Midsona

ANNUAL REPORT
2019

Contents

Information about the Annual General Meeting
The Annual General Meeting of Midsona AB (publ) will be held on 5 May 2020 at 3:00 p.m. at Malmö Börshus, Skeppsbron 2 in Malmö, Sweden. Registration of voting rights will commence at 2.00 p.m. Before the meeting, the company will offer light refreshments.

Right to participate
To be entitled to participate in the Annual General Meeting, shareholders must be included in the share register maintained by Euroclear Sweden AB no later than 28 April 2020, and shall have registered their intention to participate by 28 April 2020 at the latest. Shareholders whose shares are nominee registered must temporarily re-register the shares in their own name at Euroclear Sweden AB in order to be permitted to participate in the meeting. Such registration must be completed by 28 April at the latest and should be requested of the nominee in good time before this date.

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

Dividend
The Board has decided to propose to the Annual General Meeting that a dividend of SEK 1.25 per share be paid for the 2019 financial year. The dividend is proposed to be divided into two payment occasions of SEK 0.65/share and SEK 0.60/share per occasion.

Significant events in 2019

- **Acquisition of French/Spanish Alimentation Santé** – a leading actor in organic and plant-based food in France and Spain. This acquisition of a strategically important platform for the continued European expansion and comprises the organic and plant-based food companies Celnet and Happy Bio in France and Vegetalia in Spain.
- **Acquisition of German Eisblümerl Naturkost GmbH** – one of Germany's leading producers of organic nut, nougat and chocolate spreads. The acquisition is a part of Midsona's European growth strategy and will be integrated in Midsona's German operations in Midsona Deutschland GmbH.
- **Acquisition of Swedish Ekko Gourmet** – specialised in organic and vegan food, such as peanut beef patties and sunflower burgers. The acquisition strengthens our position in frozen vegan products.
- **The brand Urtekram continued to top the Sustainable Brand Index™ B2C.** Urtekram was ranked fifth overall in Denmark and second in the food category.
- **Rights issue of approximately SEK 600 million.** The Board of Directors decided on 1 October for a new share issue that provided around SEK 600 million. The funding from the rights issue repaid bridge financing that was taken out to finance the acquisition of Alimentation Santé.
- **New long-term financing agreement.** Midsona signed a financing agreement with Danske Bank and Svensk Exportkredit for a total credit limit of more than SEK 2 billion.
- **New organisation and Group Management**. Based on Midsona's European expansion, the Group has been organised into three divisions: Division Nordic, Division North Europe and Division South Europe. Group management has changed to better reflect the new division structure (*see page 36*).
- **Sustainable company 2019**. Midsona ended up in fourth place in Dagens Industri's sustainability ranking for listed companies in the FMCG category.

Image of strong brands – with sights on becoming the leader in Europe

Midsona's rapid growth in recent years is based on strong brands in health and well-being. We will be the leader by continuously developing our own brands and taking in new ones so that we can meet current and new trends even more effectively. This is how Midsona has become the leader in the Nordic region and the goal is now to apply the same strategy to become the leader in Europe.

In 2019, we continued our aggressive efforts and acquired the French/Spanish Alimentation Santé and made add-on acquisitions in Germany and Sweden. Midsona's priority brands are Urtekram, Kung Markatta, Helios, Davert, Happy Bio, Celnat, Vegetalia, Friggs, Naturdiet and Eskimo-3.

This is Midsona

We develop, produce and market products that help people achieve a healthier life.

Three priority product categories*

* Share of sales, pro forma full-year after the acquisitions in 2019 of Alimentation Santé, Eisblümerl Naturkost (Eisblümerl) and Ekko Gourmet.

Healthy food for people and our planet

Midsona focuses on producing, marketing and selling products that are:

- Plant-based
- Natural and organic
- Healthy

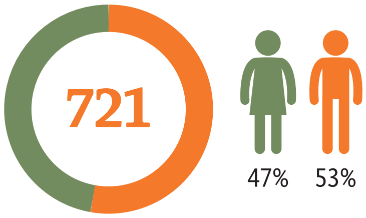
Employees

The Midsona Group has more than 700 employees in the Nordic countries, Germany, France and Spain.

We want to be a company with health as its overall goal, that stimulates and motivates our employees to good health by:

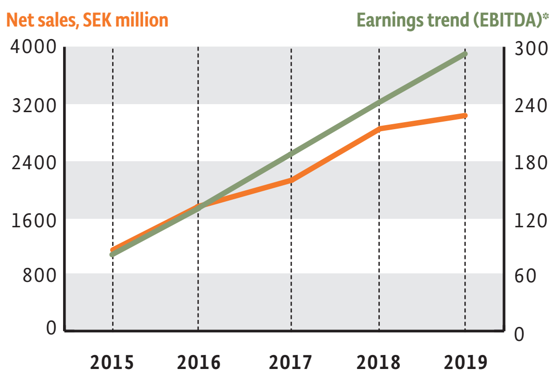
- Ensuring our employees have a good balance between work and leisure
- Making Midsona a balanced organisation, where we actively work on gender equality and diversity issues
- Working with various initiatives, such as lectures, internal training and activities for training at or outside the workplace
- Prioritised and transparent work with the working environment
- Ensure that our employees have the right competencies needed to achieve Midsona's goals

Number of employees



High profitable growth

Growth in recent years has taken place profitably with a gradually improved EBITDA. Profitability is created through economies of scale in the entire value chain, from purchasing to sales. Potential to further improve earnings lies in an even more effective product mix and cost synergies from acquisitions.



*Before items affecting comparability

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

Through an active brand and acquisition strategy, Midsona has become a leader in health and well-being in the Nordic region. With the same recipe for success, the goal is now to become one of the leaders in Europe.

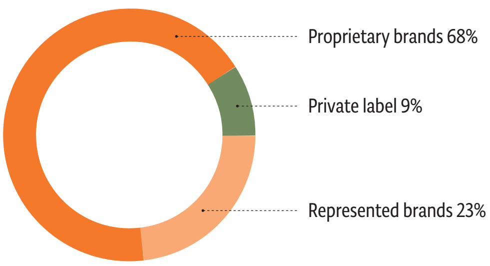
In 2018, the first step was taken through the acquisition of the German company Davert, which provides a strong platform in Germany, Europe's largest market for organic food.

In 2019, we continued with the acquisition of French/Spanish Alimentation Santé, which creates a strong platform in Southern Europe in plant-based meat alternatives.

We have also strengthened our position in Northern Europe through the add-on acquisition of Eisblümerl, Germany's leading manufacturer of organic nut, nougat and chocolate spreads, and in the Nordic region through the acquisition of Ekko Gourmet, specialists in organic and vegan food.

Strong brands

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



Priority brands

Midsona has ten priority brands:

Urtekram
Kung Markatta
Friggs
Happy Bio
Helios
Vegetalia
Naturdiet
Celnat
Davert
Eskimo-3

Comment by the CEO

The new coronavirus is dominating our lives as this is being written and is expected to do so for a long time to come. The effects of the virus on human health and society in general are of course concerning. To-date, Midsona's production is moving along as it should and the company's subsuppliers are delivering according to plan. The supply chains to retailing are a critical societal function and Midsona is working intensively together with customers and subsuppliers to secure the supply of food in the stores.

We have seen higher demand in several product categories and we have deemed that it can partly be traced to the outbreak of the virus. At the moment, I see limited negative effects on Midsona's business, but am monitoring the development carefully.

Continued expansion in Europe

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

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

Favourable development during the year

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

Total sales increased by 8 percent and for the first time exceeded SEK 3 billion. Our priority brands increased by 9 percent. Friggs continued to show the strongest growth and we saw good development for our organic brands. As a result of our expanded product portfolio, we have reviewed the composition of our priority brands and decided to now prioritise ten brands. In addition, our European expansion has brought us to reorganise into three divisions to better reflect our main markets: the Nordic region, Northern Europe and Southern Europe. With the new structure, we expect to achieve coordination and efficiency gains both within and between the divisions, an effort that in the Nordic region has already made considerable progress with shared purchasing and a new common brand platform for the organic product range, One Organic. We will report these units beginning with the first quarter of 2020.

We are expanding our strategy

In recent years, Midsona has created a leading position in the Nordic region by being a driver in the consolidation of the market for healthy foods. We have also contributed to making the organic products more available by moving them from special stores to FMCG retail. Two years ago, when the consolidation of the Nordic market was done, we saw the same development in the rest of Europe; there as well, interest is growing for healthy food, the market is not consolidated and the products are mainly sold in special stores – the prerequisites are in many ways similar to those in the Nordic region a few years earlier. Midsona's vision is to become the leader in Europe, and we will do so by using the same strategy as when we built our leading position in the Nordic region.

Increased interest in plant-based is an important driver

The growing interest in plant-based continues to be a strong trend, mainly in Denmark and Sweden, where sales of organic food per capita are the highest in the world. The acquisition of Alimentation Santé provides us an important geographic platform in Southern Europe, as well as a product platform in plant-based meat alternatives. We are established in some of the world's largest markets for organic products, but still see extensive potential, since organic food is still a small part of the total food market despite strong growth. Even in large organic markets, such as Germany and France,

organic products only account for around 5 percent of the food market.

Strong financial position provides room for a dividend

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

Focus on integration with a strong base for acquisitions

We are entering 2020 with a focus on plant-based and organic products and a clear ambition to expand in Europe. Even if the work will initially be characterised by integration, I see good opportunities for more European acquisitions in parallel with strong growth and profitability. Lastly, I would like to express our sincere gratitude to all of our employees for a very well done 2019. I look forward to the future with confidence.

Malmö, April 2020

Peter Åsberg
President and CEO

Our mission and vision

Mission

We help people achieve a healthier life.

We help people achieve a healthier life by producing and marketing food that is healthy, both for people and for our planet. Today, the main part of our products are natural and organic, many are plant-based, vegetarian or vegan.

Vision

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

For a few years, Midsona has led the consolidation of the Nordic market for products for health and well-being.

The Nordic market is now essentially fully consolidated. Today, we see the same development in the rest of Europe as in the Nordic region, not least in the two major markets of Germany and France. In the past two years, we have therefore focused on the rest of Europe. Fundamental to becoming a leader is being a driver in the consolidation of these markets as well. We have already taken important and interesting steps with platform acquisitions in Germany, France and Spain, as well as an add-on acquisition in Germany.

Financial targets

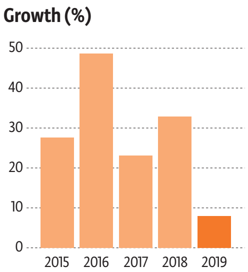
The Group's financial targets are a way for Midsona's management to manage the Group, but also a tool for the financial market to clearly monitor the Group's development. The targets show how the Group develops in the long term, regardless of the economy and what phase the Group is in. In individual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

In 2019, Midsona's Board revised the financial targets. Midsona has the ambition to actively participate in the consolidation of the European market for health and well-being. At the same time, the Group will deliver organic growth for prioritised brands through an effective market cultivation and innovation. The Board has therefore chosen to revise the growth target to 15.0 percent per year from the previous target of 10.0 percent. A clear focus on profitability through efficiency enhancements and synergic acquisitions will increase the EBITDA margin from at least 10 percent to at least 12 percent. With an active acquisition agenda, debt will be at 3–4 times EBITDA as long as we continue to make acquisitions. The dividend target is left unchanged.

Growth: more than 15 percent on average per year

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

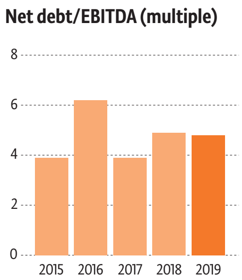
Goal completion 2019: Net sales amounted to SEK 3,081 million (2,852), an increase of 8.0 percent. The organic change in net sales was a decline of 6.1 percent while structural changes contributed by 12.4 percent and exchange rate fluctuations by 1.7 percent. The organic change in net sales was 1.5 percent adjusted for the concluded Alpro sales assignment.



Net debt/EBITDA: between a multiple of 3-4

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

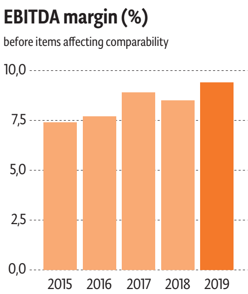
Goal completion 2019: The ratio between net debt and EBITDA on a rolling 12-month basis was a multiple of 4.8 (4.9), despite a strong cash flow and improved earnings. The key performance indicator can periodically be significantly higher than the target in the period after an acquisition, as the results from the acquisition have not yet had a full impact in the KPI calculations.



EBITDA margin: more than 12 percent

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

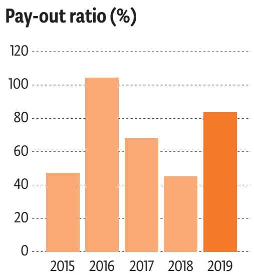
Goal completion 2019: EBITDA amounted to SEK 290 million (241), before items affecting comparability, corresponding to a margin of 9.4 percent (8.5), and was driven by acquired business and a changed accounting principle (IFRS 16) and good growth of the underlying business.



Dividend: at least 30 percent of profit after tax

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

Goal completion 2019: The Board proposes a dividend of SEK 1.25 per share (1.25), corresponding to a dividend ratio of 83.6 percent (45.1). The objective is to continue to use future cash flows for share dividends, but also provide financial flexibility for acquisitions. The long-term financial goal of paying at least 30 percent of the profit after tax in dividends to the shareholders has been achieved in the past seven years.



Why you should invest in Midsona

A growing market

Midsona's markets are growing more than the overall FMCG market. This growth is driven by several large, global, long-term trends, such as an ageing population, digitalisation, higher consumer demand for transparency and certifications, and a stronger interest in personal health and plant-based food.

A leading position

Midsona holds a leading position in most of its sales channels, making Midsona a preferred supplier and generating economies of scale. In 2019, Midsona continued to strengthen its positions in the Nordic market and built geographic and category platforms.

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

Midsona actively participates in consolidating the market and is today the leader in the Nordic region, a position achieved through an active acquisition strategy. In the rest of Europe, the market is deemed to be facing the same rapid growth as seen in the Nordic region in recent years. Midsona is therefore working in a focused manner in order to be an active partner in the consolidation of the fragmented European market.

Aggressive goals and clear strategies

Midsona has a clear mission and vision, aggressive growth targets, clear strategies and financial and organisational capacity.

Strong brands

Midsona's strategy builds on strong brands that are continuously developed and supplemented through acquisitions and alliances. Ten brands are in focus. In the Nordic region, there are several strong brands, with strong positions in their categories. In the past two years, Midsona has conducted acquisitions in Germany, France and Spain to create a strong brand growth in the rest of Europe as well.

Trends and driving forces

Midsona's products are in strongly growing categories with a number of favourable, underlying, global trends. Some of these trends are:

Plant-based food

A growing share of the population in the Nordic region and the rest of Europe is choosing to eat plant-based food and define themselves as flexetarians, vegetarians or vegans. This trend is driven by a stronger interest and focus on health and sustainability.

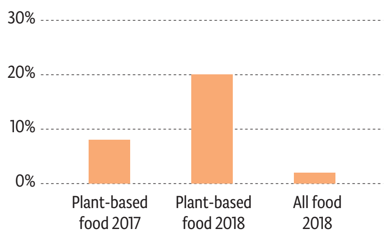
Health and well-being

Consumers are becoming more and more aware of their health and are adopting a more holistic approach to improving their well-being. People increasingly prefer more healthy food, but at the same time, have less time to prepare food, which creates a rising demand for comfortable and easy products.

Organic food

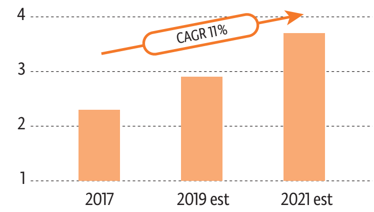
Organic foods have a very strong position in the Nordic region. In 2017, Denmark became the first country worldwide where more than 10 percent of the foods were organic. There is a significant increase in sales of organic foods around the world.

Total growth[1] of plant-based foods in shops

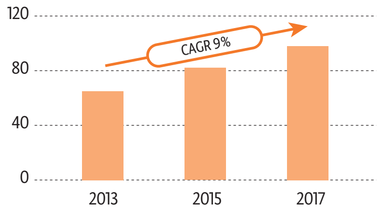


1) Based on annual growth in the US
Source: Midsona's estimates.

Western European sports nutrition market

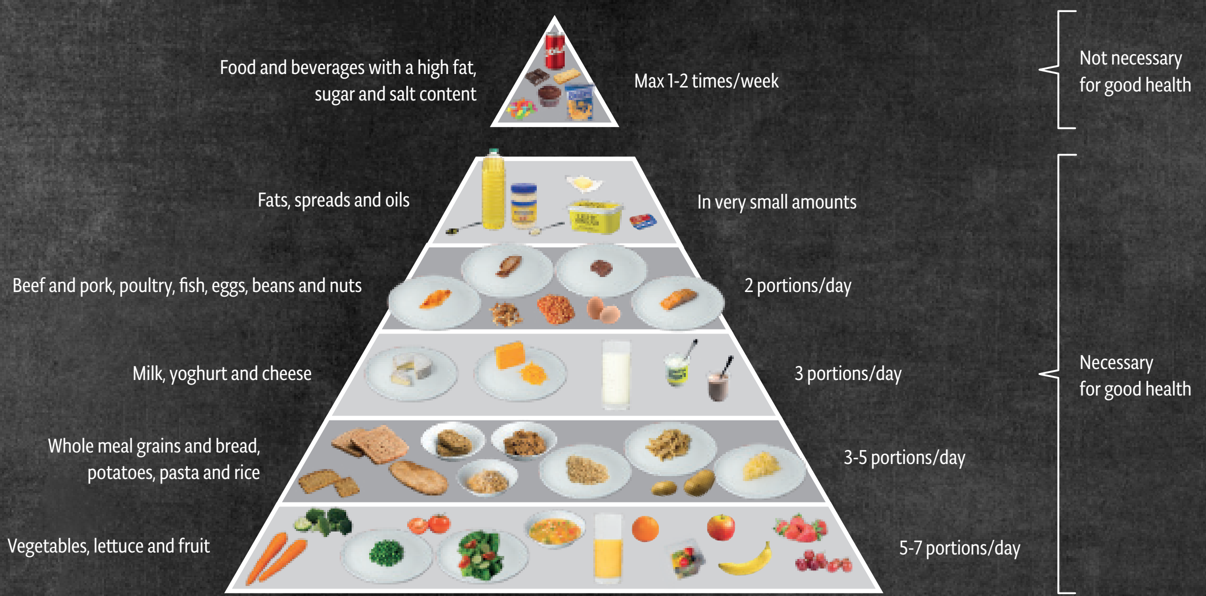


Growing global market for organic products



A plant-based revolution

Traditionally, Midsona has defined the market as products for health and well-being. Health and well-being are still important, but ethical, environmental and climate reasons play a growing role in the food choices that both consumers and customers are making. We are in the middle of a plant-based food revolution. The traditional food circle has been replaced by the new food pyramid, in part since people have begun over-consuming animal protein and fast carbohydrates with several negative consequences. The meat industry, including the dairy industry, consumes so much of the planet's resources that it is not possible to feed the population of the whole world. It also contributes considerably to global warming through carbon dioxide emissions.

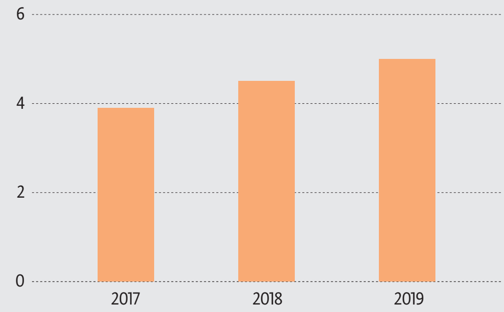


Source: Safefood EU

Plant-based food growing quickly

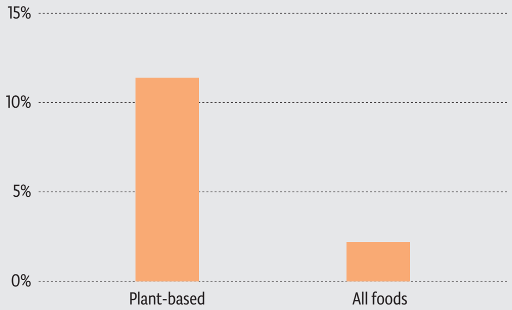
A particularly strong global trend is plant-based food in general, and plant protein as an alternative to meat in particular. The market is being driven by people's rapid shift to a flexible diet (meat and vegetarian/vegan), especially in North America. According to an article from the Food Revolution Organisation in 2018, the number of vegans in the U.S. increased by 600 percent between 2015 and 2018. The growing vegan trend is expected to sharply increase demand for plant-based meat products in Europe as well. Data from the U.S. show that the growth for plant-based food significantly exceeded the growth of conventional food in 2019.

Growth of plant-based food in the USA (USD billion) 2017–2019



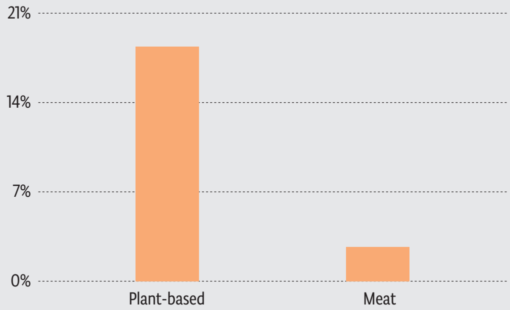
Sales of plant-based food in FMCG retail in the U.S. have grown by 29 percent in the past two years.

Growth in FMCG retail in the U.S. in 2019



Sales of plant-based food in FMCG retail in the U.S. increased by 11.4 percent in 2019, while the total food market increased by 2.2 percent.

Growth for FMCG retail in the USA, plant-based meat alternatives vs. meat



Sales of plant-based meat alternatives grew by 18.4 percent in 2019. Refrigerated plant-based meat alternatives drove growth and increased by 63 percent. Sales of conventional meat products grew by 2.7 percent in the same period.

Source: Plant Based Foods Association

Sales of food in FMCG retail in Sweden, Denmark, Finland and Norway.

Organic food and food "free from" are expected to continue to drive growth in packaged foods. Natural and healthy food is expected to grow at the same rate as 2015–2018, while the growth for "better for you products" is deemed to slow down at the same time that so-called functional foods[1] are expected to grow, although from low levels. Organic, fresh food is deemed to grow significantly faster than other fresh food, including fruits and vegetables.

Food for the health of people and the planet

Food authorities in most markets work based on the original "Basic Seven" model* and the impact our eating habits have on the planet has not begun to be taken into account until recent years. The use of animal proteins is increasingly questioned by consumers, mainly for environmental and ethical reasons. The meat industry is being called into question and growing numbers are becoming vegan, vegetarian and flexitarian. The number of vegans and vegetarians is still limited (5-10 percent of the western part of the world). Growth is mainly taking place among the growing percentage of flexitarians.

* 1. Vegetables, 2. Fruit, 3. Potatoes and certain other vegetables and fruit, 4. Milk and milk products, 5. Meat, fish and eggs, 6. Bread, flour and grains, 7. Butter and margarine.

Common reasons to eat more organic are:

1. Avoiding chemicals
2. Taking in more nutrients
3. Better taste
4. Avoiding GMO (genetically modified products)
5. Avoiding hormones, antibiotics and pharmaceuticals in animal products
6. Contributing to preserving the ecosystem
7. Reducing pollutants and protecting water and soil
8. Preserving the diversity in agriculture.

Sources: Veganbits, The Vegan Society and World Atlas, Djurens rätt

Our strategy

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

Midsona's strategy is based on four components:

- Leading brands in prioritised categories
- Selective acquisitions
- Cost-efficient value chain
- Healthy and sustainable culture

Leading brands in prioritised categories

Midsona works with its own strong brands and a number of selected licensed brands in prioritised growing categories: natural and organic products, healthfoods and consumer health.

The current primary geographical markets are Sweden, Denmark, Norway, Finland, Germany, France and Spain. The vision is to take our concept to a growing and fragmented market in the rest of Europe, outside the Nordic region. In 2018, the first step was taken with the acquisition of the German company Davert and in 2019, we continued with the French/Spanish company Alimentation Santé. We also added more brands to Division North Europe through the add-on acquisition of Eisblümerl and to Division Nordics through Ekko Gourmet.

Midsona strives for our brands to hold position number one or two in their categories and to be in the right channels, meaning where we have the best knowledge and where there are opportunities for strong growth. In recent years, Midsona has launched numerous new products and innovations. In addition, the Group has renewed several packages so that products are more visible and meet both consumers' and retailers' requirements, not least from a sustainability perspective.

In the beginning of 2020, Midsona launched new organic brand platforms, One Organic, in the Nordic markets to lift our organic brands in Food and Beauty. By seeking synergies between the Nordic markets, One Organic will contribute to accelerating growth through a broader coordination of production, innovation and marketing. Friggs, one of Midsona's strongest brands, has established an equivalent Nordic strategy in recent years. It has resulted in Friggs quickly establishing itself in all Nordic markets, thanks in particular to an updated package design, where every product and flavour is easy to recognise with consistent patterns and unique colours.

In 2019, Midsona:

- Implemented the strategic platform acquisition of French/Spanish *Alimentation Santé*, which creates two platforms geographically in Southern Europe and categorically in plant-based meat alternatives. Alimentation Santé consists of three strong, organic and plant-based brands: *HappyBio* in Spain and *Vegetalia* and *Celnat* in France.
- Integrated the strategically important acquisition of the German company *Davert*, a pioneer in organic foods in Germany, with a continued strong position in consumer sales, food service and private label.
- Continued focus on innovation and increasing the pace of innovation even further, which entails that we have continued to *launch more new products than ever before*. Most have been launched under the brands Urtekram, Friggs, Kung Markatta and Davert.
- Created organic brand platforms for the Nordic region under the collective name *"One Organic"*.
- Further developed the Friggs brand to all four markets in Division Nordics.

Our prioritised categories

Strong brands that meet consumer needs

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

We develop our brands by continuously reviewing the range and being innovative with exciting new flavours, relevant ingredients and new categories. We are also developing our brands in the way we communicate and where we communicate about them. The largest part of the marketing in 2019 continued to be directed at digital channels and social media. Digital development demands that we are constantly present, are easy to find, can answer our consumers' questions and have an open dialogue. Dedicated individuals who are experts on their brands manage the social media channels.

One of Midsona's fundamental strategies is to build on leading and clear brands. In 2019, proprietary brands accounted for a total of approximately 68 percent (69) of the Group's sales of products. Many of our brands have strong and leading positions in selected segments in the respective product category.

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

The proportion of organic products of Midsona's total sales has increased strongly in recent years and in 2019 was 56 percent*. Increasing the share of organic products in our assortment is a deliberate, strategic choice. This is the segment in health and well-being that is expected to grow the fastest in Europe in the next few years. But there are challenges. After a period of strong growth in the Nordic region, growth slowed mainly in Denmark and Sweden at the same time that competition increased.

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

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

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

Midsona's acquisitions of French/Spanish Alimentation Santé in 2019 and German Davert in 2018, Swedish Internatural (including Kung Markatta) in 2016 and Danish Urtekram in 2015 have several dimensions. The most important is that the brands are organic, strong, clearly niched and personal, and therefore fit in with Midsona's brand strategy very well.

* Pro forma

Our priority brands

Friggs

Friggs is a broad health brand that focuses on the latest trends. The product range is mainly available in supermarkets and grocery stores. Friggs has a leading position on the market in corn and rice cakes and in 2019, worked to launch a number of new flavours. Friggs' range of teas focuses on good taste with ingredients that have strong health ties. The dietary supplements have a leading position in the Swedish market.

Urtekram

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

Naturdiet

Naturdiet offers weight control products. Common to all products is a low calorie content, at the same time that the products contain the vitamins and minerals needed in meal replacement products. The range consists of shakes, smoothies, bars and drink mixes. In 2019, focus was on developing even more flavours of beverages and bars with lower sugar content. Naturdiet is mainly sold in supermarkets and grocery stores.

Davert

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

Kung Markatta

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

Midsona's business builds on strong proprietary brands that are continuously developed in new channels, with relevant communication to speak to existing consumers and attract new consumers. The ten prioritised brands play a key role in the Group's growth and together stand for a significant part of Midsona's total sales.

Helios

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

Celnat

Pioneer in organic and plant-based products in France since the 1970s. Leading actor in production of roasted grain and cereals in its own production unit. Sold mainly in special stores for organic products and in FMCG retail. Celnat was one of the brands included in the Alimentation Santé acquisition.

Happy Bio

Organic and plant-based foods, such as grains, flakes, seeds, vegetables, pasta and rice. All products are certified to be without palm oil. Happy Bio was one of the brands included in the acquisition of Alimentation Santé. Happy Bio products are primarily sold in FMCG retail.

Eskimo-3

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

Vegetalia

Leading Spanish brand in production of vegetable protein including fresh plant-based products. Strong position in organic specialist stores and in FMCG retail. Vegetalia was one of the brands acquired through Alimentation Santé.

One Organic – a Nordic strategy for increased growth

At the same time that the Group conducted a number of strategic acquisitions in the rest of Europe, a new strategy is taking shape in the Nordic market, One Organic, with the aim of lifting Midsona's organic brands in Food and Beauty. In order to continue to develop, there is a need to find synergies between the Nordic markets. A Nordic strategy has been prepared with the aim of accelerating growth through a broader coordination of production, innovation and marketing.

Organic pioneers

There are many similarities between the Group's Nordic organic brands *Urtekram, Kung Markatta* and *Helios*. All have a past as pioneers in their organic areas and they offer products that build on ingredients from the best raw materials. Urtekram is a Danish brand that is in the market in Denmark, Sweden, Finland and Norway. The brand Kung Markatta is in Sweden and the brand Helios is in Norway. The Beauty segment is a business area that is deemed to have a major potential through the brand Urtekram, which is also the Group's largest brand.

New insights into the organic consumers

In 2018, a careful analysis was begun of the Nordic market to obtain a deeper understanding of the changes that take place in the organic landscape, meaning the people who want to make an organic choice today and what it is that drives this demand. The purpose of the study was to identify where there was growth potential and possibilities to develop Midsona's product portfolio – with the goal of taking more market shares. In light of this, a quantitative investigation was done in Sweden and Denmark, as well as a more in-depth effort in focus groups. New insights from the study of the organic consumer indicated the need to revitalise the brands in Food and Beauty. The Group's Nordic organic brands have a stable foundation to stand on and a good awareness of their markets, but as competition has increased, so has the need to revitalise these brands.

New target groups provide growth opportunities

Organic food

The extensive work done clearly shows the major opportunities that exist in better reaching out to the target groups that have health and convenience as driving forces. Increasing numbers of consumers make the connection between consuming organic and living a healthier life. A sustainable lifestyle is an important part that will build on an essentially organic sustainable product. Midsona now sees the possibility of linking together organic with health and even better reaching out to the large target group that in a hectic daily life wants to enable a healthy lifestyle through organic and environmentally aware consumption choices. Moving forward, Midsona will invest greatly in developing vegetarian and vegan products that are good from a sustainability perspective.

Organic beauty products

Urtekram's organically certified beauty products are sold in the Beauty segment throughout the Nordic region, as well as in large parts of Europe. There is a growing share of consumers who are interested in buying organic beauty products, but who from experience do not choose them because of less attractive scents, boring packaging or worse results. It is also difficult for the consumer to find out what products are natural or certified organic. In the same manner as in the Food segment, there is "greenwashing" in the market where other actors' products allude to an organic content through packaging and marketing. It is simply hard for the consumer to make an environmentally aware and healthy choice from the shelf.

All beauty products from Urtekram are certified organic by Ecocert. The development of certified organic ingredients is gaining speed and the raw materials used in the products are of the absolutely highest quality. Nordic Beauty is now undergoing a transformation through a new brand strategy to take new market shares and engage new consumers. In 2019, three new certified organic product series were developed in attractive, sustainable packaging made of sugar cane plastic.

The newly developed and updated series take Nordic Beauty to a new level in terms of formulations, even finer raw materials and luxurious packaging that exudes a modern new expression and becomes an attractive detail in the bathroom. This is a major step along the way to attracting the large group of consumers identified in in-depth market analyses. The products are more scent-intensive and the formulations mean that they are more easily absorbed and provide the desired lovely result.

Coordination provides synergy gains

Instead of three brands in parallel launching their own products with their own ingredients on their respective markets, Midsona is now coordinating the product development. A fresh example of this is a recently launched kombucha that was developed in several different flavours. The beverages were launched in a coordinated launch in all Nordic markets, with the same healthy ingredients, but under the respective market's established brand. Launching through already established brands in the respective markets makes the work more resource efficient and the penetration in the respective Nordic country is better.

The Group's coordinated Nordic production and innovation strategy has the organic consumer's needs in focus and is about revitalising Midsona's organic business.

New brand strategy for the organic assortment provides better impact:

- Centralised innovation and production for Food and Beauty in the Nordic region
- Centralised communication to the relevant consumer groups
- Coordination provides organisational and financial synergies

In 2019, new organic brand platforms were created for the Nordic region under the collective name One Organic. As a part of the project, the Kung Markatta and Urtekram logotypes were updated.

Selective acquisitions

Acquisitions are an integral and fundamental part of Midsona's business. We have in recent years played a major role in consolidating the market in the Nordic region, primarily through the acquisitions of the brands Urtekram and Kung Markatta. We have shown a good ability to find the right acquisitions and integrate and develop businesses with good short- and long-term synergies. We now have a strong position in the Nordic region.

Our strategy moving forward is to establish a strategically important base, geographically or in a category, through a platform acquisition and thereafter increase the presence in the area or category through add-on acquisitions. Acquisitions in accordance with the strategy were made in Germany in 2018 and 2019 and in France/Spain in 2019.

In 2019, Midsona:

- Integrated German Davert that was acquired in 2018 and has given Midsona a strong platform in the market in Northern Europe. The company changed its name to Midsona Deutschland GmbH.
- Acquired French/Spanish Alimentation Santé, which gives Midsona a strong platform both in the market in Southern Europe and in vegetarian meat alternatives (read more on page 27).
- The acquisition of German Eisblümerl, an add-on acquisition in the market in Northern Europe that will be integrated into Division North Europe (read more on page 28).
- The acquisition of Swedish Ekko Gourmet, an interesting add-on acquisition in the market in the Nordic region that will be integrated into Division Nordics (read more on page 28).
- Continued to map, contact and visit possible acquisitions in the rest of Europe outside of the Nordic region to further strengthen the Group's position in Europe.
- Continued to be open to possible add-on acquisitions in prioritised areas in the Nordic region.

2012

Nordsveen
Norway
Healthfoods/
Consumer health
NOK 74 million*

Dalblads Nutrition
Sweden
Healthfoods
SEK 51 million*

2013

Supernature
Norway
Healthfoods
NOK 49 million*

Elivo**
Finland
Consumer health
EUR 13 million*

2014

Soma Nordic
Norway
Organic
NOK 51 million*

2015

Urtekram International
Denmark
Organic products/
Healthfoods
DKK 368 million*

* At the time of acquisition
** Trademark acquisition
*** Pro forma at the acquisition dates

SEK **3.5** billion***

2016

Internatural
Sweden
Organic products
SEK 637 million*

Biopharma**
Norway
Consumer health
NOK 30 million*

2017

Bringwell (publ)
Sweden
Consumer health
SEK 335 million*

2018

Davert
Germany
Organic products
EUR 64 million*

2019

Eisblümerl
Germany
Organic products
EUR 9 million*

Ekko Gourmet
Sweden
Organic products
SEK 10 million*

Alimentation Santé
France/Spain
Organic products
EUR 33 million*

The growth journey continues in the rest of Europe

Midsona is growth company. In the 2010s, we have grown strongly, with a mix of organic growth from existing brands and an aggressive acquisition strategy of companies and strong brands first in the Nordic region and in the past two years in the rest of Europe.

Since the consolidation in the Nordic region began in 2012, we have gone from SEK 0.9 billion in sales to around SEK 3.5 billion (pro forma rolling 12-months 2020). And we continue to grow. Moreover, the growth primarily comes from organic and plant-based products, categories that are both growing strongly and are profitable.

Our growth journey in the Nordic region began in 2012. At the time, we noted a number of favourable trends in the market for products for health and well-being:

- The Nordic market was fragmented, mainly with many small and medium-sized family-owned companies.
- There was a lack of strong companies and strong brands.
- The majority of the products were sold in special stores, such as healthfood stores and pharmacies. There was an incipient trend that some products began to be sold also in FMCG retail.
- Public interest in health and well-being increased sharply.

The industry was ready for a Nordic consolidation, at the same time that interest in the whole market and our products grew. For a number of years, we worked in a structured way to broaden our presence in the Nordic region, mainly by building and growing our own brands and through a number of acquisition activities. We acquired several small and medium-sized family-owned companies, and integrated them and their brands with Midsona's portfolio. Step by step, we became an ever larger and stronger company.

In 2017, we had achieved our goal of being the leader in the Nordic region. The Nordic market was then essentially fully consolidated and we decided to focus on further development of our existing strong Nordic brands – and began looking at creating growth in the rest of Europe.

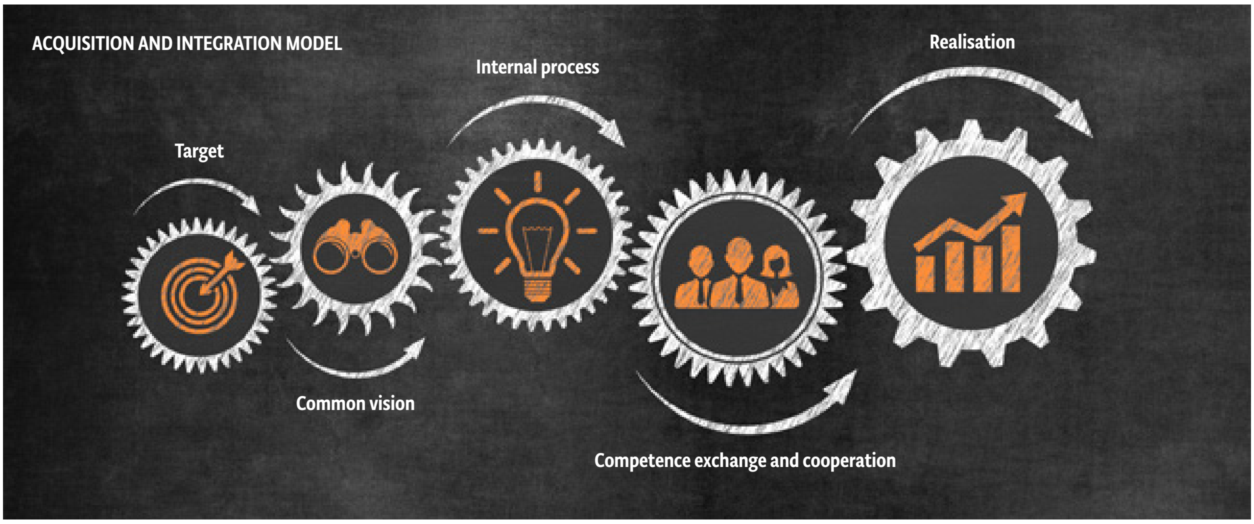
The appearance of the market in the rest of Europe is both interesting and motivating. The majority of the markets are generally strongly fragmented with many small and medium-sized family companies. A large part of the sales

are also in special stores, mainly healthfood stores, and there is a trend that the products are beginning to be moved to FMCG retail. The market for products that contribute to health and well-being is in focus and people are becoming increasingly aware of what they eat. The knowledge of and interest in healthy food is growing rapidly in the rest of Europe. So the similarities between the European market today and the Nordic market in 2012 are extensive.

Before we took the step out into the European market, we conducted a thorough and comprehensive analysis and prepared a list of around 1,000 interesting small and medium-sized family-owned companies in Europe. This resulted in us being able to conduct large acquisitions as early as 2018 with Davert in Germany and in 2019 with Alimentation Santé in France/Spain. In addition to this, we conducted an add-on acquisition in Germany in 2019.

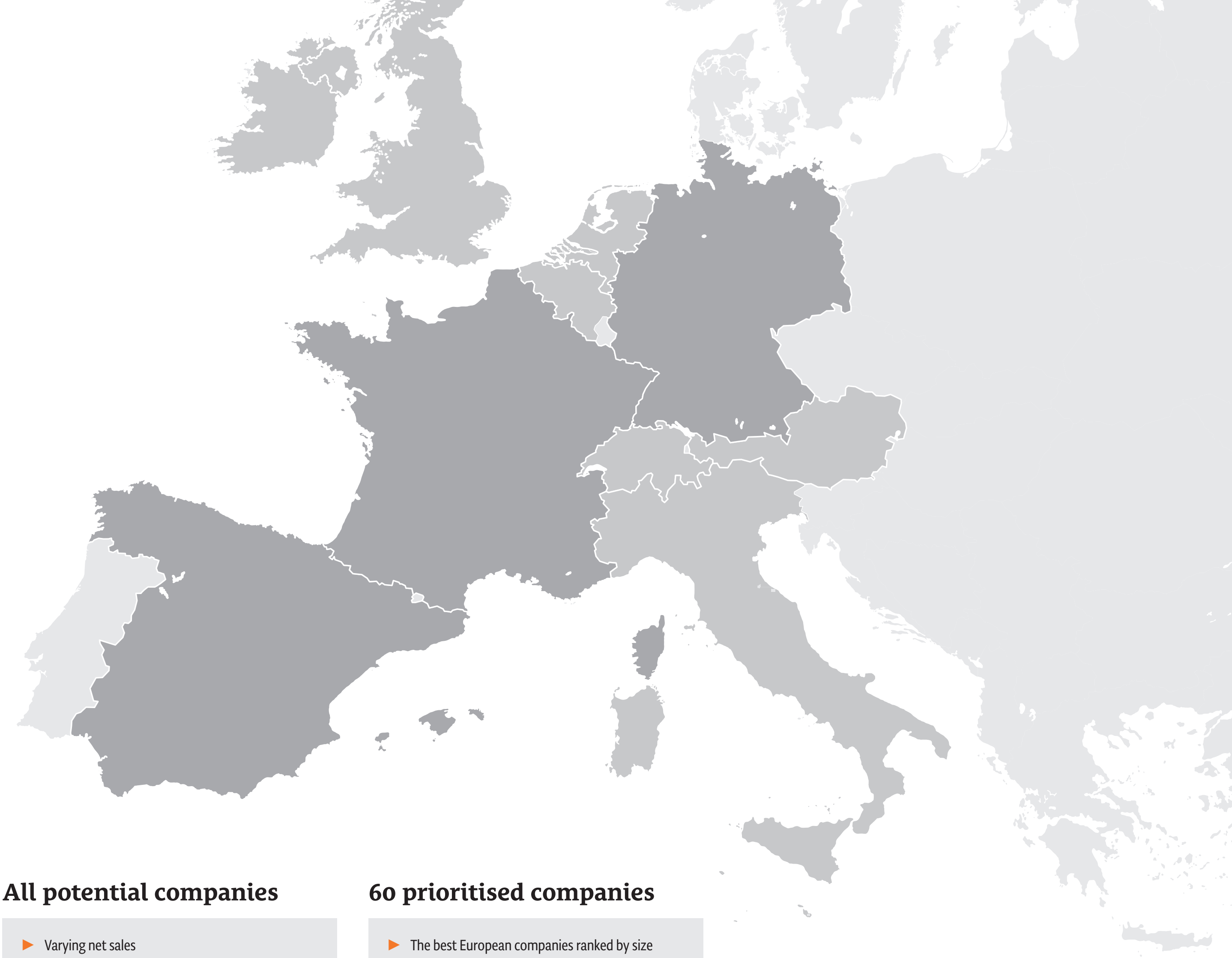
Much of the work is done before the acquisition is carried out. We devote a great deal of time to discussing the future with the management and owners of the company we want to acquire. When we then announce the deal, we have a common plan.

Midsona has a clear acquisition and integration model with a well-functioning internal process, after having carried out 15-20 acquisitions in recent years. A large part is about making it possible for the new employees to feel welcome in Midsona and to work in accordance with our culture and our processes as soon as possible. It is important to quickly find forms of collaboration, exchanges of expertise and create synergies, not least on the marketing and sales side in order to get the acquired company's products and brands out to new customers and new markets. We also carefully map cost synergies where there are structured processes to realise them.



Possibility of consolidation in the rest of Europe

When Midsona made the strategic decision to become the leader in Europe, an extensive mapping was done of possible acquisitions in the rest of Europe outside the Nordic region. A list of around 1,000 companies was prepared and 60 of them were selected as priority. The full list and the list of the prioritised companies is continuously updated and evaluated.



All potential companies

- Varying net sales (the majority under SEK 200 million)
- Broad product portfolio or focused on a specific subcategory/product group
- From these, 5-10 potential add-on acquisitions are identified for each focus country

60 prioritised companies

- The best European companies ranked by size
- Usually well-established brands with good market positions in one or more countries
- Broad product portfolio or focused on a specific subcategory/product group

Alimentation Santé creates an important platform in France and Spain

The acquisition of Alimentation Santé creates a strategically important platform for Midsona's continued European expansion. The company is a leading actor that strengthens our position in organic and plant-based food, and creates a strong base for expansion in France and Spain. The acquisition also provides entirely new possibilities in attractive segments, such as roasted grain and plant-based alternatives to meat, such as veggie burgers, tofu, seitan and tempeh.

Alimentation Santé's wholly owned subsidiaries own the organic and plant-based brands Celnat and Happy Bio in France and Vegetalia in Spain. The company has a broad product portfolio and the products are 100 percent organic.

Celnat was founded in 1979 and is a pioneer in the organic food industry in France and a leading actor in the production of roasted grains and cereals. France is the third largest market in the world for organic foods, in terms of market value.

Happy Bio is an award-winning brand that offers organic products of high quality for the French market. Happy Bio bases its products, primarily müsli, on a careful selection of raw materials and uses unique processing methods to preserve the raw materials' original nutritional values to the furthest possible extent.

Vegetalia was founded in 1986 and is a leading Spanish actor in the production of vegetable protein, including fresh plant-based products, with unique production characteristics.

Production takes place in Saint Germain Laprade, France and in Castellcir and Jérez de la Frontera, Spain.

The facilities are modern and have a flexible capacity to clean and process all kinds of cereals. Packaging and storage also take place under the company's own direction.

Alimentation Santé's products are sold via multiple distribution channels and have strong positions in both organic specialist stores and in FMCG retail. Alimentation Santé has around 150 employees.

Alimentation Santé constitutes Midsona's Division South Europe under the direction of Division Director Marjolaine Cevoz Goyat.

The acquisition of Alimentation Santé is based on a number of growing underlying trends:

- A quickly growing global market for plant-based meat alternatives and organic foods
- France is the second largest market for organic food in Europe after Germany.
- Southern Europe is a fragmented market that is undergoing consolidation.

For Alimentation Santé, net sales amounted to SEK 335 million (EUR 32.7 million) and EBITDA amounted to SEK 29 million (EUR 2.9 million) for 2018. EBITDA, before items affecting comparability, was SEK 45 million (EUR 4.4 million) for 2018.

Eisblümerl is an attractive add-on in Germany

Eisblümerl is one of Germany's leading manufacturers of organic spreads. The company is specialised in the production of nut, nougat and chocolate spreads and peanut butter, and also produces spreads with seeds and fruit, as well as ingredients for baking. The acquisition is a part of Midsona's European growth strategy.

Eisblümerl will be integrated into Division North Europe. Eisblümerl is a very attractive add-on acquisition to our existing platform and adds both additional quality products and production capacity.

The production takes place in the company's factory in Lauterhofen. The company was founded in 1999 and today has nationwide distribution in Germany through FMCG retail, specialist retailers and pharmacies, as well as e-merchants and its own online store.

Eisblümerl has good profitability and potential for synergies.

Net sales amounted to SEK 90 million (EUR 8.8 million) for 2018.

Swedish Ekko Gourmet strengthens frozen vegetarian products

Swedish Ekko Gourmet AB is specialised on organic and vegan food, such as peanut beef patties and sunflower burgers. Ekko Gourmet's assortment supplements Midsona well and is a step for us to strengthen our position in frozen vegetarian products. Ekko Gourmet had turnover of around SEK 10 million in 2018.

The salesperson was the founder and main owner Jared Christensen, who is remaining in Midsona as the manager for innovation and product development in the frozen goods category.

Ekko Gourmet's assortment includes sunflower burgers, quinoa balls, peanut, beetroot and hemp beef patties. The products are sold in ICA, Coop and Hemköp stores. The production takes place in Sweden.

Cost-efficient value chain

Midsona works continuously to adapt and improve the efficiency of the organisation and to evaluate its product range from a profitability perspective. In recent years, the range has been evaluated and optimised with a focus on eliminating the products that do not fit into the Group's strategy or meet the profitability requirements.

As a part of improving the efficiency of the operations, Midsona is working to increase the sales volumes that come from our own production. Both existing suppliers and our own production structure are continually evaluated to ensure optimal cost-effectiveness and quality. The combination of our own production and external suppliers creates a cost-effective and flexible supply chain that can more easily be adapted to trends and a volatile demand.

In 2019, Midsona:

- Implemented the strategy "*One System – One Organisation – One Plan*" in the Nordic region.
  - Implemented a common business system for the entire Nordic region.
  - Created a Nordic organisation for the value chain.
  - Implemented a process for Sales & Operations Planning in the Nordic region, which is now being taken further in the Group.
  - Implemented a system for supplier evaluation in the Nordic region, which is now being taken further in the Group.
- Removed a number of unprofitable items and smaller sales assignments.
- Completed transport procurement and reduced from 60 to 30 hauliers.
- Consolidated and streamlined the Nordic warehouse structure, including the closure of three warehouses.
- Mapped production capacity and developed a production strategy and an investment process.
- Initiated common purchasing processes for the Nordic region/Germany and Germany/France with significant savings.
- Set the strategy for the Group's work for the value chain 2020–2022.

Midsona's building blocks for creating a cost-effective value chain.

A more effective European value chain

For Midsona's operations in the value chain, focus right now is on harmonising the operations in the Group's three divisions – Nordics, North Europe and South Europe – to identify synergies and implement them.

The Group-wide work on the value chain is gradually becoming increasingly European in pace with the Group's aggressive European acquisition strategy. An overview of the European warehouse structure has begun and in accordance with the production strategy, the total European production structure is being revised. There is a set investment plan that shows what investments provide the best return and shall therefore be prioritised.

In recent years, Midsona has worked to form a Nordic organisation where the value chain was the forerunner and during an extended period acted across the Nordic country borders.

Previously, Midsona had separate country organisations for the value chain in the Nordic region. They worked separately and often had their own agreements with the same supplier. This is a natural result of a high rate of acquisition, but it creates opportunities for efficiency enhancements. The common Nordic organisation for the value chain was established at the beginning of 2018 and has gradually worked towards the four Nordic markets shall work in a common way. A good example is Sales & Operations Planning (S&OP), which shall continuously ensure the best balance between stock levels and demand.

The work in the value chain in the Nordic region is shifting from consolidation to optimisation in 2020.

In the past two years, work in the value chain has mainly been focused on overall structural changes, such as establishment of a new organisational structure with common processes, consolidation of the warehouse and production structure and a new Nordic transport set-up. Moving forward, focus will be shifted more to delivering on set targets, at the same time that the work of optimising the newly established structure is intensified.

Within logistics, extensive work has been done on analysing and changing the logical structure in the Nordic region. This has led to a consolidation and streamlining of the warehouse structure where an increased flexibility was an important parameter. In parallel with this, a major Nordic transport procurement was done with the aim of adapting the transports to the new warehouse structure and take further steps towards green transports.

Within production in the Nordic region, all food production has now been consolidated to the facility in Mariager, Denmark. In addition to the streamlining of the production structure, part of external production has also been moved to the company's own facilities in Mariager and Falköping. Moving forward, the work of moving a large share of the production home to the company's own production units, within all of Europe, will be increasingly more important. In order to achieve efficiency through the entire supply chain, greater focus is therefore placed on a more common product platform.

In purchasing, a structural change has taken place organisationally by the strategic work being gathered in a Nordic department, at the same time that the operational work has been gathered in local departments with shared systems and processes. This change has created a better focus on both strategic and operational purchases, which created significant synergies and possibilities to meet suppliers on a Nordic level. In addition, a number of interesting coordination projects on a European basis were commenced with good synergy potential.

During the year, quality has also been organised in a common Nordic department. The work to harmonise processes, standards and procedures has thereby been further intensified. An example of this is the implementation of a Nordic supplier evaluation system that has created a uniform and improved overview over the suppliers' strengths, expertise and capacity. The natural extension of this work – reviewing the quality harmonisation from a European perspective – was also begun during the year.

Common view of internal processes

Establishing a common sales and operational planning (S&OP) has two purposes: to establish a common way of working and to create an internal consensus on expected sales levels. In this process, all affected department must agree on the view of a product's expected volume. Together with planning sales must go through and agree on assessments and needs for a product in both the short and long term, ranging from the next few weeks to the upcoming 18 months. The process aims to minimise internal conflicts of interest, where sales are sometimes more optimistic and want to have a higher stock level while planning wants to have a lower level. This process was worked through in 2019 and is now beginning to be established for all four Nordic countries.

Supply chain has a responsibility to see which products in the Group's product portfolio are inefficient, which drive a high stock value or have a complicated and expensive supply chain. Supply chain must therefore continuously conduct a review of the assortment, meaning challenge the assortment and identify products with low demand. These products are to be phased out and make room for other efforts.

Profitable brand-driven growth in the Nordic region

After a few years with several major acquisitions in the Nordic region in 2018 and 2019, Midsona established a uniform Nordic organisation, Division Nordics. The purpose is to use common structures, processes, systems and thereby strengthen the competitiveness of the market and at the same time gain synergies.

The work was done under the motto *"Toward profitable brand-driven growth in the Nordic region"*.

The competitiveness in the Nordic region must be strengthened by building strong, common brand platforms for the four Nordic countries. Thereby, opportunities are also created to get out even more from the Group's investments in the respective brand. A good example is Friggs, which was previously a purely Swedish brand, that was successively gradually launched and developed in the other Nordic markets as well.

The work of creating a Nordic division was begun when the Nordic market for health and well-being was deemed to be largely fully consolidated and the Group's acquisition focus shifted to the rest of Europe. Organic growth became even more important and achieving it requires investments in strong brands. Resources for this are created by utilising Nordic synergies.

Initially, the work was focused on creating a common structure and uniform Nordic processes based on a new business system. In 2018, Denmark and Sweden were connected to Midsona's new business system and at the end of 2019, Finland and Norway were also connected to it. This means that the entire Nordic division can now work with a common business system, which is a prerequisite for being able to work efficiently from a Nordic perspective.

This means that Midsona has quickly taken large steps towards a common Nordic work method and we clearly see that synergies have an impact, synergies that are partly reinvested to further strengthen the brands.

At present, four building blocks are in focus to create Nordic brand-driven growth:

1 **One Organic.** The most important in 2020 in the common Nordic business is the organic brands. The purpose of One Organic is to create a common platform for Midsona's three large Nordic organic brands: *Urtekram* (Denmark and Finland), *Kung Markatta* (Sweden) and *Helios* (Norway). The three brands have similar target groups and it is therefore logical and efficient to have a common brand platform. One Organic also entails reducing the number of unique articles and thereby lowering costs for production, inventory management, etc. (read more on pages 20–21).

2 **Friggs.** We will continue the successful work of establishing Friggs as a Nordic brand, which has already been successful in Norway and Finland. There is further potential and we are working to establish Friggs in Denmark.

3 **Dietary supplements.** Interest in dietary supplements is growing, but there are few strong brands in the category. During the year, we will strengthen Eskimo-3 as a brand in omega-3, both within and outside the Nordic region and actively work to find Nordic synergies within our other dietary supplement segments.

4 **New channels.** Food service is a channel that can be developed, above all in organic. Midsona has a very relevant position to fill in food service, and there is an exciting Nordic potential. Food service largely builds on public procurements, which means that it is hard to assess when growth will come.

The Nordic markets have many similarities

At the same time that the Nordic markets are similar to one another in terms of value, there are behavioural differences that are difficult to take into account and adapt to. Furthermore, the store structure differs somewhat between the markets. Sweden has many large units, while for example Norway has a network of stores that are significantly smaller in area. Among other things, this affects purchase behaviour and exposure in stores since the shelves in Norwegian stores are narrower.

In terms of competence, we have primarily shifted up within supply chain, where we have developed from a traditional purchasing department to a strategically strong value chain (read more on pages 29–31). Another area is the market side, where the brands are more clearly in focus. We have strengthened our marketing department to strategically and tactically be able to develop our brands in a profitable way.

The Nordic market has been quickly consolidated in recent years and Midsona has been the leader in the consolidation. Focus in the Nordic region in the future is on organic growth, but smaller add-on acquisitions should not be ruled out. The acquisition of Ekko Gourmet in 2019 is a good example, a smaller acquisition in a clear strategic category. 2020 will be the first year that Midsona fully shares plans for the Nordic brands. We are well-equipped and have a strong organisation.

Our divisions

Since 1 December 2019, business operations are conducted in three divisions that are close to customers in each market, providing optimum conditions for being able to combine the Group's economies of scale with flexible and efficient business decisions.

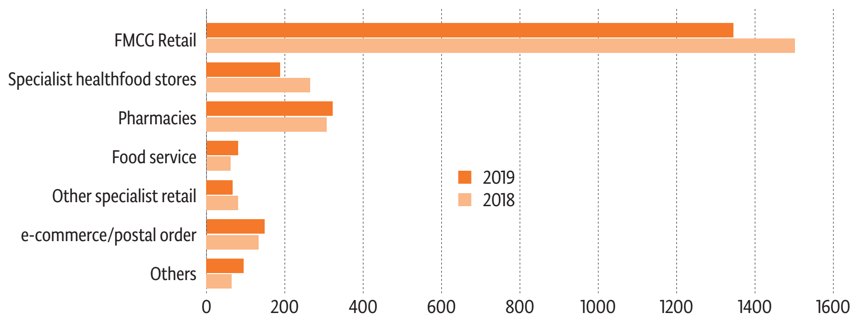
In connection with Midsona's European expansion, a need has arisen to update the organisation structure. Instead of the various countries constituting their own business areas, three divisions have been created: Division Nordic, Division North Europe and Division South Europe.

Division Nordics 2019

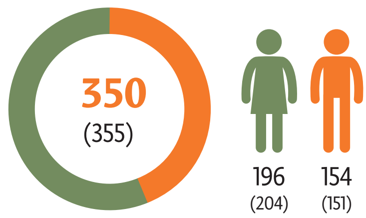
- Ekko Gourmet, which has a strong position in the Swedish market in the niche for organic frozen meal products, was acquired and integrated.
- The distribution agreement for the Alpro brand in the Swedish and Norwegian markets ended, which negatively impacted net sales and earnings trends.
- In Sweden, a major reorganisation was carried out where the new organisation was concentrated to Malmö and the operations in Örebro were closed.
- Midsona's new programme ONE Organic – to increase the organic brands' attractiveness – was launched throughout Division Nordics.
- Midsona Norway was named the 2019 Supplier of the Year by the Nordic health chain Life.
- Urtekram was named Denmark's fifth most sustainable brand in 2020 and in the food category, the brand came second.
- The brand Swebar was named an official supplier to the Swedish national football teams.
- A savings programme to improve efficiency was initiated at the beginning of the year to strengthen competitiveness and optimise common processes. The programme is estimated to provide savings of around SEK 40 million on an annual basis and runs with a sequential effect in the results in 2019–2020 and with full effect in 2021.

Key figures	2019	2018
Net sales	2,270	2,429
Net sales growth	-6.5%	12.6%
EBITDA, before items affecting comparability	229	226
Depreciation/amortisation and impairment	-42	-22
Operating profit, before items affecting comparability	187	204
Items affecting comparability included in operating profit	-14	2
Operating profit/loss	201	202
Operating margin	8.9%	8.3%

Sales channels



Gender distribution



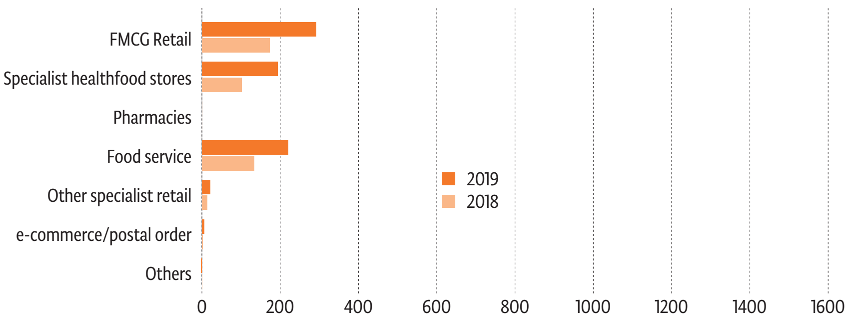
Division North Europe 2019

- Eisblümerl, one of Germany's leading manufacturers of organic spreads, was acquired during the year. The company will be integrated with Midsona Deutschland.
- Temporary production disruptions at suppliers that led to a somewhat lower degree of service to customers.
- Shortage of the important raw materials peanuts and almonds in the world market in the second half of the year had a negative impact on sales, earnings and margins.
- Investment in a circulation press at the production unit in Ascheberg, Germany, to reduce CO_2 emissions.
- The German market for organic products is changing, with higher sales volumes to FMCG retail at the expense of traditional specialist retailers.

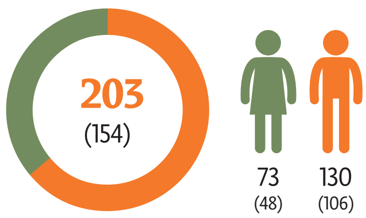
Key figures	2019	2018[1]
Net sales	744	426
Net sales growth	74.6%	–
EBITDA, before items affecting comparability	55	29
Depreciation/amortisation and impairment	-43	-11
Operating profit, before items affecting comparability	12	18
Items affecting comparability included in operating profit	-7	–
Operating profit/loss	19	18
Operating margin	2.6%	4.2%

[1] Pertains to 1 May – 31 December

Sales channels



Gender distribution



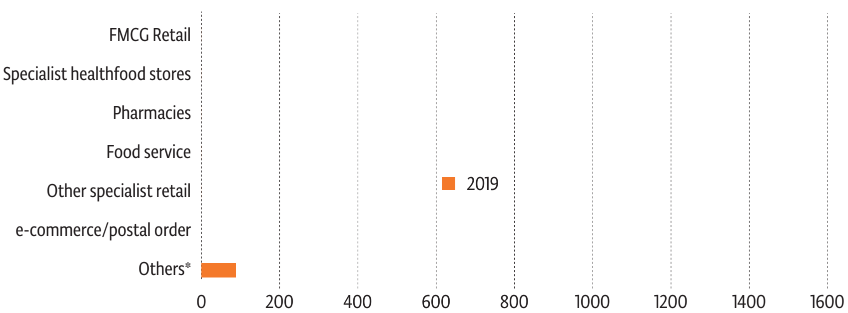
Division South Europe 2019

- Marjolaine Cevoz-Goyat took office as the director for the newly formed Division South Europe in October 2019.
- The integration of Alimentation Santé proceeded according to plan.
- Some transport problems related to the French strike, which resulted in somewhat lower sales than expected. The effects of the strike have decreased with time.
- Strong earnings trend, despite the strike and despite a product recall in Spain.

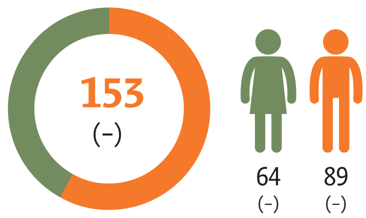
Key figures	2019[1]	2018
Net sales	89	–
Net sales growth	–	–
EBITDA, before items affecting comparability	14	–
Depreciation/amortisation and impairment	-4	–
Operating profit, before items affecting comparability	10	–
Items affecting comparability included in operating profit	–	–
Operating profit/loss	10	–
Operating margin	11.2%	–

[1] Pertains to 1 October – 31 December

Sales channels



Gender distribution



* Net sales per sales channel for Division South Europe are not available at the time of reporting, and they are therefore allocated to Others.

A sustainable and healthy culture

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

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

Midsona has chosen to connect the sustainability work to the UN Global sustainable development goals. The goals cover a large number of issues and we have analysed and mapped the way in which Midsona best contributes to Agenda 2030. Then, we have chosen to prioritise those that are most significant based on Midsona's operations and where we can best make a difference to then concentrate our work on them. Midsona presents its sustainability data on pages 56–57.

In 2019, Midsona:

- Fully integrated Midsona Deutschland GmbH (Davert) – which was acquired in 2018 – in the Group's sustainability work.
- Analysed and further refined the Group's KPIs.
- Began reporting greenhouse gas emissions in accordance with GHG.
- Shifted to more sustainable transports through transport procurements and optimisation of the filling ratio in the transports.
- Urtekram was named Denmark's fifth most sustainable brand in 2020 and in the food category, the brand came second.

Sustainability report

What we consume, how the products are made, transported, used and finally discarded, how much of the food is thrown out and how much is already lost before the food even ends up on the plate. All of this and much more affect us people and the climate.

Midsona wants to continue to be a part of the solution. By being a responsible, transparent consumer product company with sustainable raw material purchases and products that can be trusted. By continuing to develop products – especially vegan and vegetarian – that are good for people, the environment and the climate under our strong brands. By focusing on plant-based pure and organic products. By contributing to greater insight into the value of commitment to what the food contains and what a balanced diet entails for the body. By being the expert in health and well-being for several years. This is our contribution to a healthier planet.

In this report, Division North Europe has been included, but – unless otherwise stated – not the operations in Division South Europe, which Midsona did not take possession of until October 2019.

Contents

Focus on growth-based and organic

In 2019, Midsona continued to take responsibility for inspiring a healthy lifestyle and offering products that help people live a healthy life.

Major changes are taking place right now with new values and consumers with a different view of food. The ethical, environmental and climate reasons play an ever larger role, where animal proteins are called into question and increasing numbers of people are choosing to eat plant-based food. At the same time, people are devoting less and less time to preparing food, which leads to greater demand for products that are easily accessible and fast to prepare, while they nonetheless meet the consumers' demand to eat healthy and climate aware. The consumers simply want to make healthy and sustainable choices. Here, Midsona wants to be a part of the solution in the future as well, by continuing to focus on plant-based, purely organic products.

Ambitious new sustainability targets

In line with Midsona's ambitions and the requirements stakeholders set on a clear sustainability agenda, we have established new sustainability targets for the period 2020 to 2030.

We have long worked with sustainability issues and see them as a natural part of our business. Everything we do builds on a passion for healthy food combined with a clear desire to promote sustainable consumption. Our goals are ambitious, but we have already come far, both in the Nordic region and in Germany, and we are looking forward to implementing our sustainability objectives throughout the organisation.

The future

A profitable brand-driven growth is important to drive a healthy and sustainable business. When Midsona grows, our possibility of helping even more people achieve a healthy life also grows, such as by developing and launching even more healthy, organic and plant-based products.

In order for Midsona to continue to be sustainable and innovative in our product development work and throughout the entire value chain up to our consumers, and at the same time create economic growth, it is important that we continue to build our business by being sensitive, open and transparent.

Welcome to study Midsona's sustainability work in the 2019 Sustainability Report!

Peter Åsberg
President and CEO

Sustainability strategy

For Midsona, the consumers are the focus. Their perspective and view of sustainability issues, together with our profile, are cornerstones in the sustainability efforts.

Our contribution to a sustainable society

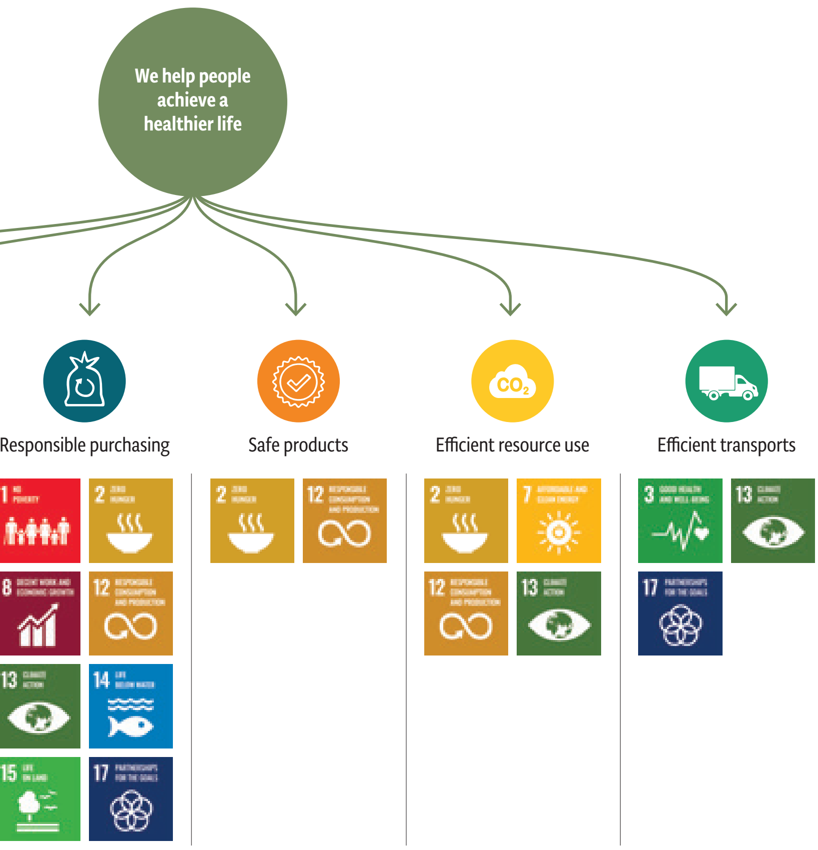
Our sustainable strategy is indicative of our high level of ambition and the direction we want to go to contribute to a sustainable society. The strategy is based on our mission to help people live a healthy life. In order to get there, Midsona must work with what we are best at, namely:

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

Midsona has established six development areas that we have then mapped in line with the UN Global Sustainable Development Goals (SDGs). See structure below. Focus areas contribute to clarifying the activities that Midsona is conducting and the goals set within our sustainability work and also means that we can measure our results over time. Based on this work, Midsona adopted a new comprehensive sustainability policy with procedures and instructions in 2019.

Midsona is conducting its operations long term so our six development areas have been chosen based on what is most relevant to us as a company in our industry and were we see that we can influence it in the most effective way. The development areas are regularly reviewed to ensure that we work with issues that are relevant to the Group and our stakeholders.

Midsona has chosen to connect the sustainability work to the UN Global sustainable development goals. The goals cover a large number of issues and we have analysed and mapped the way in which Midsona best contributes to Agenda 2030.



Sustainable brands

Target 2030
100%
plant-based or vegetarian assortment

Target 2025
100%
material-recyclable plastic packaging

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

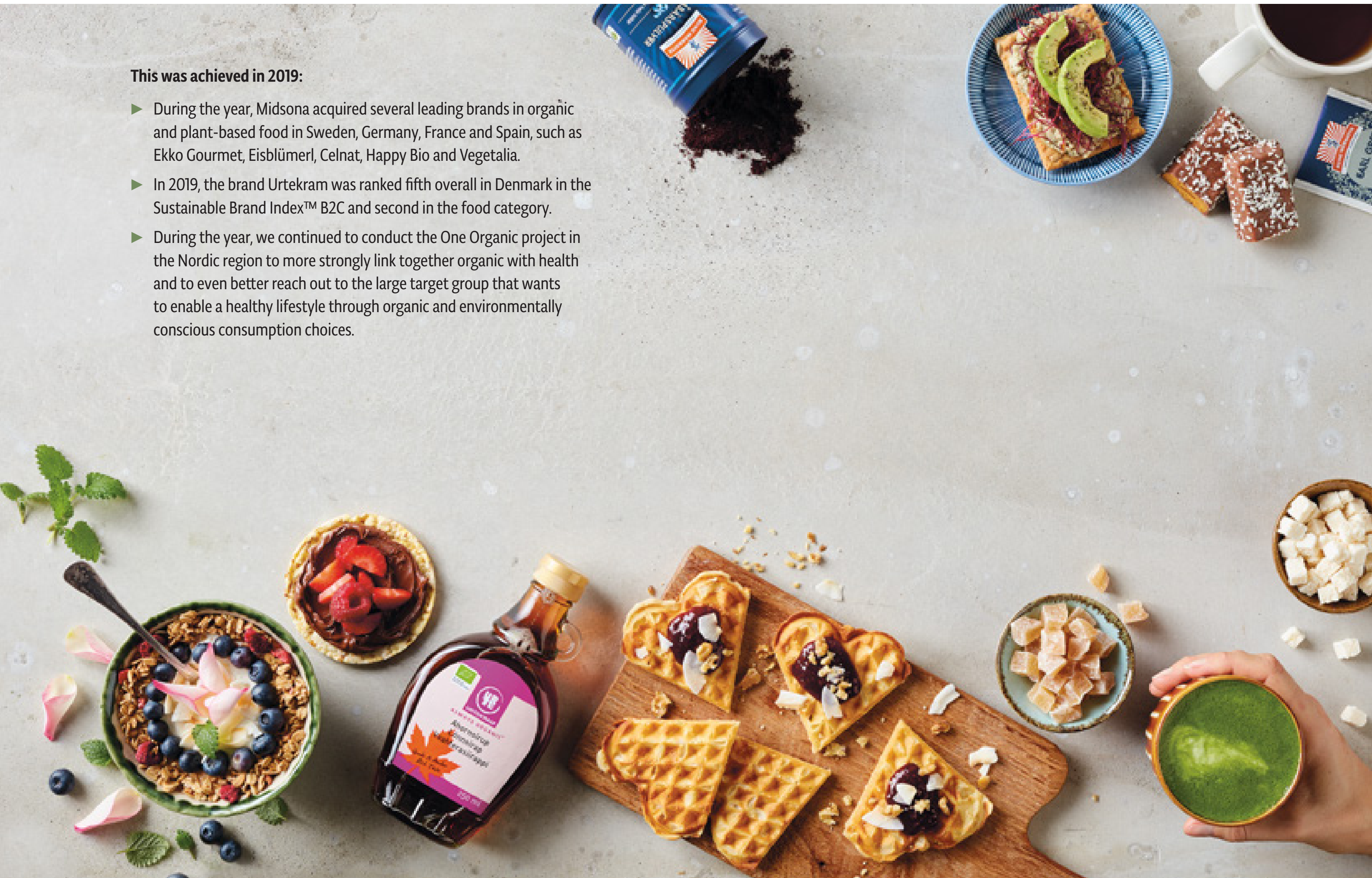
Promoting a healthy lifestyle

Midsona has developed a solid understanding of the role that diet and nutrition play in health and well-being. This knowledge guides the Group in strategic decisions, such as corporate acquisitions and other investments, which are based on established acquisition strategies that include sustainability. This knowledge also forms the basis of Midsona's innovation and product development work, where for every brand it is prioritised to work on ensuring that the products both make it easier for people to live healthy and are sustainable for our planet.

Creating financial growth

Several of Midsona's brands are early pioneers in organic plant-based foods and are market leaders in one or more countries. We still work continuously to find new sustainable solutions and identify trends and products that live up to Midsona's sustainability strategy.

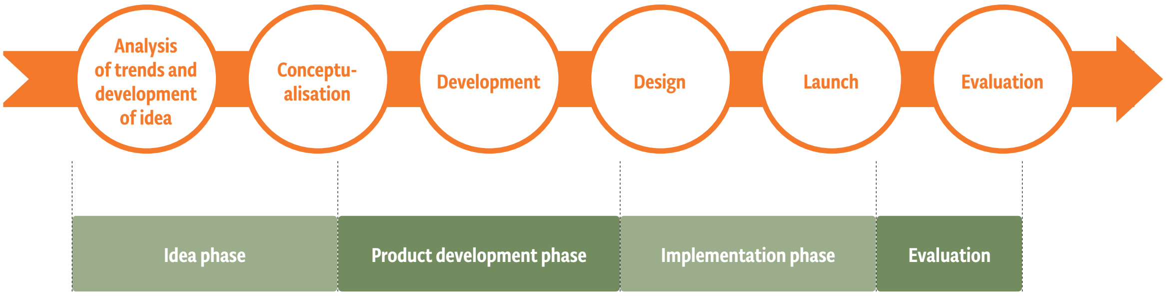
Midsona's organic focus brands are covered by every dimension of sustainable development – economic, social and environmental – and are chosen based of their development potential both in terms of sales and sustainability. In recent years, the majority of Midsona's growth came from organic brands. In the Nordic region, Germany, France and Spain, we are present with our leading organic brands *Urtekram, Kung Markatta, Davert, Helios, Celnat, HappyBio and Vegetalia*.



This was achieved in 2019:

- During the year, Midsona acquired several leading brands in organic and plant-based food in Sweden, Germany, France and Spain, such as Ekko Gourmet, Eisblümerl, Celnat, Happy Bio and Vegetalia.
- In 2019, the brand Urtekram was ranked fifth overall in Denmark in the Sustainable Brand Index™ B2C and second in the food category.
- During the year, we continued to conduct the One Organic project in the Nordic region to more strongly link together organic with health and to even better reach out to the large target group that wants to enable a healthy lifestyle through organic and environmentally conscious consumption choices.

Important steps in the innovation process



Innovation

In 2019, Midsona updated its innovation process to further strengthen focus on healthy and sustainable products in the categories that are prioritised for the brands and their consumer target groups.

Every project is run in different stages: a well-conceived concept development, development of the product and implementation/launch. Lastly, an evaluation is done. Both the products' ingredients and their packaging are evaluated based on health and sustainability aspects through clearly set criteria for e.g. sugar, salt, fibre, packaging material, filling ratio and various labels that are important to show the quality of the products that Midsona chooses to take to the market. In the project, clear templates with set goals and criteria are used that ensure an extensive focus on the sustainability work.

Sustainable packaging

At the same time that the packaging is important to guarantee product quality and communicate messages, it has a considerable environmental impact. The packaging is therefore an important part of Midsona's work and we want to contribute to minimising their impact on our surroundings and increasing their recycling rate.

In 2019, the producers' responsibility for gathering and taking care of used packaging and recycled paper has been expanded. Midsona welcomes the expanded producer responsibility and we strive to generate the least possible resource use and cause the least possible amount of waste. Midsona has already committed to the Plastic Initiative 2022 in Sweden and from 2020 will let this target also apply for the other parts of the Midsona Group. The ambition is for all of Midsona's consumer packages to be able to be

Some of the most important innovations we have worked with in 2019 are:

Launch	Brand	Comment
Plant-based beverages	Kung Markatta	Vegan, KRAV (Almond & soy), FSC-carton board
Tofu	Kung Markatta/ Urtekram/Helios	Vegetarian alternatives
Vegetable juicer	Kung Markatta	KRAV, 100% natural ingredients
Vegomixes	Kung Markatta	Vegan
Vegetable soups	Kung Markatta	Vegan, KRAV, Äkta Vara, source of fibres, gluten-free (Carrot, Beetroot)
Kombucha	Kung Markatta/ Urtekram/ Helios	Organic ingredients
Frozen vegetarian dishes	Urtekram/ Kung Markatta	Vegetarian alternatives. Several variants are vegan, KRAV and gluten-free
Skin care	Urtekram	New scents, certified organic, Vegan, 100% natural sources. Packaging of sugar cane plastic
Flakes	Davert	Fairtrade
Corn cakes	Friggs	Gluten-free
Lintel cakes	Friggs	Gluten-free, 100% natural ingredients
Chickpea cakes	Friggs	Gluten-free, rich in fibre, 12% protein
Tea	Friggs	Herbal teas of new flavours with updated packaging with less plastic
Protein bars	Swebar	No added sugar
Shakes	Naturdiet	High protein content, low sugar content

recycled for materials by 2025 and that we thereby contribute to the EU's strategy for a circular economy.

For reduced environmental and climate impact in every stage, Midsona has the ambition to look at the following aspects in the development of new and existing product packaging:

Material selection

- Mapping of the origin of the packaging raw material
- Greater knowledge about energy consumption in the production process
- Valuation of transports and storage possibilities
- Characteristics of the material to ensure product quality and sustainability periods

Now, the paper raw materials for the packaging of products made in-house that Midsona buys is 100-percent FSC-certified.

The majority of Midsona's products will have packaging that can live up to the requirements in organic food production to reduce food waste and we have to take this into account to avoid food waste to the greatest extent possible. By filling the packages, so that they contain as little air as possible, the amount of packaging materials and freight space decrease. This is both an environmental and a cost issue.

Structure

- Materials and possible combinations of materials
- Design (colour, shape, printing)
- Necessary amount of packaging material
- Filling ratio
- Transport optimisation and stacking possibilities at customers and in the company's own warehouses

In 2019, we continued to remove plastic from our teas and now both Kung Markatta and Friggs teas are free from plastic packaging by the paper cartons being sealed. Our assortment of certified organic hair and skin care products under the brand Urtekram has packaging made of sugar cane waste from the food industry. Instead of emitting carbon dioxide, the production of sugar cane helps reduce the amount of carbon dioxide as every tonne of sugar cane absorbs two tonnes of carbon dioxide from the environment*.

Increased awareness in the consumer stage

- Clear recycling instructions
- Inspiring messages - "Best by, often good after"
- Training materials and campaigns

Initiatives that have been realised in 2019

Brand	Comment
Urtekram	85% of the beauty packaging made of sugar cane
Urtekram	All cartons and all POS materials are FSC-certified
Urtekram	All packaging is labelled with recycling instructions
Kung Markatta	All packaging is labelled with recycling instructions
Helios	>50 of Helios' product groups are equipped with "Best by" and "Often good after" labelling instead of expiration date
Helios	>50% of the product packaging is FSC-certified
Helios	All packaging for new or updated products are labelled with recycling instructions
Davert	All packaging is FSC-certified
Davert	All packaging is Blauer Engel certified
Davert	All packaging for new or updated products are labelled with recycling instructions
Friggs	The bottles contain 5% less plastic than before
Mivitotal	The bottles contain 5% less plastic than before
Mivitotal	Plastic-free packaging
Biopharma	Consumer packaging Trippel Omega-3 of recycled plastic

*Source: http://www.braskem.com.

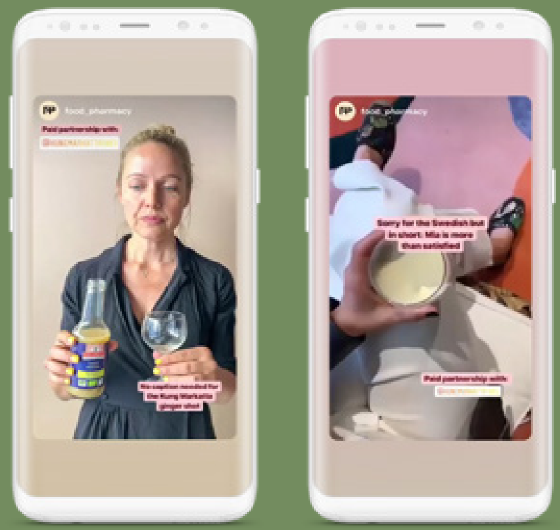
Sustainable initiatives

In 2019, Kung Markatta had a **cooperation with the duo Food Pharmacy**, where some of our most important products were linked together with a Food Pharmacy lifestyle in podcasts and social media to promote and educate regarding sustainability issues.

Two campaigns were done where we highlighted beetroot juice, shots, tofu and tempeh under the brand Kung Markatta. All products were linked together with a main message that told about the product's certifications and provided inspiration to try new recipes.

The campaign for beetroot juice was under the message "Give your day a good start" and highlighted that the product is especially popular in health and exercise circles. In the tofu campaign, the product's high protein content was highlighted and in the campaign for shots, the high ginger content was highlighted.

The campaigns were visible in lifestyle, food and exercise magazines, Youtube, social media and on large digital signs adjacent to stores.



Food service

Midsona has chosen to take responsibility and make a difference in several stages. In 2019, Midsona's Swedish part of Food service worked to develop a concept of "your choice makes a difference" that will address schools, elderly care centres and hospitals. Based on various topics, we will inspire people to cook with sustainable plant-based food and at the same time reduce food waste by talking about the value of the raw materials and how to use the entire raw material in cooking, including what one might consider to be a waste product today. Every recipe will be climate assessed using the RICE climate database for food.

The project will begin in earnest in 2020 and we will start by focusing on schools. The objective is to inspire and improve competence among school restaurants in their sustainability efforts by cooking with a low climate impact and less food waste, both in preparation and service.

Swebar played an important role during the Women's Football World Cup in 2019 where Sweden's team won the bronze.

Sponsorship and community involvement

Midsona also contributes in other ways to creating a social and environmental benefit. In 2019, through the brand Swebar, we were official suppliers to the Swedish national football teams and from 2020, we are also suppliers to the national handball teams. We have also been involved in projects as the Team of the Month, where we donate sports nutrition products for a value of SEK 5,000 to one sports team a month.

From Midsona's production facilities in Denmark and Germany, we donate products with a short expiration date to organisations, such as the Danish Fødevarebanken or German Tafel or Food Sharing. All of them are non-profit associations with a social commitment. In Germany, Midsona also holds sales of food with a short expiration date to the staff once a month.

Healthy work environment

50/50
gender distribution in management positions

0%
work-related injuries

The work environment has a major impact on how we feel, both when we are at work and after work. To credibly be able to promote a healthy lifestyle for Midsona's other stakeholders, the company also needs to look at itself and work to help Midsona's employees to a healthier life.

Motivated employees

Midsona wants to be a company that stimulates and motivates our employees to good health based on their own possibilities. Our employees being motivated is the basis for success and we will continue the work of making Midsona an even better and more attractive workplace by:

Ensuring our employees have a good balance between work and leisure

- Health will be one of our overall objectives in the Group
- Preventively helping our employees live a healthy life and thereby reduce sickness absence
- Flexible workdays and, when work permits, the possibility of working from home

Making Midsona a balanced organisation with regard to gender

- Actively working with gender equality and diversity as a natural part of the business

Continuing the improvement work

- Developing the work with employee talks, follow-ups and employee surveys to be able to even better capture the employee's thoughts regarding the cooperative climate and the working environment

Gender equality and diversity

Midsona has a relatively equal gender distribution with 47 percent women and 53 men in total in the Group (including Division South Europe). Midsona actively works to improve the gender distribution by ensuring that the working conditions suit all employees, that instructions and criteria in setting salaries are fair, that wages are mapped and that the employees will have a possibility to combine work with parenthood.

Midsona believes that diversity within all areas will make Midsona's development even better, both on an individual level and in groups, and the divisions are therefore encouraged to actively work for diversity in the organisation to thereby better understand and be able to meet the consumers' various needs and thereby improve the business opportunities.

Employee performance reviews and employee surveys

In order to get motivated employees, Midsona's objectives must be clear. Employee performance reviews and follow-ups are a good tool for the manager when it comes to Midsona's objectives and how one should achieve these goals. The employee's performance targets for the upcoming year should be linked to the Group's targets. For the employee, it is in turn an opportunity to express his or her thoughts on, for example, the duties, skills development and the cooperation climate. Here, Midsona works based on a process established in the Group's procedure for employee performance reviews.

Midsona's most recent employee survey was carried out in 2018 and was responded to by 83 percent of the employees. The work/leisure balance and a certain level of stress were two improvement areas that were identified for 2019. Midsona worked actively with both areas during the year, which are presented below.

The next employee survey is planned for spring 2020.

This was achieved in 2019:

During the year, Midsona worked with several different initiatives in all organisations with a particular focus on the leisure/work balance and stress:

- Lectures on stress and health in Sweden, Finland and Denmark.
- Managers in Sweden received training in organisation and social work environment and about how they best see if employees are stressed.
- Health initiatives such as exercise clubs, exercise at the workplace with instructors, table tennis, yoga, padel, with more activities.
- In Sweden, the project "Midsona in motion 2019" was conducted with a focus on the areas Get moving, Feel well and Eat right.

The initiative in 2019 has had an effect thus far. Sickness absence has decreased in the Group, see page 46, which is a step in the right direction. This work is continuing in 2020.

Working environment

A safe work environment leads to employees who feel better and work more productively. Midsona's natural goal is that all employees will thrive at their workplace. This is achieved in part through prioritised and transparent work environment efforts with commitment from employees and in part through well-established procedures for risk assessment and systematic work environment efforts. Safety committees or local equivalents exist in Sweden, Denmark, Norway and Germany.

During the year, Midsona had three cases of work-related injury in Division Nordics and ten cases in Division North Europe. They largely involved minor injuries.

Midsona's steering documents on the work environment are presented on the intranet and in personnel presentation to ensure that the information reaches out to all of the Group's employees. These are Organisational and social working environment including diversity and gender equality, Skills and development, Employee talks and Whistleblowers.

Education

Midsona wants the employees to feel that they have the possibility to develop in their work. At the same time, it is important that the Group at all times has the right competencies as needed to achieve Midsona's visions and goals. The Group's steering document for Competence and development provides guidance in building, developing and maintaining competence in the organisation. Midsona develops skills through lectures, external courses, e-training, seminars or training programmes. In the annual employee talks, the need for skills development in relevant areas is always discussed with the employee, and the employee's skills development plan for the next year is documented and then followed up.

Gender distribution

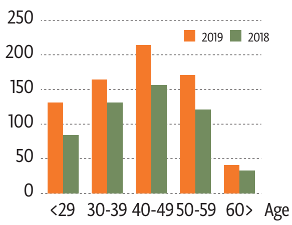
On the balance sheet date

Group Management

Board of Directors

Age structure

Number of employees



Absence due to illness, %

	2015	2016	2017	2018	2019
Sweden	3.6	6.0	3.8	4.7	1.3
Norway	5.3	5.7	5.0	3.4	4.2
Finland	2.7	3.2	2.1	2.7	1.6
Denmark	4.1	4.5	5.7	8.4	4.7
Germany	–	–	–	6.2	5.4
France	–	–	–	–	1.7
Spain	–	–	–	–	7.5
Group	**4.3**	**5.1**	**4.6**	**5.7**	**3.9**

Arundhati Olsson from Midsona's Malmö office.

Responsible purchasing

Since 2017, Midsona has actively worked to harmonise processes and instructions on the cooperative arrangements with the Group's suppliers, and among other things a strategy on an effective and sustainable value chain and a Supplier Code of Conduct have been developed. Steps taken have already improved the support to the commercial operations and begun to lower the cost level through, for example, shared purchasing and transport.

Target 2025

100%

mapped strategic suppliers according to ISO 20400 guideline

100%

of the suppliers risk-classified

More sustainable suppliers

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

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

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

Midsona's Supplier Code of Conduct is a fundamental part of our procurement documentation and has been included as a part of new agreements and existing agreements in renegotiations. At year-end, 78 percent, or 279 out of 359 unique suppliers, had signed the document. The large suppliers, mainly in Division North Europe, can most often verify that they work with equivalent sustainability requirements and have their own Code of Conduct that is satisfactory for Midsona and therefore provides a certain percentage deviation. Midsona's ambition is for all of our strategic suppliers in 2025 to be evaluated based on the ISO 20400 framework for sustainable procurement.

Mapping and risk assessment of suppliers

Midsona risk assesses new and existing suppliers of food according to a number of different parameters, including:

- Geographic risks according to BSCI
- Certification according to GFSI
- Health and safety
- Environmental impact
- Business ethics and anti-corruption
- Labour law
- Human rights

All new suppliers of food must go through Midsona's Supplier Self Assessment before an agreement enters into effect. For suppliers that have been classified in a high risk category, a more thorough audit is done and the supplier is then evaluated annually.

All audits in Division Nordics are risk-based and follow a common audit plan. If measures need to be implemented, a timetable is set and a date for approval of the measures. The ambition is for Division North Europe to be connected to the same supplier evaluation system in 2020.

This was achieved in 2019:

- A Nordic supplier evaluation system (KODIAK) was implemented for a uniform and improved overview of suppliers' strengths, competence and capacity.
- During the year, Division Nordics conducted eight audits and Division North Europe conducted three.

Safe high-quality products

Target 2025
100%
annual risk audits

Midsona's customers and consumers must be able to be secure in the knowledge that we have functioning routines for the control of products and deliveries, and that safety is always in focus.

The consumers want to know where the raw materials come from and how the food was produced, that the hygiene products they use are safe and produced in a sustainable manner. The documentation over what is included in our products and how they are produced is therefore a significant part of Midsona's quality work, for example in the work to illustrate ingredients and continue to require suppliers to work with certifications.

Midsona has a large product portfolio and to be able to guarantee safe, sustainable products, a risk analysis is required of all of our processes and a detailed product evaluation. In addition, a good relationship and close co-operation with all of our suppliers is necessary. We choose our suppliers with care and focus on a long-term, structured collaboration. Our ambition is to revise our high-risk classified suppliers annually.

Labelling and certification

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

Our products are certified according to many different standards. The certifications are also shown on our packages and provide the consumer further guidance to choose sustainable and healthy alternatives. All certifications set stringent requirements on quality, environmental and sustainability work and become like a stamp of quality on our products.

Product safety

Correct and accurate labelling of products is something that Midsona's consumers demand and that the Group has long prioritised. We never want to mislead our consumers, but want to give them a correct product labelling that they can rely on and that gives them necessary information on content and origin, among other things. This is to help them make the right choice based on their health and lifestyle.

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

Some of Midsona's certifications

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

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

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

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

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

Debio: Debio is a Norwegian label that guarantees that a food product has been organically produced.

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

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

Naturland: Global label for the cultivation of organic food. The labelling stands for fair prices, reliable trading conditions and social responsibility towards the growers.

Demeter: International certification that bio-dynamic products meet standards for production and processing.

Leaping Bunny: Certifiation that guarantees that our hygiene products have not been tested on animals.

Keyhole: The Swedish National Food Agency's label. For food with less sugar and sale, more whole grain and fibre and more nutritious or less fat.

Efficient resource use

We work systematically to use the resources in as sustainable a manner as possible and thereby reduce our negative impact on the environment.

Target 2025
90%
recycling of waste

Target 2025
100%
re-used food waste

Midsona's facilities

All units have action plans to systematically improve their environmental impact and Midsona takes responsibility for the organic production having the least possible negative impact on the environment, climate and people. New production methods, energy savings, even better waste control and support materials for production are areas that Midsona has identified as important:

- The *energy* Midsona uses shall be renewable and the consumption shall be kept to a minimum.
- The amount of *waste and spoilage* must be minimised through alternative materials that can be recycled in part or whole
- The amount of *support materials for production* must be reduced
- *Water* must be used in a responsible manner

Midsona measures all electricity consumption, water consumption and all waste.

Calculation and reporting of climate emissions

For 2019, Midsona will for the first time report for Scope 1 and 2 and for part of Scope 3, see page 56.

It is our ambition to map our largest emissions of greenhouse gases according to the GHG protocol in the next few years and establish a climate target approved by Science Base Targets initiative and in line with the Paris Agreement's 1.5 degree goal.

The "Greenhouse Gas Protocol" (GHG) is developed by the World Resources Institute (WRI) and the World Business Council on Sustainable Development (WBCSD) and is the most widely accepted international standard for the calculation and reporting of emissions of greenhouse gases.

The emissions are divided into three scopes to facilitate comparability:

SCOPE 1	SCOPE 2	SCOPE 3
Direct emissions	Indirect emissions of purchased energy	Other indirect emissions

Source: ghgprotocol.org/about-us

Energy

Midsona works with energy and energy consumption in different ways:

- For example, with solar panels, wind power and biofuel. Other initiatives are LEDs, motion detectors and buildings with as much daylight as possible.
- All energy to Midsona's office, production and warehouse units in Sweden, Denmark and Germany come from 100 percent fossil-free electricity.
- Midsona's production facilities and several warehouse buildings use 20–30% energy from their own solar panels. All surplus energy from these facilities is sold at market price.

Waste

Midsona sorts and measures all waste at its own facilities. The organic waste is used, for example, as biofuel for cars and buses, for external biofuel facilities or for compost facilities and as animal feed. The ambition is to increase focus on and control of food waste to thereby be able to reduce unnecessary food waste and increase re-use of the unavoidable food waste.

This was achieved in 2019:

Images: Oleg Bojzow.

In our facility in Ascheberg, a large part of the raw materials, such as lentils or rice, are delivered in big bags made of woven polypropylene. The bags may only be used once in the food industry, but instead of turning the bags into recycling, they are sent to cleaning and are re-used in other industries, such as the construction industry.

- All furniture in connection with renovations of Midsona's Malmö office has been purchased from suppliers that specialised in extending the life of used office furniture. Transports take place with environmentally friendly alternatives. According to the supplier's calculation, the difference in the climate impact was around 7 tonnes of CO_2-equivalents.
- In 2019, preparations were made to begin reducing the CO_2 emissions in the pressure treatment machine in the Ascheberg facility through a circulation process that will be commissioned at the beginning of 2020.
- During the year, Midsona joined the Allianz für Entwicklung und Klima, an initiative that strives for CO_2-neutral German production facilities.

Efficient transports

Target 2030
100%
fossil-free goods transports

Midsona being able to transport raw materials and finished products is an absolute necessity for the Group's financial and social development. It is likewise a necessity that our employees can do the business travel necessary in order for them to be able to do their work. At the same time, we are aware that transports are a major source of negative impact on human health and the environment and climate.

Transports in Sweden account, for example, for around one third of the country's emissions of greenhouse gases[1].

Midsona works continuously and goal-oriented to try to minimise emissions from transports and has created a model for efficiency enhancements and route optimisation of the company's goods flows. In Sweden, we already joined the DLFs Transport Initiative 2025 and in the period 2020–2030 will let this target also apply to other parts of the Midsona Group.

The requirements in the Supplier Code of Conduct on new hauliers include reporting on the emission values for Midsona's transports in accordance with EN-16258. In addition, the haulier must – in the same way as all of Midsona's suppliers – have an operation that is socially, ethically, environmentally and financially sustainable.

For Midsona in the Nordic countries, a new transport agreement has been negotiated beginning in 2019. The new haulier handles Midsona's Swedish domestic

Tests have been done at Midsona's facility in Mariager, Denmark to double-stack pallets to thereby better use the transport space.

[1] *Swedish Environmental Protection Agency*

refrigerated and frozen transports and domestic transports to and from the company's unit in Falköping. The company is KRAV and EKO certified and has chosen to lead the way for environmentally friendly transports. Midsona has also chosen to move refrigerated goods to the haulier's own cold storage warehouse, since the warehouse is strategically well placed and gives Midsona a more efficient and flexible distribution.

In our German division, which was acquired in 2018, Midsona began the reporting of transport data from 2019.

Midsona has many hauliers in Italy and we have chosen an intermodal solution, where the transports go by rail from Italy to Sweden. The same kind of solution has been chosen for Midsona's corn and rice cakes that are made in Belgium and transported to Malmö.

Midsona also works a lot with the filling ratio in the transports and in 2019 conducted tests to find the best way to double-stack pallets and thereby reduce the number of transports and in extension reduce the emissions of greenhouse gases. The tests have been done between Midsona's facility in Mariager, Denmark to our facility in German Ascheberg and are currently being evaluated. For domestic freight from the warehouse in Falköping, all dispatches are double stacked in that the haulier has vehicles where the loading area can be divided up.

CO_2 Climate-offset transports

Carbon-offset for transports

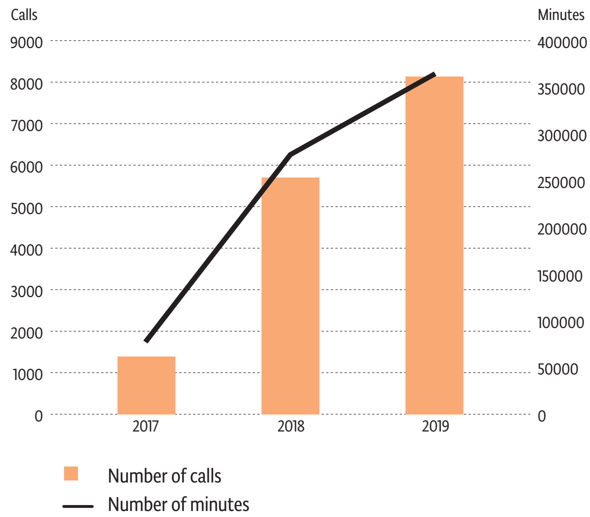
Since 2009, Midsona carbon-offsets under the brands Kung Markatta and Helios, all transports that are necessary to import organically grown products from around the world. For carbon offset, Midsona in Sweden has chosen tree planting in cooperation with Vi-forest. For Helios in Norway, Project Ghana was chosen, which aims to promote energy-efficient ovens instead of those fired with charcoal.

Business travel

Midsona actively works, for example, through policies and the intranet, to encourage a combination of traditional travel and video alternatives. Business travel shall always be made with sustainability in mind.

To reduce Midsona's general travel needs, video conferencing equipment was introduced as a standard at all of the Group's offices. Moreover, all of the employees' computers have been equipped with systems for video conferencing so that the employees can participate in meetings regardless of where they work. The use of the equipment increases every year and several Nordic projects have been conducted through the video equipment.

Use of video equipment is increasing



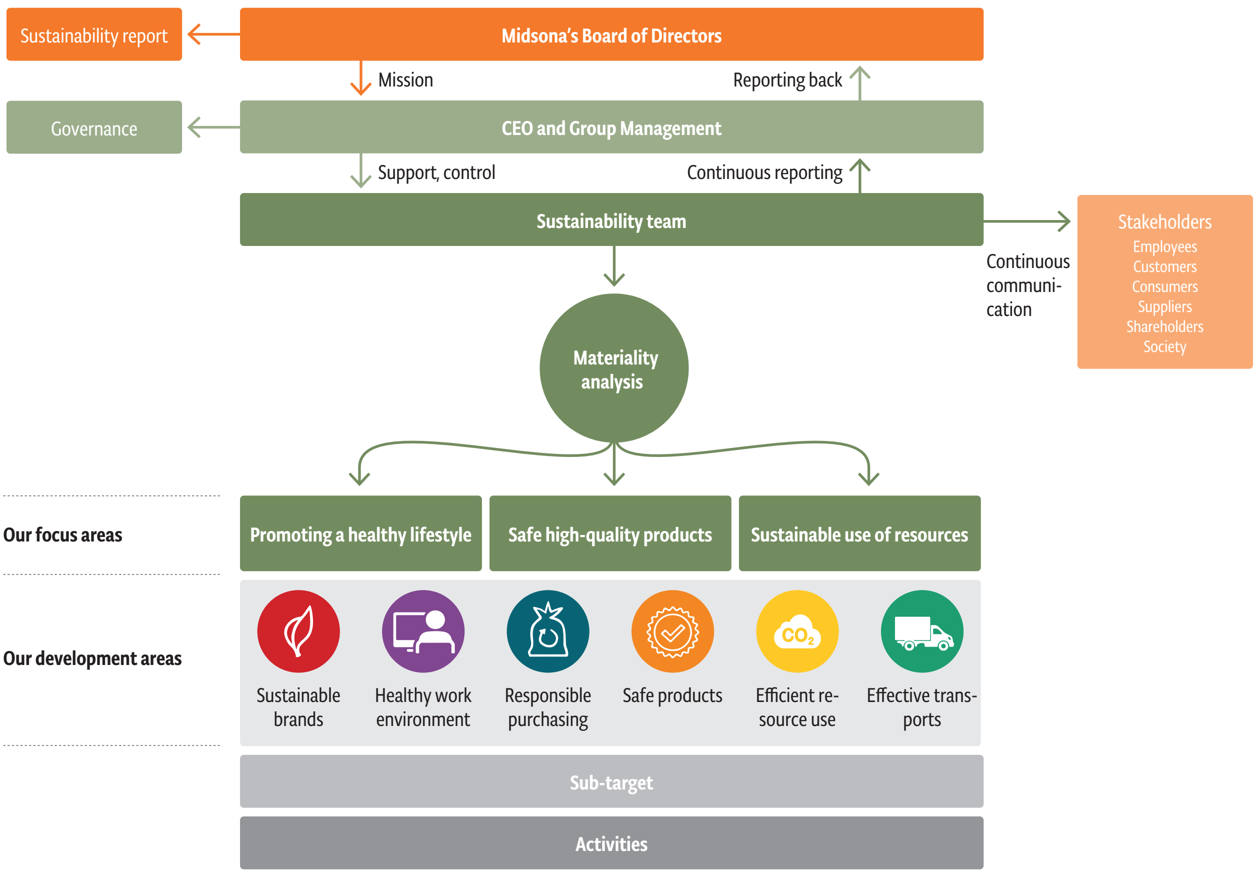
Sustainability governance

Our way of working

Midsona's Board of Directors assigned Group Management the task of beginning an overall and coordinated sustainability work in the middle of 2016. The Board of Directors declared that the work of strengthening Midsona's sustainability profile is of the highest priority since Midsona wants to be involved in influencing and increasing awareness of the importance of sustainability issues among the employees, as well as in society in general. At the same time, this work makes Midsona credible, relevant and competitive, and at the same time entails gains for both society and the climate. The Board of Directors has the overall responsibility for Midsona working with a realistic agenda for sustainable development and Group Management reports the results at the Board meetings once or twice a year. Midsona's Group Management has identified managers for various sustainability issues and other experts in the Group, such as production, purchasing, quality, transport, etc. These people form Midsona's sustainability team. The group has drafted a sustainability strategy and focus areas, addresses strategy issues and is responsible for the governance and implementation of the reporting of results indicators. The sustainability team reports to Group Management and the CEO and Group Management in turn monitor the development and implementation of various measures.

Since 2017, Midsona uses a reporting platform that gives us the opportunity to systematically report results and progress. In the platform, we set targets and make comparisons. Today, we have a good structure and comparative figures, but the work of developing and improving is continuously under way.

Midsona's sustainability governance model



Framework

The framework for Midsona's sustainability report is based on the Global Reporting Initiative (GRI) framework. We base Midsona's sustainability work and Code of Conduct on the UN Global Compact, which includes the UN Universal Declaration of Human Rights, the UN Convention against Corruption, the ILO's core conventions and the Rio Declaration.

Governance

The most important steering document for Midsona is the Group's Code of Conduct. With a clear Code of Conduct, we create the conditions for responsible and motivated employees with the customers' and consumers' best interests in mind. All employees are expected to be familiar with its content and it is included as a natural part of the introduction of new employees. The individual employee, the Board and all others who act in Midsona's name must act in a responsible manner, with integrity, responsibility, loyalty and respect for other people and the environment.

In order to create and maintain a functioning internal governance environment, the Board adopted a number of policies and other steering documents that serve as guides for the operations. A project was begun in 2019 to strengthen Midsona's internal governance processes and create a more functional structure. In the process, all of Midsona's policies are reviewed and when necessary have been revised.

Respect for human rights

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

Social conditions and personnel

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

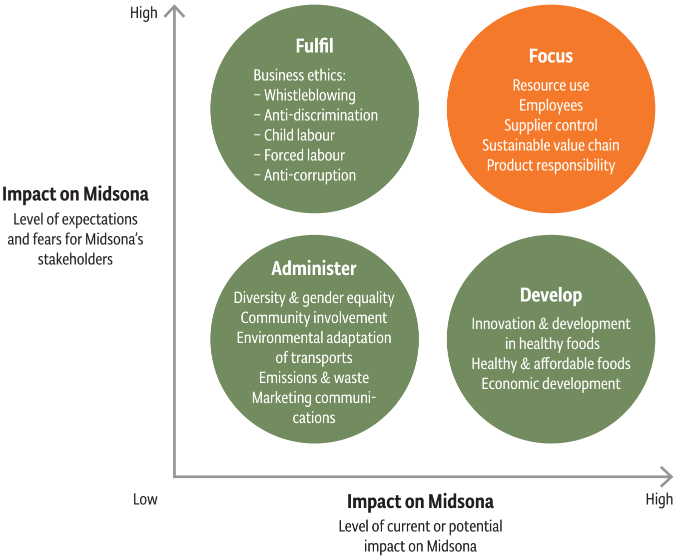
Combating corruption

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

The Group's whistle-blower policy is an important tool to quickly call attention to and combat conduct that is not in line with Midsona's values. The formal steering document was adopted in 2017 and no cases have been reported in during these years.

A healthy and sustainable environment

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



Materiality analysis

In 2015, Midsona conducted a materiality analysis to identify our most important sustainability aspects. The primary stakeholder groups, *see table*, were interviewed via questionnaires and interviews. In the review that was done in 2019, it was confirmed that the results of the materiality analysis still reflect Midsona's view of sustainability and therefore still feels relevant.

In the materiality analysis that was done, we ranked prioritised issues based on expectations and/or fears for the stakeholders and current or potential impact on Midsona, for a situation analysis in matrix form.

The issues where Midsona had the best chances to make a difference were prioritised, targets were set and activities that are required to get there were identified.

Midsona's intention is to annually review the analysis so that we continue to work with the issues Midsona can influence and that mean the most – and create the best value – for Midsona and our stakeholders.

Stakeholder dialogue

Midsona communicates with its stakeholders in many different ways. The dialogues help us understand the stakeholders' needs and expectations and also provide input for continuous improvements.

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


KUNG MARKATTA
SHOT
INGEFÄRA
Rivig shot med 70% ingefära
KUNG MARKATTA
SHOT
RÖDBETA & INGEFÄRA
Balanserad shot med rödbeta och ingefära
HASSELNÖTTER
150 g
KUNG MARKATTA
VALNÖTTER
KRAV
100 g
KUNG MARKATTA
KOKOSOLJA
Kallpressad Virgin
225 ml
KUNG MARKATTA
MANDEL DRYCK
Ekologisk osötad mandeldryck gjord på italienska mandlar.
FETTHALT 1,5%
1 LITER
KRAV
vegan

Sustainability data

Midsona's sustainability data have an emphasis on Midsona's own operations. The reporting comprises all companies in the divisions Nordics and North Europe and the Parent Company. Individual deviations are recognised under the respective measurement area.

Data for companies in South Europe are not reported in 2019.

For the reporting of results indicators, a Group-wide IT system is used. Frameworks, indications and definitions are established by Midsona's sustainability team and evaluated annually. Every division is responsible for its reported data.

Accounting principles

Electricity consumption

Covers offices, warehouses and production where Midsona owns the electricity agreement. The calculation is based on actual consumption gathered from suppliers and an emission factor for the Nordic residual mix, which is presented annually by the Swedish Energy Markets Inspectorate (Svensk Energi "Origin labelling of electricity, 2019")

Electricity production

Covers warehouse and production. Data build on actual electricity production from solar cells in affected facilities.

Heating

Covers offices, warehouses and production where Midsona owns the district heating or gas agreement. Calculation builds on actual consumption gathered from suppliers and primarily the supplier's production-specific emission factor, secondarily a Nordic average according to naturvardsverket.se.

Water

Covers offices, warehouses and production. Data build on actual consumption gathered from the respective facilities or property owners.

Waste

Covers offices, warehouses and production. Data build on actual volume in weight gathered from the respective facilities or property owners. Exceptions for offices, which when necessary use a calculation of a daily volume of organic waste, which is then multiplied up for the full-year.

Refrigerant

Covers warehouse and production. Calculation builds on actual refilling of refrigerant, gathered from suppliers and emission factor obtained from alltomfgas.se.

Video equipment

Covers offices, warehouses and production. Data build on actual use that is registered by Group-wide IT tools.

Business travel and Hotel nights

Cover all business travel and hotel nights carried out by Midsona employees. Calculation for Parent Company and Division Nordics builds on collected data from the common travel booking provider. Division North Europe calculation builds on manual collection for business travel, the division has no data for hotel nights in 2019. Emission factors for air, rail and leased company cars are primarily obtained from travel providers and company car providers, secondarily from Gemis.

Employees

See Note 10.

Goods transports

Covers all goods transports between Midsona's warehouse and customer, where Midsona owns agreements with hauliers. Calculation for Division Nordics builds on data collected from the respective haulier. Division North Europe has no data for 2019.

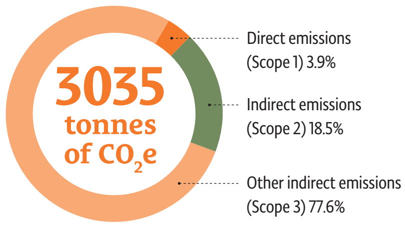
Climate impact

Midsona's climate impact is presented according to the GHG protocol guidelines and the calculations take place through a market-based method.
If Midsona calculated the climate impact in Scope 2 with a "location-based method", the footprint for 2019 would have been 1473.5 tonnes of CO_2 equivalents.

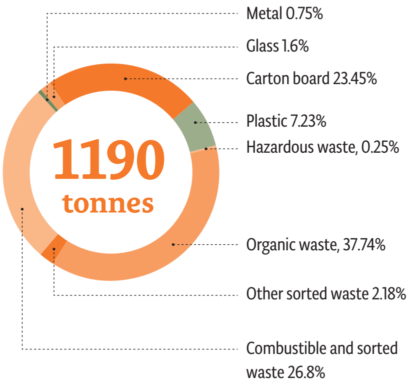
Sustainability risks

Midsona has chosen to integrate its risks in the sustainability area with the Group's other risk management processes. Information on how Midsona analyses and handles sustainability risks is therefore in the annual report's risk section on pages 70–71.

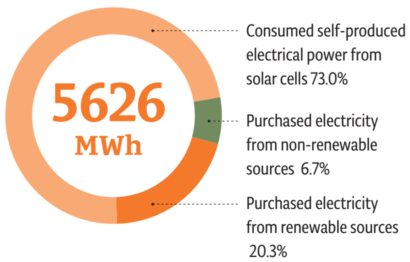
Greenhouse gas emissions



Waste according to fraction

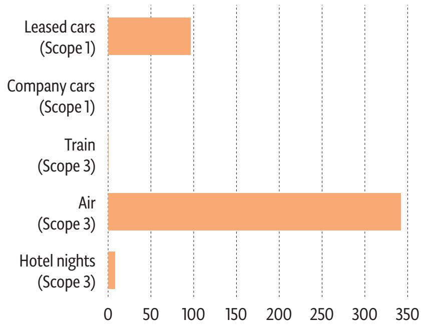


Consumed electricity



Total emissions of greenhouse gases, business travel

Scope 1 & 3, tonnes CO_2e



Emission of greenhouse gases, tonnes CO_2e

2019	Nordics	North Europe	Group
Direct emissions (Scope 1)	18	101	119
Indirect emissions (Scope 2)	345	216	561
Other documented indirect emissions (Scope 3)	2,349	6	2,355
Total	**2,712**	**323**	**3,035**

Emission of greenhouse gases, tonnes CO_2e Scope 1

2019	Nordics	North Europe	Group
Refrigerant	0	24	24
Fuel in production (petrol and diesel)	0	0	0
Business travel (leased vehicles and company cars)	18	78	96
Total	**18**	**102**	**120**

Emission of greenhouse gases, tonnes CO_2e Scope 2

2019	Nordics	North Europe	Group
Purchased electricity, non-renewable	286	0	286
Purchased district heating	59	216	275
Total	**345**	**216**	**561**

Emission of greenhouse gases, tonnes CO_2e Scope 3

2019	Nordics	North Europe	Group
Business travel (Rail, Air, Hotel nights)	344	6	350
Goods transport (Between Midsona warehouse and customer)	2,005	–	2,005
Total	**2,349**	**6**	**2,355**

Emissions of greenhouse gases, goods transports (between Midsona's warehouse and customer), tonnes of CO_2e Scope 3

2019	Nordics	North Europe	Group
Truck	2,003	–	2,003
Rail	0	–	0
Boat	0	–	0
Air	2	–	2
Total	**2,005**	**–**	**2,005**

Total emissions of greenhouse gases, business travel, tonnes CO_2e Scope 1 & 3

2019	Nordics	North Europe	Group
Leased vehicles (Scope 1)	18	78	96
Company cars (Scope 1)	0	0	0
Rail travel (Scope 3)	0.0003	0.3556	0.4
Air travel (Scope 3)	336	6	342
Hotel nights (Scope 3)	8	0	8
Total	**362**	**84**	**446**

Waste, tonnes

2019	Nordics	North Europe	Group
Metal	3	6	9
Glass	14	5	19
Carton board	170	109	279
Plastic	21	65	86
Hazardous waste	3	0	3
Organic waste	54	395	449
Other sorted waste	1	25	26
Combustible or unsorted waste	215	104	319
Total	**481**	**709**	**1,190**

Consumed electricity, MWh

2019	Nordics	North Europe	Group
Purchased electricity from renewable sources	1,611	2,497	4,108
Purchased electricity from non-renewable sources	1,142	0	1,142
Consumed self-produced electrical power from solar cells	3	372	375
Total	**2,756**	**2,869**	**5,625**

Produced electricity, MWh

2019	Nordics	North Europe	Group
Self-produced electrical power from solar cells	3	372	375
Sold self-produced electrical power from solar cells	0	57	57
Total	**3**	**429**	**432**

Consumed water, m^3

2019	Nordics	North Europe	Group
Total water consumption	7,381	7,310	14,691
Total	**7,381**	**7,310**	**14,691**

Video conference calls

2019	Nordics & North Europe	Group
No. of calls	8,132	8,132
Number of hours (h)	6,077	6,077

Auditor statement on the statutory sustainability report

To the General Meeting of Shareholders in Midsona AB (publ), corporate identity number: 556241-5322

Assignment and responsibilities

The Board of Directors is responsible for the sustainability report for 1 January 2019 – 31 December 2019 on pages 37–57 and for it being prepared in accordance with the Annual Accounts Act.

Review focus and scope

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

Statement

A sustainability report has been prepared.

Malmö, 7 April 2020
Deloitte AB

Per-Arne Pettersson
Auditor in charge

Share and ownership structure

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

Share capital

The total number of shares at the end of the period was 65,004,608 (46,008,064) distributed between 755,820 Series A shares (539,872) and 64,248,788 Series B shares (45,468,192). The number of votes at the end of the period was 71,806,988 votes (50,866,912).

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

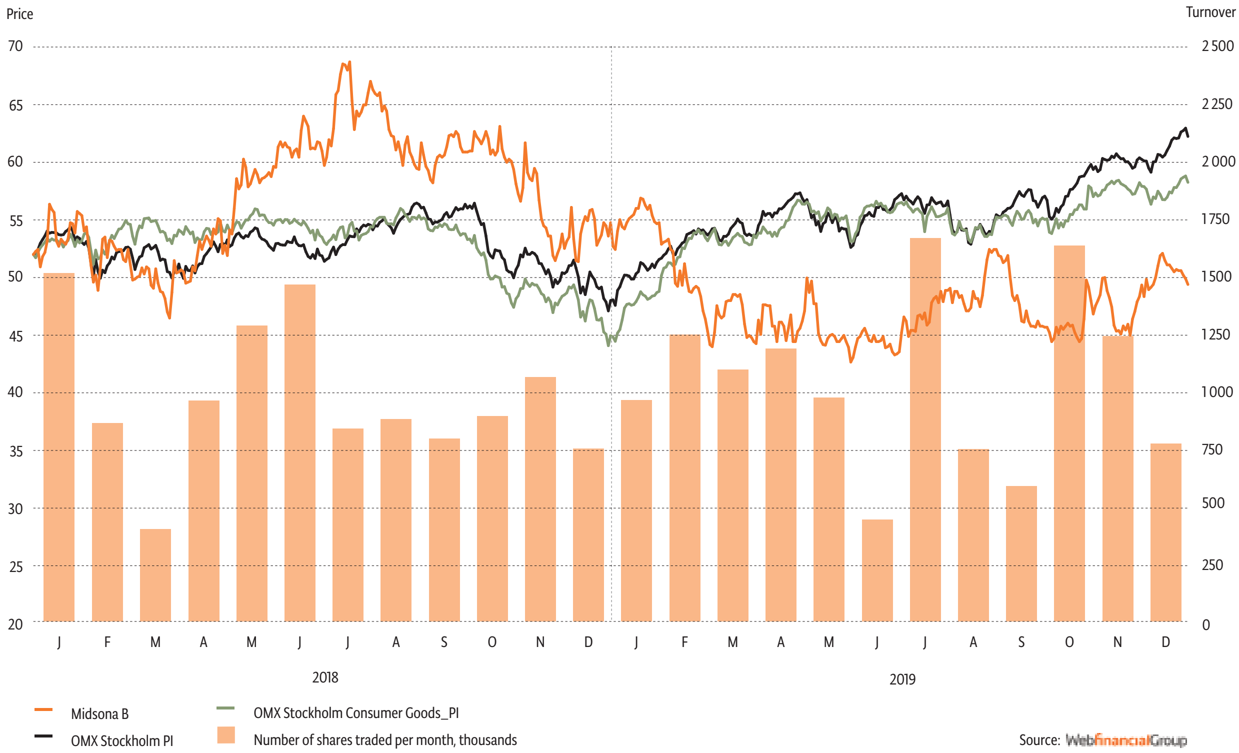
Capital development is reported on: www.midsona.com/Investerare/Midsonaaktien.

Share turnover and bid price

During the period January-December 2019, 12,577,144 shares (11,758,649) were traded. The highest price paid for Series B shares was SEK 57.07 (70.13), and the lowest was SEK 42.67 (45.33). On 30 December, the most recent price paid for the share was SEK 49.40 (42.67). For the comparison year, the share price has been adjusted for the new share issue. The total value of trade in Series B shares was SEK 594 million (668). The average daily turnover for both Series A shares and Series B shares together was 50,302 shares (41,825), corresponding to SEK 2,387,054 thousand (2,688,541).

Over 2019, Series B shares rose from SEK 42.67 to SEK 49.40, equivalent to 16.9 percent (5.3). The stock market as a whole, as indicated by the OMX Stockholm PI (OMXSPI), increased by about 29.5 percent (decreased: 7.8). The index for the FMCG segment increased by 29.6 percent (decreased: 10.8).

Midsona share price trend, compared with index



Warrants programme

Two option programmes were outstanding at the end of the period directed at senior executives, the TO2017/2020, which can provide a maximum of 211,310 new Series B shares on full conversion, and the TO2019/2022, which can provide a maximum of 148,000 new Series B shares on full conversion. On the balance sheet date, the average price for Series B shares did not exceed the subscription price for the warrants outstanding, and accordingly the earnings per share after full dilution were not calculated. For more information on TO2017/2020 and TO2019/2022, see Note 10 *Employees, personnel expenses and senior executives' remuneration*, pages 95–96.

Ownership

The largest shareholder in Midsona AB (publ) was Stena Adactum AB, which, at 31 December 2019, held 543,928 Series A shares and 14,685,861 Series B shares, corresponding to 23.4 percent of the capital and 28.0 percent of votes. No other shareholder held 10 percent or more of the total number of shares as per 31 December 2019. The ten largest shareholders in Midsona AB (publ) are detailed in the current shareholder list, as of 31 December 2019.

The ten largest shareholders accounted for 57.5 percent (58.6) of the capital and 59.12 percent (59.9) of the votes.

The members of Group Management held a total of 658,324 Series B shares (267,260) at year-end. Board members held 3,465,204 series B shares (2,485,230) at the end of the year. Neither Midsona AB (publ) nor its subsidiaries held any treasury shares at the end of 2019.

Of the total number of shares, foreign shareholders accounted for 22.9 percent of the capital and 20.9 percent of the votes, which was a decrease of 1.0 percentage points and 0.9 percentage points respectively since last year. Of the Swedish shareholders, legal entities held 61.2 percent of the capital and 62.7 percent of votes, while physical persons held 15.9 percent of the capital and 16.4 percent of the vote.

The total number of shareholders (including nominee-registered) was 7,757, which was an increase of 581 on the preceding year. The distribution of shareholdings within various intervals is shown in the current shareholder list as of 31 December 2019.

Dividend policy and dividend

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

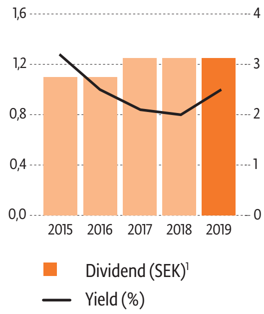
The Board of Directors proposes that a dividend of SEK 1.25 per share (1.25) be paid for the 2019 financial year, equivalent to SEK 81,255,760 (57,510,080) in total. The proposed dividend corresponds to a dividend percentage of 83.6 percent (45.1) and is proposed to be divided into two payment occasions at SEK 0.65/share and SEK 0.60/share per occasion.

The ten largest shareholders, 31 December 2019

	Number of shares	Share of capital, %	Share of votes, %
Stena Adactum AB	15,229,789	23.43	28.03
Lannebo Funds	4,001,006	6.15	5.57
Handelsbanken Funds	3,327,389	5.12	4.63
BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC)	3,129,970	4.81	4.36
Nordea Investment Funds	2,911,034	4.48	4.05
Cliens Funds	2,450,000	3.77	3.41
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	1,795,325	2.76	2.74
Peter Wahlberg and companies	1,544,122	2.38	2.15
Catella Fondförvaltning	1,522,978	2.34	2.12
Second Swedish National Pension Fund	1,468,534	2.26	2.05
Total	**37,380,147**	**57.50**	**59.12**
OTHER SHAREHOLDERS	27,624,461	42.50	40.88
Total	**65,004,608**	**100.00**	**100.00**

Source: Euroclear Sweden AB

Dividend per share and yield



[1] Dividend for 2019 relates to the proposal by the Board of Directors.

Stock market data

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

Annual reports, interim reports and the Corporate Governance Report are available from the website, www.midsona.com, where it is also possible to subscribe for reports and order specific information. The 2019 annual report is published as a PDF on Midsona's website on 14 April 2020 and the printed report will be available from Midsona's headquarters in Malmö around 20 April 2020. Printed copies of the Annual Report will be sent to shareholders on request.

Analysts and other monitoring

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

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

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

Silent periods

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

Financial calendar 2020

Interim report, January-March	28 April
Annual General Meeting in Malmö	5 May, at 3:00 p.m.
Interim report, January-June	21 July
Interim report, January-September	22 October
Year-end Report 2020	February 2021

Key figures per share

		2019	2018	2017	2016	2015
Profit attributable to Parent Company shareholders	SEK	2.02	2.80	1.91	1.42	2.71
Shareholders' equity	SEK	35.72	35.43	33.69	31.63	30.85
Cash flow from operating activities	SEK	4.11	4.61	3.44	2.19	3.56
Free cash flow	SEK	3.22	3.83	2.83	1.62	3.44
Share price on balance sheet date (Series B shares)	SEK	49.40	61.60	58.50	44.00	33.00
Dividend[1]	SEK	1.25	1.25	1.25	1.10	1.10
Yield	%	2.5	2.0	2.1	2.5	3.3
Pay-out ratio	%	83.6	45.1	68.2	104.5	47.2
P/E ratio	multiple	24.5	22.0	30.6	30.9	12.2

[1] Dividend for 2019 relates to the proposal by the Board of Directors.

Distribution of shares in intervals, 31 December 2019

Number of shares	No. of shareholders	No. of Series A	No. of Series B	Holdings (%)	Votes (%)	Market value
1-500	5,876	53,290	613,496	1.03%	1.60%	32,998
501-1,000	696	27,166	475,985	0.77%	1.04%	24,886
1,001-5,000	842	46,736	1,722,522	2.72%	3.05%	87,453
5,001-10,000	118	17,675	792,320	1.25%	1.35%	40,033
10,001-15,000	53	3,092	664,914	1.03%	0.97%	33,003
15,001-20,000	29	14,589	500,859	0.79%	0.90%	25,479
20,001-	142	593,272	59,482,205	92.42%	91.10%	2,968,381
Total	**7,757**	**755,820**	**64,248,788**	**100.00%**	**100.00%**	**3,212,059**

Source: Euroclear Sweden AB

Risks and risk management

All business operations must manage uncertainty regarding future events that could affect the operations positively, bringing opportunities to generate increased value, or negatively, incurring a risk that set targets will not be reached, with reduced value being generated for shareholders and other stakeholders as a consequence.

The ability to identify, evaluate, manage and follow up risks constitutes an important part of the governance and control of the business activities. The objective is for the Group's targets to be achieved through a well-considered risk taking within set limits.

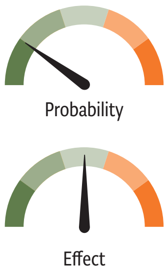
The risk work is governed at an overall level by the Board, which is responsible for the risk management before the shareholders. At an operational level, the risk work is managed by the CEO, the management team and other employees. As a basis for the operational risk management, which is handled at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

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

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

Operational risks

Business ethics



Description of risk

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

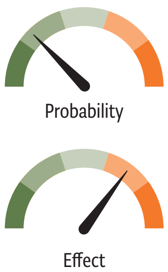
Risk management

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

Comment

In 2019, the brand Urtekram was ranked as Denmark's eighth and the brand Kung Markatta as Sweden's seventh most sustainable brand in the Sustainable Brand Index, which is a large sustainability investigation where consumers rate the brand's sustainability work. We have been informed that the Swedish Consumer Agency will take legal action regarding whether or not marketing of hair and skin care products under one of our brands conflicts with the Marketing Act, not least in light of the large need for rulings with regard to environmental claims in marketing of hair and skin care.

Renewal of permits, certifications and licences



Description of risk

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

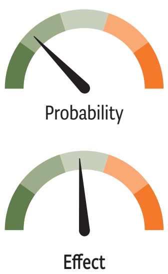
Risk management

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

Comment

All permits, certifications and licenses were renewed in 2019 after authority inspections and other revisions were carried out. An effort was commenced in 2019 to partly upgrade our production facility in Denmark to FSSC certification, and partly to obtain IFS certification for our production facilities in France and Spain. These new certifications are expected to be obtained in 2020.

Insurable risks



Description of risk

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

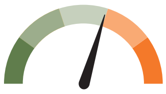
Risk management

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

Comment

No incidents occurred in 2019 that meant that insurance redemption needed to be claimed or existing contingency plans needed to be activated.

Information systems



Probability

Effect

Description of risk

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

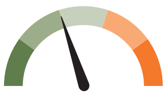
Risk management

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

Comment

A new ERP system was implemented in Norway and Finland in 2019. With a common ERP system in our Nordic countries, we have created conditions for common processes and information sharing, which improves our information security and our internal control. An IT audit has been done where our internal processes, instructions and policies were examined and updated to ensure that we have the right procedures to manage and develop our IT environment.

Competence – a critical resource



Probability

Effect

Description of risk

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

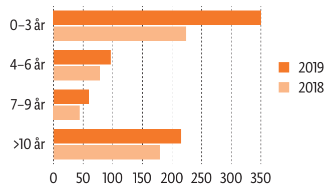
Risk management

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

Comment

There were 115 new hires (103) in the Group during the year mainly related to Sweden, Denmark and Germany. In Sweden as a result of a reorganisation with a concentration of the operations to Malmö and in Denmark primarily attributable to retirements. In Germany, the new hires were a consequence of an expansion investment and that previous temp staff were employed.

Employment period for employees



Suppliers

Probability

Effect

Description of risk

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

Risk management

In order to minimise risks in our product supply, we have frequent dialogue with our major suppliers on volume-critical products for secured delivery. We also work to establish alternative suppliers, mainly for raw materials, for delivery critical volume products to reduce dependence on individual suppliers. We actively work to harmonise processes and instructions on the cooperation with our suppliers; among other things, we have a strategy on efficient and sustainable value chains and a Supplier Code of Conduct has been developed, which among other things improves the support for our commercial operations. A new supplier evaluation system, KODIAK, has been implemented in an initial step in the Nordic region, which makes it easier for us to analyse and risk assess our suppliers regarding product quality, delivery quality and sustainability. This also facilitates the evaluation of which suppliers our quality and regulatory staff should primarily apply resources to for follow-up.

Comment

The level of service to our customers was lower than normal during part of the year as a result of production disruptions and capacity shortages at some suppliers. However, customer relationships were not affected to any greater extent more than resulting in punitive charges being levied. There was also occasionally a general shortage of certain raw materials, such as peanuts and almonds, which resulted in a sales decline. During the year, activities were under way in our supply chain organisation to minimise the risks from the supplier level and ensure a good delivery capacity to our customers. We have built up a Nordic department for strategic purchasing work, we have invested in a new supplier evaluation system and we have implemented a new process for forecast work.

Environment

Probability

Effect

Description of risk

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

Risk management

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

Comment

The energy consumption in the Danish production facility mainly comes from wind turbines and solar panels, while one fourth of the energy consumption in the German production facility comes from solar panels. In the Nordic countries, a new transport agreement was negotiated with a provider that is KRAV and EKO certified and promotes environmentally friendly transports. We also worked a lot with the filling ratio in the transports through tests to find the best way to double-stack pallets and thereby reduce the number of transports and in extension reduce the emissions of greenhouse gases.

Production

Probability

Effect

Description of risk

We have a total of seven production facilities in the Group for the production of organic foods, organic bodycare products and dietary supplements. They are located in Sweden, Denmark, Germany, France and Spain. In Denmark, Germany, France and Spain, the facilities are certified for organic production. The risk is purely in terms of the production technology, an unplanned interruption to production could directly affect deliveries to customers, since we have relatively few days' worth of finished products in stock.

Risk management

For some large volume products, production can be transferred to other machines. Machines are maintained continuously in accordance with established schedules, and larger maintenance measures are normally scheduled during the summer months. Compensation investments are made according to a predetermined plan that the Group follows and new investments are made when necessary.

Comment

A major new investment in a production line for breakfast products was commissioned in the first quarter in Germany, which however had some start-up problems. This entailed both loss of revenues and temporary additional costs. In the latter part of the year, we resolved the cause of the start-up problems. A minor new investment in a packing line is under way in Spain and it is estimated to be in operation in the first half of 2020.

Product safety

Probability

Effect

Description of risk

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

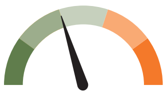
Risk management

Quality and product safety work is governed by current legislation, requirements from authorities and customers and industry guidelines, as well as internal policy, procedures and instructions. Quality requirements are high in all processes to minimise the risk of deficiencies, product recalls or product liability claims. All suppliers must meet our requirements on product safety. To ensure this, we conduct a risk evaluation and classification of our suppliers with help from a supplier evaluation system. All raw materials and semi-finished goods undergo tests in laboratories to ensure the right raw materials and quality before they are used in our products. Any complaint flows are captured early on in our quality assurance system in for proactive purposes. Our products are certified according to many different standards, such as EU organic, KRAV, Fairtrade, Äkta Vara, Vegan and Eco-cert. All of these set stringent requirements on quality, environmental and sustainability issues and become like a stamp of quality on our products. Our insurance solution includes a liability and product liability insurance against any product liability claims.

Comment

In 2019, 13 unplanned product recalls (17) were made. An incident was of a large scope and entailed that the insurance solution needed to be used. The product recalls had no material impact on the company's results and financial position. Activities have been implemented to reduce unplanned product recalls. The new portal for evaluation of suppliers, KODIAK, which was commissioned during the year, was an activity to improve product safety.

Structure and organisational changes


Probability


Effect

Description of risk

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

Risk management

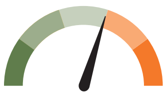
There is an established team for the acquisition process. The process is updated and improved continuously to manage and prevent risks. Thorough investigations and analyses are done before a transaction to arrive at the right valuation. Events after the transaction, such as handover and integration,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

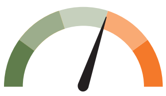
Comment

There is a well-developed acquisition process, which is both efficient and structures, for analysis and implementation. We have conducted 11 business acquisitions and two brand acquisitions since 2012. These have been integrated in a structured way. For two of the business acquisitions implemented in 2019, the integration was under way at year-end. Acquired intangible assets with indefinite useful lives from all acquisitions have not been subject to any impairment. In Sweden, a major reorganisation was carried out where the new organisation was concentrated to Malmö and the operations in Örebro were closed. The marketing and administration functions in the Nordic countries were reviewed and optimised.

Market risks

Distribution agreement


Probability


Effect

Description of risk

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

Risk management

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

Comment

A significant distribution agreement for the brand Alpro, in the Swedish and Norwegian market, was concluded in the first quarter of 2019, when the owner Danone chose to coordinate the distribution itself with its other products. Net sales were SEK 54 million (268) for 2019. Some minor distribution agreements were signed in 2019, but they did not compensate for the concluded distribution assignment for Alpro.

Competitors – and, at the same time, customers

Probability

Effect

Description of risk

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

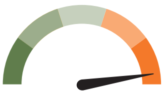
Risk management

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

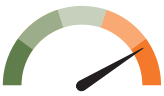
Comment

Large investments were made in the Nordic organic brand portfolio to strengthen competitiveness. A large number of product innovations under several different brands were launched during the year. However, a clear continuing trend is that private label products are getting more space on the store shelves. Price increases were announced towards the retail trade in autumn 2019 as compensation for higher raw material prices resulting from a continued unfavourable exchange rate trend for the SEK against the EUR. Product sales to customers in the sales channels of pharmacy, FMCG and healthfood retailers amounted to 79 percent (83) of the total product sales.

Consumer behaviour and trends



Probability



Effect

Description of risk

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

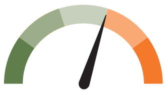
Risk management

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

Comment

During the year, we conducted an in-depth analysis of the market for Omega-3 with a quantitative analysis to obtain better insight into the driving forces and behaviours when one buys these dietary supplements. We have also done quantitative brand work for Friggs to primarily confirm our hypotheses regarding target groups and consumption occasions, which helps us further refine our innovations. An analysis was done of the sports nutrition market, which was in extensive change, where we want to secure our position. We also bought a YouGov Food & Health analysis for both the Swedish and Nordic markets. We also conducted several supplemental studies of the organic market in the Nordic region, as a complement to the large qualitative study done in 2018. The studies gave us consumer insights, which were used in our innovation work during the year and will be used in 2020. During the year, investments were made in a collaborative project together with the food chain Paradiset, whose focus on sustainability and health. The collaborative arrangement is in a start-up phase.

Prices for raw materials



Probability

Effect

Description of risk

The raw material price trend is largely linked to supply and demand, which is beyond the control of the Group. The price of a large part of the raw materials we purchase is dependent on whether the harvest is good or bad. Some raw materials are also affected by agricultural policy decisions, subsidies, trade barriers and activity on commodity exchanges.

Risk management

We continuously monitor the price trend of all important raw materials in order to have a good chance of contracting volumes at the best possible time. To secure both supply and price of key raw materials, supplier agreements are normally signed that cover the need for the upcoming 6-12 months. The guideline for higher raw material costs is to take it out in the next link through price increases to customers. With a larger corporate group, the raw material purchases for several important raw materials are coordinated on a European basis by our supply chain organisation and with larger volumes, the raw material prices can to some extent be influenced.

Comment

Price revisions normally take place once or twice a year. It is generally difficult to achieve price increases to our customers immediately after a demonstrable rise in prices for raw materials. In certain special cases, discussions are continuously held with our customers during the year if there is a drastic change in the price of a raw material. The raw material prices on almonds and peanuts increased dramatically in the second half of 2019 as a result of raw material shortages in the global market.

Financial risks

Financing risk

Probability

Effect

Description of risk

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

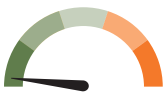
Risk management

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

Comment

A new financing agreement was signed with Danske Bank and Svensk Exportkredit with a credit limit of SEK 2,120 million. It 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 business combinations. The bridge financing was repaid after proceeds were received from the new share issue of SEK 603 million after issue expenses. The financing agreement 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. At the end of the year, the average remaining maturity on the Group's confirmed loan commitments was 31 months (16).

Credit risk



Probability

Effect

Description of risk

There is a risk of losses if the counterparties that the Group has cash and cash equivalents, financial investments or entered derivatives with cannot fulfil their obligations, a so-called financial credit risk. There is also a risk that our customers cannot fulfil their payment commitments, a so-called customer credit risk. The 10 largest customers accounted for 46 percent (51) of the total net sales.

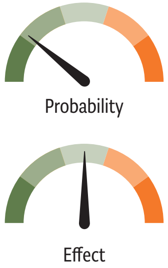
Risk management

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

Comment

The financial credit risk in cash and cash equivalents in bank accounts was SEK 173 million (101) at year-end. At the end of the year, the customer credit risk amounted to SEK 290 million (259). The Group's accounts receivable are covered by the simplified model for impairments. The expected credit losses for accounts receivable are estimated using a matrix, which is based on earlier events, current circumstances and forecasts of future financial circumstances. A loss provision is recognised in the simplified model for the accounts receivable expected remaining maturity period. The accounts receivable were included in a reserve for expected credit losses of SEK 2 million (1). Customer losses have historically been at a very low level.

Liquidity risk



Description of risk

Liquidity risk refers to the risk of not being able to fulfil payment obligations when they come due as a consequence of an inadequate access to liquid funds.

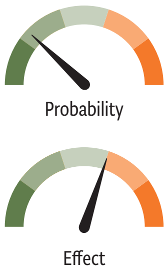
Risk management

In order to control and plan the Group's cash requirements, the finance function uses liquidity forecasts that the subsidiaries report in on a monthly basis for the upcoming six months. The Group's liquidity reserve, consisting of unutilised credit facilities, cash and cash equivalents, shall, at any given time, exceed the Group's loan maturities for the next six months.

Comment

Liquid assets were SEK 523 million (376) at the end of year and were allocated to cash SEK 173 million (101), the unused part of the overdraft facility SEK 150 million (100) and the unused part of other credit SEK 200 million (175). Loan maturity, including principal repayment and interest, for financial liabilities to credit institutions in the upcoming six months amounted to SEK 45 million (56). Liquidity was good in consideration of the maturity structure for external loans, the size of the liquid funds and available credit facilities at year-end.

Interest rate risk



Description of risk

Interest rate risk refers to the impact on profits of a change in interest rates. How quickly a change in interest rates affects profits depends on the period of fixed interest on credit and investments. The Group is a net borrower and does not invest funds in listed instruments, which is why it is mainly the Group's interest-bearing liabilities to credit institutions that are exposed to interest rate changes. The main part of our interest-bearing liabilities to credit institutions has variable interest.

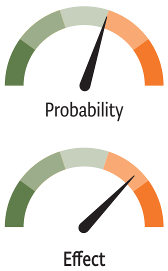
Risk management

The Group strives for a consideration between a reasonable running expense for its borrowing and the risk of having a significant negative impact on earnings in the event of a larger interest rate change. At present, the guideline is to not hedge for interest-rate risks in the Group. Changes in the market interest rates thereby have an impact on the financial cash flow and earnings.

Comment

The average period of fixed interest for the Parent Company's interest-bearing liabilities to credit institutions was three months (3) at the end of the year. The interest on the facilities taken over in connection with the business combinations in 2018 and 2019 is largely fixed over the term. A change in interest rates of +/– 1 percentage point causes an impact of +/– 13 million (12) calculated in debt to credit institutions of SEK 1,300 million (1,195) at year-end if the entire loan portfolio were to mature with a variable interest rate. Loans of SEK 50 million were interest rate hedged at year-end with a maturity period until 30 June 2020 and will not be renewed. The average interest on the Group's bank loans and overdrafts amounted to 2.1 percent (1.8) for 2019.

Currency risk – transaction exposure



Description of risk

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

Risk management

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

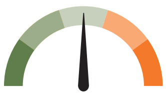
Comment

An isolated shift in exchange rates against the SEK by +/– 5 percentage points for the four currencies with the largest estimated net flows is calculated to have an effect on profit before tax of +/– SEK 27 million (44). There were no forward contracts outstanding at the end of the year.

Sustainability risks

Personal and social conditions

Employee health – A healthy culture



Probability

Effect

Description of risk

The work environment has a major impact on how we feel, both when we are at work and after work. We want to be able to stimulate and motivate our employees to good health based on their own possibilities. High sickness absence and other kinds of absence can have consequences for operations both in the ability to implement and the ability to recruit new employees through the impact on Midsona's reputation.

Risk management

We actively work for the employees to have a healthy, creative and developing work environment and tries in various ways to stimulate health-promotion activities. Sickness absence is registered and all absence is discussed with the individual based on his or her needs. The results are analysed carefully and needs that are potentially identified are handled locally through HR or in the business area. We co-operate with occupational health services in every location where we have operations. We conduct compulsory employee performance reviews every year.

Comment

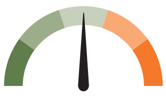
The latest employee survey was done in 2018. The work/leisure balance and a certain extent of stress were two improvement areas that were identified and actively worked on to improve in 2019.

Absence due to illness, %

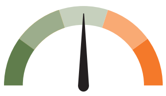
	2015	2016	2017	2018	2019
Sweden	3.6	6.0	3.8	4.7	1.3
Norway	5.3	5.7	5.0	3.4	4.2
Finland	2.7	3.2	2.1	2.7	1.6
Denmark	4.1	4.5	5.7	8.4	4.7
Germany	–	–	–	6.2	5.4
France	–	–	–	–	1.7
Spain	–	–	–	–	7.5
Group	**4.3**	**5.1**	**4.6**	**5.7**	**3.9**

Environment

Climate changes



Probability



Effect

Description of risk

The consequences of climate change can impact the ability to secure raw materials and thereby affect the operations and profitability. The consequences may also affect the supply and cost of renewable fuels, which can in turn affect our transports.

Risk management

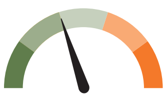
We work based on the respective brand's sustainability plan to secure raw materials. Initiatives are taken to reduce the environmental impact of packaging, optimising the filling level of packaging, carbon-offset for product transports, increasing the filling rate on transport pallets and in trucks,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

Comment

In 2019, we will for the first time report for Scope 1 and 2 and parts of Scope 3 in accordance with the Greenhouse Gas Protocol. During the year, we decided that the Transport Initiative's target of 100-percent fossil-free goods transports in Sweden by 2025 shall also apply to other parts of the Group from 2030.

Respect for human rights

Diversity and equality



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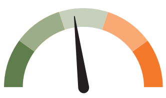


Effect

Description of risk

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

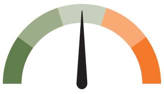
Risk management

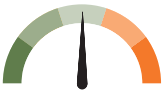
Our Code of Conduct determines important primary principles, including diversity and equality principles. We continuously work with such issues by making sure that the working conditions suit all employees, that instructions and criteria in the setting of salaries are fair and that wages are mapped,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

Comment

Our Code of Conduct is published in eight languages, including Swedish, English, Danish, Finnish, French, Norwegian, Spanish and German.

Supplier working conditions


Probability


Effect

Description of risk

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

Risk management

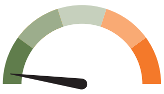
We want to take responsibility through the entire value chain by cooperating with our suppliers in such areas as quality, safe raw materials and products, environment, human rights, sound competitive conditions and ethical businesses. We do so through our Supplier Code of Conduct (SCOC), through which we can set higher requirements on the supplier level and improve important processes. SCOC is a fundamental part of our procurement documentation. In 2019, a portal – KODIAK – was implemented in a first step in the Nordic region. The self-assessment portal – KODIAK – was implemented, whereby we can analyse our suppliers. We also actively work with various certifications, including KRAV and Fairtrade.

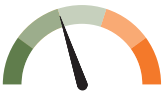
Comment

At the end of 2019, 78 percent of our suppliers had signed our Supplier Code of Conduct. The large suppliers can most often verify that they work with equivalent sustainability requirements and have their own Code of Conduct that is satisfactory for us. The new implemented KODIAK system makes it easier for the Group to analyse its suppliers in terms of product quality, delivery quality and sustainability, as well as facilitating the evaluation of which suppliers our quality and regulatory employees should mainly apply resources to through follow-up, such as audits, and which one have sustainability work that is in line with our own requirements. 11 quality audits of suppliers (16) were conducted during the year.

Combating corruption

Corruption risk


Probability


Effect

Description of risk

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

Risk management

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

Comment

No corruption incidents were reported in 2017–2019.

Administration report

The Board of Directors and President of Midsona AB (publ), corporate identity number 556241-5322, headquartered in Malmö, Sweden, hereby presents its annual and consolidated accounts for the 2019 financial year.

Operations

Midsona is the leading consumer goods company in the Nordic region in health and well-being with proven products in the categories organic products, healthfoods and consumer health products. In 2018, the Group took the first major step outside the Nordic region through a major business acquisition in Germany, which is the largest market for organic products in Europe. In 2019, Midsona established operations both in France, which is the second largest market for organic products in Europe, and in Spain through business acquisitions. The vision is to become one of the leaders in Europe in health and well-being.

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

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

Midsona is represented in seven countries through wholly-owned subsidiaries, with sales predominantly in the Nordic, German, French and Spanish market for health and well-being. Operations are divided into six operating segments: the geographical areas Sweden, Norway, Finland, Denmark, Germany and South Europe, which bear the operational responsibility for marketing, sales and distribution to customers. Moreover, there are seven production facilities located in Denmark, Sweden, Germany, France and Spain. Group-wide management, administration and IT are operated as Group functions in the Parent Company Midsona AB. For more information on the Group's operating segments, see Note 4 *Operating segments*, pages 92–93.

Significant events

First quarter

It was decided to replace the Miwana brand with the Davert brand as the Group's priority brands effective from 1 January 2019. Davert, a strong brand in the German market in the category of organic products, was acquired in May 2018. Miwana will continue to be developed within the Group.

The distribution agreement for the Alpro brand was concluded in the Swedish and Norwegian markets. The owner, Danone, chose to coordinate distribution under its own administration with its other products. Net sales for the distribution assignment were SEK 54 million (268) for 2019.

An efficiency-enhancement programme for the Group's Nordic operations was adopted as a part of further strengthening the competitiveness through the harmonisation and optimisation of joint processes. The new organisation in Sweden was concentrated to Malmö, which meant that the operations in Örebro were closed. 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 profit for the year. The efficiency-enhancement programme is expected to provide savings of around SEK 40 million on an annualised basis, with full effect in 2021. Some of the restructuring costs for the efficiency programme, SEK 12 million, were reversed over profit for the year during the year due to changed circumstances.

Second quarter

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

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

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

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

Third quarter

All shares were acquired in the German company Eisblümerl Naturkost GmbH, with offices, warehousing and production facilities in Lauterhofen, Bavaria, Germany. Through the acquisition, Midsona gained access to the Eisblümerl brand and a property with a modern integrated value chain with its own production. The purchase consideration amounted to SEK 120 million (EUR 11.3 million), of which SEK 83 million (EUR 7.8 million) as paid in cash at takeover and SEK 37 million (EUR 3.5 million) constituted conditional purchase considerations that may be triggered based on earnings targets up to December 2021. The acquisition was financed in its entirety with a new acquisition loan of SEK 85 million (EUR 8.0 million). For further information on the acquisition, please see Note 2 *Acquisitions of operations* on pages 90–92.

All shares were acquired in the Swedish company Ekko Gourmet AB with offices in Malmö. Through the acquisition, Midsona gained access to the brand Ekko Gourmet. The purchase consideration amounted to SEK 9 million, of which SEK 6 million was paid in cash and SEK 3 million constituted conditional purchase considerations that may be triggered based on earnings targets up to December 2021. For further information on the acquisition, please see Note 2 *Acquisitions of operations* on pages 90-92.

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.

A financing agreement was signed with Danske Bank and Svensk Exportkredit for a total credit limit of SEK 2,120 million. The agreement replaced earlier financing agreements from Danske Bank and pertained to the refinancing of existing debt, an extended limit for working capital financing and a bridge financing for the acquisition of Alimentation Santé. For more information on the financing agreement, see Note 26 *Liabilities to credit institutions*, pages 104–105.

Fourth quarter

All shares were acquired in the French company Alimentation Santé SAS with its head office in Lyon, France. The company had three wholly owned subsidiaries, one French and two Spanish, with operations in Saint Germain Laprade (France), Castellcir (Spain) and Jerez de la Frontera (Spain). The acquisition constituted a strategically important platform for the continued European expansion. The total purchase consideration for the shares amounted to SEK 224 million (EUR 20.9 million). A shareholder loan of SEK 411 million (EUR 38.5 million) was also repaid at the time of the transaction. The total consideration transferred to the seller accordingly amounted to SEK 635 million (EUR 59.4 million). The acquisition was initially financed with a bridge financing of SEK 625 million. For further information on the acquisition, please see Note 2 *Acquisitions of operations* on pages 90–92.

Through authorisation from the Annual General Meeting, the Board of Directors of Midsona decided on a new share issue with preferential rights for existing shareholders, whereby Midsona raised SEK 613 million before deductions for issue expenses. The issue expenses amounted to SEK 10 million and were recognised directly against equity. The new issue was fully subscribed. The bridge financing for the acquisition of Alimentation Santé was repaid with the proceeds from the implemented new share issue.

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 assessment is that the shareholders have a joint controlling influence, which is why it is reported as a joint arrangement in the form of a joint venture according to the equity method in the financial statements.

The Group Management structure was changed as a consequence of both the European expansion and the Nordic reorganisation. Three divisions were created: Division Nordics, Division North Europe and Division South Europe, instead of the previous structure with countries as their own business areas. In Group Management, the divisions are represented by a respective Division Director. From 1 December 2019, Group Management will be comprised of Peter Åsberg (CEO), Lennart Svensson (CFO), Tobias Traneborn (Supply Chain Director), Ulrika Palm (Division Director Nordics), Erk Schuchhardt (Division Director North Europe) and Marjolaine Cevoz-Goyat (Division Director South Europe).

From 1 January 2020, Midsona changed its segment reporting to report three geographic segments, which agree with the internal reporting provided to Group Management. The four geographic segments Sweden, Norway, Finland and Denmark were merged to form the Nordics segment under joint management. The geographic segment Germany is changing name to North Europe. The new geographic segment South Europe continues to be presented in the same way as before.

Net sales and profit

Financial overview[1,2]	2019	2018
Net sales, SEK million	3,081	2,852
Net sales growth, %	8.0	32.9
Organic change, net sales, %	-6.1	3.0
Operating margin, before items affecting comparability, %	29.5	30.6
EBITDA, before items affecting comparability, SEK million	290	241
EBITDA-margin, before items affecting comparability, %	9.4	8.5
EBITDA SEK million	284	230
EBITDA margin, %	9.2	8.1
Operating profit, before items affecting comparability, SEK million	176	189
Operating margin, before items affecting comparability, %	5.7	6.6
Operating profit, SEK million	170	178
Operating margin,%	5.5	6.2
Profit for the year, SEK million	97	129
Earnings per share before and after dilution, SEK	2.02	2.80

[1] Midsona presents certain financial measures in the Year-end report that are not defined under IFRS. For definitions and reconciliation to IFRS, see pages 128-131.
[2] the financial overview for the comparison year is not restated for the IFRS 16 effect, see Note 1 *Accounting principles* on pages 82–90.

Net sales amounted to SEK 3,081 million (2,852), an increase of 8.0 percent (32.9), driven by organic growth for prioritised brands and acquired business volumes. The organic change in net sales was a decline of 6.1 percent (increase 3.0) while structural changes contributed by 12.4 percent (26.0) and exchange rate fluctuations by 1.7 percent (3.9). Net sales growth was strongly negatively impacted by a concluded sales assignment for Alpro in Sweden and Norway in the first quarter of 2019. The organic change in net sales was 1.5 percent adjusted for the concluded sales assignment.

Gross profit amounted to SEK 910 million (874) before items affecting comparability, corresponding to a margin of 29.5 percent (30.6). The lower gross margin was especially related to an unfavourable exchange rate trend for the SEK against the EUR. The changed cost structure within the Group, related to acquired operations in 2018 and 2019, also contributed to a lower gross margin compared with the preceding year. The gross margin was also negatively impacted by higher purchase prices on both some finished products and some important input materials. The negative gross margin trend was countered to some extent by coordinated supply chain activities on a Nordic basis having a gradual breakthrough during the year.

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

Operating profit for the period included negative items affecting comparability of SEK 6 million (11), of which restructuring costs comprised SEK 15 million (2), assessment of conditional purchase considerations in a negative SEK 26 million (1) and acquisition-related expenses of SEK 17 million (10).

Profit before tax amounted to SEK 116 million (163). Net financial items amounted to an expense of SEK 54 million (15), of which interest expenses on external loans to credit institutions amounted to SEK 32 million (25) and interest expenses attributable to leases amounted to SEK 5 million (0). Interest expenses to credit institutions increased as a consequence of higher indebtedness related to completed business combinations in 2018 and 2019. Translation differences on financial receivables and liabilities in foreign currency were positive in an amount of SEK 8 million (15).

Profit for the year was SEK 97 million (129), corresponding to earnings per share of SEK 2.02 (2.80) before and after dilution. Tax on profit for the period amounted to a negative SEK 19 million (34), of which a negative SEK 24 million (11) consisted of current tax, a negative SEK 2 million was tax attributable to preceding years and positive SEK 7 million (negative 23) was in deferred tax. The effective tax rate was 16.0 percent (20.8). The low tax rate was mainly attributable to an operational restructuring between Group companies, the effect of a changed tax rate in France and assessments of conditional supplemental purchase considerations.

Cash flow, liquidity and financial position

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

Cash flow from investing activities amounted to a negative SEK 712 million (357), consisting of business acquisitions of negative SEK 659 million (295), investments in tangible and intangible fixed assets of a negative SEK 41 million (63), and a change in financial assets by a negative SEK 12 million, mainly related to investment in joint ventures (see Note 19 *Participations in joint ventures*, page 102). The comparative period also includes sales of tangible and intangible assets comprising SEK 1 million. Free cash flow amounted to SEK 155 million (176).

Cash flow from financing activities was SEK 589 million (189), which was comprised of proceeds from the warrant programme issue of SEK 21 million (see Note 10 *Employees, personnel expenses and senior executives' remuneration* on pages 95-96), proceeds from the new share issue of SEK 613 million, issue expenses of negative SEK 10 million, loans raised of SEK 1,855 million (375), outflows for loan repayments of SEK 1,786 million (123) mainly attributable to refinancing (see Note 26 *Liabilities to credit institutions*, pages 104–105), lease liability repayments of SEK 47 million (5), receipts from premiums for the warrant programme of SEK 1 million and paid dividend of SEK 58 million (58).

Cash and equivalents amounted to SEK 173 million (101) and there were unutilised credit facilities of SEK 350 million (275) at year-end.

Summary of capital and liquidity structure[1,2]	31 Dec 2019	31 Dec 2018
Average capital employed, SEK million	3,348	2,552
Return on capital employed, %	5.1	7.6
Equity/assets ratio	48.6	44.1
Net debt, SEK million	1,353	1,116
Net debt/Adjusted EBITDA, multiple	4.4	4.4
Shareholders' equity, SEK million	2,322	1,630
Net debt/equity ratio, multiple	0.6	0.7
Interest coverage ratio, multiple	3.1	6.3

[1] Midsona presents certain financial measures in the Year-end report that are not defined under IFRS. For definitions and reconciliation to IFRS, see pages 128–131.

[2] the financial overview for the comparison year is not restated for the IFRS 16 effect, see Note 1 *Accounting principles* on pages 82–90.

Net debt amounted to SEK 1,353 million (1,116) with the increase being primarily attributable to a changed accounting principle (IFRS 16) and financing of business combinations. The net debt/equity ratio was a multiple of 0.6 (0.7). The ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 4.4 (4.4).

Shareholders' equity amounted to SEK 2,322 million (1,630). The change in shareholders' equity over the year consisted of a changed accounting principle (IFRS 16) of negative SEK 4 million, the profit for the year of SEK 97 million, translation differences on the translation of foreign operations of SEK 32 million, a new share issue of SEK 613 million and issue expenses of SEK 10 million, redemption of warrants in a warrants programme (TO2016/2019) SEK 21 million, premiums received at the issue of a warrants programme (TO2019/2022) of SEK 1 million and a dividend payment of SEK 58 million. The equity/assets ratio was 48.6 percent (44.1) at the end of the year.

Investments

Investments in intangible and tangible fixed assets amounted to SEK 41 million (63). This was primarily comprised of an investment in software in the form of a new business system and compensation investments in the Group's production facilities. The comparative period included an expansion investment in a new product line in one of the Group's production facilities.

Risks and risk management

For risks and risk management, refer to pages 62–71. For financial risks, see also Note 31 *Financial risk management*, on pages 106–108.

Guidelines for remuneration of senior executives

The Board of Directors' proposed guidelines for remuneration of senior executives to be presented for approval by the Annual General Meeting of 5 May 2020 agree to all intents and purposes with the previous year's guidelines. The proposed guidelines for senior executives that will be presented at the Annual General Meeting have, however, been adjusted in relation to the proposal presented at the 2019 Annual General Meeting. The adjustments have been made as a result of new legal rules that aim to provide transparency in remuneration issues, but entail no significant material changes over the proposal adopted at the 2019 Annual General Meeting. For information on the guidelines for remuneration of senior executives adopted by the 2019 Annual General Meeting, see Note 10 *Employees, personnel expenses and senior executives' remuneration* on pages 95–96.

Share and shareholders

At the end of the year, the total number of shares was 65,004,608 (46,008,064), divided between 755,820 Series A shares (539,872) and 64,248,788 Series B shares (45,468,192). The number of votes was 71,806,988 (50,866,912), where one Series A share carries ten votes and one Series B share carries one vote. In both September and November, the number of shares and votes increased as a result of senior executives subscribing for 423,800 Series B shares with support of warrants in the scope of the warrants programme TO2016/2019 and a new share issue with preferential rights for existing shareholders of 215,948 Series A shares and 18,356,796 Series B shares was implemented for the financing of the acquisition of Alimentation Santé.

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

The largest shareholder in the company was Stena Adactum AB, which held 543,928 series A shares (385,641) and 14,685,861 series B shares (10,587,528), representing 23.4 percent of capital (23.6) and 28.0 percent of the voting rights (28.2) on 31 December 2019. No other shareholder had a holding of 10 percent or more of the total number of shares as per 31 December 2019. To the Company's knowledge, there are no agreements between shareholders that could entail limitations to the right to transfer shares.

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

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

For more information about the share and shareholders, see the section *Shares and shareholders*, pages 59–61.

Environmental information

The basis for reducing Midsona's environmental impact lies in organised environmental efforts. The greatest environmental impact is caused by water and energy consumption, waste, wastewater and transportation. Midsona complies with statutory environmental requirements and is not involved in any environmentally-related disputes. Midsona had seven production facilities at its disposal at the end of 2019, located in Sweden (1), Denmark (1), France (1), Germany (2) and Spain (2). The Swedish production facility in Falköping conducts operations that it is required to register in accordance with the Swedish Environmental Code. Each year, an audit is performed by the local environmental authority regarding compliance with the Swedish Environmental Code.

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

The Group's production facilities conduct organized environmental efforts, including action plans and review in a number of areas. Environmental efforts form an integral part of Midsona's business and decision making always takes environmental considerations into account. The majority of production and warehouse facilities use renewable electricity. For more information on Midsona's environmental work, see the *Sustainability Report* section on pages 37–57.

Corporate Governance Report

For the Corporate Governance Report, see pages 117–121.

Sustainability report

For the Sustainability Report, please see pages 37–57.

Parent Company

Net sales amounted to SEK 47 million (45), and related primarily to invoicing of services provided internally within the Group. Profit before tax amounted to SEK 134 million (19). The profit before tax included dividends from subsidiaries of SEK 217 million (120), of which an anticipated SEK 96 million (120), impairment of shares in subsidiaries of a negative SEK 84 million (120) and Group contributions received totalling SEK 32 million (29). Interest expenses to credit institutions amounted to SEK 28 million (22) and increased as a result of a higher indebtedness related to implemented business combinations. Net interest income/expense was also charged other financial expenses as a result of refinancing. Net financial items included exchange-rate differences on financial receivables and liabilities in foreign currency of SEK 2 million (15).

Investments in tangible and intangible assets amounted to SEK 23 million (26) and were mainly related to an investment in software for a new business system being rolled out and commissioned in all of the Nordic countries. Depreciation and amortisation on tangible and intangible fixed assets amounted to SEK 4 million (3).

Cash and cash equivalents, including unutilised credit facilities, amounted to SEK 459 million (322). Borrowing from credit institutions was SEK 1,121 million (1,030) at the end of the year. A new long-term financing agreement was signed with Danske Bank and Svensk Exportkredit (see Note 26 *Liabilities to credit institutions*, pages 104–105).

Shareholders' equity amounted to SEK 2,089 million (1,390), of which restricted equity amounted to SEK 1,706 million (1,102). The changes in shareholders' equity during the year were comprised of profit for the year at SEK 133 million, a new share issue at SEK 613 million, issue expenses at SEK 10 million, redemption of warrants in a warrant programme (TO2016/2019) at SEK 21 million and a dividend payment of SEK 58 million.

On the balance sheet date, there were 15 employees (15).

Proposed appropriation of profit or loss

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

Share premium reserve	SEK 1,109,694,438
Profit brought forward	SEK 463,484,492
Profit for the year	SEK 132,676,853
Total	**1,705,855,783**

The Board of Directors proposes that the unrestricted shareholders' equity in the Parent Company, amounting to SEK 1,705,855,783 be appropriated as follows:

Dividend, SEK 1.25 per share	SEK 81,255,760
Carried forward	SEK 1,624,600,023
Total	**1,705,855,783**

Statement by the Board of Directors regarding the proposed dividend

At the 2020 Annual General Meeting, shareholders shall take a position regarding matters including the dividend proposed by the Board of Directors.

The proposed dividend decreases the equity/assets ratio in the Parent Company to 54.4 percent and the consolidated equity/assets ratio to 46.9 percent. The proposed measure does not affect the company's capacity to meet current and foreseen payment obligations in a timely manner. The company's liquidity forecast includes contingencies for managing variations in on-going payment obligations. The company's financial position does not give rise to any assessment other than that it can continue its operations and can be expected to meet its obligations in both the short and long term.

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

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

The financial accounts were approved for publication by the Board of Directors of the Parent Company on 7 April 2020.

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

Financial statements

Consolidated income statement

SEK million	Note	2019	2018
Net sales	2,3,4,5	3,081	2,852
Expenses for goods sold		–2,178	–1,980
Gross profit		**903**	**872**
Selling expenses		–505	–473
Administrative expenses		–240	–212
Other operating income	6	37	7
Other operating expenses	7	–25	–16
Indirect expenses, net		**–733**	**–694**
Operating profit/loss	2,4,8,9,10,15,16,17,28	**170**	**178**
Profit/loss from participations in joint ventures	19	–1	–
Financial income		0	16
Financial expenses		–53	–31
Net financial items	11	**–54**	**–15**
Profit/loss before tax		**116**	**163**
Tax	13	–19	–34
Profit/loss for the year		**97**	**129**
Attributable to			
Parent Company shareholders (SEK million)		97	129
Earnings per share to Parent Company shareholders, before and after dilution (SEK)	14	2.02	2.80
Number of shares (thousands)	14		
On the balance sheet date		65,005	46,008
Average during the period		48,179	46,008

Consolidated statement of comprehensive income

SEK million	Note	2019	2018
Profit/loss for the year		**97**	**129**
Items that have or can be reallocated to profit for the year			
Translation differences for the year on translation of foreign operations		32	9
Items that have or can be reallocated to profit for the year		**32**	**9**
Other comprehensive income for the year		**32**	**9**
Comprehensive income for the year		**129**	**138**
Attributable to			
Parent Company shareholders (SEK million)		129	138

Consolidated balance sheet

SEK million	Note	31 Dec 2019	31 Dec 2018
Assets			
Intangible assets	15	3,058	2,466
Tangible assets	16,17	585	254
Participations in joint ventures	19	26	–
Non-current receivables	21	4	4
Deferred tax assets	13	71	74
Fixed assets		**3,744**	**2,798**
Inventories	22	529	482
Tax receivables		–	4
Accounts receivable	23	290	259
Other receivables	21	18	22
Prepaid expenses and accrued income	24	26	33
Cash and cash equivalents	31,36	173	101
Current assets		**1,036**	**901**
Assets	2,4,32,34	**4,780**	**3,699**
Shareholders' equity			
Share capital		325	230
Additional paid-up capital		1,159	629
Reserves		56	24
Profit brought forward, including profit for the year		782	747
Shareholders' equity	25	**2,322**	**1,630**
Liabilities			
Non-current interest-bearing liabilities	26,31,36	1,408	1,124
Other non-current liabilities	27	75	82
Other provisions	29	17	1
Deferred tax liabilities	13	321	271
Non-current liabilities		**1,821**	**1,478**
Current interest-bearing liabilities	26,31,36	118	93
Accounts payable		288	357
Tax liabilities		2	–
Other current liabilities	27	85	29
Accrued expenses and deferred income	30	140	108
Other provisions	29	4	4
Current liabilities		**637**	**591**
Liabilities		**2,458**	**2,069**
Shareholders' equity and liabilities	2,4,32,34	**4,780**	**3,699**

Changes in consolidated shareholders' equity

SEK million	Note 25	Share capital	Additional paid-up capital	Reserves	Profit brought forward, including profit for the year	Total shareholders' equity
Opening shareholders' equity 1 Jan 2018		**230**	**629**	**15**	**676**	**1,550**
Changed accounting principle (IFRS 9)		–	–	–	0	0
Comprehensive income for the year						
Profit/loss for the year		–	–	–	129	129
Other comprehensive income for the year		–	–	9	–	9
Comprehensive income for the year		–	–	**9**	**129**	**138**
Transactions with the Group's owners						
Repurchase of warrant programme TO2016/2019		–	0	–	–	0
Dividend		–	–	–	-58	-58
Transactions with the Group's owners		–	**0**	–	-58	**-58**
Closing shareholders' equity 31 Dec 2018		**230**	**629**	**24**	**747**	**1,630**
Opening shareholders' equity 1 Jan 2019		**230**	**629**	**24**	**747**	**1,630**
Changed accounting principle (IFRS 16)		–	–	–	-4	-4
Comprehensive income for the year						
Profit/loss for the year		–	–	–	97	97
Other comprehensive income for the year		–	–	32	–	32
Comprehensive income for the year		–	–	**32**	**97**	**129**
Transactions with the Group's owners						
New share issue		93	520	–	–	613
Issue expenses		–	-10	–	–	-10
Redemption of warrants in warrant programme, TO2016/2019		2	19	–	–	21
Issue expenses, TO2016/2019		–	0	–	–	0
Premium receipts upon issue of warrant programme, TO2019/2022		–	1	–	–	1
Dividend		–	–	–	-58	-58
Transactions with the Group's owners		**95**	**530**	**–**	**-58**	**567**
Closing shareholders' equity 31 Dec 2019		**325**	**1,159**	**56**	**782**	**2,322**

Consolidated cash flow statement

SEK million	Note	2019	2018
Operating activities			
Profit/loss before tax		116	163
Adjustment for non-cash items	36	124	31
Income tax paid		-19	-12
Cash flow from operating activities before changes in working capital		**221**	**182**
Cash flow from changes in working capital			
Increase (–)/decrease (+) in inventories		27	-29
Increase (–)/decrease (+) in operating receivables		32	-13
Increase (+)/decrease (–) in operating liabilities		-82	72
Changes in working capital		**-23**	**30**
Cash flow from operating activities		**198**	**212**
Investing activities			
Acquisitions of companies or operations	36	-659	-295
Acquisitions of intangible assets	15	-22	-26
Divestments of intangible assets		–	1
Acquisitions of tangible assets	16	-19	-37
Divestments of tangible assets		0	0
Change in financial assets		-12	–
Cash flow from investing activities		**-712**	**-357**
Cash flow after investing activities		**-514**	**-145**
Financing activities			
Issue of warrant programme, TO2016/2019		21	–
Issue expenses warrant programme, TO2016/2019		0	–
New share issue		613	–
Issue expenses		-10	–
Premium receipts warrant programme, TO2019/2022		1	
Loans raised	36	1,855	375
Repayment of loans	36	-1,786	-123
Amortisation of lease liabilities	36	-47	-5
Dividend paid		-58	-58
Cash flow from financing activities		**589**	**189**
Cash flow for the year		**75**	**44**
Cash and cash equivalents			
Cash and cash equivalents at beginning of year		101	54
Translation difference in cash and cash equivalents		-3	3
Cash and cash equivalents at end of year	36	**173**	**101**

Income statement, Parent Company

SEK million	Note	2019	2018
Net sales	3	47	45
Selling expenses		–1	–2
Administrative expenses		–64	–58
Other operating income	6	0	1
Other operating expenses	7	–3	0
Operating profit/loss	9, 10, 15, 16, 17, 28	**–21**	**–14**
Profit from participations in subsidiaries	11	133	0
Financial income	11	31	34
Financial expenses	11	–41	–30
Profit/loss after financial items		**102**	**–10**
Allocations	12	32	29
Profit/loss before tax		**134**	**19**
Tax	13	–1	–4
Profit/loss for the year		**133**	**15**

Balance sheet, Parent Company

SEK million	Note	31 Dec 2019	31 Dec 2018
Fixed assets			
Intangible assets	15	57	39
Tangible assets	16, 17	3	3
Participations in subsidiaries	18	2,202	2,066
Receivables from subsidiaries	20, 33	1,149	547
Deferred tax assets	13	2	3
Financial assets		**3,353**	**2,616**
Fixed assets		**3,413**	**2,658**
Current assets			
Receivables from subsidiaries	20, 33	152	163
Other receivables	21	6	4
Prepaid expenses and accrued income	24	11	9
Current receivables		**169**	**176**
Cash and bank balances	31, 36	109	47
Current assets		**278**	**223**
Assets	32, 34	**3,691**	**2,881**
Shareholders' equity			
Restricted shareholders' equity			
Share capital		325	230
Statutory reserve		58	58
Restricted shareholders' equity		**383**	**288**
Unrestricted shareholders' equity			
Share premium reserve		1,110	581
Profit brought forward		463	506
Profit/loss for the year		133	15
Unrestricted shareholders' equity		**1,706**	**1,102**
Shareholders' equity	25	**2,089**	**1,390**
Non-current liabilities			
Liabilities to credit institutions	26, 31, 36	1,066	953
Liabilities to subsidiaries	20, 33, 36	–	113
Other non-current liabilities	27	31	81
Non-current liabilities		**1,097**	**1,147**
Current liabilities			
Liabilities to credit institutions	26, 31, 36	55	77
Accounts payable		6	11
Liabilities to subsidiaries	20, 33, 36	390	247
Other current liabilities	27	36	2
Accrued expenses and deferred income	30	18	7
Current liabilities		**505**	**344**
Shareholders' equity and liabilities	32, 34	**3,691**	**2,881**

Changes in equity for the Parent Company

SEK million	Note 25	Restricted shareholders' equity		Unrestricted shareholders' equity		Total shareholders' equity
		Share capital	Statutory reserve	Share premium reserve	Profit brought forward, including profit for the year	
Opening shareholders' equity 1 Jan 2018		230	58	581	564	1,433
Profit/loss for the year		–	–	–	15	15
Comprehensive income for the year		–	–	–	15	15
Dividend		–	–	–	–58	–58
Closing shareholders' equity 31 Dec 2018		230	58	581	521	1,390
Opening shareholders' equity 1 Jan 2019		230	58	581	521	1,390
Profit/loss for the year		–	–	–	133	133
Comprehensive income for the year		–	–	–	133	133
New share issue		93	–	520	–	613
Issue expenses		–	–	–10	–	–10
Redemption of warrants in warrant programme, TO2016/2019		2	–	19	–	21
Issue expenses, TO2016/2019		–	–	0	–	0
Dividend		–	–	–	–58	–58
Closing shareholders' equity 31 Dec 2019		325	58	1,110	596	2,089

Parent Company cash flow statement

SEK million	Note	2019	2018
Operating activities			
Profit/loss after financial items		102	–10
Adjustment for non-cash items	36	–21	–13
Cash flow from operating activities before changes in working capital		81	–23
Cash flow from changes in working capital			
Increase (–)/decrease (+) in operating receivables		–12	6
Increase (+)/decrease (–) in operating liabilities		5	4
Changes in working capital		–7	10
Cash flow from operating activities		74	–13
Investing activities			
Acquisitions of companies or operations	36	–235	–305
Acquisitions of intangible assets	15	–22	–25
Acquisitions of tangible assets	16	–1	–1
Change in financial assets		–549	9
Cash flow from investing activities		–807	–322
Cash flow after investing activities		–733	–335
Financing activities			
Issue of warrant programme, TO2016/2019		21	–
Issue expenses warrant programme, TO2016/2019		0	–
New share issue		613	–
Issue expenses		–10	–
Loans raised	36	1,998	458
Repayment of loans	36	–1,764	–49
Dividend paid		–58	–58
Cash flow from financing activities		800	351
Cash flow for the year		67	16
Cash and cash equivalents			
Cash and cash equivalents at beginning of year		47	31
Translation difference in cash and cash equivalents		–5	–
Cash and cash equivalents at end of year	36	109	47

Notes to the financial statements

Not 1 | Accounting principles

Group accounting principles

Compliance with standards and regulations

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRIC) as approved by the European Commission for application within the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 *Supplementary Accounting Rules for Groups* has been applied.

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

Alternative performance measures

The Swedish Financial Supervisory Authority announce in December 2015 that they had the intention of applying the European Securities and Markets Authority (ESMA) guidelines for alternative performance measures in financial statements from July 2016. These guidelines entailed expanded disclosures on key performance indicators and income measures, which were included in the financial statements. The measurements provide valuable supplemental information to investors and management as they enable the evaluation of 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.

Basis of valuation applied in the preparation of the financial statements

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

Functional and presentation currency

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

Estimates and assumptions in the financial statements

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

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

Assumptions made by management in the application of IFRS that have a significant impact on the financial statements and estimates that can result in significant adjustments in future financial statements are described in more detail in Note 35 *Significant estimates and assumptions*, pages 109–110.

Accounting principles applied

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

Changes in accounting principles due to new or amended IFRS

The following changes in accounting principles are effective from 1 January 2019 and have had an impact on the consolidated financial statements.

IFRS 16 *Leases*, was issued on 13 January 2016 and replaces IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, and the new standard is approved by the EU. It sets the principles for recognition, measurement, presentation and disclosure of leases for both parties in an agreement. This means that most leases are recognised in the balance sheet since the difference between operating leases and finance leases is removed. According to the new standard, an asset related to the right to use the leased asset and a financial liability for the obligation to pay lease fees shall be recognised with some exceptions.

The lease portfolio mainly comprises buildings (offices, factories and warehouses), production equipment, forklifts, cars and IT-related equipment. The most significant leases pertained to the rent of office, factory and warehouse premises. For such agreements, certain valuation principles were adopted regarding extension and termination options. A discount rate was established per country, which is based on the interest rate on government bonds in various time spans and a risk premium corresponding to the Group's loan margin. Agreements shorter than 12 months or those that expire within 12 months from the transition date are classified as short-term leases and are accordingly excluded. In addition, all leases with an acquisition value of EUR 5,000 or less were excluded.

A phase during which the new standard is implemented was already 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 liability was valued at the present value of the remaining lease payments and the right of use (ROU) asset was valued, after a retroactive restatement from when the agreement was entered into, both with a differentiated discount rate established per country with a starting point in the respective ROU asset's geographic home. The accumulated effect of initial application is recognised as an adjustment of the opening balance for retained earnings on the first application date.

The transition to the new standard on 1 January 2019 had the following effects on assets, liabilities and equity for the Group.

SEK million	Recognised balance-sheet items 1 Jan 2019	Re-calculation to IFRS 16	Restated balance-sheet items 1 Jan 2019
Tangible assets	254	196	450
Deferred tax assets	74	1	75
Fixed assets	**2,798**	**197**	**2,995**
Prepaid expenses and accrued income	33	–4	29
Current assets	**901**	**–4**	**897**
Assets	**3,699**	**193**	**3,892**
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
Non-current liabilities	**1,478**	**159**	**1,637**
Current interest-bearing liabilities	93	38	131
Current liabilities	**591**	**38**	**629**
Liabilities	**2,069**	**197**	**2,266**
Shareholders' equity and liabilities	**3,699**	**193**	**3,892**

Information is also provided on the difference between commitments under operating leases according to IAS 17 *Leases* as at 31 December 2018 and initial application of lease liabilities according to IFRS 16 Leases discounted to the marginal borrowing rate at 1 January 2019 in Note 17 *Leases*, on page 101.

Other amended or new IFRS standards taking effect from 2019 have not had any impact on the Group's financial reports for the 2019 financial year.

New IFRS that have yet to begin being applied

There are a few new standards are published by the IASB, but have either not yet come into force or been adopted by the EU. These new and amended standards and interpretations are not deemed to have any effect on the consolidated financial statements in the initial period of application.

Classification

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

Consolidated accounts

Subsidiaries

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

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

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

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

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

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

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

Jointly owned companies

An assessment must be made of whether or not the potential cooperative arrangements that exist in the Group are to be considered joint ventures and recognised according to the equity method. In the Group, there is a cooperative arrangement in the form of a joint venture. A holding in a joint venture is initially recognised at cost in the consolidated balance sheet. The recognised value is subsequently increased or decreased to take into account the Group's share of earnings from its joint venture after the time of acquisition. The Group's share of earnings is included in the Group's earnings. When the Group's share of the losses in a joint venture are as large as or exceed the holding, the Group recognises no further losses insofar as the Group has not assumed obligations or made payments benefiting the joint venture.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the highest executive decision maker. The highest executive decision maker is the function responsible for allocating resources and assessing performance of the operating segment's results. In the Group, this function has been identified as Group Management. The division is based on geographical areas and they correspond to the Group's business areas. See Note 4 *Operating segments* on pages 92–93 for a presentation of the operating segments.

Changes in segment reporting

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

Foreign currency

Transactions in foreign currencies

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

Foreign operations' financial statements

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

Income

The Group follows a five-step model for the recognition of revenue that is based on when the control of the product or service is transferred to the customer. The model is comprised of the following steps: identifying the agreement with the customer, identifying the various performance commitments, determining the transaction price, allocating the transaction price and recognising the revenue over time or at a certain point in time. The fundamental principle is that revenue is to be recognised to portray the transfer of promised goods and services in an amount that reflects the compensation the Group is expected to be entitled to in exchange for these goods and services.

Goods

The Group's income originates from the following activities:

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

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

Sales of consumer goods in the categories of organic products, healthfoods and consumer health products

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

In the Group's customer contracts, there are contractual obligations on the return right for both expired products that are not commercially viable and for products that are still commercially viable. At the time of sale, a return obligation is recognised corresponding to the expected level of returns with a corresponding reduction of income. At the same time, a return asset is booked corresponding to the expected right to receive products in return with a corresponding reduction of expenses for goods sold on condition that the product is expected to be received back in sellable condition. The Group bases the above adjustments on historical experience and handles this on a portfolio level valued at the anticipated values. The Group also assesses that there is not a risk of material reversals as the level of these items has been historically stable and there are currently no indications that this would change. At present, the returns do not amount to material amounts and the Group thereby does not recognise any return liability or return asset. In the Group's customer agreements, there are contractual obligations of various kinds of sales-promoting measures, such as campaign discounts (variable or fixed), loyalty programme discounts, annual bonuses, chain discounts and distribution discounts. Campaign discounts, which are occasional discounts in connection with activities, are handled as sales expenses if there is an agreed obligation for a counter-performance from a customer, such as special store exposure, an advertising sheet, an advertising magazine or the like. Temporary discounts in connection with activity are handled as a reduction of net sales if the purpose is a pure price reduction out to consumers without any obligation for a counter-performance from a customer. Loyalty programme discounts, annual bonuses, chain discounts and distribution discounts constitute bonus programmes to customers. No such programmes are directed at end customers, but they are only applicable business to business. Such programmes are handled continuously and the assessed outcome reduces net sales, meaning the effect of these discounts are estimated as an expected value.

Sales of services linked to product handling

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

Operating expenses

Expenses for goods sold

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

Selling expenses

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

Administrative expenses

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

Other operating income and expenses

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

Items affecting comparability

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

Leasing

The Group assesses whether an agreement is, or contains a lease when the agreement is entered into. The Group recognises an ROU asset with associated lease liability for all leases where the Group is the lessee, except for short-term leases (leases with a lease period of no more than 12 months) and leases where the underlying asset has a low value (EUR 5,000, or lower). For such agreements, the Group recognises the leasing payments as an expense straight-line over the lease insofar as another systematic basis is not more representative for when the economic benefits of the lease is used within the Group.

Recognition of depreciation of assets with ROU instead of lease fees has a less positive impact on consolidated operating profit. Interest on lease liabilities has a smaller negative impact on the Group's interest expenses.

Variable lease fees which are not dependent on an index or price are not included in the valuation of lease liabilities and ROU assets. Such lease fees are recognised as an expense in the operating profit in the period in which they arise. The Group applies a practical relief rule, which means that service components are not separated out from the lease fee for the asset classes of plant and machinery and equipment, tools, fixtures and fittings if they are not clear from documentation.

For more information on ROU assets and lease liabilities, please refer to the sections *Fixed assets* and *Cash flow statement* on pages 86–87 and 89 in this note.

For the comparison year 2018, the Group follows IAS 17 *Leases*. For information on accounting principles, please see the 2018 Annual Report.

Financial income and expenses

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

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

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

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

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

Taxes

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

Current tax

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

Deferred tax

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

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

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

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

Financial instruments – classification and measurement

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

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

All financial derivatives are recognised continuously at fair value. The purchase or sale of financial assets is reported on the transaction date, which is the date on which the Group pledges to buy or sell the asset. As of 1 January 2018, the group applies the principle of recognising provisions for expected credit losses for financial assets and receivables classified as at amortised cost.

Classification of financial instruments

Financial assets

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

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

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

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

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

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

Fair value through profit or loss for the year are all other debt instruments that are not valued at *amortised cost* or *fair value through other comprehensive income for the year*. Financial instruments in this category are initially recognised at fair value. Changes in fair value are recognised in profit for the year. The Group's debt instruments are classified at *amortised cost*, except debt instruments held for trade. In 2019, no debt instruments were recognised at fair value.

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

Financial liabilities

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

Reservation for expected credit losses

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

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

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

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

The Group's accounts receivable are covered by the simplified model for impairments. The expected credit losses for accounts receivable are estimated using a provision matrix, which is based on earlier events, current circumstances and forecasts of future financial circumstances and the time value of money if applicable. A loss provision is recognised in the simplified model for the receivable's or asset's expected remaining maturity period, see Note 31 *Financial risk management*, pages 106–108.

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

The Group defines default as it being deemed unlikely that the counterparty will fulfil its commitments due to indicators, such as financial difficulties and missed payments. Regardless, default is considered to exist when the payment is 90 days late. The Group writes off a receivable when no possibilities for further cash flows are deemed to exist. The Group's credit exposure is presented in Note 23 *Accounts receivable* on page 103 and Note 31 *Financial risk management* on pages 106–108.

Tangible assets

Owned assets

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

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

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

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

ROU assets

Right of use (ROU) assets are included on the line tangible assets in the balance sheet for the Group and are recognised as an asset if a contract is, or includes a lease at the beginning of the agreement. An ROU asset and a corresponding lease liability are recognised for all leases in which the Group is the lessee, except for short-term leases and for leases where the underlying asset has a low value. The lease liability is initially valued at the present value of the future lease fees, which have not been paid as of the beginning date for the lease, discounted by the marginal loan rate, if the implicit interest cannot be easily established, which is most often the case. The marginal loan rate is the interest rate that a lessee would need to pay for financing through loans during an equivalent period, and with equivalent collateral, for the ROU of an asset in a similar economic environment. The marginal loan rate is determined centrally by the Group and is based on a risk-free interest rate in the respective currency with adjustment for duration and a credit risk. The asset-specific risk was determined based on premises as the essential value of the Group's lease portfolio is attributable to this class of assets. No adjustment for asset-specific risk is made for other asset classes, with the assessment that any differences in credit risk would have an insignificant effect on the Group. The discount interest rate is adjusted on a quarterly basis with regard to changes in relevant economic circumstances. Leasing fees that are included in the valuation of lease liabilities comprise the following:

- fixed fees, less potential benefits in connection with the signing of the lease that are to be obtained,
- variable lease 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.

Lease liabilities are included on the lines non-current interest-bearing liabilities and current interest-bearing liabilities in the consolidated balance sheet and are recognised in subsequent periods by the liability increasing to reflect the effect of interest and being reduced to reflect the effect of paid lease fees. Lease liabilities are revalued with a corresponding adjustment of ROU assets according to the rules that are in the standard.

The ROU asset is initially recognised at the value of the lease liability plus lease 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.

The Group applies the principles in IAS 36 *Impairment of Assets* for 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*.

The Group applies the voluntary exception regarding leases linked to intangible assets.

For the comparison year 2018, the Group follows IAS 17 *Leases*. For information on accounting principles, please see the 2018 Annual Report.

Additional expenses

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

Amortisation principles

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

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

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

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

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

Intangible assets

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

Goodwill

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see accounting principle Impairment). Expenses incurred for internally generated goodwill are recognised in profit for the year or when incurred.

Brands

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

Brands that are deemed to have an indefinite useful life originate from acquisitions. This assessment that the useful life is indefinite is based on:

- these brands being considered well-established in their respective markets and the Group having the intention of keeping them and developing them further,
- these brands belonging to strategic "power brands" upon entry to new geographic markets, and
- these brands being considered to be of material economic significance by both indicating credibility and innovation in the products and in extension such that both affect pricing and competitiveness

Accordingly, through the connection to operating activities, these brands are considered to have an indefinite useful life and are expected to be used as long as operations continue.

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

Other intangible assets

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

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

Additional expenses

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

Amortisation principles

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

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

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

Trademarks	5–20 years
Customer relationships and customer contracts	8 years
Software	5 years
Other intangible assets	3–5 years

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

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

Inventories

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

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

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

Impairment

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

Impairment of tangible and intangible assets

Assets that have an indefinite useful life, such as goodwill and certain brands, are not amortised, but rather tested annually for impairment requirements. Assets that are amortised are assessed with regard to a decrease in value when circumstances indicate that the carrying amount is not presumed to be recoverable. An impairment is recognised when an asset or cash-generating unit's carrying amount exceeds the recoverable amount, which is the higher of fair value (less selling expenses) and value in use. Impairment is recognised as an expense in profit for the year. When an impairment requirement has been identified for a cash-generating unit, the impairment is primarily allocated to goodwill and proportional impairment is then applied to other assets that are included in the unit. Value in use usually refers to the present value of estimated future cash flows and the estimated residual value at the end of the useful life. In the calculation of value in use, future cash flows are discounted at an interest rate that takes into account the market's assessment of risk-free interest and risk associated with the specific asset, a weighted average cost of capital (WACC) or discount rate. The Groups bases the calculation on actual earnings, forecasts, business plans and available market data.

For an asset that is dependent on other assets generating cash flow, the recoverable amount is calculated for the smallest cash-generating unit to which the asset belongs. The cash-generating units consist of the Group's operating segments, since their payment flows are considered independent of other assets in all material regards.

Reversal of impairment

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

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

Payment of capital to shareholders

Dividends

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

Earnings per share

The calculation of earnings per share is based on consolidated profit attributable to Parent Company shareholders and the weighted average number of shares outstanding during the year. There were two outstanding option programmes at year end, which can cause effects of dilutive potential shares. On the balance sheet date, the average price for Series B shares did not exceed the subscription prices for the warrants outstanding, and accordingly the earnings per share after full dilution were not calculated.

Employee benefits

Pensions

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

In Sweden, commitments for retirement pensions and family pensions for salaried employees are secured through an insurance plan with Alecta.

Such insurance comprises a defined benefit plan covering several employers. For the 2019 financial year, there has been no access to information making it possible to report this as a defined benefit plan. Consequently, this pension obligation is reported as a defined contribution plan.

In Norway, a special pension agreement is in place, the AFP scheme, which has been agreed between the social partners as a supplement to retirement pension. Such insurance comprises a defined benefit plan covering several employers. For the 2019 financial year, there has been no access to information making it possible to report this as a defined benefit plan. Consequently, this pension obligation is reported as a defined contribution plan. It is of an immaterial nature.

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

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

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary retirement from employment in exchange for benefits. The Group recognises severance pay when a detailed formal plan is presented.

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

Variable salary

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

Provisions

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

Restructuring

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

Contingent liability

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

Cash flow statement

The cash flow statement is prepared using the indirect method. The reported cash flow only includes transactions entailing receipts and disbursements. The cash flow statement reports the interest component in lease fees as cash flow from operating activities before changes in working capital. The other part, also the majority, of the lease fee is recognised as repayment of lease liabilities in cash flow from financing activities with a corresponding increase in cash flow from operating activities before changes in working capital.

Parent Company accounting principles

Compliance with standards and regulations

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

Differences between the accounting principles of the Group and Parent Company

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

Changes in accounting principles

The Parent Company's accounting principles changed in 2019 as detailed under Group accounting principles.

Others amendments to RFR 2 *Accounting for legal entities* that have entered into force for the 2019 financial year have had no impact on the Parent Company's financial statements.

Changes in accounting principles not yet been applied

Management's assessment is that the agreed changes in RFR 2 *Accounting for Legal Entities* relating to the financial year 2019 and onward will not have any material effect on the Parent Company's financial reports when they first apply.

Classification and presentation

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

Subsidiaries

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

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

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

Financial instruments

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

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

Financial guarantees

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

Anticipated dividends

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

Segment reporting

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

Tangible assets

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

Leased assets

In the Parent Company, all leases are recognised according to the rules for operating leases in accordance with the relief rule available in RFR 2 *Accounting for Legal Entities*.

Borrowing expenses

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

Intangible assets

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

Employee benefits

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

Taxes

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

Shareholder contributions

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

Group contributions

Group contributions are recognised as appropriations.

Note 2 | Acquisitions of operations

Acquisitions in 2019

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 gained access to the Eisblümerl brand and a property with a modern integrated value chain with its own production.

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

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

Effects of acquisitions

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) constituted consolidated goodwill. The brand was assessed to have a useful life of 10 years while customer contracts were assessed to have a useful life of eight years. The goodwill recognised is not expected to be tax deductible. It corresponds to the acquired company's market position in the German market and production capacity for organic spreads, the expertise and experience in the industry of its personnel, as well as expected income and expenditure synergies. The fair value of accounts receivable amounted to SEK 8 million (EUR 0.8 million) and was, in its entirety, fully settled at the end of the year.

Acquisition-related expenses amounted to SEK 1 million (EUR 0.1 million) and were recognised as other operating expenses in profit for the year for 2019. The integration of the acquired business began in the third quarter and is estimated to be completed in 2020. Some integration costs were charged to profit for the year in 2019.

The acquisition analysis that has been prepared has been approved.

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 was based on an assessment of the likelihood of achieving the set targets. Through the acquisition, Midsona gained access to the brand Ekko Gourmet.

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

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

Effects of acquisitions

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 purchase consideration recognised 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 constituted 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 fully settled at the end of the year.

Acquisition-related expenses amounted to SEK 0 million and were recognised as other operating expenses in profit for the year for 2019. The integration of the acquired operations was completed during 2019 and did not entail any restructuring expenses.

The acquisition analysis that has been prepared has been approved.

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

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

The acquired business is consolidated in the Midsona Group from 1 October 2019 and constitutes its own geographic business area, South Europe. From the acquisition date until 31 December 2019, the acquired operations contributed SEK 89 million to consolidated net sales and SEK 15 million to consolidated EBITDA. If the acquisition had occurred on 1 January 2019, estimated consolidated net sales for the period January-December 2019 would have been SEK 3,352 million and EBITDA SEK 308 million.

Effects of acquisitions

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

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

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

Acquisition-related expenses amounted to SEK 13 million (EUR 1.2 million) and were recognised as other operating expenses in profit for the year for 2019. The integration of the acquired operations was initiated in the fourth quarter and is not expected to entail any significant restructuring expenses.

The prepared acquisition analysis is preliminary, among other things as a result of a property appraisal not being completed at the issue of the annual report.

Acquisitions in 2018

On 3 May, 100 percent of the shares and votes in the German company Davert GmbH were acquired. 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 were based on an assessment of the likelihood that the set targets will be achieved.

Through the acquisition, Midsona gained access to the Davert brand, a broad customer base, a customised production facility with modern production lines and a fully automated warehouse. 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.

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.

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

The acquisition analysis that has been prepared has been approved.

Note 3 | Net sales by major income category

	Group		Parent Company	
SEK million	**2019**	**2018**	**2019**	**2018**
Sale of goods	3,062	2,838	–	–
Service assignments	13	12	–	–
Other income	6	2	47	45
Total	**3,081**	**2,852**	**47**	**45**

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

Note 4 | Operating segments

There are six identified operating segments. On 1 October 2019, the South Europe operating segment was added in connection with the acquisition of Alimentation Santé, see Note 2 *Acquisitions of operations*, on pages 90–92, for more information on the acquisition.

SWEDEN: The operations are conducted directly through proprietary companies performing production, marketing and sales of products in the three categories healthfoods, consumer health products and organic products to and through pharmacies, FMCG retailers, e-commerce, food service, healthfood retailers and other specialist retailers in both the Swedish market and markets beyond the Nordic region.

NORWAY: Operations are conducted directly through proprietary companies through marketing and sales of products in the three categories of healthfoods, consumer health products and organic products to and through pharmacies, supermarkets, e-commerce, specialist healthfood retailers and other specialist retailers in the Norwegian market.

FINLAND: Operations are conducted directly through proprietary companies through marketing and sales of products in the three categories of healthfoods, consumer health products and organic products to and through pharmacies, supermarkets, e-commerce, specialist healthfood retailers and other specialist retailers in the Finnish market.

DENMARK: The operations are conducted directly through proprietary companies performing production, marketing and sales of products in the three categories healthfoods, consumer health products and organic products to and through pharmacies, FMCG retailers, e-commerce, food service, healthfood retailers and other specialist retailers in both the Danish market and markets beyond the Nordic region.

GERMANY: The operations are conducted directly through an own company through production, marketing, raw materials trading and sale of products in the category of organic products to and through FMCG retail, e-commerce, food service, healthfood retailers and other specialist retailers mainly in the European market.

SOUTH EUROPE: The operations are conducted directly via own companies through production, marketing and sales of products in the organic product category to and mainly through FMCG retail and healthfood retail where the majority of the sales take place in the French and Spanish market.

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

Operating segments, SEK million	Sweden		Norway		Finland		Denmark		Germany		South Europe		Group functions		Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net sales, external	1,099	1,173	501	599	236	225	425	430	731	425	89	–	–	–	3,081	2,852
Net sales, intra-Group	156	142	2	2	0	–	140	124	14	1	–	–	-312	-269	–	–
Net sales	**1,255**	**1,315**	**503**	**601**	**236**	**225**	**565**	**554**	**745**	**426**	**89**	–	**-312**	**-269**	**3,081**	**2,852**
Operating expenses, external	-1,069	-1,100	-382	-469	-95	-94	-469	-521	-711	-402	-77	–	-108	-88	**-2,911**	**-2,674**
Operating expenses, intra-Group	-89	-80	-78	-73	-114	-106	-47	-26	-9	-2	-1	–	338	287	–	–
Operating expenses	**-1,158**	**-1,180**	**-460**	**-542**	**-209**	**-200**	**-516**	**-547**	**-720**	**-404**	**-78**	–	**230**	**199**	**-2,911**	**-2,674**
Operating profit/loss	**97**	**135**	**43**	**59**	**27**	**25**	**49**	**7**	**25**	**22**	**11**	–	**-82**	**-70**	**170**	**178**
Financial items															**-54**	**-15**
Profit/loss before tax															**116**	**163**
Significant income (+) and expense (-) items reported in the income statement:																
Acquisition-related expenses	-1	–	–	–	–	–	–	–	-1	–	–	–	-15	-10	**-17**	**-10**
Restructuring expenses, net	-12	1	-1	-3	–	–	-1	–	-1	–	–	–	0	0	**-15**	**-2**
Assessed conditional purchase consideration	1	–	–	–	–	–	–	–	9	–	–	–	16	1	**26**	**1**
Intra-Group restructuring	–	–	–	–	–	–	28	–	–	–	–	–	-28	–	–	–
Significant non-cash items:																
Depreciation/amortisation	-16	-9	-12	-5	-2	-1	-12	-6	-43	-11	-4	–	-25	-20	**-114**	**-52**
Impairment losses on inventories	-5	-2	0	–	–	–	–	–	–	–	0	–	–	–	**-5**	**-2**
Impairment of accounts receivable	0	0	-1	0	–	–	0	0	-1	0	0	–	0	0	**-2**	**0**
Segment assets	1,716	1,704	1,315	1,356	152	141	605	513	1,146	791	1,163	–	-1,388	-880	**4,709**	**3,625**
Unallocated assets															**71**	**74**
Total assets															**4,780**	**3,699**
Segment liabilities	644	604	289	282	59	61	128	132	340	180	460	–	-1,309	-678	**611**	**581**
Unallocated liabilities															**1,847**	**1,488**
Shareholders' equity															**2,322**	**1,630**
Total shareholders' equity and liabilities															**4,780**	**3,699**
Investments in intangible and tangible assets	0	0	–	1	0	0	–	0	13	35	5	–	23	27	**41**	**63**
Average number of employees	125	124	68	79	26	24	135	138	176	92	36	–	15	16	**581**	**473**
Number of employees as per the balance sheet date	125	121	63	72	26	25	136	137	203	154	153	–	15	16	**721**	**525**

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

Internal pricing policy

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

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

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

Information about major customers

In 2019, the Group's largest customer generated income totalling SEK 348 million (385). This income recognised in the operating segment Sweden.

Other information

The Group does not monitor its activities in such a way that sales information by product or by group of related products is immediately available. The Group has concluded that the expense of producing such information cannot be considered commensurate with its usefulness. The Group instead recognises sales by sales channel and geographic area, see Note 5 *Income*, page 94.

Fixed assets for geographic areas[1]

SEK million	Group	
	2019	2018
Sweden	1,417	1,337
Norway	610	578
Finland	56	58
Denmark	353	309
Germany	712	516
France	508	–
Spain	88	–
Total	**3,744**	**2,798**

[1] Fixed assets by individually significant countries.

Note 5 | Income

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

	Sweden		Norway		Finland		Denmark		Germany		South Europe		Group functions		Group	
Geographic areas[1], SEK million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Sweden	1,069	1,142	2	2	–	–	80	76	1	1	–	–	-77	-70	1,075	1,151
Norway	67	64	501	599	–	–	10	12	0	0	–	–	-73	-69	505	606
Finland	61	55	–	–	236	225	53	52	–	0	–	–	-112	-105	238	227
Denmark	29	26	0	–	–	–	358	341	15	2	–	–	-41	-23	361	346
Germany	–	0	–	–	–	–	8	15	620	364	–	–	-8	0	620	379
France[2]	–	–	–	–	–	–	2	1	16	9	54	–	0		72	10
Spain[2]	0	–	–	–	–	–	11	6	5	1	35	–	-1		50	7
Rest of Europe	27	25	–	–	–	–	42	49	85	48	–	–	–	-2	154	120
Other countries	2	3	–	–	–	–	1	2	3	1	–	–	–	–	6	6
Total	**1,255**	**1,315**	**503**	**601**	**236**	**225**	**565**	**554**	**745**	**426**	**89**	–	**-312**	**-269**	**3,081**	**2,852**

[1] Fixed assets by individually significant countries.
[2] Net sales per geographic area for the South Europe business area are unfortunately unavailable at the time of reporting whereby it is allocated to the country where the company is domiciled.

	Sweden		Norway		Finland		Denmark		Germany		South Europe		Group functions		Group	
Sales channel, SEK million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Pharmacies	181	176	90	90	34	29	17	12	–	–	–	–	–	–	322	307
FMCG retail	641	722	265	345	178	171	260	264	292	173	–	–	–	–	1,636	1,675
e-trade/post order	113	90	3	9	3	5	29	29	6	2	–	–	–	–	154	135
Food service	56	44	–	–	4	–	20	17	220	134	–	–	–	–	300	195
Healthfood retailers	64	81	85	92	17	18	22	75	194	101	–	–	–	–	382	367
Other specialist retailers	5	18	40	47	–	–	22	16	21	14	–	–	–	–	88	95
Others[3]	39	42	18	16	0	2	55	17	-2	1	89	–	–	–	199	78
Group-internal sales	156	142	2	2	0	–	140	124	14	1	–	–	-312	-269	–	–
Total	**1,255**	**1,315**	**503**	**601**	**236**	**225**	**565**	**554**	**745**	**426**	**89**		**-312**	**-269**	**3,081**	**2,852**

[3] Unfortunately, net sales per sales channel for the South Europe business area are not available at the time of reporting, and they are therefore allocated to Others.

Note 6 | Other operating income

	Group		Parent Company	
SEK million	**2019**	**2018**	**2019**	**2018**
Capital gains on divestments of tangible assets	0	0	–	–
Exchange rate gains relating to operations	2	–	0	–
Damages	–	1	–	–
Insurance compensation	2	–	–	–
Assessed conditional purchase consideration	26	–	–	–
Other information	7	6	0	1
Total	**37**	**7**	**0**	**1**

Note 7 | Other operating expenses

	Group		Parent Company	
SEK million	**2019**	**2018**	**2019**	**2018**
Capital gains on divestments of intangible assets	–	-1	–	–
Capital loss on divestments of tangible assets	-3	-1	–	–
Exchange rate losses relating to operations	-4	-4	–	0
Acquisition-related expenses	-17	-10	-2	–
Other information	-1	0	-1	–
Total	**-25**	**-16**	**-3**	**0**

Note 8 | Operating expenses by expense category

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

	Group	
SEK million	**2019**	**2018**
Expenses for goods and materials	-1,979	-1,848
Personnel expenses	-382	-333
Selling expenses	-181	-163
Marketing expenses	-61	-74
Rental and other property expenses	-25	-55
Purchase of services	-81	-71
Depreciation/amortisation	-114	-52
Impairment	-7	-2
Other direct and indirect expenses	-93	-67
Other operating expenses	-25	-16
Total	**-2,948**	**-2,681**

Note 9 | Auditors' fees and reimbursements

	Group		Parent Company	
SEK million	**2019**	**2018**	**2019**	**2018**
Deloitte				
Audit assignment	-3	-2	-1	0
Auditing tasks beyond the audit assignment	-1	-1	0	0
Tax advice	0	0	0	0
Other assignments	-1	-1	-1	-1
Total	**-5**	**-4**	**-2**	**-1**

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

Note 10 | Employees, personnel expenses and senior executives' remuneration

Employees

Average number of employees by country	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Sweden	140	140	15	16
of whom women	65	66	5	5
Norway	68	79	–	–
Finland	26	24	–	–
Denmark	135	138	–	–
Germany	176	92	–	–
France	16	–	–	–
Spain	20	–	–	–
Total abroad	**441**	**333**	**–**	**–**
of whom women	216	172	–	–
Total	**581**	**473**	**15**	**16**
of whom women	281	238	5	5

Number of women in company management teams, %	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Boards of Directors	29	18	33	33
President and management team	41	32	33	13

Personnel expenses

Personnel expenses, SEK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Salaries and other remuneration				
Board of Directors, President and management team [1]	-61	-56	-10	-12
of which variable salary	-2	-5	-1	-1
of which severance pay	-2	–	–	–
Other employees	-229	-202	-7	-5
of which variable salary	-2	-5	0	0
of which severance pay	-2	–	–	–
Total salaries and other remuneration	**-290**	**-258**	**-17**	**-17**
Pension expenses, defined contribution plans [2]				
Board of Directors, President and management team [1]	-8	-7	-4	-3
Other employees	-19	-18	-1	-1
Total pension expenses	**-27**	**-25**	**-5**	**-4**
Social security expenses				
Board of Directors, President and management team [1]	-11	-11	-4	-5
Other employees	-43	-34	-3	-2
Total social security expenses	**-54**	**-45**	**-7**	**-7**
Other personnel expenses				
Board of Directors, President and management team [1]	0	0	0	0
Other employees	-11	-5	-1	-1
Total other personnel expenses	**-11**	**-5**	**-1**	**-1**
Total personnel expenses	**-382**	**-333**	**-30**	**-29**

[1] With regard to the Group, "Board of Directors" refers to all boards of Group companies. Members of the Boards of subsidiaries consist of employees who do not receive Board fees for their services. With regard to the Group, "President" refers to all persons holding the position of President in any Group company. "Management team" includes all management teams in Group companies. An individual can have more than one Board assignment while being included in more than one management team within the Group. Collectively, the Boards of Directors, Presidents and management teams consist of 96 (91) individuals in the Group and 12 (14) individuals in the Parent Company.

[2] For more information on pension expenses, see Note 28 *Provisions for pensions*, pages 105–106.

Remuneration to senior executives

Remuneration to members of the Board of the Parent Company

Definitions

Since the Annual General Meeting on 3 May 2019, the Board consists of Ola Erici (Chairman), Henrik Stenqvist, Birgitta Stymne Göransson, Peter Wahlberg, Johan Wester and Kirsten Aegidius.

Principles for remuneration of Board

The 2019 Annual General Meeting resolved that fees for 2019/2020 should be paid to the Chairman in the amount of SEK 550 thousand and to the other members of the Board who are not employees of the company in the amount of SEK 235 thousand each. SEK 50 thousand shall also be paid to the chair of the Audit Committee, SEK 30 thousand to every other Board member, who is on the Audit Committee, SEK 30 thousand to the Remuneration Committee chair and SEK 20 thousand to each Board member, who is on the Remuneration Committee. Authorised fees totalled SEK 1,905 thousand. Beyond this remuneration, members of the Board are not entitled to any other compensation other than for travel and lodging. Remuneration of members of the Board is prepared by the Nominating Committee and approved by the Annual General Meeting.

Board fees

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

Board of Directors, SEK thousand	Parent Company 2019 Board fees	Fee Remuneration Committee	Fee Audit Committee	Total
Ola Erici (Chairman)	550	30	–	580
Birgitta Stymne Göransson	235	20	–	255
Peter Wahlberg	235	–	30	265
Johan Wester	235	20	30	285
Kirsten Aegidius	235	–	–	235
Henrik Stenqvist	235	–	50	285
Total	**1,725**	**70**	**110**	**1,905**

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

Remuneration to senior executives

Definitions

Senior executives are those who, together with the CEO Peter Åsberg, were included in Group Management during all or part of the year. These senior executives comprised Lennart Svensson, Markku Janhunen (until 30 November 2019), Ulrika Palm, Tobias Traneborn, Christoffer Mørck (until 30 November 2019), Peter Overgaard (until 30 November 2019), Erk Schuchhardt and Marjolaine Cevoz-Goyat (from 1 October 2019).

Principles for remuneration of senior executives

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

The 2019 Annual General Meeting approved the following guidelines for remuneration of senior executives. Senior executives are to be offered competitive remuneration in line with the market. Remuneration levels for individual executives are to be based on factors including position, competence, experience and performance. Remuneration consists of fixed salary and pension, and shall additionally be able to include variable pay, severance pay and non-monetary benefits. Variable pay shall be based on quantitative and qualitative targets being achieved. It shall be possible for the President to earn variable pay of at most 50 percent of basic salary and for other members of Group Management to earn variable pay of at most 30 percent of basic salary. Severance pay shall amount to at most six months' salary if notice is given by the company. Salary during the period of notice and severance pay shall be limited to at most 24 months' salary. Pension benefits shall be defined-contribution benefits and normally entitle the individual to pension from the age of 65. On termination of employment by the company, 6 to 12 months' salary normally applies. Remuneration and other terms of employment for the President are prepared by the Remuneration Committee and approved by the Board of Directors. Remuneration and other terms of employment for other members of the management team are determined by the Remuneration Committee in consultation with the CEO. The Board of Directors is kept continuously up-to-date regarding remuneration levels for other senior executives. The Board of Directors is entitled to diverge from these guidelines if there are specific reasons in individual cases.

Remuneration and other benefits

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

Remuneration and other benefits to the CEO and Group Management, SEK thousand	2019				
	Basic salary	Variable remuneration	Other benefits	Pension expenses	Total
Peter Åsberg, CEO	3,780	551	145	1,297	5,773
Group Management (8 individuals)	13,048	966	755	2,932	17,701
Total	**16,828**	**1,517**	**900**	**4,229**	**23,474**

	2018				
Peter Åsberg, CEO	3,768	1,350	116	1,209	6,443
Group Management (8 individuals)	13,201	1,552	857	2,645	18,255
Total	**16,969**	**2,902**	**973**	**3,854**	**24,698**

Comments on the table

- For the 2019 financial year, variable remuneration amounting to SEK 551 thousand was paid to the CEO. The variable remuneration accounted for 15 percent of base salary.
- For the 2019 financial year, variable remuneration of SEK 966 thousand was paid to the other members of Group Management, which corresponded to 7 percent of base salary.
- For the 2018 financial year, variable remuneration amounting to SEK 1,350 thousand was paid to the CEO. The variable remuneration accounted for 36 percent of base salary.
- For the 2018 financial year, variable remuneration of SEK 1,552 thousand was paid to the other members of Group Management, which corresponded to 12 percent of base salary.
- Pension expenses refer to the expenses that affected profit for the year, excluding income tax.
- Other benefits primarily refer to company cars and telephones.

Share-related benefits

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.

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

Accordingly, two option programmes were outstanding at the end of the year, the TO2017/2020 and TO2019/2022 series respectively. In the TO2017/2020 series, 187,000 warrants were outstanding and can provide a maximum of 211,310 new Series B shares on full conversion. On the transaction date, the fair value per warrant was SEK 7.30. The subscription price for the option programme was recalculated in light of the new share issue and dividend paid and was calculated at SEK 50.60 (previously SEK 56.80). At year-end, there were a total of 335,000 warrants outstanding that could give a maximum of 359,310 new Series B shares.

Note 11 | Net financial items

SEK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Profit/loss from participations				
Dividends from subsidiaries[1]			217	120
Impairment of shares in subsidiaries			-84	-120
Profit/loss from participations in joint ventures	-1	–	–	–
Total	**-1**	**–**	**133**	**0**
Financial income				
Interest income[2]	0	0	0	0
Interest income, subsidiaries			24	19
Exchange rate gains	0	16	7	15
Total	**0**	**16**	**31**	**34**
Financial expenses				
Interest expenses[2]	-36	-26	-27	-22
Interest expenses, subsidiaries			-1	-3
Exchange rate losses	-6	–	-4	-1
Other financial expenses	-11	-5	-9	-4
Total	**-53**	**-31**	**-41**	**-30**
Total financial items	**-54**	**-15**	**123**	**4**

[1] The dividends from subsidiaries of SEK 217 million (120), include SEK 96 million (120) in anticipated dividends.

[2] All interest income and interest expense is attributable to financial instruments measured at amortised cost.

Note 12 | Appropriations

SEK million	Parent Company 2019	Parent Company 2018
Group contributions received	32	29
Total	**32**	**29**

Note 13 | Taxes

Recognised in profit for the year, SEK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Current tax				
Current tax	-24	-11	–	–
Adjustment of tax relating to previous years	-2	0	–	–
	-26	**-11**	**–**	**–**
Deferred tax				
Deferred tax relating to temporary differences	11	-7	0	0
Deferred tax resulting from changes in tax rates	4	5	–	0
Deferred tax income in tax loss carryforwards capitalised during the year	10	4	–	–
Deferred tax expense resulting from utilisation of previously capitalised tax loss carryforwards	-17	-25	–	-4
Adjustment of deferred tax relating to previous years	-1	–	-1	–
	7	**-23**	**-1**	**-4**
Total	**-19**	**-34**	**-1**	**-4**

Current tax

Reconciliation of tax, SEK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Profit/loss before tax	**116**	**163**	**134**	**19**
Tax at the applicable tax rate for the Parent Company of 21.4 % (22.0)	–25	–36	–29	–4
Non-taxable dividends from subsidiaries	–	–	47	26
Non-deductible impairment of shares in subsidiaries	–	–	–18	–26
Other non-deductible expenses/Other non-taxable income	5	–2	0	0
Effect of other tax rates on foreign subsidiaries	–1	–1	–	–
Effect of changed tax rates	3	5	–	0
Increase in tax loss carryforwards without corresponding capitalisation of deferred tax	–1	–	–	–
Decrease/Increase in deductible temporary differences without corresponding capitalisation of deferred tax	2	0	–	–
Tax attributable to previous years	–2	0	–1	–
Standard interest on tax allocation reserve	0	–	–	–
Total	**–19**	**–34**	**–1**	**–4**
Reported effective tax rate, %	16.0	20.8	0.5	24.1

The applied corporate tax rate in Sweden was 21.4 percent, while subsidiaries in Germany, Norway, Finland, Denmark, France and Spain apply local corporate tax rates. The reported effective tax rate for the Group was 16.0 percent (20.8). The low effective tax rate was mainly attributable to an operational restructuring between Group companies, the effect of a changed tax rate in France and assessments of conditional supplemental purchase considerations. The effective tax rate for the Parent Company was 0.5 percent (24.1) as a consequence of non-taxable dividends from subsidiaries.

Changed tax rates

In France, a decision was made to lower the Norwegian corporate tax rate from 31.0 percent to 28.0 percent from 1 January 2020. In line with this change, deferred tax assets/liabilities were revalued.

In 2018 in Sweden, a reduction was approved of the corporate tax rate from 22.0 percent to 20.6 percent in two steps, on 1 January 2019 to 21.4 percent and on 1 January 2021 to 20.6 percent. In 2018 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 these changes, deferred tax assets/liabilities as at 31 December 2018 were revalued based on anticipated outflows and the tax rate applicable at that time.

Deferred tax

Changes in deferred tax in temporary differences and tax loss carryforwards, SEK million	Group: Opening balance, 1 Jan 2019	Group: Changed accounting principle, IFRS 16, 1 January 2019	Group: Recognised in the income statement	Group: Translation differences	Group: Change through acquisition of operations	Group: Closing balance, 31 Dec 2019	Parent Company: Opening balance, 1 Jan 2019	Parent Company: Recognised in the income statement	Parent Company: Closing balance, 31 Dec 2019
Deferred tax liability									
Intangible assets	244	–	–9	1	57	293	–	–	–
Tangible assets	4	–	0	0	4	8	–	–	–
Inventories	0	–	0	0	–	0	–	–	–
Provisions	–1	–	1	0	–	0	0	–	–
Untaxed reserves	24	–	–4	–	–	20	–	–	–
Total deferred tax liability	**271**	**–**	**–12**	**1**	**61**	**321**	**–**	**–**	**–**
Deferred tax assets									
Intangible assets	3	–	1	0	–	4	–		–
Tangible assets[1]	–	1	0	0	–	1	0	0	0
Inventories	0	–	0	0	–	0	–	–	–
Provisions	1	–	0	0	–	1	–	–	–
Tax loss carryforwards	70	–	–5	0	0	65	3	–1	2
Total	**74**	**1**	**–4**	**0**	**0**	**71**	**3**	**–1**	**2**
Total net deferred tax liability	**197**	**–1**	**–8**	**1**	**61**	**250**	**–3**	**1**	**–2**

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

[1] Deferred tax assets related to ROU assets.

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

Temporary differences

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

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

Tax loss carryforwards

The total tax-loss carryforwards in the Group amounted to SEK 303 million (337) at 31 December 2019, of which SEK 296 million (337) was capitalised in the consolidated balance sheet. The tax-loss carryforwards decreased as a result of them being utilised against taxable profit in Sweden and Norway. The maturities of the tax loss carryforwards were essentially indefinite.

Note 14 | Earnings and dividend per share

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

	Group	
Earnings per share before and after dilution	**2019**	**2018**
Profit for the year, SEK million	97	129
Number of shares on balance sheet date, thousands	65,005	46,008
Average number of shares during the period, before and after dilution, thousands	48,179	46,008
Earnings per share before and after dilution, SEK	2.02	2.80

The weighted average number of shares was 48,178,588 (46,008,064); the number was impacted by new share issues in September and November of the year in question. For further information on the new share issues, please see Note 25 *Equity* on page 104. The number of outstanding shares was 65,004,608 (46,008,064) at year-end.

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

On the balance sheet date, the average price for Series B shares did not exceed the subscription price for the warrants outstanding, and accordingly the earnings per share after full dilution were not calculated.

Dividend

The Board of Directors proposes that a share dividend of SEK 1.25 per share (1.25) be paid for the 2019 financial year, equivalent to SEK 81,255,760 (57,510,080) in total.

Note 15 | Intangible assets

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

	Group				Parent Company
SEK million	**Goodwill**	**Brands**	**Other intangible assets**	**Total**	**Other intangible assets**
Accumulated cost					
Opening balance 1 Jan 2019	1,562	1,078	123	2,763	46
Acquired through business combinations	392	122	80	594	–
Other acquisitions/investments	–	–	22	22	21
Sales/scrappings	-4	–	-9	-13	-2
Reclassification	–	–	0	0	–
Translation difference for the year	16	6	0	22	–
Closing balance 31 Dec 2019	**1,966**	**1,206**	**216**	**3,388**	**65**
Accumulated depreciation					
Opening balance 1 Jan 2019	-154	-104	-39	-297	-7
Acquired through business combinations	–	0	-3	-3	–
Depreciation for the year	–	-20	-16	-36	-3
Sales/scrappings	4	–	9	13	2
Reclassification	–	–	0	0	–
Translation difference for the year	-6	-1	0	-7	–
Closing balance 31 Dec 2019	**-156**	**-125**	**-49**	**-330**	**-8**
Carrying amount, 31 Dec 2019	**1,810**	**1,081**	**167**	**3,058**	**57**

The carrying amount for the item other intangible assets included SEK 108 million (42) for customer relations and SEK 59 million (42) for software.

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

Borrowing expenses

No borrowing expenses are included in the cost of assets, either for 2019 or for 2018.

Depreciation/amortisation

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

Depreciation for the year included in the income statement, SEK million	Group		Parent Company	
	2019	2018	2019	2018
Expenses for goods sold	0	–1	–	–
Selling expenses	–30	–26	–	–
Administrative expenses	–6	–4	–3	–2
Total	**–36**	**–31**	**–3**	**–2**

For information on depreciation, see Note 1 *Accounting principles*, pages 82–90.

Impairment testing

Impairment requirements on goodwill were tested in the third quarter of 2019. This must be done once a year or as soon as changes indicate that an impairment requirement exists, such as in changed market conditions, decisions on divestment or business closures. The impairment testing is done for both goodwill and brands jointly by calculating the recoverable amount for the cash-generating units to which goodwill and brands are allocated, as the cash flows attributable to brands cannot be distinguished from other cash flows in the respective cash-generating unit. Identified cash-generating units match the Group's operating segments. Intangible assets with indeterminable useful lives are allocated to cash-generating units according to the following at year-end.

Intangible assets with indefinite useful lives per cash-generating unit, SEK million.	Discount rate before tax, %	2019	2018
Sweden	9.0 (10.4)		
Goodwill		696	687
Brand		455	455
Norway	8.7 (10.6)		
Goodwill		510	494
Finland	9.0 (10.5)		
Goodwill		37	36
Denmark	9.1 (10.6)		
Goodwill		34	33
Brand		230	227
Germany	9.4 (11.6)		
Goodwill		225	158
Brand		121	119
South Europe	9.5 (–)		
Goodwill		308	–
Brand		109	–
Goodwill		1,810	1,408
Brand		915	801
Total		**2,725**	**2,209**

The recoverable amount was determined based on calculations of value in use. These calculations are based on internal forecasts in the business plan established by Group Management and approved by the Board for the next five years. Management's assessments were based on both historical experience and current information on the market trend. Assumptions about market prices, market shares, market growth, current cost level with addition of real price increases, cost inflation, efficiency enhancements and the development of the operating margin constituted important variables for the estimated values in use. Assumptions on growth of sales volumes were made at 2–4 percent and the growth rate applied is consistent in all material respects with the forecasts included in sector reports on future market growth. The effects of expansion investments are excluded when testing for impairment. After the forecast period, the cash flows were extrapolated with an assumed sustained growth of 2 percent (2), which is in line with the assessed sustained growth rate for the respective cash-generating unit. Both operating capital changes and investments were taken into account in the extrapolated cash flows. Estimated future cash flows according to such assessments accordingly constituted the basis for estimated values in use. In the present value calculation of the future cash flows, a discount rate was applied before tax between 8.7-9.5 percent (10.4-11.6) depending on the cash-generating unit. The discount rate differed somewhat between them as the risk profile was not deemed to be the same.

Management believes that no reasonable changes in key assumptions will lead to the total estimated recoverable amount of each cash-generating unit will be lower than their total carrying amount.

Impairment

No impairment was applied to intangible fixed assets in 2019 or 2018, neither in the Group nor the Parent Company. For information on impairment, see Note 1 *Accounting principles*, pages 82–90.

Note 16 | Tangible assets

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

SEK million	Group						Parent Company
	Operating properties	Plant and equipment	Equipment, fixtures and fittings	Leasing[1]	Other tangible assets	Total	Equipment, fixtures and fittings
Accumulated cost							
Opening balance 1 Jan 2019	46	226	121	45	23	461	7
Changed accounting principle (IFRS 16)	–	–	–	-84	–	280	
Acquired through business combinations	141	177	27	10	7	362	–
Other acquisitions/investments	–	11	3	45	5	64	1
Sales/scrappings	–	-2	-4	-21	-4	-31	–
Reclassification	–	0	7	-7	0	0	–
Translation difference for the year	-1	0	1	5	0	5	–
Closing balance 31 Dec 2019	**186**	**412**	**155**	**357**	**31**	**1,141**	**8**
Accumulated depreciation							
Opening balance 1 Jan 2019	-20	-66	-90	-23	-8	-207	-4
Changed accounting principle (IFRS 16)	–	–	–	-84	–	-84	
Acquired through business combinations	-55	-143	-10	-1	0	-209	–
Depreciation for the year	-4	-19	-9	-44	-2	-78	-1
Sales/scrappings	–	0	4	16	1	21	–
Reclassification	–	–	-7	7	0	0	–
Translation difference for the year	1	2	-1	-1	0	1	–
Closing balance 31 Dec 2019	**-78**	**-226**	**-113**	**-130**	**-9**	**-556**	**-5**
Carrying amount, 31 Dec 2019	**108**	**186**	**42**	**227**	**22**	**585**	**3**

[1] For more information on pension expenses, see Note 17 *Leasing*, on pages 101–102.

The carrying amount for the item other tangible assets includes SEK 13 million (15) for improvements to property owned by another entity.

Borrowing expenses

No borrowing expenses are included in the cost of assets, either for 2019 or for 2018.

Depreciation/amortisation

All tangible assets are depreciated. Amortisation was included in the following items in the income statement.

Depreciation for the year included in the income statement, SEK million	Group		Parent Company	
	2019	2018	2019	2018
Expenses for goods sold	-55	-16	–	–
Selling expenses	-5	-1	–	–
Administrative expenses	-18	-4	-1	-1
Total	**-78**	**-21**	**-1**	**-1**

For information on depreciation, see Note 1 *Accounting principles*, pages 82–90.

Impairment

No impairment was applied to tangible assets in 2019 or 2018, neither in the Group nor the Parent Company. For information on impairment, see Note 1 *Accounting principles*, pages 82–90.

Note 17 | Leasing

IFRS 16 Effects

Note 1 *Accounting principles* presented the effects on assets, liabilities and equity for the Group in the transition to IFRS 16 *Leases* on 1 January 2019. Furthermore, an analysis was done of the reconciliation between previously provided information on future minimum lease fees for operating leases according to IAS 17 *Leases* on 31 December 2018 and the calculated lease liability according to IFRS 16 Leases on 1 January 2019. The analysis led to the following presentation.

Reconciliation of information on operating leases (IAS 17) and recognition of lease liabilities (IFRS 16), Group, SEK million	1 January 2019
Obligation for operating leases, 31 December 2018	219
Discount effect	-12
Leases with a short duration and of lesser value (deducted as they are expensed)	-8
Effects of adjustment for variable leasing components	-2
Obligation for operating leases discounted at the marginal loan rate	**197**
Financial lease liabilities, 31 December 2018	22
Recognised lease liabilities, opening balance sheet, 1 January 2019	**219**

The weighted average loan interest rate amounted to 2.50 percent in the establishment of the lease liability in the opening balance on 1 January 2019.

Recognised on the balance sheet

The Group recognises a right of use (ROU) asset and a corresponding lease liability 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. The lease portfolio mainly comprises:

- office, factory and warehouse premises recognised in the asset class of operating properties,
- production equipment recognised in the asset class of *plant and machinery*, and
- forklifts, vehicles and IT-related equipment recognised in the asset class of *equipment, tools, fixtures and fittings*.

The most significant leases pertain to office, factory and warehouse premises.

ROU assets OB/CB per leasing class, SEK million	Group			
	Operating properties	Plant and machinery	Equipment, tools, fixtures and fittings	Total
Opening balance 1 Jan 2019	179	22	17	218
Acquired through business combinations	8	–	1	9
Other acquisitions/investments	35	–	10	45
Depreciation for the year	-31	-5	-8	-44
Concluded contracts	-5	–	0	-5
Reclassification	–	0	0	0
Translation difference for the year	3	1	0	4
Closing balance 31 Dec 2019	**189**	**18**	**20**	**227**

The ROU assets are included on the line tangible assets in the balance sheet.

The lease liability is initially measured at the present value of the future lease fees, which have not been paid as of the beginning date for the leases.

Lease liabilities recognised in the balance sheet, SEK million	Group	
	2019	2018
Current liabilities	47	5
Non-current liabilities	179	17
Total	**226**	**22**

Lease liabilities are included on the lines non-current interest-bearing liabilities and current interest-bearing liabilities in the balance sheet.

Recognised in the income statement

Recognition of depreciation of assets with ROU instead of lease fees entailed a less positive impact on consolidated operating profit. The following expenses are recognised in the consolidated income statement for leasing.

Amounts recognised in the income statement, SEK million	Group 2019
Depreciation of ROU assets	-44
Interest expenses for lease liabilities	-5
Expenses attributable to short-term leases and leases of a low value	-7
Expenses attributable to variable lease fees	-1

Obligations regarding short-term leases for 2020 are expected to be lower compared with 2019 as the relief rule for short-term leases was applied at the transition.

The total cash flow for leased assets was SEK 60 million in 2019.

The future expected leasing payments were presented in the table with values that are not discounted.

Future lease payments, SEK million	2019
Due for payment within one year	50
Due for payment after more than one year but within two years	43
Due for payment after more than two years but within three years	39
Due for payment after more than three years but within four years	31
Due for payment after more than four years but within five years	24
Due for payment after more than five years	58
Total	**245**

Qualitative disclosures

The lease portfolio for ROU assets contained 164 contracts with an average remaining lease period of 26 months at year-end. The majority of the contracts, 83 percent, were related to forklifts and company cars. In terms of amounts, the majority of the contracts, 84 percent, were attributable to office, warehouse and factory premises, however. Three contracts were ended early in 2019.

Leases contain no limitations in addition to collateral in the leased assets. The variable fees or potential residual value guarantees do not reach any material amounts. Insofar as the contracts are based on indexes, the lease fees in applicable cases are adjusted according to the rules in IFRS 16 and accordingly are taken into account in both ROU assets and lease liabilities at year-end.

There were no significant leases at year-end that were signed, but not commenced. Nor were there any significant sublets of ROU assets.

Disclosures on operating leases for the comparative period 2018

The Group's lease portfolio mainly comprises operating leases for office, warehouse and factory premises, company cars, forklifts and office and IT-related equipment. Several operating leases were covered by possibilities of lease extensions during varying periods of time. A small part of a warehouse and office premises was sublet.

Expensed operating lease fees, SEK million	Group		Parent Company	
	2019	2018	2019	2018
Expenses for operating leases		-34	-5	-5
Total		**-34**	**-5**	**-5**
Lease income for sub-let items amount to		1	–	–

The nominal value of future minimum lease payments under non-cancellable leases, SEK million	Group		Parent Company	
	2019	2018	2019	2018
Due for payment within one year		43	5	4
Due for payment after more than one year but within five years		101	1	1
Mature for payment after more than five years		75	0	0
Total		**219**	**6**	**5**

Note 18 | Participations in subsidiaries

	Corporate identity number	Domicile	Number of shares	Proportion of capital/ voting rights	Book value, SEK million
Alimentation Santé SAS	815,274,956	Lyon, France	50,000	100%	236
Celnat SAS	585,650,096	St-Germain-Laprade, France	–	100%	–
Vegetalia SLU	B59950097	Castellcir, Spain	–	100%	–
Satoki SLU	B62580444	Guadalcacín, Spain	–	100%	–
Bioglan AS	970,968,660	Oslo, Norway	1,400	100%	433
Midsona Norge AS	979,473,559	Oslo, Norway	–	100%	–
Bringwell AB	556484-3232	Stockholm, Sweden	258,225,180	100%	–
Bringwell Finland Oy	0805401-1	Salo, Finland	–	100%	–
Bringwell Sverige AB	556518-6789	Falköping, Sweden	–	100%	–
Midsona Deutschland GmbH[1]	HRB 7603	Ascheberg, Germany	300,000	100%	372
Eisblümerl Naturkost GmbH	HRB23789	Lautherhofen, Germany	–	100%	–
Midsona Denmark A/S	31493994	Mariager, Denmark	6,000,000	100%	259
Midsona Finland Oy	1732881-1	Salo, Finland	16,000	100%	43
Midsona Sverige AB	559037-5951	Malmö, Sweden	15,937,684	100%	859
Ekko Gourmet AB	556795-7682	Malmö, Sweden	–	100%	–
Trettiosjucorp AB	556480-0224	Malmö, Sweden	165,797	100%	–
Urtekram Sverige AB	556420-6646	Malmö, Sweden	2,000	100%	–
Vitalas AB	556572-5040	Malmö, Sweden	–	100%	–
Total book value in the Parent Company					**2,202**

[1] On 10 January 2019, the company changed name to Midsona Deutschland GmbH from Davert GmbH.

SEK million	Parent Company	
	2019	2018
Accumulated cost		
Opening balance	3,536	3,047
Acquisitions of subsidiaries	236	390
Revaluation, purchase consideration	-16	–
Shareholder contributions in subsidiaries	–	99
Closing balance	**3,756**	**3,536**
Accumulated impairment		
Opening balance	-1,470	-1,350
Impairment for the year on shares in subsidiaries	-84	-120
Closing balance	**-1,554**	**-1,470**
Book value	**2,202**	**2,066**

Impairment for the year on shares in subsidiaries is recognised in the income statement under “Profit from participations in subsidiaries”.

Note 19 | Participations in joint ventures

On 10 October, 25,500 shares were acquired, corresponding to 51 percent of the shares and votes in the company Paradiset EMV AB corp. ID no. 559208-5335, 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 8 million and was paid in cash. Consideration is also taken to supplementary purchase considerations of SEK 17 million, which may be payable based on profit targets until 2023, with its fair value being based on an assessment of the likelihood of achieving the set targets. These were measured and handled in the same way as under IFRS 3 *Business Combinations*. Acquisition-related expenses amounted to SEK 1 million.

The initial assessment is that the shareholders have a joint controlling influence, which is why it is reported as a joint arrangement in the form of a joint venture according to the equity method in the financial statements.

SEK million	Group	
	2019	2018
Accumulated cost		
Opening balance	–	–
Acquisition of joint venture	25	–
Share in profits	-1	–
Shareholders’ contribution in joint venture	2	–
Closing balance	**26**	**–**
Accumulated impairment		
Opening balance	–	–
Closing balance	**–**	**–**
Book value	**26**	**–**

Note 20 | Receivables from, and liabilities to, subsidiaries

SEK million	Parent Company	
	2019	2018
Fixed assets		
Interest-bearing receivables	1,149	547
Total	**1,149**	**547**
Current assets		
Interest-bearing receivables[1]	–	–
Other receivables	152	163
Total	**152**	**163**
Total	**1,301**	**710**
Non-current liabilities		
Interest-bearing liabilities	–	113
Total	**–**	**113**
Current liabilities		
Interest-bearing liabilities[1]	389	245
Other liabilities	1	2
Total	**390**	**247**
Total	**390**	**360**

[1] Interest-bearing receivables and liabilities refer to the consolidated accounts with internal interest.

Note 21 | Other non-current receivables and other receivables

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Other non-current receivables that are fixed assets				
Deposits	3	4	–	–
Other financial assets	1	0	–	–
Total	**4**	**4**	**–**	**–**
Other receivables that are current assets				
Receivables from suppliers	14	19	–	–
Other receivables	4	3	6	4
Total	**18**	**22**	**6**	**4**

Note 22 | Inventories

SEK million	Group	
	2019	2018
Raw materials and consumables	184	160
Products in process	10	1
Completed products and goods for resale	335	321
Total	**529**	**482**

The consolidated income statement includes impairment of inventory in the item selling expenses of SEK 5 million (2), as a result of an increase in the obsolescence reserve.

Note 23 | Accounts receivable

Customers are primarily chains in the pharmacy, FMCG and healthfood retail trade and other specialist retailers, as well as actors in food service. The Group also sells to private individuals, therapists and smaller, independent shops via on-line sales. Most net sales, 71 percent (82), derive from the Nordic market.

The Group's ten largest customers accounted for 46 percent (51) of net sales.

A large part of sales is based on a framework agreement that specifies general terms and discounts for a year at a time. Normally, assortment evaluations are performed a couple of times a year, in connection with which price levels can also be adjusted if there is evidence of this through, for example, large changes in commodity prices.

Accounts receivable, SEK million	Group	
	2019	2018
Accounts receivable, gross	292	260
Expected credit losses	–2	–1
Total	**290**	**259**

Age analysis, accounts receivable, SEK million	Group	
	2019	2018
Accounts receivable not past due	246	237
Past due 1-30 days	27	17
Past due 31-90 days	10	3
Past due > 91 days	7	2
Total	**290**	**259**

The average customer credit period was 40 days (37). The fair value of accounts receivable is consistent with the reported value.

The Group's accounts receivable are covered by the simplified model for impairments. The expected credit losses for accounts receivable are estimated using a matrix, which is based on earlier events, current circumstances and forecasts of future financial circumstances. A loss provision is recognised in the simplified model for the accounts receivable expected remaining maturity period. The accounts receivable were included in a reserve for expected credit losses of SEK 2 million (1). Customer losses have historically been at a very low level. For more information on customer credit risk, please see Note 31 *Financial risk management* on pages 106–108.

Note 24 | Prepaid expenses and accrued income

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Prepaid rent	0	6	1	1
Prepaid insurance	1	1	1	1
Deferred leasing expenses	0	1	0	0
Prepaid marketing expenses	0	2	–	–
Prepaid commission	1	–	–	–
Prepaid purchases of goods and services	15	17	4	3
Other prepaid expenses	9	6	5	4
Total	**26**	**33**	**11**	**9**

Note 25 | Shareholders' equity

Group

Share capital

Share capital consists of the Parent Company's share capital. See the Parent Company of this note.

Additional paid-up capital

Other capital consists of equity contributed by the owners. The item includes share premium reserves transferred to the statutory reserve at 31 December 2005. Provision to the share premium reserve from 1 January 2006 and forward, are also recognised as paid-up capital.

Reserves

Reserves consist of a translation reserve, which comprises all exchange rate differences arising on the translation of the financial statements of foreign operations that have prepared their financial statements in a currency other than that in which the consolidated financial statements are presented. This includes exchange differences on monetary items receivable from or payable to the foreign operations, for which settlement is neither planned nor likely in the foreseeable future.

Profit brought forward, including profit for the year

Profit brought forward/accumulated losses, including profit for the year consists of earned profits/accumulated losses in the Parent Company and its subsidiaries. Provisions to the statutory reserve, excluding transferred share premium reserves, were previously included in this item. Also included is the amount of reduction of share capital.

Parent Company

Restricted shareholders' equity

Share capital

At 31 December 2019, the number of shares amounted to 65,004,608, divided into 755,820 class A shares and 64,248,788 class B shares. Holders of shares are entitled to dividends as determined by the Annual General Meeting. A shareholding entitles voting rights at the Annual General Meeting of 10 votes for each series A share and one vote for each series B share. All shares convey equal rights to the company's net assets and profits. The Articles of Association contain no restrictions on the transferability of shares. Upon written request from a holder of series A shares in the company, conversion of specified series A shares to series B shares will be granted.

Change in number of shares, count	Series A shares	Series B shares	Total
Number of shares 1 January 2018	539,872	45,468,192	46,008,064
Number of shares 31 December 2018	**539,872**	**45,468,192**	**46,008,064**
Number of shares 1 January 2019	539,872	45,468,192	46,008,064
Redemption of warrants	0	423,800	423,800
New share issue	215,948	18,356,796	18,572,744
Number of shares 31 December 2019	**755,820**	**64,248,788**	**65,004,608**
Quota value per share, SEK			**5.00**
Share capital on the balance sheet date, SEK			325,023,085

No treasury shares were held by the Parent Company or its subsidiaries at year-end or during the financial year.

Statutory reserve

The statutory reserve consists of amounts that, prior to 1 January 2006, had been transferred to the share premium reserve when shares were issued at a premium, at an amount exceeding the quota value of the shares.

Unrestricted shareholders' equity

Share premium reserve

The item consists of amounts transferred to the share premium reserve as of 1 January 2006 when shares were issued at a premium, at an amount beyond the quota value of the shares.

Profit brought forward

Profit brought forward consists of profit brought forward from the previous year in the Parent Company Amounts are also included from impairment of share capital in 2016 and from a transferred fair value fund in 2016 in accordance with IAS 21. Retained earnings, together with the share premium reserve and the profit total unrestricted equity available for distribution to shareholders.

New share issues

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.

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

Warrants

There were two of the company's outstanding stock option programmes at year-end; see Note 10 *Employees, personnel expenses and senior executives' remuneration*, pages 95–96.

Proposed appropriation of profit or loss

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

Share premium reserve	SEK 1,109,694,438
Profit brought forward	SEK 463,484,492
Profit for the year	SEK 132,676,853
Total	**1,705,855,783**

The Board of Directors proposes that the unrestricted shareholders' equity in the Parent Company, amounting to SEK 1,705,855,783 be appropriated as follows:

Dividend, SEK 1.25 per share	SEK 81,255,760
Carried forward	SEK 1,624,600,023
Total	**1,705,855,783**

Note 26 | Liabilities to credit institutions

	Group		Parent Company	
Interest-bearing liabilities, SEK million	**2019**	**2018**	**2019**	**2018**
Non-current interest-bearing liabilities				
Bank loans	1,229	1,107	1,066	953
Lease liabilities	179	17	–	–
Total	**1,408**	**1,124**	**1,066**	**953**
Current interest-bearing liabilities				
Bank loans	71	88	55	77
Lease liabilities	47	5	–	–
Total	**118**	**93**	**55**	**77**
Total	**1,526**	**1,217**	**1,121**	**1,030**

In September 2019, Midsona signed a financing agreement with Danske Bank and Svensk Exportkredit for a total credit limit of SEK 2,120 million. It 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 was repaid in November 2019 after receipt of proceeds from the new share issue. The other financing with Danske Bank consisted of an acquisition loan of SEK 380 million and a revolving credit of SEK 600 million, of which SEK 400 million had been drawn, with a duration of three years and a possibility of two years' extension, and an overdraft facility of SEK 150 million with a duration on an annual basis and a possibility of extensions until September 2024. The financing with Svensk Exportkredit extends over five years. The one acquisition loan from Danske Bank has an eight-year repayment schedule with a repayment commitment of SEK 7.5 million and the other one has a quarterly repayment commitment of 2.65 percent of the original loan amount, both beginning in 31 December 2019. The financing with Svensk Exportkredit has a 40-year repayment schedule with a repayment commitment of SEK 8.75 million per year starting 31 December 2019.

Two financial covenants are linked to the financing agreement, which must be met during the maturity of the contract. These terms require that the key figures "net debt/adjusted EBITDA" and "interest coverage" shall not, on a rolling 12-month basis, deviate from agreed levels. Interest on facilities is calculated at the applicable base interest rate plus a margin based on the key figure "net debt/adjusted EBITDA" on a rolling 12-month basis.

For implemented business combinations in 2018-2019, credit facilities were taken over in German, French and Spanish banks, which at year-end totalled SEK 179 million (EUR 17 million). These credit facilities essentially carry fixed interest over the duration.

The average interest on the Group's bank loans and overdrafts amounted to 2.1 percent (1.8) for 2019.

For lease liabilities attributable to contracts concerning properties, the interest component is an effect of the dissolution of discounting. For other lease liabilities, the contracts carry fixed or variable interest during the duration.

Credit terms interest-bearing liabilities, SEK million	Nominal amount	Utilised amount	Unutilised amount	Maturity
Bank loans				
Revolving credit, SEK	600	400	200	Sept 2019 – Sept 2024
Acquisition loan, SEK	341	341	0	Sept 2019 – Sept 2024
Acquisition loan, SEK	233	233	0	Sept 2019 – Sept 2024
Acquisition loan, EUR	147	147	0	Sept 2019 – Sept 2024
Corporate loan, EUR[1]	52	52	0	May 2018 – April 2021
Corporate loan, EUR[1]	42	42	0	May 2018 – Dec 2021
Corporate loan, EUR[1]	55	55	0	May 2018 – Sept 2027
Investment loan, EUR[1]	8	8	0	May 2018 – Dec 2022
Investment loan, EUR[2]	12	12	0	Oct 2019 – June 2026
Investment loan, EUR[2]	4	4	0	Oct 2019 – July 2023
Corporate loan, EUR[2]	1	1	0	Oct 2019 – June 2022
Corporate loan, EUR[2]	3	3	0	Oct 2019 – Mar 2022
Corporate loan, EUR[2]	2	2	0	July 2019 – Feb 2020
Total	**1,500**	**1,300**	**200**	
OVERDRAFTS				
Overdrafts, SEK	150	0	150	Sept 2019 – Sept 2020
Total	**150**	**0**	**150**	
Total	**1,650**	**1,300**	**350**	

[1] Credit facilities that the Group took over in connection with the business combination in 2018.
[2] Credit facilities that the Group took over in connection with the business combination in 2019.

Note 27 | Other non-current and current liabilities

SEK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Other non-current liabilities				
Finalised purchase consideration, acquisition of operations	–	35	–	35
Conditional purchase consideration, acquisition of operations	75	46	31	46
Other liabilities	0	1	–	–
Total	**75**	**82**	**31**	**81**
Other current liabilities				
Finalised purchase consideration, acquisition of operations	35	–	35	–
Conditional purchase consideration, acquisition of operations	3	–	–	–
VAT liabilities	10	9	–	–
Settlement personnel taxes and fees	13	10	1	2
Other liabilities	24	10	–	–
Total	**85**	**29**	**36**	**2**

Finalised purchase consideration for acquisitions of operations pertains to a fixed payment for business combinations in 2018 for disbursement in January 2020.

Non-current and current conditional purchase considerations related to acquisition of operations amounted to SEK 78 million (46). The change of the conditional purchase considerations during the year and anticipated disbursements of conditional purchase considerations are presented by the table.

SEK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Conditional purchase considerations, acquisition of operations				
Opening balance	46	–	46	–
Supplemental conditional purchase considerations	57	47	–	47
Exchange-rate change	1	-1	0	-1
Assessment conditional purchase considerations	-26	–	-15	–
Closing balance	**78**	**46**	**31**	**46**
Expected disbursement 2020	3	15	–	15
Expected disbursement 2021	37	15	15	15
Expected disbursement 2022	38	16	16	16
Total	**78**	**46**	**31**	**46**

During the year, assessments were made of conditional purchase considerations, entailing reversals of SEK 26 million mainly as a result of earnings targets for 2019 not being achieved. Remaining conditional purchase considerations of SEK 78 million (46) at the end of 2019, were related to the business combinations Davert GmbH (2018) for SEK 31 million (46), Ekko Gourmet AB (2019) for SEK 2 million and Eisblümerl Naturkost GmbH (2019) for SEK 28 million and the joint venture Paradiset EMV AB (2019) for SEK 17 million. Also refer to Note 34 *Valuation of financial assets and liabilities at fair value and category breakdown,* on pages 108–109 for a description of the valuation of conditional purchase considerations.

Note 28 | Provisions for pensions

Defined benefit pension plans

In Norway, a special pension agreement is in place, the AFP scheme, which has been agreed between the social partners as a supplement to retirement pension. Such insurance comprises a defined benefit plan covering several employers. For the 2019 financial year, the Group did not have access to information making it possible to report this as a defined benefit plan. Consequently, this pension obligation is reported as a defined contribution plan. It is of an immaterial nature.

In Sweden, commitments for retirement pensions and family pensions for salaried employees are secured through an insurance plan with Alecta. According to statement UFR 10, from the Financial Reporting Board, this is a defined benefit plan that covers several employers. For the 2019 financial year, the Group does not have access to information making it possible to report this as a defined benefit plan. Pension in accordance with the ITP plan and secured through insurance with Alecta is consequently recognised as a defined contribution plan.

The year's fees for pension insurance secured through Alecta amounted to SEK 3 thousand (3) in the Group, and SEK 0 thousand (0) in the Parent Company. For the next reporting period, the charges expected for ITP 2 insurance with Alecta amount to SEK 3 million for the Group and SEK 0 million for the Parent Company.

Alecta's surplus may be distributed to policyholders and/or the beneficiaries. At the end of 2019, Alecta's surplus in the form of the collective funding ratio was 148 percent (142). The collective consolidation level consists of the market value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's actuarial assumptions, which do not comply with IAS 19.

Defined contribution pension plans

For employees in Sweden, the Group has defined contribution pension plans paid entirely by the Group companies. In other countries, there are defined contribution plans that are paid partly by the subsidiaries and that are partly covered by fees paid by the employees. Payments to these plans are on-going, in accordance with the regulations for each of the plans.

	Group		Parent Company	
SEK million	2019	2018	2019	2018
Expenses for defined contribution plans[1]	–27	–25	–5	–4

[1] The ITP plan funded in Alecta is included as an expense of SEK 3 million (3) for the Group and SEK 0 million (0) for the Parent Company.

Note 29 | Other provisions

	Group	
SEK million	2019	2018
Provisions that are non-current		
Restructuring programme	2	1
Other provisions	15	–
Total	**17**	**1**
Provisions that are current		
Restructuring programme	4	4
Total	**4**	**4**
Total	**21**	**4**
Restructuring programme		
Carrying amount at beginning of period	5	17
Provisions made during the year	15	2
Amounts utilised during the year	–14	–14
Total	**6**	**5**
Other provisions		
Carrying amount at beginning of period	–	–
Provisions assumed upon acquisition	13	–
Provisions made during the year	2	–
Amounts utilised during the year	0	–
Total	**15**	**–**
Total provisions		
Carrying amount at beginning of period	5	17
Provisions assumed upon acquisition	13	–
Provisions made during the year	17	2
Amounts utilised during the year	–14	–14
Total	**21**	**5**

Restructuring programme

The restructuring programme essentially refers to the efficiency-enhancement programme for the Group's Nordic operations that was adopted in March 2019 to strengthen competitiveness with harmonisation and optimisation of joint processes.

Other provisions

Other provisions mainly pertain to guarantee commitments and subsidies for investment projects.

Note 30 | Accrued expenses and deferred Income

	Group		Parent Company	
SEK million	2019	2018	2019	2018
Accrued expenses for goods	12	13	–	–
Accrued personnel expenses	54	41	7	6
Accrued marketing and sales costs	16	5	–	–
Accrued customer bonus expenses	23	19	–	–
Accrued expenses, new share issue	8	–	8	–
Other accrued expenses	27	30	3	1
Total	**140**	**108**	**18**	**7**

Note 31 | Financial risk management

The Group's activities expose it to a variety of financial risks. These financial risks are primarily comprised of financing, liquidity, currency, interest rate and credit risk.

The financial risk work is governed at an overall level by the Board, which sets financial policy and ensures that it is followed. At an operational level, the financial risk work is governed by Group Management. It is the finance function in the Parent Company that has the operational responsibility for financial risk management. The central finance function handles and governs financial risk exposure, ensures that the right financing is in place through loans and credit facilities, and manages the liquidity in line with the set financial policy.

Financing risk

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

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

In September 2019, Midsona signed a financing agreement with Danske Bank and Svensk Exportkredit for a total credit limit of SEK 2,120 million. The Group also took over an existing financing in the implemented business combinations in July and October 2019. For more information on utilised loans, maturity periods and available credit facilities, see Note 26 *Liabilities to credit institutions*, pages 104–105. On the new acquisition loans, a total of SEK 20 million was repaid in the fourth quarter. In the previous year, SEK 49 million was repaid on the acquisition loans during the year. At the end of the year, the average remaining maturity on confirmed loan commitments was 31 months (16). For a description of the Group's lease liabilities, refer to Note 17 *Leasing*, on page 101 and for a description of the Group's other financial liabilities, refer to Note 27 *Other non-current and current liabilities*, on page 105. The maturity structure for all of the Group's financial liabilities, including principal and interest, is shown in the table below.

	0–6 months		7–12 months	
Nominal amounts, SEK million	2019	2018	2019	2018
Bank loans	45	56	52	55
Lease liabilities	25	2	25	3
Accounts payable	288	357	–	–
Other liabilities	3	–	–	–
Total	**358**	**415**	**77**	**58**

	1–5 years		5 years <	
Nominal amounts, SEK million	2019	2018	2019	2018
Bank loans	1,290	1,096	23	27
Lease liabilities	137	17	58	–
Accounts payable	–	–	–	–
Other liabilities	75	47	–	–
Total	**1,502**	**1,160**	**81**	**27**

Liquidity risk

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

In order to control and plan the Group's cash requirements, the finance function uses liquidity forecasts that the Group's subsidiaries report in on a monthly basis for the ensuing six months.

The Group's liquidity reserve, that is, the sum of unutilised credit facilities, cash and cash equivalents, shall, at any given time, exceed the Group's total loan maturities for the ensuing six months according to the current finance policy. Liquid assets were SEK 523 million (376) at the end of year and were allocated to cash SEK 173 million (101), the unused part of the overdraft facility SEK 150 million (100) and the unused part of other credit SEK 200 million (175). Loan maturity, including principal and interest, to credit institutions, over the next six months amounts to SEK 45 million (56). Liquidity was strong considering the maturity structure for external loans, the size of cash and cash equivalents and available credit facilities at year-end.

Currency risk

Currency risk refers to the risk that changes in exchange rates affect the Group's income statement, balance sheet and/or cash flows negatively.

Currency risks arise in part from the operational and financial transactions that are conducted in currencies other than the functional currency (transaction exposure) and in part by the currency exposure that occurs in the translation of foreign subsidiaries' net assets to the Parent Company's functional currency (translation exposure).

Transaction exposure

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

The finance function in the Parent Company makes monthly assessments of future currency exposure based on cash flow forecasts reported in. Estimated net flows for 2020 in the four currencies with the greatest net exposure are shown in the table.

	Group	
Amounts are in millions in each currency[3]	**2019[1]**	**2018[2]**
EUR	-59	-75
DKK	100	-30
NOK	169	104
USD	-20	-19

[1] Transaction exposure is based on estimated net flows for the ensuing 12 months, i.e. for 2020.
[2] Transaction exposure is based on estimated net flows for the ensuing 12 months, i.e. for 2019.
[3] A positive net flow means that the flow in each currency exceeds outflow and a negative net flow means that the outflow in each currency exceeds inflow.

The Group does not hedge forecast currency exposure in line with the current policy. Potential currency risks shall be managed in the respective supplier and customer agreement through currency clauses. With the aim of reducing the earnings impact of changed exchange rates, Midsona works continuously with price adjustments to customers and suppliers based on the exchange rate development primarily tied to EUR. At the end of 2019, there were no outstanding forward contracts.

An isolated shift in exchange rates against the SEK by +/– 5 percentage points for the four currencies with the largest estimated net flows is calculated to have an effect on profit before tax of +/– SEK 25 million (44).

Translation exposure

The Parent Company has holdings in foreign subsidiaries, whose net assets are exposed to currency translation risk. Currency exposure of net assets in the Group's subsidiaries can, for example, be managed by borrowing in the foreign currencies that are exposed.

Interest rate risk

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

The guideline is that the average period of fixed interest for interest-bearing liabilities to credit institutions should be three months. The average period of fixed interest for the Parent Company's interest-bearing liabilities to credit institutions was three months (3) at the end of the year. The interest on the facilities taken over in connection with the business combinations in 2018 and 2019 is largely fixed over the term.

A change in interest rates of +/– 1 percentage point causes an impact of +/– 13 million (12) calculated in debt to credit institutions of SEK 1,300 million (1,195) at year-end if the entire loan portfolio were to mature with a variable interest rate. The majority of the Group's lease liabilities are attributable to leases for properties. In these agreements, the interest component is an effect of the dissolution of discounting. Interest changes entail no changes in the cash flows for these agreements. Other leases carry fixed or variable interest over the lease term. For the agreements that carry variable interest, future cash flows are affected by changes to the variable interest rate. An interest rate change of +/– 1 percentage point for the part of the lease liability that carries variable interest is deemed to entail an immaterial earnings effect for the Group.

The Group strives for a consideration between a reasonable running expense for its borrowing and the risk of having a significant negative impact on earnings in the event of a larger interest rate change. At present, the guideline is to not hedge for interest-rate risks in the Group. Loans of SEK 50 million were interest rate hedged at year-end with a maturity period until 30 June 2020 and will not be renewed.

The average interest on the Group's bank loans and overdrafts amounted to 2.1 percent (1.8) for 2019.

Credit risk

There is a risk that the counterparties that the Group has cash and cash equivalents, financial investments or entered derivatives with cannot fulfil their obligations, a so-called financial credit risk. There is also a risk that customers cannot fulfil their payment commitments, a so-called customer credit risk.

Financial credit risk

The Group's finance function has no mandate to enter into financial investments. How surplus liquidity is to be placed is set in policy. The Group is a net borrower and surplus liquidity shall be used to reduce loans from credit institutions. The subsidiaries shall place their surplus liquidity in bank accounts belonging to Group account systems or in bank accounts approved by the Group finance function. The Group's counterparties in financial transactions are credit institutions with good credit ratings.

The financial credit risk for cash and cash equivalents in bank account amounted to SEK 173 million (101) at year-end.

Customer credit risk

Customer credit risk is managed on an on-going basis by each Group company through credit checks and internal credit limits for each customer. Bank guarantees or other sureties are required for customers with low creditworthiness or insufficient credit history.

The Group's accounts receivable are covered by the simplified model for impairments. The expected credit losses for accounts receivable are estimated using a matrix, which is based on earlier events, current circumstances and forecasts of future financial circumstances. A loss provision is recognised in the simplified model for the accounts receivable expected remaining maturity period. The Group's credit exposure is presented by the following table:

Number of days in interval	Default probability, %	Expectation adjustments, %	Future default probability, %	Recognised accounts receivable gross, SEK million	Expected credit losses, SEK million	Recognised accounts receivable net, SEK million
Not past due	0.30	−0.15	0.15	247	−1	246
1–30	1.00	0.20	1.20	27	0	27
31–60	2.00	1.00	3.00	6	0	6
61–90	3.50	2.00	5.50	4	0	4
>91	5.50	3.50	9.00	8	−1	7
Total				**292**	**−2**	**290**

Capital management

The Group's objective with its capital management is to safeguard the Group's capacity to continue its operations to generate reasonable returns for shareholders and benefit for other stakeholders. The target is to pay a dividend of >30 percent of profit for the year over time. For 2019, the Board of Directors proposes a dividend equivalent to 83.6 (45.1) percent of profit for the year.

The Group reviews its capital structure based on a ratio of net debt/EBITDA corresponding to a multiple of less than 3–4. The target, which has been set to define a reasonable risk level in the Group, links borrowing to the capacity for earnings. At the end of the financial year, the ratio between net debt and EBITDA on a rolling 12-month basis was a multiple of 4.8 (4.9) and the ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 4.4 (4.4).

Note 32 | Pledged assets and contingent liabilities

SEK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Pledged assets				
Blocked bank balances	2	–	–	–
Shares in subsidiaries	–	–	1,551	1,551
Net assets in subsidiaries	1,941	1,929	–	–
Others	245	202	–	–
Total	**2,188**	**2,131**	**1,551**	**1,551**
Contingent liabilities				
Guarantees, external	10	10	1	1
General guarantee for subsidiaries	–	–	1	1
Parent Company guarantees	–	–	1	1
Total	**10**	**10**	**3**	**3**

Shares in subsidiaries have been pledged as collateral for overdrafts and bank loans. Liabilities to credit institutions are shown in Note 26 *Liabilities to credit institutions*, pages 104–105. Net assets in subsidiaries pertain to shares in subsidiaries that are stated at amounts equivalent to the consolidated net assets.

Note 33 | Closely-related parties

Related party relations

The Parent Company has a close relationship with its subsidiaries; see Note 18 *Participations in subsidiaries*, on page 102.

Related party transactions

For the Parent Company, SEK 47 million (45), equivalent to 100 percent (100) of sales for the year and SEK 0 million (1), corresponding to 1 percent (4) of purchases for the year pertained to subsidiaries within the Group. Sales to subsidiaries pertained mainly to administrative services, while purchases from subsidiaries primarily pertained to consultancy services and other reimbursements for expenses. All pricing is conducted on market terms. The Parent Company has receivables from, and liabilities to, subsidiaries, see Note 20 *Receivables from, and liabilities, to subsidiaries*, page 103.

Related persons or companies

Salaries and remuneration to the Board and other senior executives are detailed in Note 10 *Employees, personnel expenses and senior executives' remuneration*, pages 95–96.

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

In October, it was decides to carry out a new share issue with preferential rights for existing shareholders, which are to be considered related people and companies, whereby the company raised SEK 613 million before deductions for issue expenses. For more information, please see Note 25 *Equity* on page 104.

In December, a total of 148,000 warrants were transferred to senior executives in TO 2019/2022, the third and final part of the warrant programme that was decided on in 2017, whereby the company received SEK 1 million. For more information, see Note 10 *Employees, personnel expenses and senior executives' remuneration*, pages 95–96.

Beyond the aforementioned transactions, there have been no loans, purchases or sales involving members of the Board or senior executives.

Note 34 | Assessment of financial assets and liabilities at fair value and categorisation

Fair value

The carrying amount on accounts receivable, other receivables, cash and cash equivalents and other liabilities constitutes a reasonable approximation of fair value.

Fair value and carrying amount in the balance sheet, SEK million	Group 2019: Measured at amortised cost	At fair value through profit or loss[1]	Total carrying amount	Fair value
Non-current receivables	4	–	4	4
Accounts receivable	290	–	290	290
Other receivables	18	–	18	18
Cash and cash equivalents	173	–	173	173
Total	**485**	**–**	**485**	**485**
Non-current interest-bearing liabilities	1,408	–	1,408	1,408
Other non-current liabilities	0	75	75	75
Current interest-bearing liabilities	118	–	118	118
Accounts payable	288	–	288	288
Other current liabilities	81	4	85	85
Total	**1,895**	**79**	**1,974**	**1,974**

[1] Other non-current and current liabilities measured at fair value via profit or loss consist of derivative instruments of SEK 1 million and conditional purchase considerations of SEK 78 million.

Fair value and carrying amount in the balance sheet, SEK million	Group 2018			
	Measured at amortised cost	At fair value through profit or loss[1]	Total carrying amount	Fair value
Non-current receivables	4	–	4	4
Accounts receivable	259	–	259	259
Other receivables	22	–	22	22
Cash and cash equivalents	101	–	101	101
Total	**386**	**–**	**386**	**386**
Non-current interest-bearing liabilities	1,124	–	1,124	1,124
Other non-current liabilities	35	47	82	82
Current interest-bearing liabilities	93	–	93	93
Accounts payable	357	–	357	357
Other current liabilities	29	–	29	29
Total	**1,638**	**47**	**1,685**	**1,685**

[1] Other non-current liabilities measured at fair value via profit or loss consist of derivative instruments of SEK 1 million and conditional purchase considerations of SEK 46 million.

Fair value and carrying amount in the balance sheet, SEK million	Parent Company 2019			
	Measured at amortised cost	At fair value through profit or loss[1]	Total carrying amount	Fair value
Other receivables	6	–	6	6
Total	**6**	**–**	**6**	**6**
Liabilities to credit institutions	1,121	–	1,121	1,121
Other non-current liabilities	–	31	31	31
Accounts payable	6	–	6	6
Other current liabilities	36	–	36	36
Total	**1,163**	**31**	**1,194**	**1,194**

[1] Other non-current liabilities measured at fair value via profit or loss consist of conditional purchase considerations of SEK 31 million.

Fair value and carrying amount in the balance sheet, SEK million	Parent Company 2018			
	Measured at amortised cost	At fair value through profit or loss[1]	Total carrying amount	Fair value
Other receivables	4	–	4	4
Total	**4**	**–**	**4**	**4**
Liabilities to credit institutions	1,030	–	1,030	1,030
Other non-current liabilities	81	46	127	127
Accounts payable	11	–	11	11
Other current liabilities	2	–	2	2
Total	**1,124**	**46**	**1,170**	**1,170**

[1] Other non-current liabilities measured at fair value via profit or loss consist of conditional purchase considerations of SEK 46 million.

Certain disclosures regarding financial instruments assessed at fair value through profit for the year

The Group holds financial instruments in the form of interest rate swaps, currency swaps and currency options that are recorded at fair value in the balance sheet. The valuation is at level 2, according to IFRS 13 *Fair Value Measurement*. A market approach has been used and fair value is based on listing with a broker. Similar contracts are traded on an active market and the rates reflect actual transactions on comparable instruments.

The Group also holds supplementary purchase considerations of SEK 78 million, which are measured at fair value. The valuation is at level 3, according to IFRS 13 *Fair Value Measurement*. Fair value of supplementary purchase considerations is calculated by discounting the present value of the expected cash flows with an adjusted discount rate. Expected cash flows are determined based on likely scenarios for future gross profit, amounts that will be payable in the event of respective outcomes and the probability of the respective outcome. The fair value of the supplementary purchase considerations can change if the underlying assumptions for valuation change.

Netting agreements and similar agreements

The Group has no net reported balance sheet items. For derivative counterparties, there are ISDA agreements, which mean that derivative items can be reported net under certain conditions. The Group holds financial instruments that are covered by legally enforceable master netting agreements or similar agreements. Recognised financial liabilities attributable to derivative instruments amounted to SEK 1 million, which was with the same counterparty.

Calculation of fair value

Fair value of interest bearing liabilities is calculated based on future cash flows of principal and interest discounted at the current market rate on the balance sheet date. The majority of interest-bearing liabilities carry variable interest. There are no significant differences between fair value and the carrying amounts. For a maturity analysis, see Note 31 *Financial risk management*, pages 106–108.

Note 35 | Significant estimates and assumptions

In preparing the financial statements, management makes estimates and judgements that affect the amounts of assets, liabilities, income and expenses. The estimates and assumptions that involve a risk of significant adjustments to the carrying amounts of assets and liabilities within the next financial year and critical judgements in applying the Group's accounting policies discussed below. Reported estimates regarded as reasonable under the circumstances.

Valuation of brands

The carrying amount of brands is contingent upon the future profitability of the products connected to the brands, and the value is tested annually. If it has not been possible to impairment testing for an individual mark has recoverable amount calculated on the cash-generating unit to which the trademarks are allocated. Several assumptions about future conditions and parameter estimates are made in the calculation of cash-generating units' recoverable amounts for the assessment of possible needs for impairment of goodwill and brands with indefinite useful lives. Management believes that no reasonable changes in key assumptions will lead to the total estimated recoverable amount of each cash-generating unit will be lower than their total carrying amount.

During the year, three business combinations were carried out. In establishing the acquisition analyses, acquired brands were deemed to amount to SEK 121 million, of which SEK 111 million was deemed to have an indefinite useful life. These brands with indefinite useful lives were deemed to be in the category of strategic power brands, which are particularly important in the establishment in new geographic markets and which the Group has the intention of keeping and developing further.

The carrying amount for the brands amounted to SEK 1,081 million (974) at year-end, of which SEK 915 million (801) is with an indefinite useful life. For further information, please see Note 15 *Intangible assets*, pages 98–99.

Valuation of goodwill

The carrying amount of goodwill is contingent upon the future profitability of the cash-generating unit to which the goodwill is allocated to goodwill annually. Several assumptions about future conditions and parameter estimates are made in the calculation of cash-generating units' recoverable amounts for the assessment of possible needs for impairment of goodwill and brands with indeterminate useful lives. Management believes that no reasonable changes in key assumptions will lead to the total estimated recoverable amount of each cash-generating unit will be lower than their total carrying amount.

Preparation of acquisition analyses during the year for implemented business combinations resulted in a goodwill of SEK 392 million attributable to future income and expense synergies.

The carrying amount of goodwill amounted to SEK 1,810 million (1,408) at the end of the year. For further information, please see Note 15 *Intangible assets*, pages 98–99.

Valuation of ROU assets and lease liabilities

In connection with the transition to the new standard IFRS 16 *Leases*, estimates and assessments were made. For some leases, certain valuation principles were adopted mainly regarding extension and termination options. A discount rate per country was also established. At the transition on 1 January 2019, the ROU assets amounted to SEK 196 million and the lease liabilities amounted to SEK 197 million. At the end of 2019, the ROU assets were SEK 227 million and the lease liabilities were SEK 226 million.

Company management's assessment is that estimates and assessments made in the transition to IFRS 16 *Leases* regarding extension and termination options and determination of discount rate were essentially reasonable.

Valuation of taxes

To determine the current tax liabilities and current tax assets, as well as provisions for deferred tax liabilities and deferred tax assets, management is required to make assumptions, particularly in the valuation of deferred tax assets. This process includes the tax outcome being assessed in each country in which the Group operates. The process includes assessing the actual current tax exposure and assessing the temporary differences that arise as a consequence of certain assets and liabilities being valued differently in the accounts as compared to income tax returns. Management must also assess the likelihood that deferred tax assets will be recovered from future taxable income.

In the preparation of acquisition analyses during the year for implemented business combinations, deferred tax liabilities were deemed to amount to SEK 58 million.

The total tax-loss carryforwards in the Group amounted to SEK 303 million (337) at 31 December 2019, of which SEK 296 million (337) was capitalised in the consolidated balance sheet.

Management believes that, given the Group's current and future structure, the opportunities to utilise capitalised tax loss carryforwards is well founded. The carrying amount of deferred tax assets amounted to SEK 71 million (74) at the end of the period while the carrying amount of deferred tax liabilities was SEK 321 million (271). For further information, see Note 13 *Taxes*, pages 96–98.

Note 36 | Supplementary disclosures to cash flow analyses

	Group		Parent Company	
SEK million	**2019**	**2018**	**2019**	**2018**
Interest paid				
Interest received	0	0	13	19
Interest paid	-36	-26	-28	-25
Adjustment for non-cash items				
Dividend	–	–	-122	-120
Depreciation/amortisation	114	52	4	3
Impairment	7	2	85	120
Unrealised exchange rate differences	17	-12	10	-15
Capital gain on sale of fixed assets	1	2	–	–
Pension provisions	0	–	–	–
Other provisions and items not included in cash flow	-15	-13	2	-1
Total	**124**	**31**	**-21**	**-13**
Acquisitions of companies or operations				
Intangible assets	198	161	–	–
Tangible assets	155	184	–	–
Financial assets	0	1	236	388
Deferred tax assets	2	–	–	–
Inventories	73	182	–	–
Trade and other receivables	59	67	–	–
Cash and cash equivalents	65	0	–	–
Deferred tax liabilities	-64	-50	–	–
Non-current interest-bearing liabilities	-35	-224	–	–
Other non-current liabilities	-13	–	–	–
Current interest-bearing liabilities	-7	-48	–	–
Accounts payable and other liabilities	-61	-57	–	–
Net assets and liabilities	**372**	**216**	**236**	**388**
Consolidated goodwill	392	162	–	–
Purchase consideration	**-764**	**-378**	**-236**	**-388**
Less: Purchase consideration recognised as liability	40	83	1	83
Purchase consideration paid	**-724**	**-295**	**-235**	**-305**
Less: Cash and cash equivalents in acquired operations	65	0	–	–
Effect on cash and cash equivalents from acquisitions during the year	**-659**	**-295**	**-235**	**-305**
Repayment of loans				
Bank loans[2]	-1,786	-53	-1,764	-49
Overdrafts[1]	–	-37	–	–
Other external loans[1]	–	-33	–	–
Lease liabilities	-47	-5	–	–
Total	**-1,833**	**-128**	**-1,764**	**-49**

[1] Credit facilities that the Group took over in connection with the business combination in 2018.
[2] All existing loans were repaid when Midsona AB signed a new financing agreement in September 2019.

Cash and cash equivalents

Cash and cash equivalents in both the Group and the Parent Company consist solely of cash and bank balances. Consequently, there are no current investments equivalent to cash and cash equivalents.

Changes in liabilities whose cash flow is reported in the financing activities

Liabilities attributable to financing activities consist of non-current interest-bearing liabilities and current interest-bearing liabilities for the Group. For the Parent Company, liabilities are attributable to financing activities involving non-current liabilities to credit institutions, current liabilities to credit institutions, non-current interest-bearing liabilities to subsidiaries and current interest-bearing liabilities to subsidiaries.

			Changes affecting cash flow	Changes not affecting cash flow					Group
Compilation of liabilities attributable to financial cash flows, SEK million 2019	**At beginning of year**	**Changed accounting principle, IFRS 16**	**Financial cash flows**	**New leases**	**Terminated leases**	**Acquired through business combinations**	**Exchange-rate change**	**Reclassi-fication**	**At year-end**
Non-current liabilities to credit institutions	1,107	–	93	–	–	27	2	–	1,229
Lease liabilities	17	159	–42	35	–	7	3	–	179
Non-current interest-bearing liabilities	**1,124**	**159**	**51**	**35**	**–**	**34**	**5**	**–**	**1,408**
Current liabilities to credit institutions	88	–	–24	–	–	6	1	–	71
Lease liabilities	5	38	–5	10	–3	2	0	–	47
Current interest-bearing liabilities	**93**	**38**	**–29**	**10**	**–3**	**8**	**1**	**–**	**118**
Total	**1,217**	**197**	**22**	**45**	**–3**	**42**	**6**	**–**	**1,526**

			Changes affecting cash flow	Changes not affecting cash flow					Group
Compilation of liabilities attributable to financial cash flows, SEK million 2018	**At beginning of year**	**Changed accounting principle, IFRS 16**	**Financial cash flows**	**New leases**	**Terminated leases**	**Acquired through business combinations**	**Exchange-rate change**	**Reclassi-fication**	**At year-end**
Non-current liabilities to credit institutions	665		284			169	–5	–6	1,107
Lease liabilities	0		–4			22	–1	0	17
Other long interest-bearing liabilities	–		–33			33	–	–	–
Non-current interest-bearing liabilities	**665**		**247**			**224**	**–6**	**–6**	**1,124**
Current liabilities to credit institutions	40		0			44	–2	6	88
Lease liabilities	1		0			4	0	–	5
Current interest-bearing liabilities	**41**		**0**			**48**	**–2**	**6**	**93**
Total	**706**		**247**			**272**	**–8**	**0**	**1,217**

		Changes affecting cash flow	Changes not affecting cash flow		Parent Company
Compilation of liabilities attributable to financial cash flows, SEK million 2019	**At beginning of year**	**Financial cash flows**	**Exchange-rate change**	**Reclassification**	**At year-end**
Non-current liabilities to credit institutions	953	113	0	–	1,066
Non-current liabilities to subsidiaries	113	–	–	–113	–
Non-current interest-bearing liabilities	**1,066**	**113**	**0**	**–113**	**1,066**
Current liabilities to credit institutions	77	–22	0	–	55
Current liabilities to subsidiaries	245	144	0	–	389
Current interest-bearing liabilities	**322**	**122**	**0**	**–**	**444**
Total	**1,388**	**235**	**0**	**–113**	**1,510**

		Changes affecting cash flow	Changes not affecting cash flow		Parent Company
Compilation of liabilities attributable to financial cash flows, SEK million 2018	**At beginning of year**	**Financial cash flows**	**Exchange-rate change**	**Reclassification**	**At year-end**
Non-current liabilities to credit institutions	665	289	–1	–	953
Non-current liabilities to subsidiaries	40	6	–1	68	113
Non-current interest-bearing liabilities	**705**	**295**	**–2**	**68**	**1,066**
Current liabilities to credit institutions	40	37	0	–	77
Current liabilities to subsidiaries	168	77	–	–	245
Current interest-bearing liabilities	**208**	**114**	**0**	**–**	**322**
Total	**913**	**409**	**–2**	**68**	**1,388**

Note 37 | Events after the balance sheet date

New sustainability targets

Midsona drives a change agenda with the clear goal of influencing people's eating habits towards healthy and sustainable alternatives. In line with our ambitions and the requirements customers, consumers and investors set on a clear sustainability agenda, new sustainability targets have been set for the period 2020 to 2030. They are:

- Sustainable brands – By 2025, our plastic consumer packages will be made of 100-percent recycled materials and by 2030, 100 percent of the products shall be plant based or vegetarian.
- Healthy work environment – Healthy workplaces will promote healthy employees without work-related injuries. We will have an even gender distribution in management positions in the entire organisation.
- Responsible purchasing – By 2025, 100 percent of our suppliers will be classified according to sustainable guidelines in procurement.
- Safe products – By 2025, 100 percent of our suppliers will be risk classified and risk-based audits will take place annually.
- Efficient resource use – No later than 2025, 90 percent of our waste will be recycled. Food waste will be reduced and 100 percent of our food waste will be re-used by 2025.
- Efficient transports – By 2030, 100 percent of our transports will be fossil free.

Impact from Covid-19

Midsona has had gradually increasing demand for its products in the month of March in all geographic markets, which is deemed to be able to be traced to the outbreak of Covid-19, and it will very probably continue to be elevated in the foreseeable future. We are intensively working together with customers and suppliers to secure in-store product sales. To meet the expected increase in demand for our products in the long term, production capacity for several product categories has been increased. At present, we have not seen any significant disruptions in the supply chain. To ensure the flow of materials to our production facilities, we are in close dialogue with our key suppliers. The inventory levels for the most critical raw materials and the products will increase in the short term.

At the moment, Midsona sees a limited negative effect on its business from Covid-19, but is monitoring the development carefully. An action plan has been drafted and adopted with the aim of minimising or eliminating risks associated with Covid-19. The plan comprises changed consumer behaviour, delivery and production disruptions and disruptions in retailing. To-date, our own production is moving along as it should and subsuppliers say they can deliver according to plan.

Note 38 | Information about the Parent Company

Midsona AB (publ), corporate identity number 556241-5322, is a Swedish limited company domiciled in Malmö. The visiting address for the head office is Dockplatsen 16 in Malmö and the postal address is PO Box 210 09, SE-200 21 Malmö, Sweden. The company's shares are listed on the Nasdaq Stockholm, Mid Cap list.

The consolidated financial accounts for 2019 comprise the Parent Company and its subsidiaries; jointly referred to as "the Group".

Board of Directors' statement of assurance

The Board of Directors and the CEO certify that the consolidated and annual accounts have been prepared in accordance with the international accounting standards referred to in the European Parliament and Council Regulation (EC) No 1606/2002 of 19 July 2002 on the application of international accounting standards and generally accepted accounting principles and give a true and fair view of the financial position and results of the Group and the Parent Company. The Directors' Report for the Group and Parent Company gives a true and fair view of the Group and Parent Company's financial position and results and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Malmö, 7 April 2020

Ola Erici
Chairman of the Board

Henrik Stenqvist
Board Member

Birgitta Stymne Göransson
Board Member

Peter Wahlberg
Board Member

Johan Wester
Board Member

Kirsten Ægidius
Board Member

Peter Åsberg
President and CEO

The annual and consolidated accounts were, as stated above, approved for issue by the Board of Directors on 7 April 2020. The consolidated income statement, statement of comprehensive income and balance sheet, and the Parent Company's income statement, statement of comprehensive income and balance sheet will be submitted for approval at the Annual General Meeting on 5 May 2020.

Our audit report was submitted on 7 April 2020.
Deloitte AB

Per-Arne Pettersson
Authorised Public Accountant

Audit Report

To the General Meeting of Shareholders in Midsona AB (publ)
corporate identity number 556241-5322

Report on the annual accounts and consolidated accounts

Statements

We have conducted an audit of the annual and consolidated financial accounts for Midsona AB (publ) for the financial year 1 January 2019 – 31 December 2019. The Company's annual and consolidated accounts are included on pages 72–113 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our statements do not cover the Sustainability Report on pages 37-57 and the Corporate Governance Report on pages 117-121. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the Annual General Meeting adopt the income statement and balance sheet for the Parent Company and the Group.

Our statements in this report on the annual and consolidated accounts are consistent with the content of the supplementary report that has been submitted to the Parent Company Audit Committee in accordance with Article 11 of the Auditors Regulation (537/2014/EU).

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Our liability under these standards is described in the section Responsibility of the auditor. We are independent of the Company and the Group in accordance with generally accepted auditing practices in Sweden and have otherwise fulfilled our ethical responsibilities under these requirements. This entails that, based on our best knowledge and conviction, no prohibited services referred to in Article 5.1 of the Audit Regulation (537/2014/EU) have been provided to the audited company or, where applicable, its Parent Company or its controlled companies in the EU.

We believe that the audit evidence we have gathered is sufficient and appropriate as a basis for our opinions.

Particularly important areas

Particularly important areas of the audit are the areas that, in our professional judgement was the most significant for the audit of the financial statements for the current period. These areas were treated within the framework of the audit of, and in our standpoint regarding, the financial statements as a whole, although we do not make separate statements on these areas.

Acquisitions and identification of surplus values

Description of risk

- In 2019, Midsona completed the acquisition of the Alimentation Santé for a total purchase consideration of SEK 635 million.
- The reporting of acquisitions entails significant estimates and assessments being made by management to determine the fair value of the acquired assets and liabilities and allocating these to the appropriate cash-generating units.

For further information please refer to the Group's accounting policies in Note 1 on pages 82–90, Note 35 on *significant estimates and judgements* on pages 109–110, Note 15 on *intangible assets* on pages 98–99 and in Note 2 of the *acquisition* on pages 90–92 in the Annual Report.

Our audit procedures

- Review of acquisition calculations including the Group's assumptions and assessments in the valuation of acquired assets and liabilities with the aid of accounting experts
- We have examined the accuracy and completeness of the relevant notes to the financial statements.

Valuation of goodwill and trademarks with indefinite useful lives

Description of risk

- In its balance sheet as per 31 December 2019, Midsona reported goodwill of SEK 1,810 million (1,408) and trademarks with indefinite useful lives for SEK 915 million (801). These pertain to surplus values arising in connection with acquisitions.
- The value of the reported assets is dependent on future profitability and viability of the cash-generating unit that the assets relate to and is tested at least annually. Impairment trial based on several assumptions including future cash flows, discount rate and growth.
- Inaccurate estimates and assumptions may have a significant impact on the Group's earnings and financial position.

For further information, please refer to the Group's accounting policies in Note 1 on pages 82–90, Note 35 on *significant estimates and judgements* on pages 109–110 and Note 15 on *intangible assets* on pages 98–99 in the Annual Report.

Our audit procedures

- We have reviewed and assessed Midsona's procedures for impairment testing of the relevant cash-generating units to ensure that the reported values of the assets are defensible and that the assumptions are reasonable, that the routines are consistently applied and that there is integrity in the estimates made.
- We have used valuation experts to examine the company's applied assumptions regarding the weighted average cost of capital (WACC).
- We have examined the accuracy and completeness of the relevant notes to the financial statements.

Information other than financial statements and accounting

This document also contains information other than the annual and consolidated accounts and is presented on pages 3–36, 59–71, 116 and 122–133. The Board and the CEO are responsible for this other information.

Our statement regarding the annual and consolidated accounts does not include this information, and we make no statement of assurance regarding this other information.

In connection with our audit of the financial statements, it is our responsibility to read the information identified above and determine whether there are any significant inconsistencies with the financial statements. In this review, we also take into account the knowledge that we otherwise have obtained during the audit as well as assess whether the information in general seems to contain significant errors.

If, based on the work we have done regarding this information, we conclude that the this other information contains any material misstatements, we are obliged to report this. We have nothing to report in this regard.

Responsibility of the Board of Directors and the CEO

The Board and the CEO are responsible for the financial statements are prepared and give a true and fair view in accordance with the Annual Accounts Act and with regard to the consolidated financial statements in accordance with IFRS as adopted by the EU. The Board and the CEO are also responsible for such internal control as they deem necessary for the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual and consolidated accounts, the Board and CEO are responsible for the assessment of the ability of the company and the Group to continue operations. They state, as applicable, regarding circumstances that may affect the ability to continue operations and to use the assumption of continued operation. The assumption of continued operation is not applied if the Board and the CEO intend to liquidate the company, to cease trading, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditors' responsibility

Our goal is to achieve a reasonable level of assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to submit an audit report containing our statements. Reasonable assurance is a high degree of assurance, but is no guarantee that an audit performed in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement if available. Errors can occur due to fraud or error, and is considered to be material if they, individually or together reasonably be expected to influence the economic decisions of users taken with basis in the financial statements.

A further description of our responsibilities in the auditing of the annual and consolidated accounts is available on the Swedish Inspectorate of Auditors' website: *www.revisorsinspektionen.se/revisornsansvar*. This description forms part of the audit report.

Of the areas that are communicated with the Board, we establish which of these areas have been the most significance for the audit of the financial statements, including the most important assessed risks of material misstatement, and therefore constitute the audit, particularly for important areas. We describe these areas in the Audit Report unless legislation or other regulations prevent disclosure.

Report on other legal and regulatory requirements

Statements

In addition to our audit of the annual and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Midsona AB (publ) for the financial year 1 January 2019 to 31 December 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the Annual General Meeting that the company's profit appropriate in accordance with the proposal presented in the statutory administration report (Board of Directors' Report) and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for opinions

We have conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibility according to this is described in the section Responsibility of the auditor. We are independent of the Company and the Group in accordance with generally accepted auditing practices in Sweden and have otherwise fulfilled our ethical responsibilities under these requirements.

We believe that the audit evidence we have gathered is sufficient and appropriate as a basis for our opinions.

Responsibility of the Board of Directors and the CEO

The Board of Directors have the responsibility for the proposal to allocations regarding the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements of the company and the type of Group activity, scope and risks placed on the size of the Parent Company and the Group's equity and the company's consolidation requirements, liquidity and position in general.

The Board is responsible for the organisation and management of its affairs. This includes regular assessment of the company's and the Group's financial position, to ensure that the company's organisation is designed so that accounting, cash management and financial affairs are controlled in a satisfactory manner. The CEO is responsible for the ongoing management of the Board's guidelines and instructions, including taking the measures necessary for the Company's accounting to be performed in accordance with law and for asset management to be conducted in a prudent manner.

Auditors' responsibility

Our responsibility regarding the audit of the administration, and therefore our opinion, is to obtain audit evidence to a reasonable degree of certainty to determine whether any Board member or the CEO:

- before taking any action or been guilty of any omission, which could give rise to significant liability to the company, or
- in any way, acted in contravention of the Companies Act or the Articles of Association.

Our goal regarding the audit of the proposed appropriation of the profit or loss, and therefore our statement on this, is to determine with a reasonable degree of assurance whether a proposal is in accordance with the Companies Act.

Reasonable assurance is a high degree of assurance, but no guarantee that an audit is performed in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that may cause significant liability to the Company, or that the proposed appropriation of the profit or loss is not is consistent with the Companies Act.

A further description of our responsibilities in the auditing of the management is available on the Swedish Inspectorate of Auditors' website: *www.revisorsinspektionen.se/revisornsansvar.* This description forms part of the audit report.

Deloitte AB was appointed Midsona AB's auditor by the General Meeting on 29 April 2014 and has since been the company's auditor.

Malmö, 7 April 2020
Deloitte AB

Per-Arne Pettersson
Authorised Public Accountant

Good conditions for higher growth and profitability

Right now, we are all in a very serious global crisis and our role as a company is primarily to ensure our employees' health so that we will continue to be able to perform our task – producing and delivering good, healthy and beneficial food to all of our customers. All of Midsona's personnel in all countries have demonstrated fantastic commitment and professionalism and we have largely succeeded in providing the stores with what has been in demand.

In the upcoming years, Midsona has good conditions of presenting even higher growth and profitability. We therefore revised the Group's financial targets in 2019. The growth target was raised to 15 percent per year, the profitability target (EBITDA margin) to at least 12 percent and the debt/equity ratio to 3–4 times EBITDA. The dividend target is still at least 30 percent of profit after tax.

The growth target means that Midsona's sales shall be doubled in five years. We have made a fantastic acquisition journey in recent years and contributed to consolidating the supplier level, first in the Nordic region and in recent years in the rest of Europe. The central decision to expand outside the Nordic region was made at the Board of Directors' strategy day in 2016, which resulted in Midsona now competing to become one of the leading companies in health and well-being in Europe. This strategy has been realised through strong acquisitions, both major platform acquisitions and smaller add-on acquisitions, and company management has done a brilliant job here.

The increased debt/equity ratio creates space for a continued high pace of acquisitions rate, but new acquisitions also presuppose other things, which we must become even better at in the coming years:

1. Organic growth – a greater focus on our established brands shall lead to accelerating sales. Our brands will become even stronger and work even more across borders.
2. Identity – our brands must bear an attractive identity and communicate more clearly, and it is important that this identity is an integrated part of everyone's daily lives, from employees to consumers.
3. Efficiency – continue the pressing work of constantly fine tuning the value chain to create a continuously improved profitability.

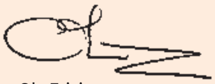
Friggs is a really good example of one or our brands that the company very successfully revitalised, which yielded a strong organic growth. In 2019, we also worked intensively on a major change in our organic brands in the Nordic region through the One Organic project, which was launched at the beginning of 2020.

A smaller Board increased efficiency

The Annual General Meeting resolved a few years ago to reduce the number of members on the Board of Directors from seven to six, a change that has been positive. This contributed to more efficient discussions, faster decisions and better focus in the Board room.

How does the Board work function in Midsona? For many years, we have worked based on a method with annual Board evaluations. The 2019 evaluation indicates continued good results. And I can confirm that we have a very committed Board, which is particularly apparent in large acquisitions and work in connection with the raising of capital. However, one should be open to the Board's expertise reflecting the company's challenges.

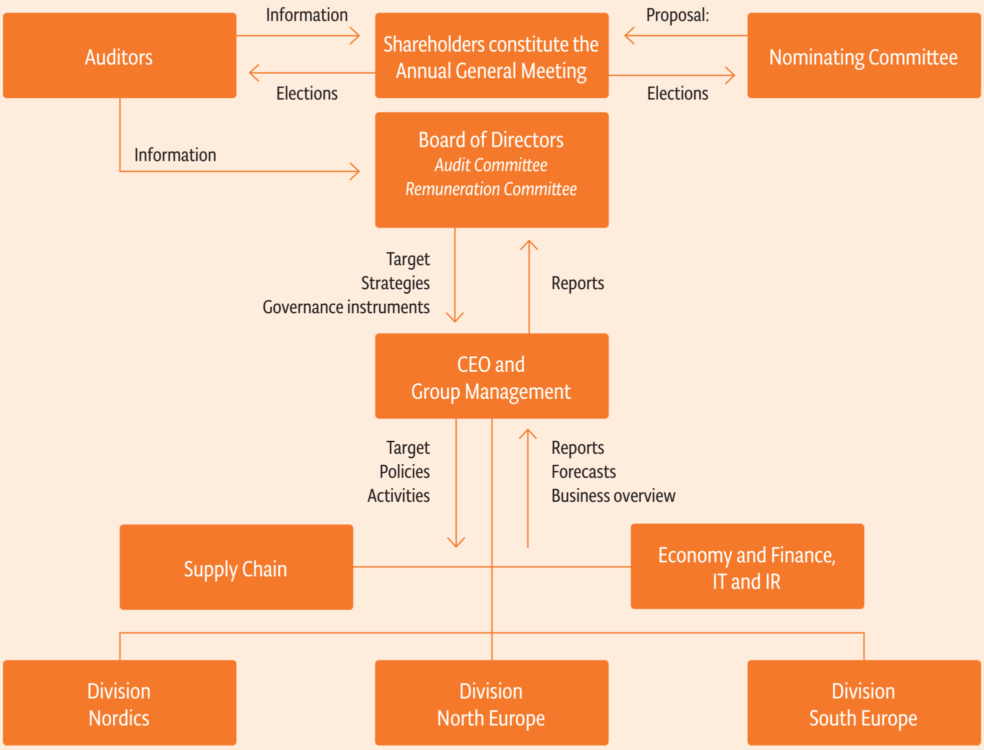
Malmö, March 2020



Ola Erici
Chairman

Corporate Governance Report

Midsona AB (publ) (below "Midsona") is a Swedish public company listed on the Nasdaq Stockholm, Mid Cap list. Midsona applies the Swedish Code of Corporate Governance and hereby presents its Corporate Governance Report for 2019. During the year, the Group had two outstanding warrant programmes directed at senior executives, TO2017/2020 and TO2019/2022. Regarding both of the warrant programmes TO2017/2020 and TO2019/2022, in 2019, Midsona deviated from rule 9.7 in the Code that sets a vesting period of at least three years for incentive programmes based on warrants, which are directed at senior executives. The issued programme has a slightly shorter vesting period than three years, which the Board found suitable. The report has been prepared by the company's Board of Directors and the company's auditor has issued an opinion.



Governance instruments

The external governance instruments forming the framework of Midsona's corporate governance include:

- legislation
- Nasdaq Stockholm's Rules for Issuers
- Swedish Code of Corporate Governance

Midsona also has a number of internal governance instruments, including:

- Articles of Association
- Midsona's Code of Conduct
- formal work plan and instructions for the Board, committees, CEO and financial reporting to the Board
- internal governance documents, such as policy documents, procedures and instructions

Copies of Midsona's Articles of Association and Code of Conduct are available for download at *www.midsona.com.*

Annual General Meeting

Midsona's Annual General Meeting is highest decision-making body at which shareholders exercise their voting rights.

The Annual General Meeting makes decisions regarding amendments to the Articles of Association and the Annual General Meeting which is the annual, ordinary General Meeting, shareholders make decisions on matters including the approval of the income statement and balance sheet, the appropriation of earnings, the discharge of the Board and CEO from liability, the election of Board members, the Chairman of the Board and audit firm, and approval of remuneration of the Board and the audit firm. The Annual General Meeting also decides principles for the appointment of the Nominating Committee and work, as well as guidelines for remuneration of the CEO and other senior executives. Information on shareholders' right to request that matters be considered by the Annual General Meeting is published at *www.midsona.com*. Normally, the Annual General Meeting takes place in April or May. Following the meeting, decisions made at the Annual General Meeting are published in a press release. The minutes of the Meeting are published at *www.midsona.com*.

Shareholder

For information on shareholders, please see pages 59–61 and www.midsona.com.

Annual General Meeting 2019

The 2019 Annual General Meeting was held on 3 May 2019 in Malmö. At the Meeting, 83 shareholders were present in person or by proxy, representing 50.1 percent of the number of votes represented at the Meeting. The minutes of the 2019 Annual General Meeting are available at *www.midsona.com*.

Annual General Meeting 2020

The 2020 Annual General Meeting will take place on 5 May 2020 in Malmö, as was announced in a press release on 11 September 2019. The complete announcement of the 2020 Annual General Meeting, including information about registration for participation at the Meeting, was published in a press release on 3 April 2020 and is available at *www.midsona.com*.

Nominating Committee

The Nominating Committee represents the company's shareholders and nominates the chair of the Annual General Meeting, Board members, Chairman of the Board, audit firm and remuneration of them.

Nominating Committee for the 2020 Annual General Meeting

The 2019 Annual General Meeting resolved to task the Chairman of the Board with contacting representatives of the company's three largest shareholders at the end of August 2019 to ask them to appoint one member each to the Committee.

Name/Representing, %	Percentage of votes 31 August 2019	Percentage of votes 28 December 2019
Henrik Munthe/Stena Adactum AB	28.2	28.0
Claes Murander/Lannebo Fonder	5.6	5.6
Anna Sundberg/Handelsbanken Fonder	5.5	4.6
Total	**39.3**	**38.2**

In preparation for the 2020 Annual General Meeting, the Nominating Committee held four minuted meetings prior to the publication of the notice of the Annual General Meeting and members have also maintained ongoing contacts. The Nominating Committee has interviewed two board members and received a presentation of Midsona's operations by the CEO. The Nomination Committee has addressed the issues it is required to consider in accordance with the decisions of the Annual General Meeting and in accordance with the Swedish Code of Corporate Governance. Among other matters, the Committee has discussed and considered the extent to which the current Board of Directors meets the demands imposed on a listed company and otherwise as a consequence of the company's operations. In addition, the Nominating Committee has discussed the Board's gender distribution, size, competence, experience and diversity, as well as how well the Board functions, taking into account aspects including the outcome of the Board's own assessment of its work. The election of auditors and remuneration of Board Members and auditors have also been discussed. The Nomination Committee has received information from the Audit Committee on the work of the auditors. The Nominating Committee applied Midsona's Board's diversity policy and Rule 4.1 of the Swedish Code of Corporate Governance in preparing its proposal for the election of Board Members.

The convener of the Nominating Committee was the Chairman of the Board, Ola Erici. The composition of the Committee was published in a press release 11 September 2019 and at *www.midsona.com.* Shareholders have been offered the opportunity to submit proposals to the Nomination Committee. Information on how shareholders can submit proposals to the Committee is provided at *www.midsona.com*.

The Nominating Committee's proposal, and reasoned opinion, is published in connection with the announcement of the 2020 Annual General Meeting at the latest.

Members do not receive any fees or remuneration for their work on the Committee.

Proposal to the 2020 Annual General Meeting

The Nominating Committee has resolved to propose the following to the 2020 Annual General Meeting:

- Re-election of Board members Ola Erici , Henrik Stenqvist, Peter Wahlberg and Johan Wester.
- Election of Sandra Kottenauer and Heli Arantola.
- Re-election of Ola Erici as Chairman of the Board.
- Re-election of Deloitte AB as audit firm.
- The Chairman of the Board's remuneration is proposed to be increased from SEK 550,000 to SEK 575,000
- The Board members' remuneration is proposed to be increased from SEK 235,000 to SEK 250,000.
- The remuneration of the Audit Committee chair is proposed to be increased from SEK 50,000 to SEK 60,000
- The remuneration of the Audit Committee members is proposed to be increased from SEK 30,000 to SEK 35,000.
- The remuneration of the Remuneration Committee chair is proposed to be increased from SEK 30,000 to SEK 40,000
- The remuneration of the Remuneration Committee members is proposed to be increased from SEK 20,000 to SEK 25,000

Board members Birgitta Stymne Göransson and Kirsten Ægidius have declined re-election.

The Nominating Committee's complete proposals are included in the announcement of the Annual General Meeting.

The Nominating Committee considers that the expertise that exists in the proposed Board meets the company's current needs well.

Board of Directors

Work and responsibilities of the Board

The Board of Directors is the highest management body beneath the Annual General Meeting and is responsible for the organisation and management of the company's affairs. It shall primarily engage in more overarching and long-term issues that are of substantial significance for the Group's future focus.

The work of the Board follows written rules governing its practices and responsibilities, the division of work between the Board and its committees, as well as the role of the Chairman. Also regulated is the framework for the Board meetings, including their convening, agenda and minutes, as well as how the Board is to be supplied with comprehensive information for its work. The Board has also decided on the introduction of general policies for the operations and other central governance documents for the regulation of responsibilities, guidelines, procedures, values and targets.

The work of the Board is normally cyclical in nature. At the beginning of the year, the year-end and annual reports are addressed, as are the matters to be presented at the Annual General Meeting. After the summer, the Group's long-term strategic plan and focus are addressed. At the end of the year, the budget for the coming year is addressed. Each quarter, financial reporting is reviewed and the interim reports are approved for publication. In connection with the Annual General Meeting, an inaugural Board meeting is held, at which Committee members and signatories are determined, among other things.

According to the Articles of Association, the Board of Directors shall consist of at least three members and not more than nine and that no deputies shall be appointed. Members of the Board are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting. There are no rules about how long a member may serve on the Board.

Work of the Board in 2019

Report of the Audit Committee
Board assessment report
Approval of budget for 2020
Decision on announcement of an Extraordinary General Meeting
Decision on issue terms for a new share issue
Decision on warrant programme 2019/2022

Report of the Remuneration Committee
Report of the Audit Committee
Proposed appropriation of profit
Approval of new financial targets
Matters for consideration by the 2019 Annual General Meeting

Report of the Audit Committee
Strategy issues
Decision on investment of CO_2 optimisation
Reporting on the sustainability work
Decision on new share issue
Decision on allocation of warrants

Approval of acquisitions of operations

Composition of the Board in 2019

At the 2019 Annual General Meeting, the following six Board members were elected: Ola Erici (Chairman), Henrik Stenqvist, Birgitta Stymne Göransson, Peter Wahlberg, Johan Wester and Kirsten Ægidius. Board composition complies with the Swedish Code of Corporate Governance with regard to its independence in relation to both the company and its management and major shareholders. The gender distribution is two women and four men, which corresponds to a percentage of women of just over 33 percent. For information regarding the Board members' independence, other assignments and shareholdings in the company, see pages 122–123 or Midsona's website *www.midsona.com*.

The CEO and the CFO, who is also the Board's secretary, both participate in Board meetings. When necessary, other officials participate in Board meetings to report on particular matters.

Work of the Board in 2019

In 2019, the Board held 13 meetings (7). For information on members' attendance, please see pages 122–123.

The Board regularly reviews the strategic issues affecting the Group's operations and general direction. The year's work largely focused on the acquisitions of Alimentation Santé SA, Eisblümerl Naturkost GmbH and Ekko Gourmet AB, structural and growth issues, follow-up of prior years' acquisitions, sustainability strategy and strategic planning.

Board meetings follow a pre-approved agenda, to which specific issues will be added as necessary. The agenda, together with documentation for each of its items, is distributed to all Board Members approximately one week before the meeting. Each Board meeting commences with the minutes of the previous meeting and a review of any open matters. The CEO then provides an account of the Group's sales, earnings and business situation, including important external factors. Normally, the CFO then accounts for the Group's financial position in greater detail, together with any necessary analyses, reports are made regarding outstanding questions from earlier Board meetings, and plans and proposals are presented. All divisions present their operations at Board meetings according to a predetermined plan. In addition to the information provided in connection with Board meetings, the CEO distributes a monthly report to Board members. Minutes are kept for all Board meetings and sent to members for approval. One Board meeting is normally held every year at one of the Group's facilities.

Chairman of the Board

The Chairman organises and directs the work of the Board, represents the company on ownership issues and is responsible for evaluating the Board's work. The Chairman is also responsible for the on-going dialogue with the CEO regarding operations and for the Board's fulfilment of its duties.

Evaluation of the Board's work

The Chairman of the Board is responsible for evaluating the Board's work, including the assessment of individual Board members' performance in accordance with an established process. The evaluation is reported to the Nominating Committee and forms the part of the basis for the Committee's proposals to the AGM regarding the composition of the Board and its fees.

Board Committees

The Board has appointed an Audit Committee and a Remuneration Committee. The members of the committees and their chairpersons are appointed at the inaugural Board meeting for one year at a time. The work of the committees is mainly of a preparatory and advisory nature, although the Board may, in individual cases, delegate the right to determine specific issues to the committees. The matters addressed at committee meetings are minuted and reported to the Board at the next Board meeting.

Audit Committee

The Audit Committee's main task is to oversee the financial reporting and ensure that the adopted principles for financial reporting, internal controls, internal audit and risk assessment are adhered to and applied. Its mission is to support the Nominating Committee with proposals for the election of audit firm and audit fees.

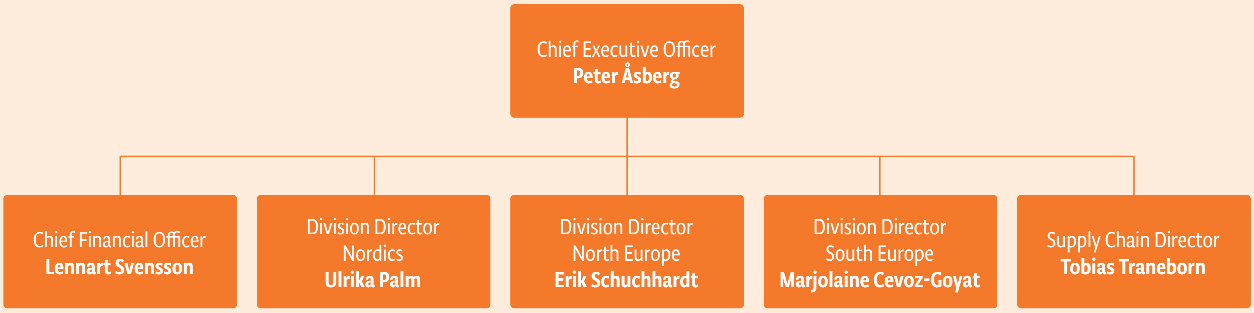
In 2019, the Audit Committee consisted of Henrik Stenqvist (chairman), Peter Wahlberg and Johan Wester. The Committee met three times (three) in 2019. For information on members' attendance, please see pages 122–123. The CEO and the CFO, who is also the Audit Committee's secretary, and the principal auditor responsible participate in the Committee's meetings.

Remuneration Committee

The Remuneration Committee's main task is to prepare business for decision by the Board relating to terms of remuneration and employment for the CEO and other senior executives on the basis of principles established by the Annual General Meeting. It is also tasked with proposing guidelines for remuneration to the CEO and other senior executives, and with monitoring and evaluating the objectives and principles for variable compensation.

In 2019, the Remuneration Committee consisted of Ola Erici (chairman), Birgitta, Stymne Göransson and Johan Wester. The Committee met twice (twice) in 2019. For information on members' attendance, please see pages 122–123.

Group structure



CEO and Group Management

The President of the company, who is also the CEO of the Group, is appointed by the Board of Directors. Peter Åsberg is the CEO and is responsible for on-going management in accordance with the Board's guidelines and instructions. In consultation with the Chairman of the Board, the CEO prepares the information the Board needs to conduct its work, presents matters and proposals for decisions and keeps the Board informed of the company's development. The CEO leads the work of Group Management and makes decisions in consultation with other members of Group Management. In addition to the CEO, Group Management includes the Chief Financial Officer, Division Director Nordics, Division Director North Europe, Division Director South Europe and Supply Chain Director.

In 2019, the Group Management met seven times (eight). Meetings focus primarily on the Group's strategic and operational development and reviewing performance. Operations are organised into three divisions.

For further information about Group Management, please see page 124–125 and *www.midsona.com*.

Instructions for the CEO

The Board adopts written instructions for the work of the President that, among other things, clarify responsibilities for day-to-day management, the division of duties between the Board and the CEO, as well cooperation with, and the information to, the Board.

Evaluation of the CEO

The Board continuously evaluates the CEO's work and expertise. The evaluation is made once a year without his presence.

Guidelines for remuneration of senior executives

For information on the guidelines for remuneration to senior executives adopted by the 2019 Annual General Meeting and the Board's proposed guidelines for remuneration to senior executives for the 2020 Annual General Meeting, please see pages 124–125 and *www.midsona.com*.

Regulations regarding share trading

Board members, the CEO and other senior executives registered as executives may trade in Midsona shares in accordance with applicable legislation and regulations. Beyond these, there are no specific internal regulations.

Insider information

Midsona is covered by the stipulations in the EU Market Abuse Regulation No 596/2014 (MAR) that sets requirements on how insider information is handled and the manner in which Midsona is obliged to keep a so-called log book.

Midsona uses the digital tool InsiderLog to ensure the handling of insider information. Only authorised individuals in Midsona have access to InsiderLog.

External auditor

Deloitte AB, with authorised public accountant Per-Arne Pettersson as the principal auditor responsible, was elected by the 2019 Annual General Meeting for a period of one year. For information on fees and remuneration of audit firms, please see Note 9 *Fees and remuneration to auditors* on page 94.

Audit assignment

The audit assignment includes an audit of the annual and consolidated financial statements. An audit is also performed of the proposal for appropriation of the Company's profit or loss and the administration by the Board of Directors and the CEO. Statements are also issued regarding the Corporate Governance Report and the Sustainability Report. Statutory reviews are also conducted of the interim reports for the periods 1 January to 30 September and for the period 1 January to 31 December within the framework of the audit assignment.

The principal auditor responsible participates in Audit Committee meetings and reports in an on-going manner to the Chairman of the Audit Committee as necessary. The Board meets with the principal auditor responsible in connection with its handling of the year-end report. The principal auditor responsible participates at the Annual General Meeting, outlining there the audit and presenting the Audit Report.

Additional information

At *www.midsona.com*, there is an overview of the company's application of the Swedish Code of Corporate Governance, the Articles of Association, the Code of Conduct, information from previous Annual General Meetings and previous Corporate Governance Reports.

Information on the laws and practices of Swedish corporate governance can be found at the Swedish Corporate Governance Board (www.bolagsstyrning.se), Nasdaq Stockholm (www.nasdaqomxnordic.com) and the Swedish Financial Supervisory Authority (www.fi.se).

Internal control of financial reporting

The report on internal control of financial reporting has been prepared by the Board of Directors in accordance with the Swedish Code of Corporate Governance and the guidelines issued by the Confederation of Swedish Enterprise and FAR. It describes how internal control is organised to manage and minimise the risk of errors in financial reporting.

Internal control

Within the company, the following targets have been set with regard to internal control.

- It shall ensure compliance with the framework of applicable laws, regulations, rules and standards to which we are subject.
- It shall ensure that financial reporting is reliable and provides shareholders, the Board of Directors, management and other stakeholders adequate information on which to assess performance and development.
- It shall ensure that business operations are appropriately organised and conducted in such a manner that risks are continuously assessed, managed and minimised to meet financial and operational targets. On-going efforts to meet these targets involves a process building on a framework for internal control in which there is a particularly crucial interplay between control activities and the development of an effective control environment whereby responsibilities are assumed within the organisation.

The description of how internal controls are organised is limited to the internal control of financial reporting and follows a framework developed by "The Committee of Sponsoring Organisations of the Treadway Commission" (COSO). The framework consists of five components: control environment, risk assessment, control activities, information and communication, and review.

Control environment

The control environment forms the basis for the internal control of financial reporting. An important part of the control environment is that decision-making paths, authorisations and responsibilities are clearly defined and communicated between different parts of the organisation and that control documents in the form of policies, procedures and instructions are in place. Consequently, an important part of the Board's work is to develop and approve a number of basic steering documents. These include the Board's formal work plan, the instructions to the CEO, regulations regarding investments, a financial policy and an insider policy. The purpose of these documents is to establish a basis for good internal control. The Board also works to ensure that the organisational structure provides clear roles, responsibilities and processes, facilitating effective management of operational risks and enabling the achievement of targets.

A project was begun in 2019 to strengthen Midsona's internal governance processes and create a more functional structure. In the process, all of Midsona's policies are reviewed and when necessary have been revised.

As part of the responsibility structure, each month, the Board evaluates business performance and results through an appropriate package of reports containing income statements and balance sheets, analyses of key performance indicators, comments regarding the business situation of each operation and, on a quarterly basis, also forecasts for future periods. As part of efforts to strengthen the internal control, policies, regulations and procedures are in place that provide a clear picture of the economic situation. These are living documents that are updated regularly and adapted to changes in the operations. In addition to this there are instructions that provide guidance in the day-to-day work of the organisation.

Risk assessment

An on-going process is under way to map the Group's risks. In this process, a number of income statement and balance sheet items are identified where the risk of errors in financial reports is elevated. The company makes continuous efforts to strengthen controls around these risks. Furthermore, risks are addressed in specific forums, for example issues related to acquisitions. For information about items that are subject to significant estimates and judgements, see Note 35 *Important estimates and assessments* pages 109–110 and the section *Risks and risk management*, pages 62–71.

Control activities

The Group's control structure is designed to manage risks that the Board deems relevant in the internal control of financial reporting. The purpose of control activities is to detect, prevent and correct errors and inconsistencies in reporting. Control activities include, for example, processes and procedures for the making of important decisions, earnings analyses and other analytical follow-ups, reconciliations, stock-taking procedures and controls in IT systems.

Information and communication

The company's governing documents, including policies, guidelines and manuals are continuously updated and communicated through the appropriate channels, primarily via e-mail, internal meetings and the intranet.

Follow-up

The Board continuously evaluates the information provided by the Audit Committee, Group Management and the external auditor. The CEO and CFO hold frequent briefings with each of the division managers regarding the business situation, performance, financial position and forecasts. In addition, the central controller function maintains close cooperation with finance managers and controllers at the division and company level with regard to reporting and closing the accounts. Follow-up and feedback on any problems arising in the internal controls form a central component in the internal control processes.

Financial reporting

Financial data are reported monthly from all reporting units, in accordance with standardised reporting procedures as documented in the Group's accounting manual. This reporting forms the basis of the Group's consolidated financial reporting. The consolidation, which is performed centrally, culminates in complete income statements and balance sheets for each company and for the Group as a whole. Reported financial data are stored in a central database from which it is retrieved for analysis and review at the Group, division and company levels.

Assessment of the need for a special review function

The Group currently has no separate review function (internal audit). In light of the existing process for self-assessment and objective testing by an independent party, the view is taken that there is currently no need for a special review function to perform effective monitoring of internal control.

Operational improvements in 2019

The level at which review and evaluation should be performed is assessed continuously. This assessment also takes into account what systems should be implemented or updated and when.

Division Nordics with Sweden, Denmark, Norway and Finland have implemented a common business system since the fourth quarter of 2019.

In connection with the system implementation, an overall audit was done of the IT system. This will be followed up by a more in-depth audit in 2020.

To further strengthen internal control, recruitment of controllers has been initiated in France, Germany and Finland.

Auditor's statement regarding the Corporate Governance Report

To the General Meeting of Shareholders in Midsona AB (publ)
corporate identity number 556241-5322

Assignment and responsibilities

The Board of Directors is responsible for the Corporate Governance Report for the financial year 1 January 2019 – 31 December 2019 on pages 117–121 and for it being prepared in accordance with the Annual Accounts Act.

Review focus and scope

Our review has been conducted in accordance with FAR's statement RevU 16 Auditor's review of the corporate governance report. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our statements.

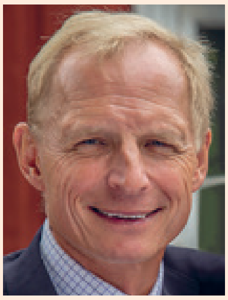
Statement

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, Section 6, second paragraph, Items 2–6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph of the same Act are consistent with the financial statements and are in accordance with the Annual Accounts Act.

Malmö, 7 April 2020
Deloitte AB

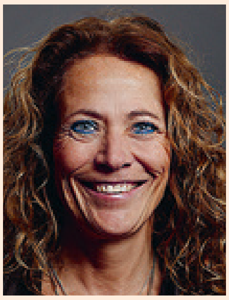
Per-Arne Pettersson
Auditor in charge

Board of Directors




	Ola Erici	Henrik Stenqvist	Birgitta Stymne Göransson	Peter Wahlberg
Born	1960	1967	1957	1962
Position on the Board/attendance	Chairman – 13/13	Member – 12/13	Member – 13/13	Member – 13/13
Elected, year	2012	2017	2015	2015
Position	Industrial advisor	CFO Sobi	Industrial advisor	Self-employed
Previous experience	CEO of Ferrosan and Skånemejerier and several executive positions in the Tetra Laval Group and Gambro	CFO Recipharm and Meda AB and management positions within the AstraZeneca Group	President Memira, President Semantix, Executive Vice President Telefos, CFO Åhléns and management consultant at McKinsey	Stockbroker Penser Fondkommission and Matteus Fondkommission
Education	MSc Economics, Stockholm School of Economics	MBA, Linköping University	Graduate Engineer, Royal Institute of Technology, Stockholm and MBA Harvard Business School	Economics studies at Lund University
Other assignments	Chairman of the Board of Ecobränsle AB, Geveko AB and Dynsafe AB. Board Member of Haarslev A/S and Tresu A/S, among others.	Board Member of MedCap AB	Chairman of the Board of MAG Interactive AB and BCB Medical Oy, member of the Boards of Elekta AB, Pandora AS and Enea AB	Chairman of the Board of Wallhouse AB. Member of the Boards of Hestermus, AB Nolefo, Wahlbergs Drycker AB, Data Doc Holding AB and Pudelqvist.
Dependent on the company and its shareholders:	No	No	No	No
Own shareholdings and those of closely-related parties, 2019[2]	99,415 Series B shares (own and related parties'), 100,000 call options[3]	28,059 Series B shares	9,900 Series B shares	3,237,885 Series B shares (related parties and through the company), of which 1,665,719 is via endowment insurance.
Own shareholdings and those of closely-related parties, 2018	71,282 Series B shares (own and related parties'), 100,000 call options[3]	20,000 series B shares	5,500 Series B shares	2,312,773 Series B shares (related parties and through the company), of which 753,406 is via endowment insurance.
Audit Committee/attendance		Chairman – 3 / 3		Member – 3 / 3
Remuneration Committee/attendance	Chairman – 2 / 2		Member – 2 / 2	
Remuneration 2019[4]	Directors' fees 550,000, Committee fees 30,000, Total 580,000	Directors' fees 235,000 Committee fees 50,000 Total 285,000	Board fees 235,000 Committee fees 20,000 Total 255,000	Board fees 235,000 Committee fees 30,000 Total 265,000

[1] Johan Wester conducts assignments on behalf of Stena Adactum AB.
[2] Shareholding as at 28 February 2020. For updated shareholding, please see www.midsona.com/Bolagsstyrning.
[3] The main owner Stena Adactum AB issued, in November 2016, 100,000 call options with their own holding in Midsona shares as guarantee. Midsona is not a party to the transaction and the future redemption of the warrants will not affect Midsona's financial position and earnings.
[4] Remuneration to the Board of Directors for the period May 2019 to April 2020. Remuneration to Board members elected by the 2019 Annual General Meeting following a proposal from the Nomination Committee.
For more information, see Note 10 *Employees, personnel expenses and senior executives' remunerations*, page 95–96.



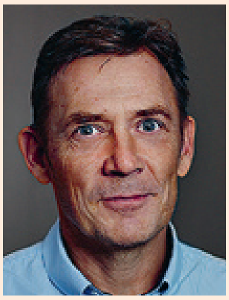
Johan Wester	**Kirsten Ægidius**
1966	1963
Member – 13/13	Member – 13/13
2009	2016
Senior Vice President, Stena Adactum AB	Global Sales and Marketing Director Harboe Bryggeri A/S
CEO of Mediatec Group, partner at Arthur D. Little and member of the Boards of Ballingslöv International AB and Personec Oy	Group Marketing Director, Hilding Anders, CEO Weber-Stephan Nordics, Marketing Director Carlsberg Denmark and various positions at Coca-Cola and Unilever, member of the Board of Andersen/Martini A/S
Graduate engineer, Chalmers Institute of Technology	Master's Degree, Copenhagen Business School
Chairman of the Board of S-Invest and Captum Group AB. Member of the Boards of Stena Renewable, S&L Access Systems AB and Beijer Electronics	Board member of Arcus ASA
Yes[1]	No
78,045 Series B shares (personal holding and through related parties)	11,900 Series B shares
67,175 Series B shares (personal holding and through closely-related parties)	8,500 Series B shares
Member – 3 / 3	
Member – 2 / 2	
Board fees 235,000 Committee fees 50,000 Total 285,000	Board fees 235,000 Committee fees – Total 235,000

Auditor

Per-Arne Pettersson.
Authorised Public Accountant with Deloitte AB and member of FAR.

Group Management

Peter Åsberg



Lennart Svensson

Tobias Traneborn

Marjolaine Cevoz Goyat

	Peter Åsberg	Lennart Svensson	Tobias Traneborn	Marjolaine Cevoz Goyat
Born	1966	1961	1975	1975
Employed	2007	2009	2017	2016
In current position	2007	2009	2017	2019
Position	President and CEO	CFO	Supply Chain Director	Division Director South Europe
previous positions:	President of Cloetta Fazer, Sverige. Various positions at Procter & Gamble and Coca-Cola.	Senior management positions within Ericsson, both in Sweden and internationally.	Positions as Chief Operating Officer at CDON.COM, Operations Manager at HKC and as Logistics Manager at both Lantmännen Cerealia and Kjell & Company	Former marketing manager at the Panzani Group and brand manager at Procter & Gamble
Education	MSc Economics, Lund University	MSc Economics, Stockholm University	BSc Engineering, University of Borås	Master degree from École des hautes études commerciale, Paris
Other assignments	Chairman of the Board of Svensk Egenvård			
Own shareholdings and those of closely-related parties, 2019[2]	533,534 Series B shares, 60,000 warrants (2017/2020) and 60,000 warrants (2019/2022)	92,790 Series B shares, 30,000 warrants (2017/2020) and 18,000 warrants (2019/2022)	20,000 Series B shares, 15,000 warrants (2017/2020) and 16,000 warrants (2019/2022)	18,000 warrants (2019/2022)
Own shareholdings and those of closely-related parties, 2018	235,668 Series B shares, 100,000 warrants (2016/2019) and 60,000 warrants (2017/2020)	27,492 Series B shares, of which, 8,742 in endowment insurance, 50,000 warrants (2016/2019) and 30,000 warrants (2017/2020)	20,000 warrants (2016/2019) and 15,000 warrants (2017/2020)	

[1] Shareholding as at 28 February 2020. For updated shareholding, please see www.midsona.com/Bolagsstyrning.

Principles for remuneration

Principles for remuneration of senior executives are determined by the Annual General Meeting. Senior executives are considered to be the CEO and other members of the management team. The 2019 Annual General Meeting approved the following guidelines for remuneration of senior executives: Senior executives shall be offered market-based and competitive compensation. Remuneration levels for individual executives are to be based on factors including position, competence, experience and performance. Remuneration consists of fixed salary and pension, and shall additionally be able to include variable pay, severance pay and non-monetary benefits. The Board of Directors will also be able to propose long-term incentive programmes, both securities-based and others. Variable pay shall be based on quantitative and qualitative targets being achieved. It shall be possible for the CEO to earn variable pay of at most 50 percent of basic salary and for other members of Group Management to earn variable pay of at most 30 percent of basic salary. Severance pay shall amount to at most six months' salary if notice is given by the company. Salary during the period of notice and severance pay shall be limited to at most 24 months' salary. Pension benefits shall be defined-contribution benefits and normally entitle the individual to pension from the age of 65. On termination of employment by the company, 6 to 12 months' salary normally applies. Remuneration and other terms of employment for the President are prepared by the Remuneration Committee and approved by the Board of Directors. Remuneration and other terms of employment for other members of the management team are determined by the Remuneration Committee in consultation with the CEO. The Board of Directors is kept continuously up-to-date regarding remuneration levels for other senior executives. By law, the guidelines do not apply to incentive programmes that are decided according to Chapter 16 of the Swedish Companies Act. The board has the right to deviate from these guidelines, if there is reasonable cause in a specific case.


Ulrika Palm	Erk Schuchhardt
1973	1969
2016	2013
2018	2018
Division Director Nordics	Division Director North Europe
CEO Lager 157, Director of Marketing and Innovation for Lantmännen Cerealia and various positions at Procter & Gamble, Wella and Unilever.	Senior positions in Weleda Germany, Weleda North America and Weleda Argentina
MSc Economics, Gothenburg School of Economics	Master degree from London School of Economics
12,000 warrants (2017/2020) and 18,000 warrants (2019/2022)	18,000 warrants (2019/2022)
50,000 warrants (2016/2019) and 12,000 warrants (2017/2020)	

For the 2019 financial year, variable remuneration amounting to SEK 551 thousand was paid to the CEO. Variable salary accounted for 15 percent of base salary for the CEO. For the 2019 financial year, variable remuneration of SEK 966 thousand was paid to the other members of Group Management, which corresponded to 7 percent of base salary.

The Board of Directors' proposed guidelines for remuneration of senior executives to be presented for approval by the Annual General Meeting of 5 May 2020 agree to all intents and purposes with the previous year's guidelines. The proposed guidelines for senior executives that will be presented at the Annual General Meeting have, however, been adjusted in relation to the proposal presented at the 2019 Annual General Meeting. The adjustments have been made as a result of new legal rules that aim to provide transparency in remuneration issues, but entail no significant material changes over the proposal adopted at the 2019 Annual General Meeting.

Remuneration and other benefits to Group Management, 2019

Group Management (8 individuals)[1]	SEK thousand
Basic salary	16,828
Variable remuneration	1,517
Other benefits	900
Pension expenses	4,229
Total	**23,474**

[1] Group Management comprises those who, together with the CEO Peter Åsberg, were included in Group Management during all or part of the year. These senior executives comprised Lennart Svensson, Markku Janhunen (until 30 November 2019), Ulrika Palm, Tobias Traneborn, Christoffer Mørck (until 30 November 2019), Peter Overgaard (until 30 November 2019), Erk Schuchhardt and Marjolaine Cevoz-Goyat (from 1 October 2019). For more information on remuneration and other benefits to Group Management, see Note 10 Employees, personnel expenses and senior executives' remuneration, pages 95–96.

Five-year summary

Excerpts from income statements

SEK million	2019	2018	2017	2016	2015
Net sales	3,081	2,852	2,146	1,744	1,174
Expenses for goods sold	-2,178	-1,980	-1,435	-1,127	-699
Gross profit	**903**	**872**	**711**	**617**	**475**
Selling expenses	-505	-473	-393	-377	-323
Administrative expenses	-240	-212	-179	-149	-103
Other operating income	37	7	3	5	9
Other operating expenses	-25	-16	-8	-14	-10
Operating profit/loss	**170**	**178**	**134**	**82**	**48**
Profit/loss from participations in joint ventures	-1	–	–	–	–
Financial income	0	16	0	1	1
Financial expenses	-53	-31	-22	-25	-10
Profit/loss before tax	**116**	**163**	**112**	**58**	**39**
Tax	-19	-34	-28	-13	27
Profit/loss for the year	**97**	**129**	**84**	**45**	**66**
Depreciation/amortisation and impairment					
Depreciation/amortisation and impairment included in operating income	114	52	35	25	19
EBITDA	**284**	**230**	**169**	**107**	**67**
Items affecting comparability					
Items affecting comparability included in operating profit	6	11	21	27	20
Operating profit, before items affecting comparability	**176**	**189**	**155**	**109**	**68**
Items affecting comparability and depreciation/amortisation and impairment					
Items affecting comparability included in EBITDA	120	63	56	52	39
EBITDA, before items affecting comparability	**290**	**241**	**190**	**134**	**87**
Pro forma adjustment and acquisition-related restructuring and transaction expenses					
Pro forma adjustment and acquisition-related restructuring and transaction expenses affecting EBITDA	21	24	11	63	18
Adjusted EBITDA	**305**	**254**	**180**	**170**	**85**

Excerpts from balance sheets

SEK million	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
Intangible assets	3,058	2,466	2,129	1,940	1,067
Other fixed assets	686	332	160	139	128
Inventories	529	482	272	244	151
Other current assets	334	318	242	232	148
Cash and cash equivalents	173	101	54	65	61
Total assets	**4,780**	**3,699**	**2,857**	**2,620**	**1,555**
Shareholders' equity	2,322	1,630	1,550	1,349	877
Non-current interest-bearing liabilities	1,408	1,124	665	696	250
Other non-current liabilities	413	354	226	211	135
Current interest-bearing liabilities	118	93	41	31	69
Other current liabilities	519	498	375	333	224
Total shareholders' equity and liabilities	**4,780**	**3,699**	**2,857**	**2,620**	**1,555**

Excerpts from cash flow statements

SEK million	2019	2018	2017	2016	2015
Cash flow from operating activities before changes in working capital	221	182	146	103	64
Changes in working capital	-23	30	6	-34	23
Cash flow from operating activities	**198**	**212**	**152**	**69**	**87**
Cash flow from investing activities	-712	-357	-91	-848	-254
Cash flow after investing activities	**-514**	**-145**	**61**	**-779**	**-167**
Cash flow from financing activities	589	189	-69	778	183
Cash flow for the year	**75**	**44**	**-8**	**-1**	**16**
Cash and cash equivalents at beginning of year	101	54	65	61	50
Exchange-rate difference in cash and cash equivalents	-3	3	-3	5	-5
Cash and cash equivalents at end of year	**173**	**101**	**54**	**65**	**61**

Key figures [1,2,3]

		2019	2018	2017	2016	2015
Income and expense						
Net sales growth	%	8.0	32.9	23.1	48.6	27.6
Organic change, net sales	%	−6.1	3.0	−4.2	−3.8	−7.7
Selling expenses/net sales	%	16.4	16.6	18.3	21.6	27.5
Administrative expenses/net sales	%	7.8	7.4	8.3	8.5	8.8
Margin						
Gross margin	%	29.3	30.6	33.1	35.4	40.5
EBITDA margin	%	9.2	8.1	7.9	6.1	5.7
EBITDA-margin, before items affecting comparability	%	9.4	8.5	8.9	7.7	7.4
Operating margin	%	5.5	6.2	6.2	4.7	4.1
Operating margin, before items affecting comparability	%	5.7	6.6	7.2	6.3	5.8
Profit margin	%	3.8	5.7	5.2	3.3	3.3
Capital						
Average capital employed	SEK million	3,348	2,552	2,166	1,636	1,074
Return on capital employed	%	5.0	7.6	6.2	5.1	4.6
Return on shareholders' equity	%	4.9	8.1	5.8	4.0	8.1
Equity/assets ratio	%	48.6	44.1	54.3	51.5	56.4
Liquidity						
Net debt	SEK million	1,353	1,116	652	662	258
Net debt/EBITDA	multiple	4.8	4.9	3.9	6.2	3.9
Net debt / Adjusted EBITDA	multiple	5.3	4.4	3.6	3.9	3.0
Net debt/equity ratio	multiple	0.6	0.7	0.4	0.5	0.3
Interest coverage ratio	multiple	3.2	6.3	6.1	3.3	4.9
Cash flow						
Cash flow from operating activities	SEK million	198	212	152	69	87
Free cash flow	SEK million	155	176	125	51	84
Employees						
Average number of employees	number	581	473	353	308	220
Number of employees at end of year	number	721	525	384	322	294
Shares and market capitalisation						
Average number of shares during the year	thousand	48,179	46,008	44,141	31,547	24,419
Number of shares at end of year	thousand	65,005	46,008	46,008	42,646	28,431
Market capitalisation	SEK million	3,212	2,834	2,691	1,876	938
Per share data						
Profit attributable to Parent Company shareholders	SEK	2.02	2.80	1.91	1.42	2.71
Shareholders' equity	SEK	35.72	35.43	33.69	31.63	30.85
Cash flow from operating activities	SEK	4.11	4.61	3.44	2.19	3.56
Free cash flow	SEK	3.22	3.83	2.83	1.62	3.44
Share price on balance sheet date (Series B shares)	SEK	49.40	61.60	58.50	44.00	33.00
Dividend[4]	SEK	1.25	1.25	1.25	1.10	1.10
Yield	%	2.5	2.0	2.1	2.5	3.3
Pay-out ratio	%	83.6	45.1	68.2	104.5	47.2
P/E ratio	multiple	24.5	22.0	30.6	30.9	12.2

[1] Midsona presents certain financial measures in the Year-end report that are not defined under IFRS. For definitions and reconciliation to IFRS, see pages 128–131.
[2] The figures for 2015-2016 have not been recalculated for effects on sales and operating expenses in connection with conversion to IFRS 15.
[3] The figures for 2015-2018 have not been restated for effects in the income statement in connection with conversion to IFRS 16.
[4] Dividend for 2019 relates to the proposal by the Board of Directors.

Definitions

Midsona presents certain financial measures in the Year-end report that are not defined under IFRS. Midsona considers these measures to provide useful supplemental information to investors and the company's management as they facilitate the evaluation of the company's performance. Because not all companies calculate financial measures in the same way, these are not always comparable to the measures used by other companies. Accordingly, these financial measures should not be considered a substitute for measurements as defined under IFRS. The table below presents measures not defined under IFRS, unless otherwise stated. The purpose of each measure is presented in italics.

Return on Equity Profit for the year in relation to average shareholders' equity. *For assessing the Company's ability to reach an industry-rate reasonable level of return on the total capital of the owners made available.*

Return on capital employed Profit before tax plus financial expenses in relation to average capital employed *For assessing the Company's ability to reach an industry-rate reasonable level of return on the total capital of the owners and lenders made available.*

Gross margin Gross profit in relation to net sales. *Relevant for assessing the company's ability to reach an industry-rate level of profitability.*

Market capitalisation Number of shares at year-end multiplied by the price quoted for Series B share on the balance sheet date. *To assess the company's market value.*

Yield Dividend in relation to the price quoted for class B share on the balance sheet date. *Yield is one central financial measure for determining the share of earnings for the year that the company distributes to its shareholders.*

EBITDA Operating income before depreciation and depreciation of tangible assets and amortisation of intangible assets. *EBITDA is a key performance measure for assessing the earnings trend of the Company over time.*

EBITDA, 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 lease 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.*

EBITDA margin EBITDA in relation to net sales. *EBITDA margin is a key figure for assessing the company's ability to reach a level of profitability by segment as well as one of the company's financial goal of an EBITDA margin in excess of 12 percent is met.*

Shareholders' equity per share Shareholders' equity divided by the number of shares outstanding at the end of the year. *Is a measurement that measures the company's net asset value per share and allows assessment if the company increases shareholder wealth over time.*

Free cash flow Cash flow from operating activities less cash flow from investing activities, excluding acquisitions/sales of operations, acquisitions/sales of trademarks and product rights, as well as expansion investments *Is a measure of the company's underlying cash flow.*

Free cash flow per share Non-restricted cash flow in relation to the average number of shares. *Is a measure of the company's underlying cash flow per share.*

Average number of shares Average number of shares outstanding during the year. *Financial measure defined under IFRS.*

Adjusted EBITDA EBITDA, rolling 12 months pro forma, excluding acquisition-related restructuring and transaction expenses *Is a relevant measure to increase the comparability of EBITDA over time.*

Items affecting comparability Significant items that are presented separately due to their size or frequency, such as restructuring costs and acquisition-related costs. *This is a measure of operating items not normally included in the company's operating activities. Relevant for assessing the company's operating profit growth eliminated for those non-recurring operating items.*

Customer credit period Accounts receivable adjusted for VAT in relation to net sales. *Is a relevant measure to assess how quickly the Company gets paid by its customers.*

Net sales growth Net sales for the year less the preceding year's net sales in relation to the preceding year's net sales. *Net sales growth is a key to determine whether the Company's growth strategy and the fulfilment of one of the Company's financial target of an average growth of at least 15 percent of the time met.*

Net debt Interest-bearing provisions and liabilities at the end of the year less cash and cash equivalents. *Net debt is a measure that the Company regards as relevant to creditors and credit rating agencies.*

Net debt/EBITDA Net debt in relation to EBITDA. *Net debt/EBITDA is a figure that Midsona regards as relevant to investors who want to assess the Company's opportunities to implement strategic investments, to meet its financial obligations, and to meet one of its financial targets of net debt/ EBITDA of a multiple of 3–4.*

Net debt/Adjusted EBITDA Net debt in relation to Adjusted EBITDA. *Net debt/Adjusted EBITDA is a figure that Midsona regards as relevant to investors who want to assess the Company's opportunities to implement strategic investments, to meet its financial obligations, and to meet one of its financial targets of net debt/EBITDA of a multiple of 3–4. This key figures increase the comparability of \Net debt/EBITDA over time.*

Net debt/equity ratio Net debt in relation to shareholders' equity. *Net debt/equity ratio is a key figure for assessing a company's capital structure.*

Organic change, net sales Net change in sales between years adjusted for translation effects on consolidation and for changes in the Group structure *Organic change, net sales is a key figure determining whether the company's growth strategy is met, adjusted for currency effects on consolidation as well as acquisitions and divestments of operations.*

P/E ratio Share price on the balance sheet date in relation to earnings per share. *Is a key figure that is considered relevant to assess whether the company's stock is worth buying or not.*

Earnings per share Profit for the year in relation to the average number of shares. *Financial measure defined under IFRS.*

Interest coverage ratio Profit before tax plus interest expenses in relation to interest expenses. *Interest coverage is relevant for assessing the company's ability to execute strategic investments and assess the company's ability to meet its financial commitments.*

Working capital Non-interest-bearing current assets less non-current non-interest-bearing liabilities. *Working capital is a key performance indicator for assessing the company's ability to meet short-term capital.*

Operating margin Operating profit in relation to net sales. *The operating margin is relevant for assessing the company's ability to reach an industry-based level of profitability.*

Equity/assets ratio Shareholders' equity at the end of the year in relation to total assets. *The equity/assets ratio shows the proportion of the balance sheet total represented by shareholders' equity and has been included to gain a view of the company's capital structure.*

Structural changes Changes in net sales due to changes in the Group structure. *Structural changes measure how changes in the Group structure contribute to changes in net sales.*

Capital employed Total assets less non-interest-bearing liabilities and deferred tax liabilities. *Capital employed is a measure of the total capital that the company borrows from its shareholders, who usually receive compensation in the form of dividends, or that it borrows from credit institutions, who receive compensation in the form of interest.*

Pay-out ratio Proposed/approved dividend in relation to net income. *Pay-out ratio is relevant for assessing whether the company meets one of its financial objectives of having a long-term pay-out ratio exceeding 30 percent.*

Profit margin Profit before tax in relation to net sales. *Profit margin is relevant for assessing the company's ability to reach an industry-based level of profitability.*

IFRS reconciliations, Group

EBITDA

Operating profit before amortisation/depreciation and impairment of tangible and intangible assets.[1]

SEK million	2019	2018	2017	2016	2015
Operating profit/loss	170	178	134	82	48
Amortisation of intangible assets	36	31	24	16	13
Depreciation of tangible assets	78	21	11	9	6
EBITDA	284	230	169	107	67
Item affecting comparability [2,3]	6	11	21	27	20
EBITDA, before items affecting comparability	290	241	190	134	87
Net sales	3,081	2,852	2,146	1,744	1,174
EBITDA-margin, before items affecting comparability	9.4%	8.5%	8.9%	7.7%	7.4%

[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	2019	2018	2017	2016	2015
Restructuring costs	15	2	16	20	18
Acquisition-related costs	17	10	5	7	6
Assessed conditional purchase consideration	-26	-1	–	–	-4
Total	6	11	21	27	20

[3] Corresponding line in the consolidated income statement

SEK million	2019	2018	2017	2016	2015
Expenses for goods sold	7	2	–	2	6
Selling expenses	5	-1	4	5	8
Administrative expenses	2	1	12	11	2
Other operating income	-26	-1	–	–	-4
Other operating expenses	18	10	5	9	8
Total	6	11	21	27	20

Adjusted EBITDA

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

SEK million	2019	2018	2017	2016	2015
EBITDA	284	230	169	107	67
Acquisition-related restructuring expenses	–	1	16	20	8
Acquisition-related transaction expenses	-11	9	5	6	6
Pro forma adjustment	32	14	-10	37	4
Adjusted EBITDA	305	254	180	170	85

Net liabilities

Interest-bearing provisions and interest-bearing liabilities less cash and cash equivalents, including short-term investments.

SEK million	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
Non-current interest-bearing liabilities	1,408	1,124	665	696	250
Current interest-bearing liabilities	118	93	41	31	69
Cash and cash equivalents[1]	-173	-101	-54	-65	-61
Net liabilities	1,353	1,116	652	662	258

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

Average capital employed

Total equity and liabilities less interest-bearing liabilities and deferred tax liability at the end of the period plus total shareholders' equity and liabilities less interest-bearing liabilities and deferred tax liability at the beginning of the period divided by 2.

SEK million	2019	2018	2017	2016	2015
Shareholders' equity and liabilities	4,780	3,699	2,857	2,620	1,555
Other non-current liabilities	-92	-83	-5	-4	–
Deferred tax liabilities	-321	-271	-221	-207	-135
Accounts payable	-288	-357	-220	-212	-132
Other current liabilities	-91	-33	-50	-38	-31
Accrued expenses and deferred income	-140	-108	-105	-83	-61
Capital employed	3,848	2,847	2,256	2,076	1,196
Capital employed at the beginning of the period	2,847	2,256	2,076	1,196	952
Average capital employed	3,348	2,552	2,166	1,636	1,074

Return on capital employed

Profit before tax plus financial expenses in relation to average capital employed.

SEK million	2019	2018	2017	2016	2015
Profit/loss before tax	116	163	112	58	39
Financial expenses	54	31	22	25	10
Profit before taxes, excluding financial expenses	170	194	134	83	49
Average capital employed	3,348	2,552	2,166	1,636	1,074
Return on capital employed, %	5.1	7.6	6.2	5.1	4.6

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	2019	2018	2017	2016	2015
Shareholders' equity	2,322	1,630	1,550	1,349	877
Shareholders' equity at the beginning of the period	1,630	1,550	1,349	877	751
Average shareholder's equity	1,976	1,590	1,450	1,113	814

Return on shareholders' equity

Profit for the period in relation to average shareholder's equity.

SEK million	2019	2018	2017	2016	2015
Profit/loss for the year	97	129	84	45	66
Average shareholder's equity	1,976	1,590	1,450	1,113	814
Return on equity, %	4.9	8.1	5.8	4.0	8.1

Free cash flow

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

SEK million	2019	2018	2017	2016	2015
Cash flow from operating activities	198	212	152	69	87
Cash flow from investing activities	−712	−357	−91	−848	−254
Acquisitions of companies or operations	659	295	64	800	251
Expansion investment in a new production line	2	26	–	–	–
Acquisition of joint venture	8	–	–	–	–
Acquisitions of brands and product rights	–	–	–	30	–
Free cash flow	155	176	125	51	84

Organic change, net sales

Change in net sales between years adjusted for translation effects on consolidation and for changes in the Group structure.

SEK million	2019	2018	2017	2016	2015
Net sales	3,081	2,852	2,146	1,744	1,174
Net sales compared with the corresponding period in the preceding year	−2,852	−2,146	−1,744	−1,174	−920
Net sales, change	229	706	402	570	254
Structural changes	−355	−557	−457	−619	−331
Exchange rate changes	−48	−85	−18	5	6
Organic change	−174	64	−73	−44	−71
Organic change, %	−6.1%	3.0%	−4.2%	−3.8%	−7.7%
Structural changes, %	12.4%	26.0%	26.2%	52.7%	36.0%
Exchange rate changes, %	1.7%	4.0%	1.0%	−0.4%	−0.7%

EBITDA, before items affecting comparability and adjusted for the IFRS 16 effect

EBITDA before items affecting comparability adjusted for the effect of lease 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	2019	2018	2017	2016	2015
EBITDA, before items affecting comparability	290	241	190	134	87
Leasing fees on ROU assets with application of IFRS 16	−44	–	–	–	–
EBITDA, before items affecting comparability and adjusted for the IFRS 16 effect	246	241	190	134	87

Glossary

Agenda 2030 Agenda with 17 global sustainable development goals adopted by the leaders of the world in Paris (the Paris Agreement) in 2015.

Bars Foods where the most common variant consists of protein bars and weight control bars. They can be eaten as, for example, a snack or meal replacement.

BSCI (Business Social Compliance Initiative) A member-driven corporate initiative for responsible supply chains.

Circular economy Instead of producing, buying, using and then discarding products, in a circular economy everything made is used as long as possible and when the products are used up, as much as possible is reused and recycled to consume less of the Earth's resources and reduce our waste.

Convenience Service trade.

Organic products Products grown without pesticides or chemical fertilisers. Those seeking to sell products as organic within the EU must comply with the EU regulations for organic production.

GFSI (Global Food Safety Initiative) A corporate initiative for auditing, comparing and recognising voluntary certification programmes for food safety.

FSC (Forest Stewardship Council) International non-profit organisation, the task of which is to promote an environmentally adapted economically sustainable management of the world's forest.

Sustainable development (sustainability) – development that meets today's needs without jeopardizing future generations' ability to satisfy their needs.

Healthfoods Food that may be good for our health and our well-being.

Global Compact UN initiative combining companies and community institutions with some ten principles on the environment and society.

GRI (Global Reporting Initiative) Global network in which industry, stakeholders and society work together to produce sustainability reporting based on consensus.

Gluten-free Products with a reduced gluten content, containing a maximum of 20 mg of gluten per kg of product.

GMO (Genetically modified organisms) In a genetically modified organism, the genetic material has been altered in a way that cannot occur naturally. Its use can be both harmful and beneficial to biodiversity.

Kombucha Fermented beverage based on black tea.

Consumer health Various product categories consisting of healthy nutritional supplements that contribute to good health and well-being, such as natural and herbal medicines, dietary supplements and supplement-like medical aids.

Nutritional supplements These are classified as foods and serve as supplements to normal foodstuffs. They may contain vitamins and minerals or other nutrients such as omega-3.

Licensed brands Other companies' products that are marketed by Midsona.

Food A substance or a product intended for use as a food or beverage. Food should preferably provide the body with essential energy and nutrients while also tasting good.

Pharmaceutical According to the law, pharmaceuticals are all substances allegedly able to detect, prevent, treat or cure disease or disease symptoms.

Minerals The body comprises some 20 different minerals. They make up about 4 percent of bodyweight. Minerals are needed in small amounts but are vital because our bodies cannot produce them.

Omega-3 A number of polyunsaturated and beneficial fatty acids are referred to as omega-3. They are essential fatty acids, meaning the body cannot produce them itself and must instead obtain them through diet. The longer polyunsaturated fatty acids EPA and DHA from fish and fish oil in particular have been found to have additional health-beneficial effects.

Private Label Own brand products. For example, actors in retailing let their product be made by a third-party producer and then sells the product under an own brand, often in own stores.

SBT (Science Based Target Initiative) Cooperation between UN Global Compact, World Resources Institute, the World Wide Fund for Nature and CDP Global with the aim of supporting companies to set science-based climate targets.

Sports nutrition Nutritional and dietary supplements that cater to athletes.

Vegetarian Refraining from food from the animal kingdom. The reasons for choosing vegetarian food vary, for example for environmental or health reasons, for ethical or religious reasons, or simply because people prefer vegetarian foods.

Veganism Taking a position against the use of animals in any form. Accordingly, vegans refrain completely from animal products including all kinds of meat and foods produced by animals, such as milk, cheese, eggs and honey. Vegans also refrain from using animals in, for example, fashion and furnishings.

Vitamins Vitamins are organic substances. Their effect and appearance varies. Common to all of them is that they must be supplied from outside the body. Vitamins are needed in very small amounts but are vital because our bodies cannot produce them. Deficiencies may lead cause disease.

Plant-based diet In a plant-based diet, preferably 2/3 is comprised of plant-based food. Animal products normally do not need to be excluded entirely, but rather the proportions change.

Greenhouse gases The gases in the Earth's atmosphere that capture thermal radiation and thereby contribute to the greenhouse effect. The most important of these are water vapour (H_2O), carbon dioxide (CO_2), nitrous oxide (N_2O), methane (CH_4) and ozone (O_3).

Äkta vara Non-profit consumer association that uses the Swedish letter Ä as its symbol.

Sales channels

Pharmaceutical retail Parties conducting retail trade of medicines and other special pharmaceutical preparations through shops and those conducting wholesale operations specialised in sales to parties conducting retail trade of medicines and other special pharmaceutical preparations.

FMCG retail Parties conducting retail trade of a wide range of household products through shops. The term refers to hypermarkets, supermarkets, discount stores, after-hours supermarkets and convenience stores.

Online retail Parties that primarily sell to consumers via the Internet, through webshops or portals from which end consumers can have the ordered items delivered to their homes or other designated locations. This channel also includes Midsona's own online shops/websites where sales are made directly to consumers, and post-order sales, which are also made to consumers.

Food service Actors that prepare finished meals, such as restaurants, catering, food industry, hospitals, schools and other institutions, as well as wholesalers that provide such actors with products.

Healthfood retailers Retailers specialised in health and personal care, through shops and those conducting wholesale operations specialised in sales to retailers specialised in health and personal care.

Other specialist retailers Other retailers, conducting sales mainly through shops. This channel includes sports and leisure shops, health clubs, perfume shops, baby shops, clothing shops and bakeries.

Other sales channels Those who trade in ways other than those that can be classified under the other sales channels.

Denna rapport finns även på svenska på www.midsona.com från slutet på April 2020. The English version is a translation from Swedish. In case of discrepancy, the Swedish version shall prevail.

The Annual Report is available in English and Swedish versions. In case of any discrepancies between the Swedish and English versions, the Swedish version is considered the official version. This annual report was published on the company's website www.midsona.com on 7 April 2020. Printed copies are sent to shareholders and other stakeholders on request. The Directors' Report is given on pages 72–76. The financial accounts are given on pages 72–113 and have been prepared in accordance with IFRS. All figures are expressed in millions of Swedish kronor (SEK) unless otherwise stated. Figures in parentheses refer to the preceding financial year, unless otherwise stated. Market information is based on Midsona's own assessment if no other source is given. Assessments are based on the best available evidence.

This report contains forward-looking statements. Although Midsona's management believes this information is reasonable, no assurance can be given that these expectations will prove correct. Actual future outcomes may vary from those indicated in the forward-looking information due, among other things, to changes in economic, market and competitive conditions, changes in the regulatory environment and other political measures, fluctuations in exchange rates and other factors.

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URTEKRAM
RISE & SHINE
Hand Cream
Spicy
Orange Blossom
75 ml
URTEKRAM
TUNE IN
Hand Cream
Soothing
Lavender
75 ml
URTEKRAM
BLOWN AWAY
Body Lotion
Wild
Lemongrass
CERTIFIED ORGANIC
100% NATURAL ORIGIN
245 ml
URTEKRAM
RISE & SHINE
Body Lotion
Spicy
Orange Blossom
CERTIFIED ORGANIC
100% NATURAL ORIGIN
245 ml
URTEKRAM
RISE & SHINE
Hand Wash
Spicy
Orange Blossom
CERTIFIED ORGANIC
100% NATURAL ORIGIN
300 ml
URTEKRAM
TUNE IN
Body Wash
Soothing
Lavender
CERTIFIED ORGANIC
100% NATURAL ORIGIN
200 ml
URTEKRAM
BLOWN AWAY
Body Wash
Wild
Lemongrass
CERTIFIED ORGANIC
100% NATURAL ORIGIN
200 ml

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