midsona

YEAR-END REPORT 2018

Sales growth from acquisitions and priority brands

October-December 2018 (fourth quarter)

- Net sales amounted to SEK 755 million (571).
- EBITDA amounted to SEK 59 million (59) before items affecting comparability, corresponding to a margin of 7.8 percent (10.3).
- Profit for the period was SEK 33 million (34), corresponding to earnings per share of SEK 0.71 (0.75) before dilution and SEK 0.70 (0.74) after dilution.
- Free cash flow amounted to SEK 44 million (49).

January-December 2018 (full-year)

- Net sales amounted to SEK 2,852 million (2,146).
- EBITDA amounted to SEK 241 million (190) before items affecting comparability, corresponding to a margin of 8.5 percent (8.9).
- Profit for the period was SEK 129 million (84), corresponding to earnings per share of SEK 2.80 (1.91) before dilution and SEK 2.77 (1.89) after dilution.
- Free cash flow amounted to SEK 176 million (125).
- For 2018, a dividend of SEK 1.25 per share (1.25) is proposed, corresponding to SEK 57,510,080 (57,510,080).

Key figures, Group[1,2]

	Oct-Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Net sales growth, %	32.2	9.6	32.9	23.1
Gross margin, %	29.0	34.2	30.6	33.1
EBITDA-Margin, before non-recurring items, %	7.8	10.3	8.5	8.9
EBITDA margin, %	7.8	10.5	8.1	7.9
Operating margin, before non-recurring items, %	6.1	8.6	6.6	7.2
Operating margin,%	6.1	8.8	6.2	6.2
Profit margin, %	5.8	8.1	5.7	5.2
Average capital employed, SEK million	2,862	2,274	2,552	2,166
Return on capital employed, %			7.6	6.2
Return on equity, %			8.1	5.8
Net debt, SEK million	1,116	652	1,116	652
Net debt/Adjusted EBITDA, multiple			4.4	3.6
Net debt/equity ratio, multiple	0.7	0.4	0.7	0.4
Interest coverage ratio, multiple	6.5	12.5	6.3	6.1
Equity/assets ratio, %	44.1	54.3	44.1	54.3

[1] Midsona presents certain financial measures in the Year-end Report that are not defined under IFRS. For definitions and checks against IFRS, please refer to page 18 of this Year-end Report and to pages 114-117 in the 2017 Annual Report.
[2] The key figures are based on recalculated figures for 2017, see Note 7 Effects on net sales and operating expenses on recalculation to IFRS 15, on page 16. The figures for 2016 have not been recalculated for effects on net sales and operating expenses in connection with conversion to IFRS 15.

Note: This is information such that Midsona AB (publ) is required to publish under the EU Market Abuse Regulation and the Financial Instruments Trading Act. This year-end report was submitted under the auspices of Lennart Svensson for publication on 8 February 2019 at 8:00 a.m. CET.

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Peter Åsberg, President and CEO

FOURTH QUARTER

SEK 755 million

Sales

SEK 59 million

EBITDA, before non-recurring items

7.8 percent

EBITDA-Margin, before non-recurring items

Comment by the CEO

Increased sales and improved EBITDA

The year 2018 was another with favourable sales and earnings trends. Sales rose by 33 percent to SEK 2,852 million (2,146). EBITDA before items affecting comparability improved to SEK 241 million (190). We strengthened our market position in the Nordic region and established a presence in Germany through the acquisition of Davert. However, the year was not without its challenges. In the second half of the year, the company's margin was negatively impacted by an unfavourable exchange rate trend and increasing prices for some, mainly organic, raw materials. The effect was particularly large in the fourth quarter. Despite a strong growth in sales to SEK 755 million (571), EBITDA before items affecting comparability remained unchanged at SEK 59 million (59).

Nordic efficiency-enhancement programme for stronger competitiveness

As a result of Midsona's strong growth and international expansion, we work continuously to adapt our group structure and geographical organisation to enhance efficiency. Accordingly, we are working with:

- Optimising the Nordic organisation, where parts of the operations are being concentrated in Malmö while the operations in Örebro are planned to be phased out. Certain services in Norway, Denmark and Finland will be discontinued or moved to Malmö. The ambition is also to reduce the cost of goods sold, as well as non-staff-related sales and administration costs. These changes will be subject to negotiations with the trade unions. The programme is expected to provide annual cost savings of approximately SEK 40 million, with full effect in 2021, and is expected to entail non-recurring costs of approximately SEK 20 million, which will be charged to consolidated profit in the first quarter of 2019.

The company currently holds a leading position with strong brands in prioritised categories in the Nordic countries and has reported sales growth and increased profitability for a number of years. To continue developing our long-term competitiveness and to offset negative currency and commodity effects, we are implementing a number of measures:

- We continue to invest in innovation and brands. Most of the Group's brands showed growth in 2018, although some of the major organic brands experienced lower growth than previously. For this reason, we have initiated substantial programme to make them more relevant and attractive to customers and consumers.
- At the end of 2018, price increases were announced to offset negative influence from currency and commodities. These increases will have an impact in the first quarter of 2019.

Establishment in Europe

In May 2018, we took our first major step outside the Nordic region and towards the ambition of becoming one of the leading companies in health and well-being in Europe with the acquisition of the German company Davert. This acquisition gives Midsona a strong position in Europe's largest market for organic food. The integration of the company has proceeded according to plan. We have begun to realise promised synergies mainly in production and purchasing. At the same time, we made a major investment in new technology in the latter part of 2018, generating increased sales opportunities in organic food.

Plant-based, organic and sustainable

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

Improved cash flow

Free cash flow is an important indicator of Midsona's progress. It increased to SEK 176 million (125) in 2018. So we have continued to develop the business and began to create room to manoeuvre for expansive new acquisitions. Strong cash flow is also a prerequisite for a generous dividend policy. The Board proposes a dividend of SEK 1.25 per share (1.25) for 2018.

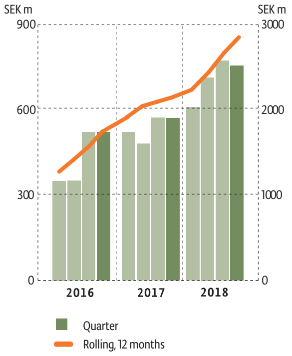
Priorities for 2019

The main focus in 2019 will be on optimising our Nordic platform and thereby creating the best growth conditions for our brands. Promised cost savings will be made in parallel with this. Midsona will continue the integration of Davert and at the same time seek new acquisitions with the clear ambition of becoming one of the leading companies in health and well-being in Europe.

Peter Åsberg
President and CEO

Financial information

Net sales



Net sales

October-December

Net sales amounted to SEK 755 million (571), an increase of 32.2 percent. The organic change in net sales was –1.4 percent. Structural changes also contributed to net sales growth by 29.2 percent, and exchange rate changes contributed by 4.4 percent. Sales were relatively stable in all geographic markets in October and November with a considerable slow-down in December due to calendar effects with fewer sales days and an effect of a reduced inventory at several customers with postponed order volumes until after the new year. The Group's eight prioritised brands showed growth of 2.9 percent.

Sales increased in Sweden and Finland, driven by organic growth. In Sweden, several priority brands, as well as licensed brands, achieved strong sales growth. For the ecological brand portfolio, the sales trend was weaker in a challenging market, however, which is growing at a significantly lower rate than earlier years. Moreover, the level of service to customers was lower than normal as a result of production disruptions and capacity shortages among suppliers, which negatively impacted the sales trend for some product groups. Measures have been undertaken to address the problems. The Finnish market is growing stably. Sales of prioritised brands developed strongly and they strengthened their positions, primarily in FMCG retail, despite increasing competition from both retailers' own brands and other brand companies.

Sales decreased for both Norway and Denmark. For Norway, the sales trend was stable for several prioritised brands. The sales development was characterised, however, by some slow-downs in sales volumes, partly dependent on both high levels of stock at customers at the beginning of the period and reduced warehousing at customers at the end of the period. The Norwegian market has for some time been undergoing change with lower sales volumes to specialist retailers in favour of the FMCG retailers and pharmacy chains. For Denmark, the sales trend was somewhat weak as a result of an agreement on contract manufacturing ending in 2018. Moreover, sales volumes to major traditional FMCG customers decreased and could not be fully compensated by higher sales volumes to other sales channels. More competition from both private labels and traditional brands that are broadening their ranges to include organic products. The Danish export operations outside the Nordic region showed continued strong sales growth, primarily for organic skincare products.

For Germany, sales did proceed according to plan in October and November with a slow-down in volumes in December as a result of less stock being kept by a major customer, where order volumes were postponed until after the new year. The sales trend was also negatively impacted to some extent by a delayed commissioning of a new production line. It is expected to be in full operation during the first quarter of 2019. The German market for organic products is changing, with higher sales volumes to FMCG retail at the expense of traditional specialist retailers.

January-December

Net sales amounted to SEK 2,852 million (2,146), an increase of 32.9 percent, driven by organic growth and acquired business volumes. The organic change in net sales was 3.0 percent. Structural changes also contributed to net sales growth by 26.0 percent, and exchange rate changes contributed by 3.9 percent. The Group's eight prioritised brands showed growth of 3.1 percent*.

Sales rose significantly in Sweden, Norway and Finland, driven by both organic sales growth, as well as acquired sales volumes. For Denmark, sales increases were mainly driven by acquired sales volumes.

* For the period January-December, sales for the acquired brand Eskimo-3 are compared with sales in the same period last year, despite Midsona not owning the brand throughout the period.

Gross profit

October-December

Gross profit amounted to SEK 219 million (195), corresponding to a gross margin of 29.0 percent (34.2). The lower gross margin was related to an unfavourable product mix, higher raw material prices and above all an unfavourable exchange rate trend for the SEK against the EUR, resulting in significantly higher product costs in Sweden that were not fully offset by price hikes at the next level. Price increases for retailers were announced and will have an impact on earnings in the first quarter of 2019. The cost structure in the German operations also entailed a lower gross margin, due to a higher share of production and inventory-related costs in relation to indirect costs compared with the Group's other operations.

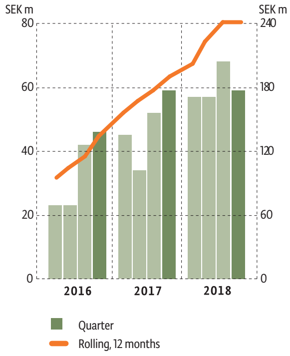
January-December

Gross profit amounted to SEK 872 million (711), corresponding to a gross margin of 30.6 percent (33.1). The gross margin deteriorated, partly as a result of an unfavourable product mix, and partly due to higher product costs in Sweden as a consequence of the unfavourable exchange rate trend for the

SEK against the EUR. The changed cost structure within the Group, related to acquired operations, contributed to a lower gross margin in 2018 compared with the preceding year. The negative gross margin trend was countered to some extent by coordinated supply chain activities on a Nordic basis with, among other things, joint product purchasing and transports.

Operating profit/loss

EBITDA, before non-recurring items



October-December

EBITDA amounted to SEK 59 million (59) before items affecting comparability, corresponding to a margin of 7.8 percent (10.3). Amortisation and depreciation for the period amounted to SEK 13 million (10), divided between SEK 8 million (7) in amortisation of intangible fixed assets and depreciation of SEK 5 million (3) on tangible fixed assets. Amortisation and depreciation increased as a consequence of acquired operations in the second quarter of 2018. Operating profit amounted to SEK 46 million (50), with an operating margin of 6.1 percent (8.8).

EBITDA, before items affecting comparability, improved for Finland through higher sales volumes, generally favourable cost control and synergies realised in accordance with plan. For Sweden, Norway and Denmark, EBITDA, before items affecting comparability, was lower than in the preceding year. For Sweden, this was related to an unfavourable product mix and significantly higher product costs as a result of the weaker SEK against the EUR. For Norway and Denmark, it was a consequence of lower sales volumes, as well as higher raw material prices and some production and administration-related extra costs for Denmark. For Germany, EBITDA was lower than plan mainly due to a lower sales volume in December as a result of postponed order volumes until after the new year.

January-December

EBITDA amounted to SEK 241 million (190) before items affecting comparability, corresponding to a margin of 8.5 percent (8.9). Amortisation and depreciation for the period amounted to SEK 52 million (35), divided between SEK 31 million (24) in amortisation of intangible fixed assets and depreciation of SEK 21 million (11) on tangible fixed assets. Operating profit amounted to SEK 178 million (134), with an operating margin of 6.2 percent (6.2).

Improved EBITDA, before items affecting comparability, were attributable to Sweden, Norway and Finland alike, due to both higher sales volumes and realised synergies from acquisitions, as well as to the acquired German operations. Denmark had a lower EBITDA, as a result of efficiency problems and temporary additional costs both related to challenges in a change of business systems.

During the year, there was a particular focus on integrating the operations of the acquired Bringwell in the Nordic region to ensure continued good customer and market cultivation, and to safeguard the takeover of a major sales assignment on a Nordic basis. In addition, resources were concentrated to the roll-out of a new business system in the Nordic operations, entailing certain additional expenses.

Non-recurring items

October-December

Operating profit for the period included no non-recurring items. During the comparative period, non-recurring items were included in an amount of a negative SEK 1 million related to the acquisition of Bringwell and pertained to a reversal of part of the restructuring reserves as a result of an agreement with the landlord for terminated leasing of office space.

January-December

Operating profit for the period included items affecting comparability of SEK 11 million (21), of which SEK 10 million consisted of acquisition-related expenses attributable to the acquisition of Davert, SEK 3 million of restructuring costs for coordination of inventory management in Norway, a negative SEK 1 million of the reversed part of the restructuring reserve relating to previous years' acquisitions (as a result of a renegotiated agreement), and a negative SEK 1 million relating to a reversed purchase consideration for previous years' acquisitions that had been entered as a liability. The comparison period included items affecting comparability of SEK 21 million related to the acquisition of Bringwell.

Financial items

October-December

Net financial items amounted to a negative SEK 2 million (4), of which interest expenses on external loans to credit institutions amounted to SEK 7 million (5). Interest expenses to credit institutions increased as a result of higher indebtedness related to completed business combinations in the second quarter of 2018. Unrealised translation differences on financial receivables and liabilities in foreign currency affected the net financial items positively by SEK 5 million (1) for the period.

January-December

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

Profit for the period

October-December

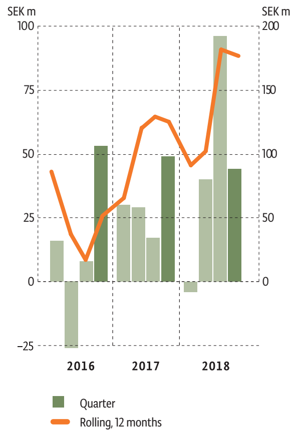
Profit for the period was SEK 33 million (34), corresponding to earnings per share of SEK 0.71 (0.75) before dilution and SEK 0.70 (0.74) after dilution. Tax on the profit for the period amounted to a negative SEK 11 million (12), of which negative SEK 4 million (4) consisted of current tax and negative SEK 7 million (8) of deferred tax. The effective tax rate for the period was 24.4 percent (24.9) and was higher than the current tax rate applicable to the Parent Company, primarily as a consequence of other tax rates for foreign subsidiaries.

January-December

Profit for the period was SEK 129 million (84), corresponding to earnings per share of SEK 2.80 (1.91) before dilution and SEK 2.77 (1.89) after dilution. Tax on profit for the period amounted to a negative SEK 34 million (28), of which a negative SEK 11 million (7) consisted of current tax and negative SEK 23 million (21) in deferred tax. In line with the decision by the Riksdag (Swedish parliament) of 13 June regarding a reduction of the corporate tax rate in Sweden from 22.0 percent to 20.6 percent in two steps, deferred tax assets and deferred tax liabilities were revalued in the second quarter of 2018 based on anticipated outflows and the tax rate applicable at that point in time. In Norway, a decision was made to lower the Norwegian corporate tax rate from 23.0 percent to 22.0 percent from 1 January 2019. In line with this change, deferred tax assets/liabilities were revalued in the fourth quarter of 2018. The effective tax rate for the period was 20.8 percent (24.6) and it differs from the current tax rate for the Parent Company mainly as an effect of changed tax rates in Sweden and Norway, as well as utilisation of restructuring reserves from previous years.

Cash flow

Free cash flow



October-December

Cash flow from operating activities amounted to SEK 58 million (54), due to a stronger cash flow from operating activities before changes in working capital. Capital tied up in inventories decreased by SEK 13 million in line with steps taken to reduce it. Capital tied up in operating receivables also decreased as a result of several major customer payments before the end of the period, but this was countered by lower operating liabilities.

Cash flow from investing activities amounted to a negative SEK 16 million (5), consisting of investments in tangible and intangible fixed assets of a negative SEK 17 million (5), as well as sales of tangible and intangible fixed assets of a positive SEK 1 million (0). Free cash flow was SEK 44 million (49). Cash flow from financing activities was negative in the amount of SEK 22 million (70), consisting amortisation of loans for 20 million (70) and amortisation of lease liabilities for SEK 2 million (0).

January-December

Cash flow from operating activities amounted to SEK 212 million (152), due to both stronger cash flow from operating activities before changes in working capital and improved changes in working capital. Cash flow from investing activities amounted to a negative SEK 357 million (91), which consisted of outflows for acquisitions of operations for SEK 295 million (64) and investments in tangible and intangible fixed assets of SEK 63 million (27), as well as inflows from sales of tangible and intangible fixed assets of SEK 1 million (0). Free cash flow was SEK 176 million (125). Cash flow from financing activities amounted to SEK 189 million (negative 69), of which loans raised accounted for SEK 375 million (60), amortisation of loans for a negative SEK 123 million (80), amortisation of lease liabilities for a negative SEK 5 million (1), and dividends for a negative SEK 58 million (47). The comparative period also included issue expenses of SEK 1 million.

Liquidity and financial position

Cash and equivalents amounted to SEK 101 million (54) and there were unused credit facilities of SEK 100 million (100) at the end of the period. Net debt amounted to SEK 1,116 million (652) with the increase being primarily attributable to the financing of implemented acquisitions. The net debt/equity ratio was a multiple of 0.7 (0.4). The ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 4.4 (3.6). At the end of the preceding quarter, the ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 4.4.

Shareholders' equity amounted to SEK 1,630 million (1,550). At the end of the preceding quarter, shareholders' equity was SEK 1,637 million. The changes consisted of profit for the period of SEK 33 million and exchange rate differences of a negative SEK 40 million on the translation of foreign operations. The equity/assets ratio was 44.1 percent (54.3) at the end of the period.

Investments

October-December

Investments in intangible and tangible fixed assets amounted to SEK 17 million (5), of which most were related to an ongoing investment in software in the form of business systems and an expansion investment in a new production line in the German operations. Some of the new production line was commissioned during the period and is expected to be in operation in the first quarter of 2019.

January-December

Investments in intangible and tangible fixed assets amounted to SEK 63 million (27). These were mainly comprised of an expansion investment in a new production line in the German operations and software in the form of business systems.

Other information

Personnel

The average number of employees was 473 (353), while the number of employees at the end of the period was 525 (384). The increased number of employees at the end of the period was mainly related to the acquisition of Davert in May 2018. During the current quarter, the number of employees decreased by 8.

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 45 million (38), and related primarily to invoicing of services provided internally within the Group. Profit before tax amounted to SEK 20 million (-3). The profit before tax included dividends from subsidiaries of SEK 120 million (70), of which an anticipated SEK 120 million (5), impairment of shares in subsidiaries of a negative SEK 120 million (51) and Group contributions received totalling SEK 29 million. Financial income increased significantly as a result of positive currency translation differences on financial receivables and liabilities in foreign currencies.

Cash and cash equivalents, including unutilised credit facilities, amounted to SEK 147 million (131). Borrowing from credit institutions was SEK 1,030 million (705) at the end of the period. In connection with the acquisition of Davert, new loans of SEK 375 million were raised. On the balance sheet date, there were 15 employees (12).

For the Parent Company, SEK 45 million (38), equivalent to 100 percent (100) of sales for the period and SEK 1 million (3), corresponding to 4 percent (9) of purchases for the period pertained to subsidiaries within the Group. Sales to subsidiaries pertained mainly to administrative services, while purchases from subsidiaries mainly pertained to consultancy services and other reimbursements for expenses. All pricing is conducted on market terms.

The share

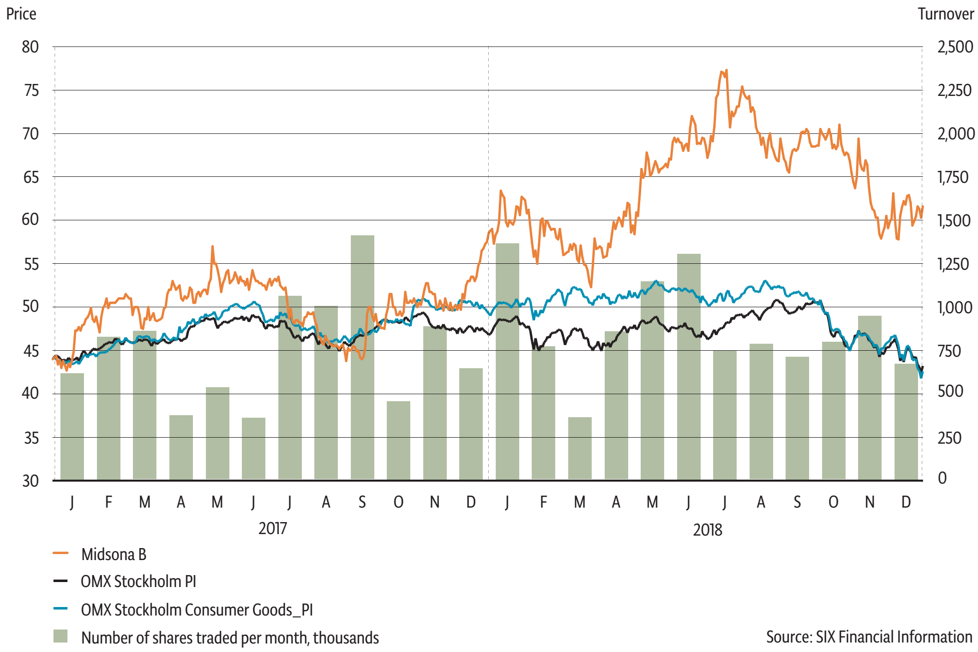
Midsona's Series A and B shares are listed on Nasdaq Stockholm's Mid Cap List under the symbols MSON A and MSON B, respectively.

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

Over the period January–December 2018, 10,450,744 shares (9,098,376) were traded. The highest price paid for Series B shares was SEK 78.90 (58.50), and the lowest was SEK 51.00 (42.40). On 28 December, the most recent price paid for the share was SEK 61.60 (58.50). For the comparison year, the share price has been adjusted for the new share issue.

Two option programmes were outstanding at the end of the period, the TO2016/2019 and TO2017/2020 series respectively, which can provide a maximum of 547,000 new Series B shares on full conversion. In the TO2016/2019 series, 50,000 warrants were repurchased in January 2018 and can now provide a maximum of 360,000 new Series B shares on full conversion. In the TO2017/2020 series, 187,000 warrants were outstanding and can provide a maximum of 187,000 new Series B shares on full conversion. On the balance sheet date, the average price for Series B shares exceeded the subscription price for the warrants outstanding, and accordingly the earnings per share after full dilution were calculated. For more information about TO2016/2019 and TO2017/2020, see Note 9 on pages 80-82 of the 2017 Annual Report.

Price trend for the Midsona share, up +5 percent compared with the corresponding period last year.



Ownership

Stena Adactum AB was the largest shareholder with 23.6 percent of the capital and 28.2 percent of the voting rights on 28 December 2018. The ten largest shareholders in Midsona AB (publ) are shown in the table.

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

Source: Euroclear

The total number of shareholders (including nominee-registered) was 7,175 (6,430). In the quarter at hand, the number of shareholders decreased by 218. Foreign ownership amounted to 21.9 percent (22.9) of the shares in the market. More information on the shareholder structure is available at www.midsona.com.

Distribution agreement

In the second quarter of 2018, the cooperation with HRA Pharma was expanded to include representing another of their brands in the Nordic market. Following this addition, the agreement is expected to generate total net sales of SEK 150 million on an annual basis.

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

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 discussion of risks and uncertainties, please refer to the 2017 Annual Report.

Business acquisitions

On 3 May, all of the shares in Davert GmbH were acquired, a company with a leading position in organic food in Germany. For a preliminary acquisition analysis, see Note 9 Acquisitions of operations on page 17.

Change in Group Management

On 28 May 2018, Erk Schuchhardt was appointed as the head of the newly established Business Area Germany and as a new member of Group Management. Ulrika Palm took office as the Head of the Division Nordic on 30 November. She succeeded Anders Dahlin, who accepted a new position outside the Group. Group Management consists of Peter Åsberg (President and CEO), Lennart Svensson (CFO), Tobias Traneborn (Supply Chain Director), Ulrika Palm (Head of Division Nordic and Business Area Manager Sweden), Christoffer Mørck (Business Area Manager Norway), Peter Overgaard (Business Area Manager Denmark), Markku Janhunen (Business Area Manager Finland) and Erk Schuchhardt (Business Area Manager Germany).

Board of Directors' dividend proposal

The Board of Directors proposes a dividend for the 2018 financial year of SEK 1.25 per share (1.25), corresponding to SEK 57,510,080 (57,510,080) or 44.7 percent (68.2) of the profit for the year, and the dividend is to be divided up into two payments of SEK 0.65 and SEK 0.60 per share on each of those occasions respectively.

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

Annual General Meeting and Annual Report

The 2019 Annual General Meeting will be held in Malmö on 3 May. The Board of Directors will publish its invitation to the Annual General Meeting by 5 April 2019.

The Annual Report for 2018 will be available on the website www.midsona.com no later than 12 April 2019. The printed Annual Report will preliminarily be available at the head office in Malmö on 12 April 2019. Printed copies of the Annual Report will be sent to shareholders on request.

Significant events following the end of the report period

An efficiency-enhancement programme for the Group's Nordic operations was adopted as a part of further strengthening the competitiveness. In the 2017 year-end report, it was announced that a shared supply chain organisation was implemented in the Nordic region as part of the strategy of establishing an efficient and sustainable value chain. Now, another step is being taken in harmonising and optimising the Nordic organisation with joint processes. The new organisation in Sweden is being concentrated to Malmö, meaning that Midsona plans to close the operations in Örebro. Besides efficiency enhancements in the Nordic supply chain organisation, this at the same time means that market functions and administrative functions in the Nordic countries are being reviewed and optimised. Efficiency-enhancement programme is estimated to entail restructuring costs of around SEK 20 million, which will be charged against profit for the period in the first quarter of 2019. The efficiency-enhancement programme is expected to provide savings of around SEK 40 million on an annualised basis, with full effect in 2021.

Midsona works with eight prioritised brands, all with great potential for growth. In January 2019, it was decided that the brand Davert would replace the brand Miwana as one of the Group's eight prioritised brands. Miwana will continue to be developed within the Group. Midsona's prioritised brands after the change are – Urtekram, Friggs, Dalblads, Naturdiet, Kung Markatta, Eskimo-3, Helios and Davert.

Malmö, 8 February 2019
Midsona AB (publ)
Board of Directors

Review by auditor

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

Report of Review of Interim Financial Information

Introduction

We have reviewed the year-end report (interim report) of Midsona AB (publ) for the period 1 January 2018 to 31 December 2018. The Board of Directors and the CEO are responsible for the preparation and presentation of the Interim Report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion regarding the Interim Report based on our review.

Scope and focus of review

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

Conclusion

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

Malmö, 8 February 2019
Deloitte AB

Per-Arne Pettersson
AUTHORISED PUBLIC ACCOUNTANT

Financial statements

Summary consolidated income statement

SEK million	Note	Oct–Dec 2018	Oct–Dec 2017	Full year 2018	Full year 2017
Net sales	3, 7, 8	755	571	2,852	2,146
Expenses for goods sold	7	-536	-376	-1,980	-1,435
Gross profit		219	195	872	711
Selling expenses	7	-119	-102	-473	-393
Administrative expenses		-52	-42	-212	-179
Other operating income		1	1	7	3
Other operating expenses		-3	-2	-16	-8
Operating profit/loss	3, 7	46	50	178	134
Financial income		6	0	16	0
Financial expenses		-8	-4	-31	-22
Profit/loss before tax		44	46	163	112
Tax on profit for the period		-11	-12	-34	-28
Profit for the period		33	34	129	84
Profit for the period is divided between:					
Parent Company shareholders (SEK million)		33	34	129	84
Earnings per share before dilution attributable to Parent Company shareholders (SEK)		0.71	0.75	2.80	1.91
Earnings per share after dilution attributable to Parent Company shareholders (SEK)		0.70	0.74	2.77	1.89
Number of shares (thousands)					
On the balance sheet date		46,008	46,008	46,008	46,008
Average during the period		46,008	46,008	46,008	44,141
Average during the period, after full dilution		46,555	46,467	46,556	44,548

Summary consolidated statement of comprehensive income

SEK million	Oct–Dec 2018	Oct–Dec 2017	Full year 2018	Full year 2017
Profit for the period	33	34	129	84
Items that have or can be reallocated to profit for the period				
Translation differences for the period on translation of foreign operations	-40	0	9	-16
Other comprehensive income for the period	-40	0	9	-16
Comprehensive income for the period	-7	34	138	68
Comprehensive income for the period is divided between:				
Parent Company shareholders (SEK million)	-7	34	138	68

In Denmark, Urtekram launched a Superfood Granola in two variants: chia and turmeric.

Summary consolidated balance sheet

SEK million	Note	31 Dec 2018	31 Dec 2017
Intangible fixed assets	4	2,466	2,129
Tangible fixed assets		254	58
Non-current receivables		4	3
Deferred tax assets		74	99
Fixed assets		**2,798**	**2,289**
Inventories		482	272
Accounts receivable		259	213
Tax receivables		4	1
Other receivables		22	9
Prepaid expenses and accrued income		33	19
Cash and cash equivalents		101	54
Current assets		**901**	**568**
Assets		**3,699**	**2,857**
Share capital		230	230
Additional paid-up capital		629	629
Reserves		24	15
Profit brought forward, including profit for the period		747	676
Shareholders' equity		**1,630**	**1,550**
Non-current interest-bearing liabilities		1,130	665
Other non-current liabilities	5	83	5
Deferred tax liabilities		271	221
Non-current liabilities		**1,484**	**891**
Current interest-bearing liabilities		87	41
Accounts payable		357	220
Other current liabilities	5	33	50
Accrued expenses and deferred income		108	105
Current liabilities		**585**	**416**
Liabilities		**2,069**	**1,307**
Equity and liabilities		**3,699**	**2,857**

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 01/01/2017	213	466	31	639	1,349
Profit for the period	–	–	–	84	84
Other comprehensive income for the period	–	–	-16	–	-16
Comprehensive income for the period	**–**	**–**	**-16**	**84**	**68**
New share issue	17	162			179
Issue expenses		0			0
Issue of warrant programme TO2017/2020	–	1	–	–	1
Dividend	–	–	–	-47	-47
Transactions with the Group's owners	**17**	**163**	**–**	**-47**	**133**
Closing shareholders' equity 31/12/2017	**230**	**629**	**15**	**676**	**1,550**
Opening shareholders' equity 01/01/2018	230	629	15	676	1,550
Profit for the period	–	–	–	129	129
Other comprehensive income for the period	–	–	9	–	9
Comprehensive income for the period	**–**	**–**	**9**	**129**	**138**
Repurchase of warrant programme TO2016/2019	–	0	–	–	0
Dividend	–	–	–	-58	-58
Transactions with the Group's owners	**–**	**0**	**–**	**-58**	**-58**
Closing shareholders' equity 31/12/2018	**230**	**629**	**24**	**747**	**1,630**

Summary consolidated cash flow statement

SEK million	Oct–Dec 2018	Oct–Dec 2017	Full year 2018	Full year 2017
Profit before tax	44	46	163	112
Adjustment for non-cash items	11	4	31	41
Income tax paid	-5	-4	-12	-7
Cash flow from operating activities before changes in working capital	**50**	**46**	**182**	**146**
Increase (-)/decrease (+) in inventories	13	-7	-29	10
Increase (-)/decrease (+) in operating receivables	32	42	-13	27
Increase (+)/decrease (-) in operating liabilities	-37	-27	72	-31
Changes in working capital	**8**	**8**	**30**	**6**
Cash flow from operating activities	**58**	**54**	**212**	**152**
Acquisitions of companies or operations	–	–	-295	-64
Acquisitions of intangible fixed assets	-10	-4	-26	-18
Divestments of intangible fixed assets	1	–	1	–
Acquisitions of tangible fixed assets	-7	-1	-37	-9
Divestments of tangible fixed assets	0	0	0	0
Cash flow from investing activities	**-16**	**-5**	**-357**	**-91**
Cash flow after investing activities	**42**	**49**	**-145**	**61**
Issue expenses	–	–	–	-1
Loans raised	–	–	375	60
Amortisation of loans	-22	-70	-128	-81
Dividend paid	–	–	-58	-47
Cash flow from financing activities	**-22**	**-70**	**189**	**-69**
Cash flow for the period	**20**	**-21**	**44**	**-8**
Cash and cash equivalents at beginning of the period	85	74	54	65
Translation difference in cash and cash equivalents	-4	1	3	-3
Cash and cash equivalents at end of the period	**101**	**54**	**101**	**54**

Tri Tolonen launched three dietary supplements in the Finnish market.

Summary income statement, Parent Company

SEK million	Oct–Dec 2018	Oct–Dec 2017	Full year 2018	Full year 2017
Net sales	**15**	**14**	**45**	**38**
Selling expenses	-2	0	-2	0
Administrative expenses	-14	-13	-58	-49
Other operating income	0	0	1	0
Other operating expenses	0	0	0	0
Operating profit/loss	**-1**	**1**	**-14**	**-11**
Profit from participations in subsidiaries	0	5	0	19
Financial income	-2	4	35	21
Financial expenses	-9	-6	-30	-32
Profit/loss after financial items	**-12**	**4**	**-9**	**-3**
Allocations	29	–	29	–
Profit/loss before tax	**17**	**4**	**20**	**-3**
Tax on profit for the period	-5	4	-5	4
Profit for the period	**12**	**8**	**15**	**1**

Summary balance sheet, Parent Company

SEK million	31 Dec 2018	31 Dec 2017
Intangible fixed assets	39	15
Tangible fixed assets	3	3
Participations in subsidiaries	2,066	1,697
Receivables from subsidiaries	547	574
Deferred tax assets	3	7
Financial assets	**2,616**	**2,278**
Fixed assets	**2,658**	**2,296**
Receivables from subsidiaries	163	19
Other receivables	13	16
Cash and bank balances	47	31
Current assets	**223**	**66**
Assets	**2,881**	**2,362**
Share capital	230	230
Statutory reserve	58	58
Profit brought forward, including profit for the period and other reserves	1,102	1,145
Shareholders' equity	**1,390**	**1,433**
Liabilities to credit institutions	959	665
Liabilities to subsidiaries	113	40
Other non-current liabilities	81	–
Non-current liabilities	**1,153**	**705**
Liabilities to credit institutions	71	40
Liabilities to subsidiaries	247	168
Other current liabilities	20	16
Current liabilities	**338**	**224**
Equity and liabilities	**2,881**	**2,362**

Notes to the financial Statements

Note 1 Accounting principles

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC). Furthermore, recommendation RFR 1 Supplementary Accounting Rules for Groups, from the Swedish Financial Reporting Board, has been applied.

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

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

The new standards and the amendments and revisions to standards and new interpretations (IFRIC) that came into effect on 1 January 2018 had no impact on the Group's accounting for financial year of 2018, with the exception of the new standards IFRS 9 *Financial instruments* and IFRS 15 *Revenue from Contracts with Customers*.

IFRS 9 *Financial instruments*, replaces IAS 39 *Financial Instruments: Classification and Measurement*. IFRS 9 addresses the classification, valuation and accounting of financial assets and liabilities. A project carried out in 2017 based on the parts of IFRS 9 that were considered to have a bearing: the classification, valuation and documentation of financial liabilities and assets and the analysis of the effects on the transition to a new model for reporting of anticipated credit losses according to an "expected loss model". Based on this, the assessment is that the new standard will not have a material impact on the Group's financial accounts in 2018. The complete accounting principles will be reported in the 2018 Annual Report.

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 *Income* and IAS 11 *Construction Contracts*. IFRS 15 contains a principle-based five-stage model of income recognition regarding customer contracts. Midsona has elected to apply a fully retrospective method as its transitional method upon introducing IFRS 15. The basic principle is that recognised income should reflect the anticipated compensation in connection with the fulfilment of the various undertakings under the contract with the customer. Accordingly, income should reflect the fulfilment of contractual commitments and correspond to the compensation to which Midsona is entitled to at the time at which the control of goods and services is transferred to the counterparty. During 2017, Midsona has assessed the effects of the new standard by identifying and analysing the most significant income streams within the Group. The analysis showed that income will essentially be reported at the same time as in the current standard and application, albeit with a reclassification of a non-material nature between the items Net sales, Expenses for goods sold and Sales expenses in the income statement as a result of clarifications of how, among other things, temporary fixed and variable discounts in connection with activities, as well as the right to return expired products in customer contracts, are to be addressed in the accounts. Accordingly, Midsona makes the assessment that the introduction of IFRS 15 will not imply any significant effects on the Group's accounting other than the comparison figures being reclassified in the income statement to improve comparability. That reclassification is presented in Note 7 Effects on net sales and operating expenses on recalculation to IFRS 15 in this year-end report, see page 16. The application of IFRS 15 entails increased disclosures in the notes of income, as presented in Note 8 Breakdown of income in the year-end report, see page 16. The complete accounting principles will be reported in the 2018 Annual Report. In other regards, the same accounting principles and calculation methods have been applied as in the latest annual report. For detailed information on the accounting principles, please see Note 1 on pages 69-77 of the 2017 Annual Report.

A number of new standards, amendments and interpretations of standards enter into force for fiscal years beginning after 1 January 2018 and have not been applied pre-emptively. None of these are expected to have any future impact on the Group's financial statements, except for IFRS 16 *Leases*, issued on 13 January 2016, replacing IAS 17 *Leases*. IFRS 16 has been approved by the EU. This standard will entail all leases to which Midsona is a party being recognised in the balance sheet, partly as a fixed asset (the right to use a leased item) and partly as a financial liability (commitment to pay future lease payments). For short-term leases and low-value leases, relief rules apply, under which such assets are exempt from being reported in the balance sheet. The standard will primarily affect the accounting of the Group's operating leases. 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. For leases previously classified as operating leases, with the application of IAS 17, Midsona decided to choose a modified retrospective transitional solution with the accumulated effect of an initial application of IFRS 16 on the first application date, whereby comparative periods cannot be recalculated. The lease liability is valued at the fair value of the outstanding lease payments on the first application date discounted by the applied discount rate and the lease asset is valued at a carrying amount as if IFRS 16 had been implemented since the introduction date discounted by the applied discount rate. The accumulated effect of initial application is recognised as an adjustment of the opening balance for retained earnings on the first application date 1 January 2019. The following relief rules have been applied in the transition. Agreements concluded within 12 months from the initial application date were excluded and handled as short-term agreements. Initial direct expenses have been excluded from the valuation of the lease asset. Assessments afterwards have been done in the valuation of leases as of the initial application date.

Discount rates as per 1 January 2019 are applied in the calculation of the lease liability and the right-of-use asset – these are based on the geographic location of the right-of-use asset and the Group's loan margin, which includes the interest rates on government bonds of various durations and a risk premium. For leases that were classified as finance leases under IAS 17, the lease asset and lease liability are recognised on the initial application date at the carrying amounts immediately before the transition date valued according to IAS 17.

The leases that will be reported in the consolidated balance sheet as a consequence of the introduction of IFRS 16 relate mainly to office and warehouse premises, production equipment, vehicles, forklifts and IT-related equipment. The actual effect on the Groups financial statements is preliminarily estimated to entail lease assets of SEK 196 million, deferred tax assets of SEK 1 million, a negative prepaid leasing expenses of SEK 4 million, lease liabilities of SEK 197 million and a negative adjustment of retained earnings of SEK 4 million at the transition date of 1 January 2019.

Note 2 Significant estimates and assumptions

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

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

In the third quarter of 2018, an assessment was made of the fair value of the assets and liabilities identified in relation to the acquired Davert GmbH . In connection with the preparation of the acquisition analysis, a brand with an indefinite useful life was valued at SEK 122 million, goodwill at SEK 162 million and deferred tax liabilities at SEK 50 million. For a detailed account of the assessments made by management in the application of IFRS and that have a significant impact on the financial statements, as well as estimates made that could entail significant adjustments to subsequent financial statements, please refer to Note 33 on page 94 of the 2017 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 fair value assessment of the identified assets and liabilities for the acquired Davert GmbH, as well as the estimates and assessments made when introducing the new accounting standards IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* effective from 1 January 2018.

Note 3 Operating segments

SEK million	Sweden		Norway		Finland		Denmark		Germany		Group functions		Group	
October-December	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Net sales, external	296	286	132	134	59	45	102	106	166	–	–	–	755	571
Net sales, intra-Group	30	19	0	0	–	–	32	29	1	–	−63	−48	–	–
Net sales	**326**	**305**	**132**	**134**	**59**	**45**	**134**	**135**	**167**	**–**	**−63**	**−48**	**755**	**571**
Operating expenses (excluding depreciation/amortisation and impairment), external	−273	−247	−100	−110	−29	−20	−125	−125	−153	–	−16	−9	−696	−511
Operating expenses, intra-Group	−20	−19	−17	−11	−24	−21	−5	−2	−2	–	68	53	–	–
Operating expenses (excluding depreciation/amortisation and impairment)	**−293**	**−266**	**−117**	**−121**	**−53**	**−41**	**−130**	**−127**	**−155**	**–**	**52**	**44**	**−696**	**−511**
EBITDA, undistributed	**33**	**39**	**15**	**13**	**6**	**4**	**4**	**8**	**12**	**–**	**−11**	**−4**	**59**	**60**
Depreciation/amortisation and impairment	−2	−2	−1	−1	0	0	−1	−2	−3	–	−6	−5	−13	−10
Operating profit, undistributed	**31**	**37**	**14**	**12**	**6**	**4**	**3**	**6**	**9**	**–**	**−17**	**−9**	**46**	**50**
Financial items													−2	−4
Profit/loss before tax													**44**	**46**

SEK million	Sweden		Norway		Finland		Denmark		Germany		Group functions		Group	
January-December	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Net sales, external	1,173	1015	599	550	225	173	430	408	425	–	–	–	**2,852**	**2,146**
Net sales, intra-Group	142	55	2	3	–	–	124	113	1	–	-269	-171	–	–
Net sales	**1,315**	**1,070**	**601**	**553**	**225**	**173**	**554**	**521**	**426**	–	**-269**	**-171**	**2,852**	**2,146**
Operating expenses (excluding depreciation/amortisation and impairment), external	-1,091	-869	-464	-471	-93	-85	-515	-491	-391	–	-68	-61	**-2,622**	-1,977
Operating expenses, intra-Group	-80	-74	-73	-32	-106	-71	-26	-6	-2	–	287	183	–	–
Operating expenses (excluding depreciation/amortisation and impairment)	**-1,171**	**-943**	**-537**	**-503**	**-199**	**-156**	**-541**	**-497**	**-393**	–	**219**	**122**	**-2,622**	**-1,977**
EBITDA, undistributed	**144**	**127**	**64**	**50**	**26**	**17**	**13**	**24**	**33**	–	**-50**	**-49**	**230**	**169**
Depreciation/amortisation and impairment	-9	-7	-5	-5	-1	-1	-6	-8	-11	–	-20	-14	**-52**	-35
Operating profit, undistributed	**135**	**120**	**59**	**45**	**25**	**16**	**7**	**16**	**22**	–	**-70**	**-63**	**178**	**134**
Financial items													**-15**	-22
Profit/loss before tax													**163**	**112**

Note 4 Intangible assets

SEK million	31 Dec 2018	31 Dec 2017
Brands	974	863
Goodwill	1,408	1,234
Other intangible fixed assets	84	32
Total	**2,466**	**2,129**

Note 5 Fair value and reported in the balance sheet, Group

SEK million	31 Dec 2018	31 Dec 2017
Liabilities		
Financial assets measured at fair value via the income statement		
Forward exchange contracts, in foreign currency	–	–
Interest rate swaps	1	1
Financial instruments not measured at fair value		
Other non-current and current liabilities	115	54
Total other non-current and current liabilities	**116**	**55**

The Group holds financial instruments such as forward currency contracts 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. 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 please refer to Note 32 on pages 92-94 of the 2017 Annual Report.

Note 6 Pledged assets and contingent liabilities, Group

SEK million	31 Dec 2018	31 Dec 2017
Pledged assets		
Blocked bank balances	–	11
Net assets in subsidiaries	1,929	1,647
Others	202	4
Total	**2,131**	**1,662**
Contingent liabilities		
Guarantees	10	19
Total	**10**	**19**

Note 7 Effects on net sales and operating expenses on recalculation to IFRS 15, Group

SEK million	Q1 2017	Re-calcula-tion IFRS 15	Re-calculated Q1 2017	Q2 2017	Re-calcula-tion IFRS 15	Re-calculated Q2 2017	Q3 2017	Re-calcula-tion IFRS 15	Re-calculated Q3 2017	Q4 2017	Re-calcula-tion IFRS 15	Re-calculated Q4 2017	Full year 2017	Re-calcula-tion IFRS 15	Re-calculated Full-year 2017
Net sales[1, 2, 3]	**527**	**-6**	**521**	**488**	**-7**	**481**	**579**	**-6**	**573**	**579**	**-8**	**571**	**2,173**	**-27**	**2,146**
Cost of goods sold [3, 4]	-354	0	-354	-328	0	-328	-374	-3	-377	-374	-2	-376	-1,430	-5	-1,435
Gross profit	**173**	**-6**	**167**	**160**	-7	**153**	**205**	**-9**	**196**	**205**	**-10**	**195**	**743**	**-32**	**711**
Selling expenses [1, 2, 4]	-100	6	-94	-95	7	-88	-118	9	-109	-112	10	-102	-425	32	-393
Administration expenses	-36	–	-36	-39	–	-39	-62	–	-62	-42	–	-42	-179	–	-179
Other operating income	1	–	1	1	–	1	0	–	0	1	–	1	3	–	3
Other operating expenses	-1	–	-1	-1	–	-1	-4	–	-4	-2	–	-2	-8	–	-8
Operating profit/loss	**37**	**0**	**37**	**26**	**0**	**26**	**21**	**0**	**21**	**50**	**0**	**50**	**134**	**0**	**134**

[1] Agreements with fixed and variable compensation to customers in connection with activities where a contingent undertaking by a customer is reported as selling expense rather than as a reduction of net sales.
[2] Agreements with fixed and variable central compensation to customers are reported as a reduction in net sales rather than as selling expenses.
[3] Agreements under which the customer is entitled to return products are reported as a reduction of net sales rather than as expenses for goods sold.
[4] Distribution agreements that include profit sharing agreements are reported as part of expenses for goods sold rather than as selling expenses.

Note 8 Breakdown of income, Group

SEK million	Sweden		Norway		Finland		Denmark		Germany		Group functions		Group	
October-December	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Geographical areas[1]														
Sweden	288	278	0	0	–	–	18	19	1	–	-16	-17	**291**	**280**
Norway	15	10	132	134	–	–	2	5	0	–	-16	-10	**133**	**139**
Finland	10	8	–	0	59	45	14	13	0	–	-24	-20	**59**	**46**
Denmark	7	1	–	–	–	–	81	83	1	–	-5	-1	**84**	**83**
Rest of Europe	6	6	–	–	–	–	19	15	164	–	-2	–	**187**	**21**
Other countries	0	2	–	–	–	–	0	0	1	–	–	–	**1**	**2**
Net sales	**326**	**305**	**132**	**134**	**59**	**45**	**134**	**135**	**167**	**–**	**-63**	**-48**	**755**	**571**
Sales channel														
Pharmacies	42	34	20	12	7	3	2	2	–	–	–	–	**71**	**51**
FMCG retail	165	188	75	71	46	35	63	73	8	–	–	–	**357**	**367**
e-trade/post order	44	16	1	4	1	1	7	6	1	–	–	–	**54**	**27**
Food service[2]	14	–	–	–	–	–	5	–	50	–	–	–	**69**	**–**
Healthfood retailers	19	28	22	27	5	5	14	17	101	–	–	–	**161**	**77**
Other specialist retailers	6	14	10	11	–	–	4	4	6	–	–	–	**26**	**29**
Others	6	6	4	9	0	1	7	4	0	–	–	–	**17**	**20**
Group-internal sales	30	19	0	0	–	–	32	29	1	–	-63	-48	**–**	**–**
Net sales	**326**	**305**	**132**	**134**	**59**	**45**	**134**	**135**	**167**	**–**	**-63**	**-48**	**755**	**571**

[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 in 2018 and figures are unavailable for 2017.

SEK million	Sweden		Norway		Finland		Denmark		Germany		Group func-tions		Group	
January-December	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Geographical areas[1]														
Sweden	1,142	1000	2	3	–	–	76	77	1	–	-70	-69	**1,151**	**1,011**
Norway	64	28	599	550	–	–	12	17	0	–	-69	-29	**606**	**566**
Finland	55	24	–	0	225	173	52	49	0	–	-105	-70	**227**	**176**
Denmark	26	4	–	–	–	–	341	316	2	–	-23	-3	**346**	**317**
Rest of Europe	25	12	–	–	–	–	71	61	422	–	-2	–	**516**	**73**
Other countries	3	2	–	–	–	–	2	1	1	–	–	–	**6**	**3**
Net sales	**1,315**	**1,070**	**601**	**553**	**225**	**173**	**554**	**521**	**426**	**–**	**-269**	**-171**	**2,852**	**2,146**
Sales channel														
Pharmacies	176	88	90	53	29	14	12	2	–	–	–	–	**307**	**157**
FMCG retail	722	728	345	316	171	134	264	296	16	–	–	–	**1,518**	**1,474**
e-trade/post order	90	46	9	13	5	4	29	20	2	–	–	–	**135**	**83**
Food service[2]	44	–	–	–	–	–	17	–	134	–	–	–	**195**	**–**
Healthfood retailers	81	74	92	93	18	18	75	64	258	–	–	–	**524**	**249**
Other specialist retailers	18	52	47	42	–	–	16	9	14	–	–	–	**95**	**103**
Others	42	27	16	33	2	3	17	17	1	–	–	–	**78**	**80**
Group-internal sales	142	55	2	3	–	–	124	113	1	–	-269	-171	**–**	**–**
Net sales	**1,315**	**1,070**	**601**	**553**	**225**	**173**	**554**	**521**	**426**	**–**	**-269**	**-171**	**2,852**	**2,146**

[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 in 2018 and figures are unavailable for 2017.

Note 9 Acquisitions of operations

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

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

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

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

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

Initially, the fair value of the identified assets and liabilities of SEK 272 million (EUR 25.8 million) was allocated in its entirety to consolidated goodwill in the interim report for January-June 2018, since the analysis of the data required for complete allocation had not been concluded when that report was published. In the interim report for January-September 2018, a complete analysis of the identified assets and liabilities has been completed, with SEK 122 million (EUR 11.6 million) being reallocated to the brand, SEK 38 million (EUR 3.6 million) to customer relationships and SEK 50 million (EUR 4.7 million) to a deferred tax liability related to identified intangible fixed assets.
The remaining SEK 162 million (EUR 15.3 million) constitutes consolidated goodwill. The brand was assessed to have an indefinite useful life while customer relationships were assessed to have a useful life of eight years. The reallocation of the identified intangible fixed assets resulted in impairment of SEK 2 million and deferred tax income of SEK 1 million being recognised in the profit for the period for the third quarter. The goodwill recognised is not expected to be tax deductible. It corresponds to the acquired company's market position in the European market for organic foods, the expertise and experience in the industry of its personnel, as well as expected income and expenditure synergies. The fair value of accounts receivable amounted to SEK 50 million (EUR 4.7 million) and was, in its entirety, fully settled at the end of the period.

Acquisition-related expenses amounted to SEK 10 million and are reported as other operating expenses in the period's earnings for the second quarter of 2018.

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

The acquisition analysis that has been prepared is preliminary.

Definitions

Midsona presents certain financial measures in the Year-end Report that are not defined under IFRS. Midsona considers these measures to provide useful supplemental information to investors and the company's management as they facilitate the evaluation of the company's performance. Because not all companies calculate financial measures in the same way, these are not always comparable to the measures used by other companies. Accordingly, these financial measures should not be considered a substitute for measurements as defined under IFRS. For the definition and purpose of each measure not defined under IFRS, please see pages 114-115 in the 2017 Annual Report. The following table presents reconciliations against IFRS .

IFRS reconciliations, Group

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

SEK million	Oct–Dec 2018	Oct–Dec 2017	Full year 2018	Full year 2017
Operating profit/loss	46	50	178	134
Amortisation of intangible assets	8	7	31	24
Depreciation of tangible fixed assets	5	3	21	11
EBITDA	59	60	230	169
Non-recurring items [2,3]	–	-1	11	21
EBITDA, before non-recurring items	59	59	241	190
Net sales	755	571	2,852	2,146
EBITDA-Margin, before non-recurring items	7.8%	10.3%	8.5%	8.9%

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

[2] Specification of non-recurring items.

SEK million	Oct–Dec 2018	Oct–Dec 2017	Full year 2018	Full year 2017
Restructuring expenses, net	–	-1	2	16
Reversal of purchase consideration for previous years' acquisitions recognised as a liability	–	–	-1	–
Acquisition-related expenses	–	–	10	5
Total	–	-1	11	21

[3] Corresponding line in the consolidated income statement.

SEK million	Oct–Dec 2018	Oct–Dec 2017	Full year 2018	Full year 2017
Expenses for goods sold	–	–	2	–
Selling expenses	–	–	-1	4
Administrative expenses	–	-1	1	12
Other operating income	–	–	-1	–
Other operating expenses	–	–	10	5
Total	–	-1	11	21

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

SEK million	Full year 2018	Full year 2017
EBITDA	230	169
Acquisition-related restructuring expenses	1	16
Acquisition-related transaction expenses	9	5
Pro forma adjustment	14	-10
Adjusted EBITDA	254	180

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

SEK million	31 Dec 2018	31 Dec 2017
Non-current interest-bearing liabilities	1,130	665
Current interest-bearing liabilities	87	41
Cash and equivalents [1]	-101	-54
Net liabilities	1,116	652

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

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

SEK million	Oct–Dec 2018	Oct–Dec 2017	Full year 2018	Full year 2017
Equity and liabilities	3,699	2,857	3,699	2,857
Other non-current liabilities	-83	-5	-83	-5
Deferred tax liabilities	-271	-221	-271	-221
Accounts payable	-357	-220	-357	-220
Other current liabilities	-33	-50	-33	-50
Accrued expenses and deferred income	-108	-105	-108	-105
Capital employed	2,847	2,256	2,847	2,256
Capital employed at the beginning of the period	2,877	2,291	2,256	2,076
Average capital employed	2,862	2,274	2,552	2,166

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

SEK million	Full year 2018	Full year 2017
Profit/loss before tax	**163**	**112**
Financial expenses	31	22
Profit before taxes, excluding financial expenses	**194**	**134**
Average capital employed	2,552	2,166
Return on capital employed, %	**7.6**	**6.2**

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

SEK million	Oct–Dec 2018	Oct–Dec 2017	Full year 2018	Full year 2017
Shareholders' equity	**1,630**	**1,550**	**1,630**	**1,550**
Shareholders' equity at the beginning of the period	1,637	1,514	1,550	1,349
Average shareholder's equity	**1,634**	**1,532**	**1,590**	**1,450**

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

SEK million	Full year 2018	Full year 2017
Profit for the period	**129**	**84**
Average shareholder's equity	1,590	1,450
Return on equity, %	**8.1**	**5.8**

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

SEK million	Oct–Dec 2018	Oct–Dec 2017	Full year 2018	Full year 2017
Cash flow from operating activities	**58**	**54**	**212**	**152**
Cash flow from investing activities	-16	-5	-357	-91
Acquisitions of companies or operations	–	–	295	64
Expansion investment, new production line	2	–	26	–
Free cash flow	**44**	**49**	**176**	**125**

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

SEK million	Oct–Dec 2018	Oct–Dec 2017	Full year 2018	Full year 2017
Net sales	**755**	**571**	**2,852**	**2,146**
Net sales compared with the corresponding period in the preceding year	-571	-521	-2,146	-1,744
Net sales, change	**184**	**50**	**706**	**402**
Structural changes	-167	-71	-557	-457
Exchange rate changes	-25	7	-85	-18
Organic change	**-8**	**-14**	**64**	**-73**
Organic change	-1.4%	-2.7%	3.0%	-4.2%
Structural changes	29.2%	13.6%	26.0%	26.2%
Exchange rate changes	4.4%	-1.3%	4.0%	1.0%

Davert launched a series of finished porridge mixtures with three flavours: dinkel-apple, dinkel-forest berry and a gluten-free vanilla.

Quarterly data[1]

SEK million	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1
Net sales	**755**	**773**	**714**	**610**	**571**	**573**	**481**	**521**	**521**	**522**	**351**	**350**
Expenses for goods sold	-536	-546	-496	-402	-376	-377	-328	-354	-337	-348	-223	-219
Gross profit	**219**	**227**	**218**	**208**	**195**	**196**	**153**	**167**	**184**	**174**	**128**	**131**
Selling expenses	-119	-125	-119	-110	-102	-109	-88	-94	-108	-107	-79	-83
Administrative expenses	-52	-56	-56	-48	-42	-62	-39	-36	-42	-44	-32	-31
Other operating income	1	3	2	1	1	0	1	1	3	0	1	1
Other operating expenses	-3	2	-11	-4	-2	-4	-1	-1	-5	-7	-1	-1
Operating profit/loss	**46**	**51**	**34**	**47**	**50**	**21**	**26**	**37**	**32**	**16**	**17**	**17**
Financial income	6	0	4	6	0	0	0	0	0	1	0	0
Financial expenses	-8	-10	-8	-5	-4	-5	-7	-6	-7	-9	-5	-4
Profit/loss before tax	**44**	**41**	**30**	**48**	**46**	**16**	**19**	**31**	**25**	**8**	**12**	**13**
Tax on profit for the period	-11	-9	-5	-9	-12	-5	-4	-7	-9	-1	-1	-2
Profit for the period	**33**	**32**	**25**	**39**	**34**	**11**	**15**	**24**	**16**	**7**	**11**	**11**
Non-recurring items												
Non-recurring items included in operating profit	–	-1	12	–	-1	22	–	–	7	19	1	–
Operating profit, before items affecting comparability	**46**	**50**	**46**	**47**	**49**	**43**	**26**	**37**	**39**	**35**	**18**	**17**
Depreciation/amortisation and impairment												
Depreciation/amortisation and impairment included in operating income	13	18	11	10	10	9	8	8	7	7	5	6
EBITDA	**59**	**69**	**45**	**57**	**60**	**30**	**34**	**45**	**39**	**23**	**22**	**23**
Depreciation/amortisation, impairment and non-recurring items												
Depreciation/amortisation, impairment and non-recurring items included in operating profit	13	17	23	10	9	31	8	8	14	26	6	6
EBITDA, before non-recurring items	**59**	**68**	**57**	**57**	**59**	**52**	**34**	**45**	**46**	**42**	**23**	**23**
Free cash flow	44	96	40	-4	49	17	29	30	53	8	-26	16
Number of employees as per the balance sheet date	525	533	528	382	384	386	329	326	322	341	275	285

[1] Quarterly data for 2016 have not been recalculated for effects on net sales and operating expenses in connection with conversion to IFRS 15..

Urtekram launched a pancake mix in the Danish market.

Financial calendar

APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
	Interim Report January-March 2019 *3 May 2019*		Interim Report January–June 2019 *19 July 2019*			Interim Report January–September 2019 *23 October 2019*		

This is Midsona

Strong brands

Midsona is the leading consumer goods company in the Nordic region operating in a growing market for health and well-being. 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 current 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 continuously 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. A shared supply chain organisation has been implemented in the Nordic region as part of the strategy of establishing an efficient and sustainable value chain.
- *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. Although we will continue to do that, our sights are now set primarily on the rest of Europe. We have demonstrated very good capacity in identifying appropriate acquisitions and in integrating and developing operations offering favourable synergies. A process has been conducted to map companies operating in markets in health and well-being in Western Europe.
- *Healthy and sustainable culture* – We offer products that help position as the expert in health and well-being. Our brands and products play a fundamental role in those efforts. Being sustainable is growing increasingly important. Our customers and consumers impose continuously increasing demands on sustainable products. There are strong connections between their interest in organic products and their interest in sustainability. We now receive considerably more questions regarding sustainability than we did a few years ago. We presented our sustainability efforts in a Sustainability Report, included in Midsona's 2017 Annual Report.

Long-term financial targets

Long-term financial targets set by the Board of Directors of Midsona AB (publ) in the second quarter of 2013.

- Net sales growth of 10 percent through organic growth and acquisitions.
- Operating margin >10 percent.
- A ratio between net debt/operating profit before amortisation/depreciation of intangible and tangible fixed assets (EBITDA) of a multiple <2.
- A dividend over time of >30 percent of profit after tax.

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

Midsona's operations are based on strong proprietary brands. Six of these play a very central role in the Group's growth and account for a large portion of sales. These are Urtekram, Friggs, Dalblads, Naturdiet, Eskimo-3 and Kung Markatta. The Helios and Miwana brands are also prioritised.

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.

Miwana

A series of natural products for the whole family for cold-related nose and throat problems - sold mainly through pharmacies in Sweden and Norway.

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