This annual report was published on the company's website (www.midsona.com) on 29 March 2019. Printed copies are sent to shareholders and other stakeholders on request. The Directors' Report is given on pages 79-82. The financial accounts are given on pages 79-117 and have been prepared in accordance with IFRS. All figures are expressed in millions of Swedish kronor (SEK) unless otherwise stated. Figures in parentheses refer to the preceding financial year, unless otherwise stated. Market information is based on Midsona's own assessment if no other source is given. Assessments are based on the best available evidence.

This report contains forward-looking statements. Although Midsona's management believes this information is reasonable, no assurance can be given that these expectations will prove correct. Actual future outcomes may vary from those indicated in the forward-looking information due, among other things, to changes in economic, market and competitive conditions, changes in the regulatory environment and other political measures, fluctuations in exchange rates and other factors.

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