midsona

INTERIM REPORT JANUARY–SEPTEMBER 2019

Acquisition-intensive quarter with strong underlying growth

July–September 2019 (third quarter)

- Net sales amounted to SEK 765 million (773), of which the concluded Alpro sales assignment was SEK 2 million (71).
- Growth for the prioritised brands was 11.7 percent.
- EBITDA amounted to SEK 77 million (68) before items affecting comparability, corresponding to a margin of 10.1 percent (8.8).
- Profit for the period was SEK 35 million (32), corresponding to earnings per share of SEK 0.77 (0.70) before and after dilution.
- Free cash flow amounted to SEK 19 million (96).
- Midsona acquired Eisblümerl Naturkost GmbH in Germany and Ekko Gourmet AB in Sweden.
- Midsona entered an agreement to acquire Alimentation Santé SAS, with a leading position in organic and plant-based food in France and Spain.

January–September 2019 (nine months)

- Net sales amounted to SEK 2,256 million (2,097).
- EBITDA amounted to SEK 209 million (182) before items affecting comparability, corresponding to a margin of 9.3 percent (8.7).
- Profit for the period was SEK 62 million (96), corresponding to earnings per share of SEK 1.35 (2.09) before and after dilution.
- Free cash flow amounted to SEK 52 million (132).

Significant events following the end of the report period.

- Midsona took possession of the acquisition of Alimentation Santé SAS on 1 October.
- The Board of Directors of Midsona decided on a new share issue with preferential rights for existing shareholders of around SEK 600 million.
- Midsona acquired 51 percent of Paradiset EMV AB, a collaborative arrangement together with the food chain Paradiset.

Key figures, Group[1,2]

	July–Sept 2019	July–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Rolling 12-month	Full year 2018
Net sales growth, %	−1.0	34.9	7.6	33.1	12.9	32.9
Operating margin, before items affecting comparability, %	30.1	29.4	30.1	31.2	29.8	30.6
Gross margin, %	31.5	29.4	29.8	31.1	29.6	30.6
EBITDA-margin, before items affecting comparability, %	10.1	8.8	9.3	8.7	8.8	8.5
EBITDA margin, %	11.1	8.9	8.8	8.2	8.5	8.1
Operating margin, before items affecting comparability, %	6.4	6.5	5.7	6.8	5.7	6.6
Operating margin,%	7.5	6.6	5.2	6.3	5.4	6.2
Profit margin, %	5.8	5.3	3.3	5.7	3.9	5.7
Average capital employed, SEK million	3,143	2,867	3,050	2,567	3,065	2,552
Return on capital employed, %					5.5	7.6
Return on equity, %					5.7	8.1
Net debt, SEK million	1,401	1,155	1,401	1,155	1,401	1,116
Net debt / Adjusted EBITDA, multiple					5.3	4.4
Net debt/equity ratio, multiple	0.8	0.7	0.8	0.7	0.8	0.7
Interest coverage ratio, multiple	4.4	5.1	2.7	6.2	3.3	6.3
Equity/assets ratio, %	41.1	43.4	41.1	43.4	41.1	44.1

[1] Midsona presents certain financial measures in the Interim Report that are not defined under IFRS. For definitions and checks against IFRS, please refer to pages 23–24 of this interim report and to pages 134–137 in the 2018 Annual Report.
[2] Key figures for the comparison year are not restated for the IFRS 16 effect.

Note: This is information such that Midsona AB (publ) is required to publish under the EU Market Abuse Regulation. This interim report was submitted under the auspices of Lennart Svensson for publication on 23 October 2019 at 8:00 a.m. CET.

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Peter Åsberg, President and CEO

QUARTER 3

SEK 765 million

Sales

SEK 77 million

EBITDA, before items affecting comparability

10.1 percent

EBITDA-margin, before items affecting comparability

11.7 percent

Growth in prioritised brands

Comment by the CEO

A strong quarter in terms of earnings

In the third quarter, Midsona took market shares and sales for our eight prioritised brands increased by a solid 12 percent. The sales for the Group as a whole continued, however, to be impacted negatively by the concluded distribution assignment for Alpro. In total, it yielded more or less unchanged sales (–1 percent). In addition to this, there was a raw material shortage of peanuts and almonds, which mainly affected the German market and the newly acquired Eisblümerl. In terms of earnings, we had a strong quarter, despite continued headwind from the exchange rate trend. This was mainly attributable to the strong sales growth for our prioritised brands, furthermore our Nordic cost-savings programme began to provide results.

Strong growth for our prioritised brands

By focusing our resources on our strongest brands, we feel that we have the best conditions to reach our financial targets in the long term and, during the quarter, it was pleasing to see our market investments having an effect. Sales for our eight prioritised brands increased sequentially during the year, from a growth of 6 percent in the first quarter and 10 percent in the second quarter to 12 percent in the third quarter. Friggs continued to perform the best, but our organic brands also made strong contributions and improved growth from the restrained first six months.

Focus on acquisitions and integration

The third quarter was very intensive in terms of acquisitions and was dominated by the acquisition of Alimentation Santé, a leading actor in organic and plant-based food in France and Spain. The acquisition constitutes a strategically important platform for our continued European expansion at the same time that it strengthens our position in organic and plant-based food. We see major development opportunities, mainly in plant-based meat alternatives, and through this acquisition, we have gained access to production capacity for this, which we also intend to use in other parts of the Group. The acquisition was announced at the beginning of the quarter and concluded after the end of the quarter on 1 October 2019. An intensive integration effort has thereafter begun.

At the beginning of the quarter, Eisblümerl, one of Germany's leading producers of organic nut, nougat and chocolate spreads, was also acquired. It is pleasing that we have already seen a good return for Eisblümerl in the existing structure in Davert. These companies are good examples of our strategy: an initial platform acquisition (Davert) that is then supplemented with an add-on acquisition (Eisblümerl).

The same logic applies to the acquisition of the Swedish company Ekko Gourmet, announced at the beginning of the quarter. Ekko Gourmet is specialised on organic and vegan food and can use Midsona's strong distribution network. The integration has gone well and the acquisition has also developed well in its new environment.

Upcoming integration work and impending new share issue

Overall, we are pleased about the underlying sales trend for our prioritised brands during the quarter and also about our Nordic cost-savings programme beginning to yield results. However, we still have the largest effects of the programme ahead of us, which bodes well for upcoming quarters. During the quarter, we devoted a lot of time to concluding the acquisitions we recently presented and, in the current quarter, we expect considerable focus to be on integrating them into the Midsona Group.

The extensive confidence that many existing shareholders have shown for our impending new share issue, which is being done to finance the acquisition of Alimentation Santé, is also pleasing. A new long-term financing agreement that provides conditions for continued growth was also announced during the quarter.

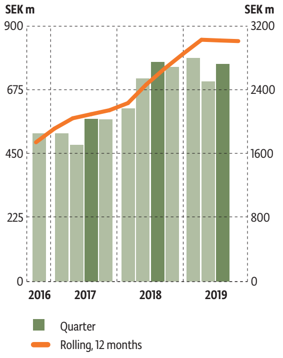
We will continuously work further to find new platform and add-on acquisitions. Through the acquisitions made to-date, we have earnestly committed to consolidating the fragmented European market for products in health and well-being. I am confidently and inquisitively looking forward to our exciting future and would like to take this opportunity to thank colleagues, Board members and shareholders for their strong confidence in Midsona.

Peter Åsberg
President and CEO

Financial information

Net sales

Net sales



July–September

Net sales amounted to SEK 765 million (773), a decrease of 1.0 percent. The Group's eight prioritised brands had a strong growth of 11.7 percent, mainly driven by the brand Friggs. In spite of this, the organic change in net sales was a decline of 4.9 percent while structural changes contributed by 2.8 percent and exchange rate fluctuations by 1.1 percent. The negative organic change in net sales was fully related to the concluded sales assignment for Alpro and, adjusted for that, net sales increased organically by 4.6 percent. Sales were relatively good in all geographic markets despite a somewhat lower service level than normal in some markets and raw material shortage for some of the Group's product groups.

Sales decreased for Sweden and Norway, essentially attributable to the concluded sales assignment for Alpro. For Sweden, several prioritised brands had a strong sales growth, driven by Friggs in particular. However, the good sales trend continued to entail some capacity challenges in the supplier level for some product groups. The sales trend for the organic product portfolio stabilised and growth was good. For Norway, several prioritised brands and licensed brands had a strong sales growth, despite some challenges in the market. Activity in the Norwegian FMCG retail was slightly lower than normal, partly as a consequence of all merchandising recently shifting to the FMCG retail chains' own direction and where efforts continously are made to find flows and structures. The service level to customers for some product groups was also lower than normal, which had a negative impact on sales.

The sales trend was good for both Finland and Germany. For Finland, prioritised brands in particular had strong sales growth with larger market shares for several product groups, primarily in FMCG retail, despite growing competition from both private label products and from other brand companies. For Germany, sales growth was strong, driven by acquired business volumes, contract manufacturing volumes and raw material sales. A general raw material shortage of peanuts and almonds, which are important ingredients in some product groups, entailed sales losses. The German market for organic products is changing, with higher sales volumes to FMCG retail at the expense of traditional specialist retailers. An organic positioning strategy is on-going in FMCG retail, entailing some launch delays. The German market is also strongly regionalised, which altogether meant that the on-going roll-out of the prioritised brand Davert in FMCG retail is currently going slower than planned.

For Denmark, sales were in line with the previous year. The sales trend for the prioritised brand Urtekram was stable. Internal sales volumes increased and partially compensated for a concluded contract manufacturing agreement.

January–September

Net sales amounted to SEK 2,256 million (2,097), an increase of 7.6 percent. The organic change in net sales was a decline of 6.0 percent while structural changes contributed by 11.8 percent and exchange rate fluctuations by 1.8 percent. Net sales growth was strongly negatively impacted by a concluded sales assignment for Alpro for Sweden and Norway in the first quarter of 2019. The organic change in net sales was 1.5 percent adjusted for the concluded sales assignment. The Group's eight prioritised brands showed growth of 8.9 percent*.

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

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

Gross profit

July–September

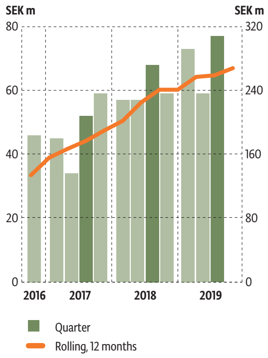
Gross profit amounted to SEK 230 million (227) before items affecting comparability, corresponding to a margin of 30.1 percent (29.4). The gross margin improved as a result of coordinated supply chain activities on a Nordic basis having a breakthrough and a more favourable product and customer mix through a higher share of personal care products with a generally higher margin. The exchange rate trend for the SEK against the EUR remained unfavourable, however, which entailed substantially higher product costs for Sweden, which were not compensated for by price increases made in the next stage. Retailers were notified of price increases, which are expected to have an impact on earnings in the first half of 2020. The gross margin for Germany was also negatively impacted by an unfavourable product mix at the same time that some temporary production-related additional costs were charged to gross profit.

January–September

Gross profit amounted to SEK 679 million (655) before items affecting comparability, corresponding to a gross margin of 30.1 percent (31.2). The lower gross margin was especially related to an unfavourable exchange rate trend for the SEK against the EUR. For Sweden, implemented price increases towards retailing had some impact in the first quarter, but these price increases did not compensate for the past year's continuation of an unfavourable exchange rate trend. Moreover, the gross margin was negatively impacted compared with the corresponding period in the previous year by higher purchase prices on some finished products and by the prevailing cost structure for Germany, with a higher share of production- and inventory-related costs compared with the Group's other operations.

Operating profit/loss

EBITDA, before items affecting comparability



July–September

EBITDA amounted to SEK 77 million (68), before items affecting comparability, corresponding to a margin of 10.1 percent (8.8), and was driven by acquired business and a changed accounting principle (IFRS 16) and good growth of the underlying business. The effect of a changed accounting principle (IFRS 16) entailed a decrease in the operating expenses of SEK 12 million as the leasing charges were replaced by depreciation and interest. Amortisation and depreciation for the period amounted to SEK 28 million (18), divided between SEK 8 million (10) in amortisation of intangible fixed assets and depreciation of SEK 20 million (8) on property, plant and equipment. Amortisation and depreciation increased as a result of a utilised expansion investment and the changed accounting principle (IFRS 16), which entailed depreciation on property, plant and equipment with a right of use of SEK 10 million. Operating profit amounted to SEK 49 million (50) before items affecting comparability, corresponding to a margin of 6.4 percent (6.5). The operating profit for the period amounted to SEK 57 million (51), corresponding to a margin of 7.5 percent (6.6).

EBITDA, before items affecting comparability, improved for both Denmark and Finland as a result of higher sales volumes and good cost control. For Sweden and Norway, EBITDA, before items affecting comparability, was lower than in the preceding year. For Sweden, this was mainly as a consequence of higher product costs as a result of a continuation of an unfavourable trend for the SEK against the EUR and a concluded sales assignment. For Norway, this was primarily through lower sales volumes related to a concluded sales assignment and some slowdown in sales volumes to the important FMCG retail sector. The underlying operations in the Nordic region showed good growth. A savings programme to improve efficiency is under way in the Nordic countries. The programme is progressing according to plan with sequential effect in earnings in 2019–2020 and with full effect in earnings in 2021.

For Germany, EBITDA was in line with the previous year despite increased sales volumes. An unfavourable product mix impacted earnings negatively at the same time that temporary production and sales expenses were charged to earnings. The prevailing shortage of the raw materials of peanuts and almonds also had a negative impact on both sales and earnings in the period.

January–September

EBITDA amounted to SEK 209 million (182), before items affecting comparability, corresponding to a margin of 9.3 percent (8.7), and was driven by acquired business and a changed accounting principle (IFRS 16). The effect of a changed accounting principle (IFRS 16) entailed a decrease in the operating expenses of SEK 34 million as the leasing charges were replaced by depreciation and interest. Amortisation and depreciation for the period amounted to SEK 80 million (39), divided between SEK 24 million (23) in amortisation of intangible fixed assets and depreciation of SEK 56 million (16) on property, plant and equipment. Amortisation and depreciation increased as a result of acquired operations and a utilised expansion investment and the changed accounting principle (IFRS 16), which entailed depreciation on property, plant and equipment with a right of use of SEK 30 million. Operating profit amounted to SEK 129 million (143) before items affecting comparability, corresponding to a margin of 5.7 percent (6.8). Operating profit for the period amounted to SEK 118 million (132), with an operating margin of 5.2 percent (6.3).

EBITDA, before items affecting comparability, improved for Denmark and Finland. For Denmark, this was through higher sales volumes, improved margins and good cost control. For Finland, it was mainly through higher sales volumes and improved cost control. For Sweden and Norway, EBITDA, before items affecting comparability, was lower than in the preceding year. For Sweden, this was primarily related to lower sales volumes due to a concluded sales assignment and significantly higher product costs as result of an unfavourable currency trend for the SEK against the EUR. For Norway, it was a result of lower sales volumes after both a concluded sales assignment and generally slightly slower sales volumes. For Germany, EBITDA before items affecting comparability was lower than the planned level.

Items affecting comparability

July–September
The operating profit for the period included positive items affecting comparability of SEK 8 million (1), which was comprised of SEK 12 million in a reversed part of a restructuring reserve as a result of changed conditions and a negative SEK 4 million in acquisition-related costs. The comparative period included positive items affecting comparability of SEK 1 million, pertaining to a reverse purchase consideration from previous years' acquisitions that had been recognised as a liability. A positive item affecting comparability was included in the function of cost of goods sold at SEK 11 million and a negative items affecting comparability for other operating expenses at SEK 3 million.

January–September
Operating profit for the period included negative items affecting comparability in an amount of SEK 11 million (11), of which SEK 13 million (2) was restructuring costs for an efficiency-enhancement programme for the Group's Nordic operations, SEK 6 million (1) was an expense for a revaluation of a purchase consideration for previous years' acquisitions that had been entered as a liability and SEK 4 million (10) was for acquisition-related costs.

Financial items

July–September
Net financial items amounted to an expense of SEK 13 million (10), of which interest expenses on external loans to credit institutions amounted to SEK 7 million (3) and interest expenses attributable to finance leases amounted to SEK 1 million (0). Interest expenses to credit institutions increased as a result of higher indebtedness for completed business combinations in the third quarter of 2019. Other financial expenses were also higher during the period as a result of an implemented refinancing. Unrealised translation differences on financial receivables and liabilities in foreign currency were negative in an amount of SEK 2 million (1).

January–September
Net financial items amounted to an expense of SEK 44 million (13), of which interest expenses on external loans to credit institutions amounted to SEK 22 million (18) and interest expenses attributable to finance leases amounted to SEK 3 million (0). Interest expenses to credit institutions increased as a consequence of higher indebtedness related to completed business combinations in the second quarter of 2018 and the third quarter of 2019. Unrealised translation differences on financial receivables and liabilities in foreign currency were negative in an amount of SEK 12 million (positive 9).

Profit for the period

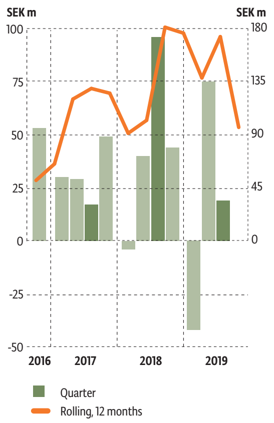
July–September
Profit for the period amounted to SEK 35 million (32), corresponding to earnings per share of SEK 0.77 (0.70) before and after dilution. Tax on profit for the period amounted to a negative SEK 9 million (9), of which a negative SEK 5 million (3) consisted of current tax and negative SEK 4 million (6) in deferred tax. The effective tax rate for the period was 20.9 percent (22.9).

January–September
Profit for the period amounted to SEK 62 million (96), corresponding to earnings per share of SEK 1.35 (2.09) before and after dilution. Tax on the profit for the period amounted to a negative SEK 12 million (23), of which negative SEK 16 million (7) consisted of current tax and positive SEK 4 million (negative 16) of deferred tax. The effective tax rate for the period was 16.6 percent (19.5), which was significantly lower than the current tax rate applicable to the Parent Company. The difference was mainly attributable to an operating restructuring between Group companies with the aim of optimising the operations and a non-taxable income from a revaluation of a purchase consideration for earlier years' acquisitions entered as a liability.

Cash flow

July–September
Cash flow from operating activities amounted to SEK 29 million (98). Cash flow from operating activities before changes in working capital improved, while changes in working capital weakened, primarily as a result of higher operating receivables and lower operating liabilities. Operating receivables increased substantially compared with the previous quarter as a consequence of the good invoicing in August and September compared with May and June. Several large customer payments were received only after the end of the period. Capital tied up in inventories decreased by SEK 37 million as a result of steps taken to reduce it.

Free cash flow



Cash flow from investing activities amounted to a negative SEK 87 million (40), consisting of business acquisitions of negative SEK 77 million (14), investments in tangible and intangible fixed assets of a negative SEK 9 million (26), and a change in financial assets by a negative SEK 1 million. Free cash flow amounted to SEK 19 million (96). Cash flow from financing activities was SEK 156 million (negative 13), which was comprised of proceeds from the issue of a warrant programme of SEK 21 million (see the section Closely-related parties on page 7), loans raised of SEK 1,230 million and outflows for loan repayments of SEK 1,083 million (12) attributable to refinancing (see the section on the New financing agreement, page 9) and leasing liability repayments of SEK 12 million (1).

January–September

Cash flow from operating activities was SEK 81 million (154) where cash flow from operating activities before changes in working capital continued to develop strongly, while changes in working capital weakened, primarily as a result of a reduction in operating liabilities compared with the year-before period.

Cash flow from investing activities amounted to a negative SEK 106 million (341), consisting of business acquisitions of negative SEK 77 million (295), investments in tangible and intangible fixed assets of a negative SEK 25 million (46), and a change in financial assets by a negative SEK 4 million. Free cash flow amounted to SEK 52 million (132). Cash flow from financing activities was SEK 59 million (211) comprised of proceeds for the issue of a warrant programme of SEK 21 million (see the section Closely-related parties on page 7), issue expenses of SEK 0 million, loans raised of SEK 1,230 million (375), and outflows for repayment of bank loans of SEK 1,128 million (105), repayment of lease liabilities by SEK 34 million (1) and dividends paid of SEK 30 million (58).

Liquidity and financial position

Cash and equivalents amounted to SEK 134 million (85) and there were unused credit facilities of SEK 975 million (175) at the end of the period. Net debt amounted to SEK 1,401 million (1,155) with the increase being primarily attributable to a changed accounting principle (IFRS 16) and financing of business combinations. The net debt/equity ratio was a multiple of 0.8 (0.7). The ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 5.3 (4.4) and at the end of the previous quarter it was a multiple of 5.7.

Shareholders' equity amounted to SEK 1,717 million (1,637). At the end of the preceding quarter, shareholders' equity was SEK 1,669 million. The changes consisted of profit for the period of SEK 35 million, exchange differences on translation of foreign operations of a negative SEK 8 million, an issue of a warrant programme of SEK 21 million and issue expenses of SEK 0 million. The equity/assets ratio was 41.1 percent (43.4) at the end of the period.

Investments

July–September

Investments in intangible and tangible fixed assets amounted to SEK 9 million (26), of which most were related to an ongoing investment in software in the form of business systems and compensation investments in the German operations.

January–September

Investments in intangible and tangible fixed assets amounted to SEK 25 million (46). This was primarily comprised of an investment in software in the form of a new business system and compensation investments in the German operations.

Other information

Personnel

The average number of employees was 538 (457), while the number of employees at the end of the period was 571 (533). The number of employees increased during the quarter as a result of the acquisition of Eisblümerl Naturkost GmbH in July 2019.

Parent Company

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

Net sales amounted to SEK 34 million (30), and related primarily to invoicing of services provided internally within the Group. Profit before tax amounted to SEK 94 million (3). Profit before tax included dividend from subsidiaries of SEK 122 million (–). Net financial items also included negative exchange-rate differences on financial receivables and liabilities in foreign currency of SEK 10 million (positive 24).

Cash and cash equivalents, including unutilised credit facilities, amounted to SEK 1,090 million (241). Borrowing from credit institutions was SEK 1,145 million (1,049) at the end of the period. On the balance sheet date, there were 14 employees (17).

A new long-term financing agreement was signed with Danske Bank and Svensk Exportkredit (see the section New long-term financing agreement, page 9).

For the Parent Company, SEK 34 million (30), equivalent to 100 percent (100) of sales for the period and SEK 0 million (1), corresponding to 1 percent (4) of purchases for the period pertained to subsidiaries within the Group. Sales to subsidiaries pertained mainly to administrative services, while purchases from subsidiaries mainly pertained to consultancy services and other reimbursements for expenses. All pricing is conducted on market terms.

Closely-related parties

In September, senior executives subscribed for 423,800 Series B shares with support from warrants, which were issued in the scope of the warrant programme TO2016/2019, whereby the company obtained SEK 21 million. No other significant transactions with related parties occurred during the period.

The share

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

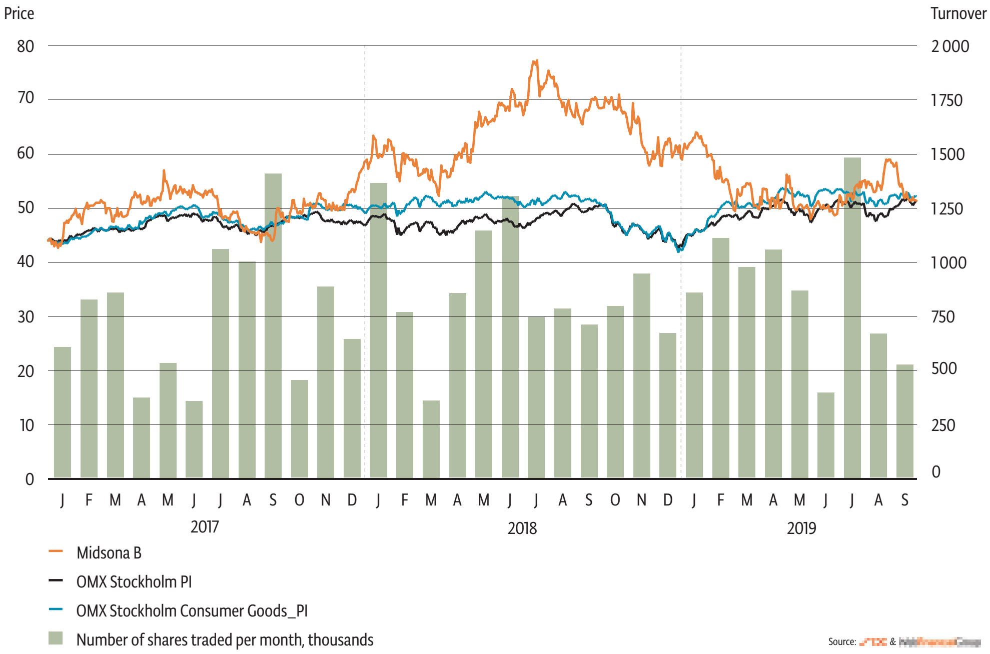
At the end of the period, the total number of shares was 46,431,864 (46,008,064), divided between 539,872 Series A shares (539,872) and 45,891,992 Series B shares (45,468,192). At the end of the period, the number of votes was 51,290,712 (50,866,912), where one Series A share carries ten votes and one Series B share carries one vote.

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

During the period January–September 2019, 7,926,832 shares (8,046,129) were traded. The highest price paid for Series B shares was SEK 64.20 (78.90), and the lowest was SEK 48.00 (51.00).
On 30 September, the most recent price paid for the share was SEK 51.40 (68.50).

One option programme was outstanding at the end of the period, the TO2017/2020 series, which 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 did not exceed the subscription price for the warrants outstanding, and accordingly the earnings per share after full dilution were not calculated. For more information on TO2017/2020, see Note 10 *Employees, personnel expenses and senior executives' remuneration* in the 2018 annual report, pages 101–102.

Products from the recently acquired company Alimentation Santé's three major brands: Celnat, Happy Bio and Vegetalia.



Ownership

Stena Adactum AB was the largest shareholder with 23.4 percent of the capital and 27.9 percent of the voting rights on 30 September 2019. The ten largest shareholders in Midsona AB (publ) are shown in the table.

The ten largest shareholders in Midsona AB (publ)	Number of shares	Share of capital, %	Share of votes, %
Stena Adactum AB	10,853,469	23.4	27.9
Lannebo Funds	2,851,851	6.1	5.6
Handelsbanken Fonder	2,339,272	5.0	4.6
BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC)	2,164,865	4.7	4.2
Nordea Investment Funds	2,079,310	4.5	4.0
Cliens Funds	1,850,000	4.0	3.6
Second Swedish National Pension Fund	1,648,954	3.5	3.2
Peter Wahlberg and companies	1,534,568	3.3	3.0
Catella Fondförvaltning	1,081,863	2.3	2.1
CBNY-OFI GLOBAL OPP FUND	1,000,000	2.1	1.9
Total	**27,404,152**	**58.9**	**60.1**
Other shareholders	19,027,712	41.1	39.9
Total	**46,431,864**	**100.0**	**100.0**

Total number of shareholders (including nominee-registered) was 7,656 (7,393). In the current quarter, the number of shareholders increased by 368. Foreign ownership amounted to 23.6 percent (24.4) of the shares in the market. More information on the shareholder structure is available at www.midsona.com.

Risks and uncertainties

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

Efficiency-enhancement programme

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

New financial targets

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

- Net sales growth of >15.0 percent through organic growth and acquisitions (previously net sales growth >10.0 percent).
- An EBITDA margin >12.0 percent (previously EBIT margin >10.0 percent)
- A net debt/EBITDA of 3.0–4.0 times (previously a net debt/EBITDA of less than 2.0 times).
- A dividend over time of >30.0 percent of profit after tax (unchanged).

Midsona will be active in the consolidation of the European market for health and well-being at the same time that the Group's prioritised brands will generate organic growth, which is why the growth target was revised to >15.0 percent. The growth will drive profitability with efficiency enhancements and synergies for acquisitions, which is why the profitability target was revised to an EBITDA margin >12.0 percent. With an active acquisition agenda, it becomes difficult to achieve the target, which links borrowing to earnings capacity, if a ratio between net debt/EBITDA is less than 2.0, which is why it is revised to a ratio between net debt/EBITDA of 3.0–4.0 as long as the Group actively participates in the consolidation of the European market for health and well-being. The target of providing a dividend over time of >30.0 percent of profit after tax is left unrevised. This gives the owner a reasonable return on invested capital at the same time that the Group is provided funds for aggressively developing the operation.

Annual General Meeting

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

Business acquisitions

On 4 July, Midsona acquired Eisblümerl Naturkost GmbH, with a strong position in Germany in organic spreads; see Note 12 *Business acquisitions* pages 21–22 for the preliminary acquisition analysis. On 12 July, Midsona acquired Ekko Gourmet AB, a company in Sweden in organic frozen meal products; see Note 12 *Business acquisitions* pages 21–22 for the preliminary acquisition analysis.

On 23 July, Midsona entered an agreement to acquire Alimentation Santé SAS, a company with a leading position in organic and plant-based food in France and Spain; see section *Significant events following the end of the report period* on page 10 for further information on the acquired business.

In Germany, six variants of finished dishes were launched.

New long-term financing agreement

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

Significant events following the end of the report period.

Acquisition of Alimentation Santé SAS

On 1 October, all shares were acquired in the French company Alimentation Santé SAS with its head office in Lyon, France. The company has three wholly owned subsidiaries, one French and two Spanish, with their operations in Saint Germain Laprade (France), Castellcir (Spain) and Jerez de la Frontera (Spain). The acquisition constitutes a strategically important platform for the continued European expansion. The total purchase consideration preliminarily amounted to SEK 227 million (EUR 20.3 million), corresponding to SEK 614 million (EUR 57.5 million) on a debt-free basis. The acquisition is initially financed with a bridge financing of SEK 625 million, which is to be paid no later than 31 March 2020. Payment of the bridge financing is intended to take place with proceeds from a new share issue of around SEK 600 million, which will take place during the fourth quarter of 2019.

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

The acquired business is consolidated in the Midsona Group from 1 October 2019 and will constitute its own geographic business area. The majority of the Group surplus value from the acquisition will be allocated to brands, customer relations and goodwill.

Information to be able to make a complete financial presentation of the acquisition was not directly available at the submission of this interim report, which is why a preliminary specification of the acquisitions including other acquisition-related information will be provided in the 2019 year-end report.

New share issue

The Board of Directors of Midsona decided on 1 October on the new share issue with preferential rights for existing shareholders of around SEK 600 million, on condition of approval by an Extraordinary General Meeting on 31 October 2019. The proceeds from the new share issue are intended for the repayment of the bridge financing, which was raised in connection with the acquisition of Alimentation Santé.

Acquisition of Paradiset EMV AB

On 10 October, 51 percent of the shares and votes in the company Paradiset EMV AB were acquired with a licence right to develop, market and sell products that focus on sustainability and health under the brand Everyday by Paradiset. The company, which is in a start-up phase, is a collaboration with the food chain Paradiset. The initial purchase consideration amounted to SEK 7.5 million and was paid in cash. The initial assessment is that the shareholders have a joint controlling influence, which is why it will be reported as a joint arrangement in the form of a joint venture according to the equity method in the financial statements.

Malmo, 23 October 2019
Midsona AB (publ)

Review by auditor

This interim report was reviewed by company's auditors.

Report of Review of Interim Financial Information

Introduction

We have reviewed the interim report of Midsona AB (publ) for the period 1 January 2019 to 30 September 2019. The Board of Directors and the CEO are responsible for the preparation and presentation of the Interim Report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion regarding the Interim Report based on our review.

Scope and focus of review

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

Conclusion

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

Malmo, 23 October 2019
Deloitte AB

Per-Arne Pettersson
AUTHORISED PUBLIC ACCOUNTANT

Financial statements

Summary consolidated income statement

SEK million	Note	July–Sept 2019	July–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Rolling 12-month	Full year 2018
Net sales	3.4	**765**	**773**	**2,256**	**2,097**	**3,011**	**2,852**
Expenses for goods sold		–524	–546	–1,584	–1,444	–2,120	–1,980
Gross profit		**241**	**227**	**672**	**653**	**891**	**872**
Selling expenses		–122	–125	–376	–354	–495	–473
Administrative expenses		–56	–56	–176	–160	–228	–212
Other operating income		–1	3	7	6	8	7
Other operating expenses		–5	2	–9	–13	–12	–16
Operating profit/loss	3	**57**	**51**	**118**	**132**	**164**	**178**
Financial income		0	0	0	10	6	16
Financial expenses		–13	–10	–44	–23	–52	–31
Profit/loss before tax		**44**	**41**	**74**	**119**	**118**	**163**
Tax on profit for the period		–9	–9	–12	–23	–23	–34
Profit for the period		**35**	**32**	**62**	**96**	**95**	**129**
Profit for the period is divided between:							
Parent Company shareholders (SEK million)		35	32	62	96	95	129
Earnings per share before and after dilution attributable to Parent Company shareholders (SEK)		0.77	0.70	1.35	2.09	2.06	2.80
Number of shares (thousands)							
On the balance sheet date		46,432	46,008	46,432	46,008	46,432	46,008
Average during the period		46,126	46,008	46,047	46,008	46,037	46,008

Summary consolidated statement of comprehensive income

SEK million	July–Sept 2019	July–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Rolling 12-month	Full year 2018
Profit for the period	**35**	**32**	**62**	**96**	**95**	**129**
Items that have or can be reallocated to profit for the period						
Translation differences for the period on translation of foreign operations	–8	–18	66	49	26	9
Other comprehensive income for the period	**–8**	**–18**	**66**	**49**	**26**	**9**
Comprehensive income for the period	**27**	**14**	**128**	**145**	**121**	**138**
Comprehensive income for the period is divided between:						
Parent Company shareholders (SEK million)	27	14	128	145	121	138

In Sweden, Naturdiet launched new smoothies in three flavours with very low sugar contents.

Summary consolidated balance sheet

SEK million	Note	30 Sept 2019	30 Sept 2018	31 Dec 2018
Intangible fixed assets	5	2,620	2,501	2,466
Tangible assets	6	470	253	254
Non-current receivables	8	4	4	4
Deferred tax assets		74	67	74
Fixed assets		**3,168**	**2,825**	**2,798**
Inventories		505	500	482
Accounts receivable		311	307	259
Tax receivables		–	8	4
Other receivables	8	17	3	22
Prepaid expenses and accrued income		38	40	33
Cash and cash equivalents		134	85	101
Current assets		**1,005**	**943**	**901**
Assets		**4,173**	**3,768**	**3,699**
Share capital		232	230	230
Additional paid-up capital		648	629	629
Reserves		90	64	24
Profit brought forward, including profit for the period		747	714	747
Shareholders' equity		**1,717**	**1,637**	**1,630**
Non-current interest-bearing liabilities	7	1,398	1,150	1,124
Other non-current liabilities	8	60	83	83
Deferred tax liabilities		282	261	271
Non-current liabilities		**1,740**	**1,494**	**1,478**
Current interest-bearing liabilities	7	137	90	93
Accounts payable		306	351	357
Tax liabilities		9	–	–
Other current liabilities	8	142	55	33
Accrued expenses and deferred income		122	141	108
Current liabilities		**716**	**637**	**591**
Liabilities		**2,456**	**2,131**	**2,069**
Equity and liabilities		**4,173**	**3,768**	**3,699**

Summary consolidated changes in shareholders' equity

SEK million	Share capital	Additional paid-up capital	Reserves	Profit brought forward, incl. profit for the period	Shareholders' equity
Opening shareholders' equity 1 Jan 2018	230	629	15	676	1,550
Changed accounting principle (IFRS 9)	–	–	–	0	0
Profit for the period	–	–	–	96	96
Other comprehensive income for the period	–	–	49	–	49
Comprehensive income for the period	**–**	**–**	**49**	**96**	**145**
Repurchase of warrant programme TO2016/2019	–	0	–	–	0
Dividend	–	–	–	-58	-58
Transactions with the Group's owners	**–**	**0**	**–**	**-58**	**-58**
Closing shareholders' equity 30 September 2018	**230**	**629**	**64**	**714**	**1,637**
Opening shareholders' equity 1 October 2018	230	629	64	714	1,637
Profit for the period	–	–	–	33	33
Other comprehensive income for the period	–	–	-40	–	-40
Comprehensive income for the period	**–**	**–**	**-40**	**33**	**-7**
Closing shareholders' equity 31 Dec 2018	**230**	**629**	**24**	**747**	**1,630**
Opening shareholders' equity 1 Jan 2019	230	629	24	747	1,630
Changed accounting principle (IFRS 16)	–	–	–	-4	-4
Profit for the period	–	–	–	62	62
Other comprehensive income for the period	–	–	66	–	66
Comprehensive income for the period	**–**	**–**	**66**	**62**	**128**
Issue of warrant programme, TO2016/2019	2	19	–	–	21
Issue expenses, TO2016/2019	–	0	–	–	0
Dividend	–	–	–	-58	-58
Transactions with the Group's owners	**2**	**19**	**–**	**-58**	**-37**
Closing shareholders' equity 30 September 2019	**232**	**648**	**90**	**747**	**1,717**

Summary consolidated cash flow statement

SEK million	July–Sept 2019	July–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Rolling 12-month	Full year 2018
Profit before tax	44	41	74	119	118	163
Adjustment for items not included in cash flow	15	13	95	21	105	31
Income tax paid	-1	-4	-5	-8	-9	-12
Cash flow from operating activities before changes in working capital	**58**	**50**	**164**	**132**	**214**	**182**
Increase (-)/decrease (+) in inventories	37	20	-4	-42	9	-29
Increase (-)/decrease (+) in operating receivables	-42	0	-43	-45	-11	-13
Increase (+)/decrease (–) in operating liabilities	-24	28	-36	109	-73	72
Changes in working capital	**-29**	**48**	**-83**	**22**	**-75**	**30**
Cash flow from operating activities	**29**	**98**	**81**	**154**	**139**	**212**
Acquisitions of companies or operations	-77	-14	-77	-295	-77	-295
Acquisitions of intangible fixed assets	-6	-2	-16	-16	-26	-26
Divestments of intangible fixed assets	–	0	–	0	1	1
Acquisitions of tangible fixed assets	-3	-24	-9	-30	-16	-37
Divestments of tangible fixed assets	0	–	0	–	0	0
Change in financial assets	-1	–	-4	–	-4	–
Cash flow from investing activities	**-87**	**-40**	**-106**	**-341**	**-122**	**-357**
Cash flow after investing activities	**-58**	**58**	**-25**	**-187**	**17**	**-145**
Issue of warrant programme, TO2016/2019	21	–	21	–	21	–
Issue expenses warrant programme, TO2016/2019	0	–	0	–	0	–
Loans raised	1,230	–	1,230	375	1,230	375
Repayment of loans	-1,083	-12	-1,128	-105	-1,146	-123
Amortisation of lease liabilities	-12	-1	-34	-1	-38	-5
Dividend paid	–	–	-30	-58	-30	-58
Cash flow from financing activities	**156**	**-13**	**59**	**211**	**37**	**189**
Cash flow for the period	**98**	**45**	**34**	**24**	**54**	**44**
Cash and cash equivalents at beginning of the period	37	41	101	54	85	54
Translation difference in cash and cash equivalents	-1	-1	-1	7	-5	3
Cash and cash equivalents at end of the period	**134**	**85**	**134**	**85**	**134**	**101**

Swebar launched two more flavours of their protein bars in Sweden.

Summary income statement, Parent Company

SEK million	July–Sept 2019	July–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Rolling 12-month	Full year 2018
Net sales	**11**	**10**	**34**	**30**	**49**	**45**
Selling expenses	0	0	-1	0	-3	-2
Administrative expenses	-14	-15	-45	-44	-59	-58
Other operating income	0	1	0	1	0	1
Other operating expenses	-3	0	-3	0	-3	0
Operating profit/loss	**-6**	**-4**	**-15**	**-13**	**-16**	**-14**
Profit from participations in subsidiaries	–	–	122	–	122	0
Financial income	9	4	25	37	22	34
Financial expenses	-20	-9	-38	-21	-47	-30
Profit/loss after financial items	**-17**	**-9**	**94**	**3**	**81**	**-10**
Allocations	–	–	–	–	29	29
Profit/loss before tax	**-17**	**-9**	**94**	**3**	**110**	**19**
Tax on profit for the period	–	–	-1	–	-5	-4
Profit for the period	**-17**	**-9**	**93**	**3**	**105**	**15**

Summary balance sheet, Parent Company

SEK million	30 Sept 2019	30 Sept 2018	31 Dec 2018
Intangible assets	53	31	39
Tangible assets	3	3	3
Participations in subsidiaries	2,060	2,186	2,066
Receivables from subsidiaries	756	632	547
Deferred tax assets	2	7	3
Financial assets	**2,818**	**2,825**	**2,616**
Fixed assets	**2,874**	**2,859**	**2,658**
Receivables from subsidiaries	39	23	163
Other receivables	22	9	13
Cash and bank balances	115	66	47
Current assets	**176**	**98**	**223**
Assets	**3,050**	**2,957**	**2,881**
Share capital	232	230	230
Statutory reserve	58	58	58
Profit brought forward, including profit for the period and other reserves	1,156	1,090	1,102
Shareholders' equity	**1,446**	**1,378**	**1,390**
Liabilities to credit institutions	1,064	972	953
Liabilities to subsidiaries	–	137	113
Other non-current liabilities	32	81	81
Non-current liabilities	**1,096**	**1,190**	**1,147**
Liabilities to credit institutions	81	77	77
Liabilities to subsidiaries	333	297	247
Other current liabilities	94	15	20
Current liabilities	**508**	**389**	**344**
Equity and liabilities	**3,050**	**2,957**	**2,881**

Urtekram's new body care series Green Matcha was launched in Denmark.

Notes to the financial Statements

Note 1 Accounting principles

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

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

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

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

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

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

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

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

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

Note 2 Significant estimates and assumptions

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

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

For a detailed account of the assessments made by management in the application of IFRS and that have a significant impact on the financial statements, as well as estimates made that could entail significant adjustments to subsequent financial statements, please refer to Note 34 Important estimates and assessments on page 144 of the 2018 Annual Report. No significant new estimates, assessment or assumptions have been added since the publication of the most recent annual report, with the exception of the estimates and assessments made when introducing the new accounting standard IFRS 16 Leases effective from 1 January 2019.

Note 3 Operating segments, Group

SEK million	Sweden		Norway		Finland		Denmark		Germany		Group functions		Group	
July–September	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Net sales, external	272	289	126	159	65	57	111	112	191	156	–	–	765	773
Net sales, intra-Group	41	35	0	0	–	–	33	31	2	–	-76	-66	–	–
Net sales	**313**	**324**	**126**	**159**	**65**	**57**	**144**	**143**	**193**	**156**	**-76**	**-66**	**765**	**773**
Operating expenses (excluding depreciation/amortisation and impairment), external	-249	-267	-90	-126	-27	-22	-122	-132	-178	-143	-14	-14	-680	-704
Operating expenses, intra-Group	-21	-19	-21	-16	-28	-29	-12	-7	-1	–	83	71	–	–
Operating expenses (excluding depreciation/amortisation and impairment)	**-270**	**-286**	**-111**	**-142**	**-55**	**-51**	**-134**	**-139**	**-179**	**-143**	**69**	**57**	**-680**	**-704**
EBITDA	**43**	**38**	**15**	**17**	**10**	**6**	**10**	**4**	**14**	**13**	**-7**	**-9**	**85**	**69**
Depreciation/amortisation and impairment	-4	-3	-3	-2	0	0	-3	-1	-11	-6	-7	-6	-28	-18
Operating profit/loss	**39**	**35**	**12**	**15**	**10**	**6**	**7**	**3**	**3**	**7**	**-14**	**-15**	**57**	**51**
Financial items													-13	-10
Profit/loss before tax													**44**	**41**
Significant income and expense items reported in the income statement:														
Items affecting comparability	-11	-1	–	0	–	–	–	–	1	–	2	0	-8	-1
EBITDA, before items affecting comparability	**32**	**37**	**15**	**17**	**10**	**6**	**10**	**4**	**15**	**13**	**-5**	**-9**	**77**	**68**

SEK million	Sweden		Norway		Finland		Denmark		Germany		Group functions		Group	
January–September	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**[1]	**2019**	**2018**	**2019**	**2018**
Net sales, external	831	877	394	467	182	166	318	328	531	259	–	–	2,256	2,097
Net sales, intra-Group	127	112	1	2	–	–	105	92	7	–	-240	-206	–	–
Net sales	**958**	**989**	**395**	**469**	**182**	**166**	**423**	**420**	**538**	**259**	**-240**	**-206**	**2,256**	**2,097**
Operating expenses (excluding depreciation/amortisation and impairment), external	-814	-818	-289	-364	-70	-64	-339	-390	-482	-238	-64	-52	-2,058	-1,926
Operating expenses, intra-Group	-65	-60	-65	-56	-88	-82	-34	-21	-7	–	259	219	–	–
Operating expenses (excluding depreciation/amortisation and impairment)	**-879**	**-878**	**-354**	**-420**	**-158**	**-146**	**-373**	**-411**	**-489**	**-238**	**195**	**167**	**-2,058**	**-1,926**
EBITDA	**79**	**111**	**41**	**49**	**24**	**20**	**50**	**9**	**49**	**21**	**-45**	**-39**	**198**	**171**
Depreciation/amortisation and impairment	-12	-7	-9	-4	-2	-1	-9	-5	-31	-8	-17	-14	-80	-39
Operating profit/loss	**67**	**104**	**32**	**45**	**22**	**19**	**41**	**4**	**18**	**13**	**-62**	**-53**	**118**	**132**
Financial items													-44	-13
Profit/loss before tax													**74**	**119**
Significant income and expense items reported in the income statement:														
Items affecting comparability	13	-1	0	3	–	–	-27	–	1	–	24	9	11	11
EBITDA, before items affecting comparability	**92**	**110**	**41**	**52**	**24**	**20**	**23**	**9**	**50**	**21**	**-21**	**-30**	**209**	**182**

[1] Pertains to the period May-September.

Note 4 Breakdown of income, Group

SEK million	Sweden		Norway		Finland		Denmark		Germany		Group functions		Group	
July–September	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Geographical areas[1]														
Sweden	267	283	0	0	–	–	20	17	1	0	-18	-18	270	282
Norway	17	13	126	159	–	–	2	3	0	0	-19	-15	126	160
Finland	16	17	–	–	65	57	14	12	–	–	-28	-29	67	57
Denmark	8	5	0	–	–	–	94	89	3	0	-10	-4	95	90
Germany	–	–	–	–	–	–	1	6	163	136	-1	–	163	142
Rest of Europe	5	5	–	–	–	–	13	15	26	20	–	–	44	40
Other countries	0	1	–	–	–	–	0	1	0	0	–	–	0	2
Net sales	**313**	**324**	**126**	**159**	**65**	**57**	**144**	**143**	**193**	**156**	**-76**	**-66**	**765**	**773**
Sales channel														
Pharmacies	43	42	24	20	8	7	6	3	–	–	–	–	81	72
FMCG retail	158	183	64	97	52	44	69	70	85	28	–	–	428	422
e-trade/post order	30	16	1	1	0	1	6	6	1	2	–	–	38	26
Food service[2]	13	30	–	–	1	–	4	12	56	83	–	–	74	125
Healthfood retailers	16	21	22	22	4	4	6	19	44	37	–	–	92	103
Other specialist retailers	2	-16	12	15	–	–	6	4	5	5	–	–	25	8
Others	10	13	3	4	0	1	14	-2	0	1	–	–	27	17
Group-internal sales	41	35	0	0	–	–	33	31	2	–	-76	-66	–	–
Net sales	**313**	**324**	**126**	**159**	**65**	**57**	**144**	**143**	**193**	**156**	**-76**	**-66**	**765**	**773**

[1] Income from external customers is attributable to individual geographical areas according to the country in which the customer is domiciled.
[2] New sales channel for the period. Transferred retroactively during the period for January-September 2018 in Business Area Sweden and Denmark.

SEK million	Sweden		Norway		Finland		Denmark		Germany		Group functions		Group	
January–September	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Geographical areas[1]														
Sweden	809	854	1	2	–	–	59	58	1	0	-56	-54	814	860
Norway	56	49	394	467	–	–	7	10	0	0	-61	-53	396	473
Finland	49	45	–	–	182	166	41	38	–	–	-87	-81	185	168
Denmark	23	19	0	–	–	–	268	260	9	1	-30	-18	270	262
Germany	–	–	–	–	–	–	6	11	452	223	-6	–	452	234
Rest of Europe	20	19	–	0	–	–	41	41	75	35	–	–	136	95
Other countries	1	3	–	–	–	–	1	2	1	0	–	–	3	5
Net sales	**958**	**989**	**395**	**469**	**182**	**166**	**423**	**420**	**538**	**259**	**-240**	**-206**	**2,256**	**2,097**
Sales channel														
Pharmacies	140	134	72	70	26	22	15	10	–	–	–	–	253	236
FMCG retail	484	557	211	270	137	125	189	201	211	105	–	–	1,232	1,258
e-trade/post order	83	46	3	8	3	4	23	22	4	2	–	–	116	82
Food service	41	30	–	–	3	–	14	12	162	83	–	–	220	–
Healthfood retailers	49	62	65	70	12	13	18	61	138	60	–	–	282	266
Other specialist retailers	4	12	33	37	–	–	17	12	15	8	–	–	69	69
Others	30	36	10	12	1	2	42	10	1	1	–	–	84	61
Group-internal sales	127	112	1	2	–	–	105	92	7	–	-240	-206	–	–
Net sales	**958**	**989**	**395**	**469**	**182**	**166**	**423**	**420**	**538**	**259**	**-240**	**-206**	**2,256**	**2,097**

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

Note 5 Intangible assets, Group

SEK million	30 Sept 2019	30 Sept 2018	31 Dec 2018
Brands	988	985	974
Goodwill	1,517	1,437	1,408
Other intangible fixed assets	115	79	84
Total	**2,620**	**2,501**	**2,466**

Note 6 Property, plant and equipment, Group

SEK million	30 Sept 2019	30 Sept 2018	31 Dec 2018
Owned assets	254	229	232
ROU assets	216	24	22
Total	**470**	**253**	**254**

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

SEK million	30 Sept 2019	30 Sept 2018	31 Dec 2018
Non-current interest-bearing liabilities			
Bank loans	1,227	1,132	1,107
Lease liabilities	171	18	17
Total	**1,398**	**1,150**	**1,124**
Current interest-bearing liabilities			
Bank loans	92	84	88
Lease liabilities	45	6	5
Total	**137**	**90**	**93**
Total	**1,535**	**1,240**	**1,217**

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

SEK million	30 Sept 2019	30 Sept 2018	31 Dec 2018
Assets			
Financial instruments measured at fair value via the income statement			
Currency option	3	–	–
Total	**3**	**–**	**–**
Financial instruments not measured at fair value			
Other non-current liabilities	4	4	4
Other current receivables	14	3	22
Total	**18**	**7**	**26**
Total receivables	**21**	**7**	**26**
Liabilities			
Financial instruments measured at fair value via the income statement			
Interest-rate swaps	0	1	1
Conditional purchase considerations	81	47	46
Total	**81**	**48**	**47**
Financial instruments not measured at fair value			
Other non-current liabilities	2	36	36
Other current liabilities	119	54	33
Total	**121**	**90**	**69**
Total liabilities and provisions	**202**	**138**	**116**

The Group holds financial instruments in the form of both interest rate swaps and currency options that are recorded at fair value in the balance sheet. For all contracts, fair value has been determined based directly or indirectly on observable market data, that is, level 2 in accordance with IFRS 13. The Group also holds supplementary purchase considerations, which are measured at fair value. Fair value has been determined using a valuation model where future cash flows have been discounted considering probability-determined outcomes. The valuation is at level 3 according to IFRS 13. Liabilities at fair value are recognised as other long-term liabilities and other current liabilities. In all material respects, the fair value of other financial instruments is consistent with their book value. For further information, refer to Note 33 Valuation of financial assets and liabilities at fair value and the category breakdown in the 2018 annual report, pages 113–114.

Note 9 Pledged assets and contingent liabilities, Group

SEK million	30 Sept 2019	30 Sept 2018	31 Dec 2018
Pledged assets			
Blocked bank balances	1	2	–
Net assets in subsidiaries	1,973	1,942	1,929
Others	259	226	202
Total	**2,233**	**2,170**	**2,131**
Contingent liabilities			
Guarantees	10	11	10
Total	**10**	**11**	**10**

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

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

Note11 Reconciliation of information on operating leases (IAS 17) and recognition of leasing liabilities (IFRS 16), Group

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

Eisblümerl Naturkost GmbH

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

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

The acquired operations were consolidated into the Midsona Group effective from 4 July 2019, and are included in the Germany business area, which is reported as the Germany operating segment in segment reporting. From the acquisition date until 30 September 2019, the acquired operations contributed SEK 22 million to consolidated net sales and SEK 4 million to consolidated EBITDA. If the acquisition had occurred on 1 January 2019, estimated consolidated net sales for the period January–September 2019 would have been SEK 2,330 million and EBITDA SEK 211 million.

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

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

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

Acquisition-related expenses amounted to SEK 1 million (EUR 0.1 million) and was reported as other operating expenses in the period's earnings for the third quarter of 2019. The integration of the acquired operations was initiated during the period and is not expected to entail any significant restructuring expenses.

The acquisition analysis that has been prepared is preliminary.

A selection of the newly acquired company Eisblümerl's spreads in chocolate flavour.

Ekko Gourmet AB

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

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

The acquired operations were consolidated into the Midsona Group effective from 12 July 2019, and are included in the Sweden business area, which is reported as the Sweden operating segment in segment reporting. From the acquisition date until 30 September 2019, the acquired operations contributed SEK 1 million to consolidated net sales and SEK 0 million to consolidated EBITDA.

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

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

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

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

The acquisition analysis that has been prepared is preliminary.

A selection of the brand Ekko's products.

Definitions

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

EBITDA, before items affecting comparability adjusted for IFRS 16 effects

Operating profit before depreciation/amortisation and impairment of property plant and equipment and intangible assets adjusted for leasing fees on ROU assets as a result of the introduction of IFRS 16. EBITDA before items affecting comparability adjusted for IFRS 16 effects is a relevant results measurement with the aim of improving comparability to assess earnings development with the comparison year to show what the earnings would have been if IAS 17 still applied.

For the definition and purpose of other respective measures not defined under IFRS, please see pages 134–137 in the 2018 Annual Report. The following table presents reconciliations against IFRS.

Reconciliation to IFRS

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

SEK million	July–Sept 2019	July–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Rolling 12-month	Full year 2018
Operating profit/loss	**57**	**51**	**118**	**132**	**164**	**178**
Amortisation of intangible assets	8	10	24	23	32	31
Depreciation of tangible assets	20	8	56	16	61	21
EBITDA	**85**	**69**	**198**	**171**	**257**	**230**
Items affecting comparability [2,3]	–8	–1	11	11	11	11
EBITDA, before items affecting comparability	**77**	**68**	**209**	**182**	**268**	**241**
Net sales	765	773	2,256	2,097	3,011	2,852
EBITDA-Margin, before items affecting comparability	**10.1%**	**8.8%**	**9.3%**	**8.7%**	**8.9%**	**8.5%**

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

[2] Specification of items affecting comparability.

SEK million	July–Sept 2019	July–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Rolling 12-month	Full year 2018
Restructuring expenses, net	–12	–	13	2	13	2
Reversal of purchase consideration for previous years' acquisitions recognised as a liability	0	–1	–6	–1	–6	–1
Acquisition-related expenses	4	–	4	10	4	10
Total	**–8**	**–1**	**11**	**11**	**11**	**11**

[3] Corresponding line in the consolidated income statement.

SEK million	July–Sept 2019	July–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Rolling 12-month	Full year 2018
Expenses for goods sold	–11	–	7	2	7	2
Selling expenses	–	–	3	–1	3	–1
Administrative expenses	–	–	2	1	2	1
Other operating income	–	–1	–6	–1	–6	–1
Other operating expenses	3	–	5	10	5	10
Total	**–8**	**–1**	**11**	**11**	**11**	**11**

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

SEK million	Rolling 12-month	Full year 2018
EBITDA	**257**	**230**
Acquisition-related restructuring expenses	–	1
Acquisition-related transaction expenses	–4	9
Pro forma adjustment	12	14
Adjusted EBITDA	**265**	**254**

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

SEK million	30 Sept 2019	30 Sept 2018	31 Dec 2018
Non-current interest-bearing liabilities	1,398	1,150	1,124
Current interest-bearing liabilities	137	90	93
Cash and cash equivalents [1]	–134	–85	–101
Net liabilities	**1,401**	**1,155**	**1,116**

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

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

SEK million	July–Sept 2019	July–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Rolling 12-month	Full year 2018
Shareholders' equity and liabilities	**4,173**	**3,768**	**4,173**	**3,768**	**4,173**	**3,699**
Other non-current liabilities	-60	-83	-60	-83	-60	-83
Deferred tax liabilities	-282	-261	-282	-261	-282	-271
Accounts payable	-306	-351	-306	-351	-306	-357
Other current liabilities	-151	-55	-151	-55	-151	-33
Accrued expenses and deferred income	-122	-141	-122	-141	-122	-108
Capital employed	**3,252**	**2,877**	**3,252**	**2,877**	**3,252**	**2,847**
Capital employed at the beginning of the period	3,033	2,856	2,847	2,256	2,877	2,256
Average capital employed	**3,143**	**2,867**	**3,050**	**2,567**	**3,065**	**2,552**

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

SEK million	Rolling 12-month	Full year 2018
Profit/loss before tax	**118**	**163**
Financial expenses	52	31
Profit before taxes, excluding financial expenses	**170**	**194**
Average capital employed	3,065	2,552
Return on capital employed, %	**5.5**	**7.6**

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

SEK million	July–Sept 2019	July–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Rolling 12-month	Full year 2018
Shareholders' equity	**1,717**	**1,637**	**1,717**	**1,637**	**1,717**	**1,630**
Shareholders' equity at the beginning of the period	1,669	1,623	1,630	1,550	1,637	1,550
Average shareholder's equity	**1,693**	**1,630**	**1,674**	**1,594**	**1,677**	**1,590**

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

SEK million	Rolling 12-month	Full year 2018
Profit for the period	**95**	**129**
Average shareholder's equity	1,677	1,590
Return on equity, %	**5.7**	**8.1**

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

SEK million	July–Sept 2019	July–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Rolling 12-month	Full year 2018
Cash flow from operating activities	**29**	**98**	**81**	**154**	**139**	**212**
Cash flow from investing activities	-87	-40	-106	-341	-122	-357
Acquisitions of companies or operations	77	14	77	295	77	295
Expansion investment, new production line	–	24	–	24	2	26
Free cash flow	**19**	**96**	**52**	**132**	**96**	**176**

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

SEK million	July–Sept 2019	July–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Rolling 12-month	Full year 2018
Net sales	**765**	**773**	**2,256**	**2,097**	**3,011**	**2,852**
Net sales compared with the corresponding period in the preceding year	-773	-573	-2,097	-1,575	-2,668	-2,146
Net sales, change	**-8**	**200**	**159**	**522**	**343**	**706**
Structural changes	-22	-156	-248	-390	-415	-557
Exchange rate changes	-8	-34	-37	-60	-62	-85
Organic change	**-38**	**10**	**-126**	**72**	**-134**	**64**
Organic change	-4.9%	1.7%	-6.0%	4.6%	-5.0%	3.0%
Structural changes	2.8%	27.2%	11.8%	24.8%	15.6%	26.0%
Exchange rate changes	1.1%	6.0%	1.8%	3.7%	2.3%	4.0%

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

SEK million	July–Sept 2019	July–Sept 2018	Jan–Sept 2019	Jan–Sept 2018	Rolling 12-month	Full year 2018
EBITDA, before items affecting comparability	**77**	**68**	**209**	**182**	**268**	**241**
Leasing fees on ROU assets with application of IFRS 16	-12	–	-34	–	-34	–
EBITDA, before items affecting comparability and adjusted for the IFRS 16 effect	**65**	**68**	**175**	**182**	**234**	**241**

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

Quarterly data[1,2]

SEK million	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4
Net sales	**765**	**705**	**786**	**755**	**773**	**714**	**610**	**571**	**573**	**481**	**521**	**521**
Expenses for goods sold	-524	-490	-570	-536	-546	-496	-402	-376	-377	-328	-354	-337
Gross profit	**241**	**215**	**216**	**219**	**227**	**218**	**208**	195	**196**	**153**	**167**	**184**
Selling expenses	-122	-123	-131	-119	-125	-119	-110	-102	-109	-88	-94	-108
Administrative expenses	-56	-59	-61	-52	-56	-56	-48	-42	-62	-39	-36	-42
Other operating income	-1	7	1	1	3	2	1	1	0	1	1	3
Other operating expenses	-5	-1	-3	-3	2	-11	-4	-2	-4	-1	-1	-5
Operating profit/loss	**57**	**39**	**22**	**46**	**51**	**34**	**47**	**50**	**21**	**26**	**37**	**32**
Financial income	0	0	0	6	0	4	6	0	0	0	0	0
Financial expenses	-13	-14	-17	-8	-10	-8	-5	-4	-5	-7	-6	-7
Profit/loss before tax	**44**	**25**	**5**	**44**	**41**	**30**	**48**	**46**	**16**	**19**	**31**	**25**
Tax on profit for the period	-9	-2	-1	-11	-9	-5	-9	-12	-5	-4	-7	-9
Profit for the period	**35**	**23**	**4**	**33**	**32**	**25**	**39**	**34**	**11**	**15**	**24**	**16**
Items affecting comparability												
Items affecting comparability included in operating profit	-8	-6	25	–	-1	12	–	-1	22	–	–	7
Operating profit, before items affecting comparability	**49**	**33**	**47**	**46**	**50**	**46**	**47**	**49**	**43**	**26**	**37**	**39**
Depreciation/amortisation and impairment												
Depreciation/amortisation and impairment included in operating income	28	26	26	13	18	11	10	10	9	8	8	7
EBITDA	**85**	**65**	**48**	**59**	**69**	**45**	**57**	**60**	**30**	**34**	**45**	**39**
Depreciation/amortisation, impairment and items affecting comparability												
Depreciation/amortisation, impairment and items affecting comparability included in operating profit	20	20	51	13	17	23	10	9	31	8	8	14
EBITDA, before items affecting comparability	**77**	**59**	**73**	**59**	**68**	**57**	**57**	**59**	**52**	**34**	**45**	**46**
Free cash flow	19	75	-42	44	96	40	-4	49	17	29	30	53
Number of employees as per the balance sheet date	571	530	526	525	533	528	382	384	386	329	326	322

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

In Sweden, Friggs expanded its assortment of corn cakes with the seasonal flavour of Salted Caramel.

Financial calendar

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

Year-end Report 2019 – 6 February 2020

Interim Report January–March 2020 – 28 April 2020

Interim Report January–June 2020 – 21 July 2020

Interim Report January–September 2019 – 22 October 2020

This is Midsona

Strong brands

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

Clear vision

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

Clear strategies

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

Long-term financial targets

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

- Net sales growth of >15.0 percent through organic growth and acquisitions.
- EBITDA margin >12.0 percent.
- A ratio between net debt/EBITDA of a multiple of 3.0–4.0.
- A dividend over time of >30.0 percent of profit after tax.

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

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

Eight priority brands

Our operations are based on our own strong brands. Eight of these play a very central role in the Group's growth and account for around 45 percent of net sales. These are the brands Urtekram, Friggs, Dalblads, Naturdiet, Eskimo-3, Kung Markatta, Helios and Davert.

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

Friggs
A broad health products brand with a distinct FMCG profile, mainly available in supermarkets in Sweden, Finland and Norway.

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

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

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

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

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

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

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