



midsona

YEAR-END REPORT 2021

Increased costs for input goods and a challenging market burdened earnings for the quarter

October–December 2021 (fourth quarter)

- Net sales amounted to SEK 1,012 million (1,083).
- EBITDA amounted to SEK 61 million (114) before items affecting comparability, corresponding to a margin of 6.0 percent (10.5).
- Profit for the period was SEK 1 million (55), corresponding to earnings per share of SEK 0.01 (0.85) before and after dilution.
- Free cash flow amounted to SEK –25 million (102).
- Midsona took possession of the acquired Vitality on 1 October.
- In its annual climate survey, global environmental initiative CDP awarded Midsona a high ranking for its climate change strategy.

January–December 2021 (full year)

- Net sales amounted to SEK 3,773 million (3,709), but with challenges in organic growth as a result of certain delivery problems, as well as the previous year's hoarding effects and increased household consumption.
- EBITDA amounted to SEK 313 million (390) before items affecting comparability, corresponding to a margin of 8.3 percent (10.5).
- Profit for the period was SEK 89 million (176), corresponding to earnings per share of SEK 1.31 (2.70) before dilution and SEK 1.30 (2.69) after dilution.
- Free cash flow amounted to SEK –94 million (252).
- The Board of Directors proposes that no dividend be paid for 2021.

| Key figures, Group ¹ | Oct–Dec 2021 | Oct–Dec 2020 | Full year 2021 | Full year 2020 |
|---|--------------|--------------|----------------|----------------|
| Net sales growth, % | -6.6 | 31.3 | 1.7 | 20.4 |
| Gross margin, before items affecting comparability, % | 23.9 | 28.1 | 27.0 | 28.1 |
| Gross margin, % | 23.9 | 27.6 | 26.9 | 28.0 |
| EBITDA-margin, before items affecting comparability, % | 6.0 | 10.5 | 8.3 | 10.5 |
| EBITDA margin, % | 5.7 | 9.9 | 8.7 | 10.9 |
| Operating margin, before items affecting comparability, % | 2.0 | 6.7 | 4.2 | 6.6 |
| Operating margin, % | 1.7 | 6.1 | 4.3 | 6.9 |
| Profit margin, % | 0.6 | 4.7 | 3.0 | 5.5 |
| Return on capital employed, % | | | 4.1 | 6.6 |
| Net debt, SEK million | 1,436 | 1,584 | 1,436 | 1,584 |
| Net debt / Adjusted EBITDA, multiple | | | 4.4 | 4.2 |
| Equity/assets ratio, % | 54.4 | 45.1 | 54.4 | 45.1 |

¹ Midsona presents certain financial measures in the Year-End Report that are not defined under IFRS. For definitions and checks against IFRS, please refer to pages 20–21 of this Year-End Report and to pages 150–153 in the 2020 Annual Report.



Note:

This Year-End Report comprises information that Midsona AB (publ) is required to publish under the EU Market Abuse Regulation and the Financial Instruments Trading Act. This Year-End Report was submitted under the auspices of Peter Åsberg and Max Bokander for publication on 4 February 2022 at 8:00 a.m. CET.

For further information

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Peter Åsberg, President and CEO

Comment by the CEO

As previously communicated, the fourth quarter was challenging. Reopening effects following the pandemic hampered sales as customers and consumers phasing out inventories and generally consuming less. Higher costs for input goods, energy and transport had a considerable negative impact on the gross margin. We also experienced major delivery disruptions.

We captured market shares in a tough market

In terms of sales, the quarter began very weak and it was not until December that sales were in line with the preceding year, a trend that continued in January. Sales for the quarter amounted to SEK 1,012 million, a decrease of slightly more than 6 percent compared with the strong fourth quarter of 2020. Although development was relatively weak for our brands, our assessment is that we captured market shares, particularly in France and Spain, where the roll-out of our Happy Bio brand continued as planned and showed growth. The Davert brand in the DACH region experienced a weaker quarter, but we are pleased that Davert was recently introduced at a number of test stores in a leading German grocery chain.

Weak margin to save customer relationships

During the quarter, poor harvests and continued supply disruptions led to shortages and dramatic price increases on several key raw materials, including organic chia seeds – a major product in Germany. In general, we saw sharply increased costs for all of the Group's divisions, although our production unit in Tilst, Denmark was hit particularly hard because System Frugt, which is strong in dried fruit and nuts, has its high season approaching the holidays. To secure deliveries, we purchased raw materials for parts of the Group at high prices on the spot market, greatly hampering the margin. We believe this was nonetheless the right choice in taking care of our customer relationships in the long term. The gross margin fell to 23.9 percent and EBITDA before items affecting comparability decreased to SEK 61 million.

Price increases and other profitability-improving measures

To offset the cost increases, we have, as previously announced, increased the prices on most of our goods, which was generally well received. Due to agreed notification windows and negotiations, however, there is a built-in delay of about five months between cost increases occurring and our price increases being implemented and we do not expect to achieve the full effect until the beginning of the second quarter. We have also initiated other profitability-improving measures and taken action to improve the supply chain in order to achieve greater reliability in goods supply and more stable pricing.

Focus on cash flow

Strong long-term cash flow is a prerequisite for our capacity to invest in our brands and to generate the scope for our continued participation in the consolidation of the European market through acquisitions. To strengthen cash flow, we are initiating programmes to reduce the amount of capital that the company has tied up. The Board has also decided to propose to the Annual General Meeting that no dividend be paid for 2021.

Outlook for 2022

We have established a position as one of the leading players in organic products and plant-based meat alternatives in the European grocery trade. Our success is exemplified by our agreement with Spain's largest grocery chain Mercadona, which we announced after the end of the period. Our chilled plant-based meat-alternatives will be sold under Mercadona's own brand Hacendado – a recognised stamp of quality. Production will make use of our expanded production capacity at Castellcir alongside our own plant-based meat-alternative brands, thus strengthening the margin for our business.

We anticipate continued uncertainty in 2022 with volatile pricing and challenges in the value chain. The gross margin will be strained during the first quarter of 2022. Not until the beginning of the second quarter will we have fully implemented the price increases announced in the autumn. We are monitoring cost trends for raw materials, transport and energy closely and do not rule out the need for further price increases. We are also implementing a number of changes to strengthen the supply chain and our commercial vigour, with the clear ambition to generate organic growth for our brands. We have performed a thorough review of the markets in which we experienced problems, primarily Denmark and Germany, and anticipate a gradual improvement.

I am therefore optimistic about the future, despite the current challenges. Fundamentally, there remains a strong consumer trend for our products. We remain convinced that the measures we are now taking will have an impact and return us to profitable growth.

Peter Åsberg
President and CEO

QUARTER 4

SEK 1,012 million

Net sales

SEK 61 million

EBITDA, before items affecting comparability

6.0 percent

EBITDA-margin, before items affecting comparability

Financial information – Group

October–December

Net sales

Net sales amounted to SEK 1,012 million (1,085), a decrease of 6.6 percent. The organic change in net sales was –9.5 percent while structural changes contributed by 3.3 percent and exchange rate changes by –0.4 percent. While organic growth for priority brands was weak at –11.7 percent for the period, a strong trend at 4.7 percent for several of our other own brands brought organic growth for the portfolio of own brands as a whole to –7.3 percent. Most product groups in the organic products category experienced weak sales in both October and November, but with a good recovery in December. The supply chain remained pressured with, for example, longer lead times for deliveries of raw materials, packaging materials and finished goods due to the global transport situation. Accordingly, customer service remained challenging in certain geographic markets. Sales to food service continued to increase, as a consequence of fewer pandemic restrictions.

Gross profit

Gross profit amounted to SEK 242 million (299) and gross profit, before items affecting comparability, amounted to SEK 242 million (304), corresponding to a margin of 23.9 percent (28.1). The negative margin trend was driven strongly by higher raw material and transport costs that could not yet be offset by price increases levied at the next level. Price increases have been announced to customers and will have a full impact on gross profit in the second quarter of 2022. Poor harvests and transport problems led to shortages of certain raw materials, which partly had to be procured outside contractual volumes at significantly higher spot market prices. The delivery disruptions were most noticeable at the Group's Danish production facility in Tilst, whose peak season for outbound deliveries of dried fruit and nuts falls in the lead-up to the holidays. Due to lower production volumes, efficiency was generally low at most of the Group's production facilities. Furthermore, gross profit was burdened by a major inventory impairment attributable to Germany and Denmark. To achieve better delivery capacity to customers and a more stable price and margin scenario, regardless of market conditions, measures were taken during the period to rectify certain shortcomings in the supply chain.

Operating profit

EBITDA amounted to SEK 58 million (107) and EBITDA, before items affecting comparability, amounted to SEK 61 million (114), corresponding to a margin of 6.0 percent (10.5). The EBITDA margin decreased, essentially as a consequence of lower business volumes in combination with a weak gross margin trend. Generally good cost control and cost synergies derived from the preceding year's acquisitions could only offset the lower business volumes and weak gross margin trend to a limited extent. Amortisation and depreciation for the period amounted to SEK 41 million (41), divided between SEK 13 million (14) in amortisation of intangible assets and SEK 28 million (27) in depreciation of tangible assets. Operating profit

amounted to SEK 17 million (66) and operating profit, before items affecting comparability, amounted to SEK 20 million (73), corresponding to a margin of 2.0 percent (6.7).

Items affecting comparability

Items affecting comparability of a negative SEK 3 million (7) were included in operating profit comprising acquisition-related costs of SEK 3 million (5) attributable to the acquisition of Vitality. The comparison period also included a revalued purchase consideration of SEK 18 million and restructuring expenses of SEK 20 million.

Financial items

Net financial items amounted to an expense of SEK 11 million (15). Interest expenses for external loans to credit institutions amounted to SEK 8 million (7) and interest expenses attributable to leases were SEK 1 million (1). Net translation differences on financial receivables and liabilities in foreign currency were SEK 0 million (negative 3). Other financial items amounted to an expense of SEK 2 million (4).

Profit for the period

Profit for the period amounted to SEK 1 million (55), corresponding to earnings per share of SEK 0.01 (0.85) before and after dilution. Tax on the profit for the period amounted to a negative SEK 5 million (positive 4), of which the current tax was a positive SEK 3 million (negative 1), tax attributable to previous years SEK 0 million (positive 1) and deferred tax a negative SEK 8 million (positive 4).

Cash flow

Cash flow from operating activities amounted to SEK –16 million (113), as a result of both a weaker trend in the operating activities, as well as a deterioration in working capital. Capital tied up in inventories remained high, due both to challenges in the supply chain and increased purchasing volumes of raw materials, packaging materials and finished goods as a consequence of longer lead times in global transport. Measures were implemented to reduce the capital tied up in inventories in upcoming quarters. New legislation in Sweden, with amended payment terms for agricultural and food products affected operating receivables and, in particular, operating liabilities extremely negatively. Cash flow from investing activities amounted to SEK –125 million (–254), comprising a business acquisition for SEK –111 million (–243), investments in tangible and intangible fixed assets of SEK –15 million (–9), of which an on-going expansion investment in South Europe accounted for SEK –5 million, as well as a change in financial assets of SEK 1 million (–2). Free cash flow amounted to SEK –25 million (102). Cash flow from financing activities was SEK 7 million (206), comprising issue expenses of SEK 6 million, loans raised of SEK 140 million (340), amortisation of loans by SEK 69 million (90), amortisation of leasing liabilities by SEK 14 million (16) and dividends paid of SEK 44 million (39). The comparative period also included proceeds of SEK 11 million from the ongoing issuance of warrant programme TO2017/2020. Cash flow for the period amounted to SEK –134 million (65).

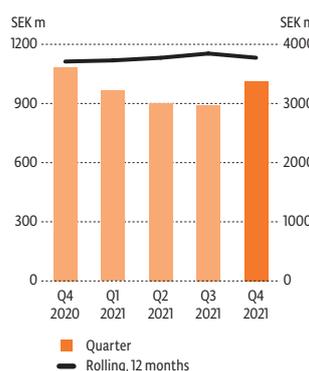
68 percent¹

Percentage of own brands, income

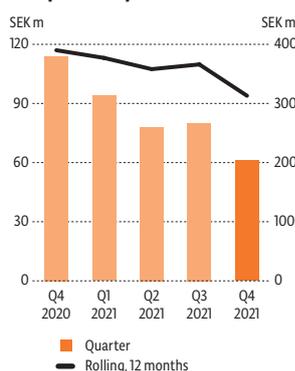
–7.3 percent¹

Organic growth of own brands

Net sales



EBITDA, before items affecting comparability



Net sales per sales channel



¹ For Q4, 2021

January–December

Net sales

Net sales amounted to SEK 3,773 million (3,709), an increase of 1.7 percent. The organic change in net sales was –6.0 percent while structural changes contributed by 9.5 percent and exchange rate changes by –1.8 percent. For the Group's priority brands, the organic sales growth was –6.5 percent. The previous year's strong sales for February–April, attributable to hoarding and increased household consumption due to the Covid-19 outbreak, were challenging to match. In addition, demand for organic products was occasionally restrained during the summer and autumn months as societies opened up with fewer or no pandemic restrictions. Consumers began prioritising restaurant visits and night-life over consumption at home. The supply chain was exposed to disruptions as a result of the global container and transport situation, causing both delayed and postponed deliveries of raw materials, packaging materials and finished goods alike. There were also shortages of certain raw materials due to poorer harvests, which combined with delivery delays brought challenges in the level of service to customers and a certain decline in sales. On the whole, however, the sales trend for most of the Group's own brands was favourable, particularly in the healthfoods and consumer health products categories. The sales volumes for licensed brands were lower as result of concluded sales assignments. As society opened up and pandemic restrictions were lifted, sales to food service gradually improved, partially at the expense of lower sales volumes to grocery trade and healthfood stores.

Gross profit

Gross profit amounted to SEK 1,015 million (1,037) and gross profit, before items affecting comparability, amounted to SEK 1,019 million (1,042), corresponding to a margin of 27.0 percent (28.1). The gross margin came under pressure due to higher costs for raw materials and transport among others, which gradually had an impact in the second half of the year. The acquired business System Frugt also had a negative impact on the margin, with a gross margin in the lower range of 20–30 percent. Due to poor harvests, the availability of certain raw materials diminished and prices for the raw materials procured were higher. In connection with some shortage, volumes also had to be procured outside contractual volumes at significantly higher spot market prices to take care of customer relationships. Occasionally, gross profit was also burdened with higher production and inventory-related expenses. A relatively good product mix, selective price increases, a favourable exchange rate trend and synergies in the supply chain could to some extent alleviate the negative margin trend.

Operating profit

EBITDA amounted to SEK 329 million (404) and EBITDA, before items affecting comparability, amounted to SEK 313 million (390), corresponding to a margin of 8.3 percent (10.5). The EBITDA margin decreased essentially due to lower business volumes, a weak gross margin development attributable to the fourth quarter and larger investments in priority brands during the first half of the year. Because synergies had yet to achieve full impact, the EBITDA margin for the acquired operation System Frugt was also in the lower range of 0–10 percent, which contributed to a lower margin overall for the Group. Amortisation and depreciation for the period amounted to SEK 156 million (147), divided between SEK 47 million (48) in amortisation of intangible assets and SEK 109 million (99) in depreciation of tangible assets. Depreciation increased as a consequence of operations being acquired. In addition, impairment of SEK 8 million was recognised on intangible assets and of SEK 4 million on tangible assets as a result of a product development project being discontinued and a production facility being closed. Operating profit amounted to SEK 161 million (257) and operating profit, before items affecting comparability, amounted to SEK 157 million (243), corresponding to a margin of 4.2 percent (6.6).

Items affecting comparability

Operating profit included items affecting comparability positively by a net SEK 4 million (14), comprising a revalued conditional purchase consideration of SEK 21 million (36), impairment of an intangible asset by SEK 8 million, impairment of tangible assets by SEK 4 million, restructuring expenses of SEK 1 million (25), the reversed portion of a restructuring reserve from previous years of SEK 1 million, as well as acquisition-related expenses of SEK 5 million (5) attributable to the acquisitions of Vitality and System Frugt. The comparative period also included acquisition-related income (negative goodwill) of SEK 8 million as a result of acquisitions of operations at a low price.

Financial items

Net financial items amounted to an expense of SEK 46 million (53). Interest expenses for external loans to credit institutions amounted to SEK 34 million (28) and interest expenses attributable to leases were SEK 4 million (5). Interest expenses to credit institutions increased essentially as a consequence of higher indebtedness following business combinations completed in the fourth quarter of 2020. Net translation differences on financial receivables and liabilities in foreign currency were a negative SEK 2 million (5). Other financial items amounted to an expense of SEK 6 million (7). The comparative period also included earnings from participations in joint ventures in the amount of negative SEK 8 million, attributable to a revaluation of participations in a joint venture on obtaining a controlling influence. This revaluation resulted in a loss as the previously recognised book value of participations in joint ventures in the consolidated accounts exceeded fair value.

Profit for the period

Profit for the period was SEK 89 million (176), corresponding to earnings per share of SEK 1.31 (2.70) before dilution and SEK 1.30 (2.69) after dilution. Tax on the profit for the period amounted to a negative SEK 26 million (28), of which current tax was a negative SEK 19 million (28), tax attributable to previous years SEK 0 million (positive 1) and deferred tax a negative SEK 7 million (1). The effective tax rate was 22.6 percent (13.8).

Cash flow

Cash flow from operating activities amounted to SEK –64 million (283), as a result of both a weaker trend in the operating activities and a deterioration in working capital related to decreased operating liabilities, an increase in capital tied up in inventories and operating receivables. Lower operating liabilities stemmed largely from amended payment terms in Sweden for agricultural and food products due to new legislation that came into force during the fourth quarter. The increased amount of capital tied up in operating receivables essentially stemmed from a factoring agreement terminated in the first quarter, with a negative effect of SEK 67 million, and, to some extent, amended payment terms in Sweden for agricultural and food products. The large amount of capital tied up in inventories was essentially attributable to heightened reserve inventories of critical raw materials and finished goods maintained to improve the level of service to customers in certain markets, as well as higher purchasing volumes of raw materials, packaging materials and finished goods due to longer lead times because of the global transport situation. Cash flow from investing activities amounted to SEK –175 million (–369), consisting of a conditional purchase consideration paid of SEK –3 million related to previous years' business combinations, a business acquisition for SEK –111 (–243), investments in tangible and intangible assets for SEK –59 million (–88), of which an on-going expansion investment in South Europe accounted for SEK –31 million, and a change in financial assets of SEK –2 million (–3). The comparative period also included a purchase consideration of SEK 35 million paid for previous years' business acquisitions. Free cash flow amounted to SEK –94 million (252). Cash flow from financing activities amounted to SEK 94 million (117), comprising a new share issue for SEK 500 million, issue expenses of SEK –6 million (–1), premiums of SEK 2 million received for warrant programme T2021/2024, loans raised of SEK 291 million (402), amortisation of loans by SEK –549 million (163), amortisation of leasing liabilities by SEK –58 million (–51) and dividends paid of SEK –86 million (–81). The comparative period also included the issuance of a warrant programme for SEK 11 million. Cash flow for the period amounted to SEK –145 million (31).

Liquidity and financial position

Cash and equivalents amounted to SEK 53 million (195) and there were unused credit facilities of SEK 490 million (150) at the end of the period. Net debt amounted to SEK 1,436 million (1,584) and was SEK 1,237 million at the end of the preceding quarter. A new loan of SEK 100 million was raised within the existing credit framework to counter deteriorating working capital due to amended payment terms for agricultural and food products. The ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 4.4 (4.2) and, at the end of the preceding quarter, it was a multiple of 3.6. Equity amounted to SEK 2,875 million (2,313) and was SEK 2,858 million at the end of the preceding quarter. The changes consisted of the profit for the period of SEK 1 million and translation differences of SEK 16 million when translating the earnings of foreign operations to SEK. The equity/assets ratio was 54.4 percent (45.1) at the end of the period.

Division Nordics

Percentage net sales
in the Group²



| Division Nordics ¹ | Oct-Dec 2021 | Oct-Dec 2020 | Full year 2021 | Full year 2020 |
|-------------------------------|--------------|--------------|----------------|----------------|
| Net sales | 726 | 761 | 2,611 | 2,428 |
| Gross profit | 202 | 236 | 800 | 774 |
| Gross margin, % | 27.9 | 31.0 | 30.7 | 31.9 |
| EBITDA | 65 | 90 | 263 | 288 |
| EBITDA margin, % | 8.9 | 11.8 | 10.1 | 11.9 |
| Operating profit | 51 | 75 | 210 | 245 |
| Operating margin, % | 7.1 | 9.9 | 8.0 | 10.1 |

¹ Earnings and margin measurements refer to before items affecting comparability unless otherwise stated.

October–December

Net sales

Net sales decreased by 4.5 percent. The division's organic change in net sales was a decrease of 9.4 percent, with external net sales decreasing by 9.1 percent. Regardless of brand category, sales were negatively affected by delivery disruptions due to shortages of certain raw materials and packaging materials, as well as transport problems. On the whole, the portfolio of the Group's own brands developed better than licensed brands and contract manufacturing. Several of our own brands in the healthfoods and consumer health products categories experienced favourable growth. The Friggs brand's geographical expansion delivered continued sales successes – mainly in Norway during this period. Earth Control showed organic growth, but partly at the expense of a lower gross margin.

Gross profit

Gross profit deteriorated driven by cost increases for raw materials, transport and packaging materials, which have yet to be fully offset by price increases levied at the next level. Price increases have been announced to customers and will have a full impact on gross profit in the second quarter of 2022. Gross profit was further impacted negatively by the decline in volumes loss, which resulted in lower efficiency at the division's production units. It was also negatively impacted by certain selective transactions, where raw materials were purchased at higher prices in the spot market, without raising prices for customers, to take care of long-term customer relationships.

Operating profit

EBITDA decreased as a consequence of lower gross profit, with this partly being offset by cost synergies from acquisitions and good cost control. The EBITDA margin was lower than in the comparison period, mainly due to the lower gross margin.

January–December

Net sales

Net sales increased by 7.6 percent, driven by acquired business volumes. The division's organic change in net sales was a decrease of 6.0 percent, with external net sales decreasing by 5.9 percent. It was a challenge to match last year's strong sales in February to April attributable to both hoarding and increased household consumption. However, the sales trend as a whole was relatively favourable over the first nine months of the year, considering that sales of licensed brands decreased with less profitable sales assignments having been discontinued. Partly due to supply disruptions, sales were weak in both October and November, to then recover relatively well in December.

Gross profit

While gross profit improved, driven by acquired operations, the margin was lower because the acquired business System Frugt has a lower gross margin than the division as a whole. During the first nine months, however, the gross margin improved for comparable units. The favourable gross margin trend for comparable units was broken in the fourth quarter, however, mainly due to cost increases yet to be fully offset by price increases levied at the next level.

Operating profit

EBITDA decreased and the margin was lower. The division demonstrated good cost control and realised cost synergies from acquisitions according to plan, but did not manage to fully offset reduced sales volumes through lower overheads.

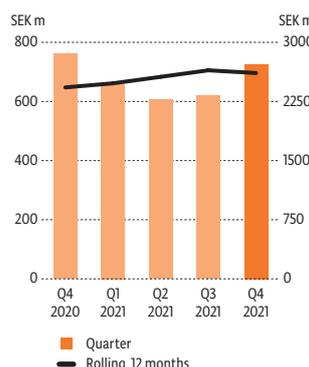
69 percent²

Percentage of own brands, income

-6.0 percent²

Organic growth of own brands³

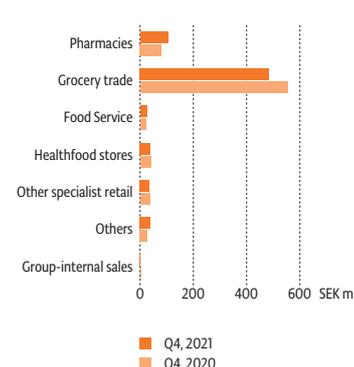
Net sales



EBITDA, before items affecting comparability



Net sales per sales channel



² For Q4, 2021

³ For external product sales

Division North Europe

Percentage net sales
in the Group²

20%

| Division North Europe ¹ | Oct-Dec 2021 | Oct-Dec 2020 | Full year 2021 | Full year 2020 |
|------------------------------------|--------------|--------------|----------------|----------------|
| Net sales | 208 | 231 | 831 | 899 |
| Gross profit | 26 | 47 | 143 | 174 |
| Gross margin, % | 12.4 | 20.5 | 17.2 | 19.4 |
| EBITDA | 0 | 16 | 50 | 74 |
| EBITDA margin, % | 0.1 | 6.9 | 6.1 | 8.3 |
| Operating profit | -11 | 5 | 7 | 29 |
| Operating margin, % | -5.4 | 2.4 | 0.8 | 3.3 |

¹ Earnings and margin measurements refer to before items affecting comparability unless otherwise stated.

October–December

Net sales

Net sales decreased by 10.1 percent. The division's organic change in net sales was a decrease of 8.7 percent, with external net sales decreasing by 9.9 percent. Sales were negatively impacted by delivery disruptions, with planned deliveries not arriving on schedule. However, the portfolio of the Group's own brands developed slightly better than sales of contract manufactured products. The Group's own brands portfolio experienced favourable sales, primarily to food service where sales grew by 12 percent due to pandemic restrictions gradually being lifted, partly at the expense of slightly lower sales to the grocery trade and healthfood stores.

Gross profit

The gross profit and margin deteriorated as a consequence of an unfavourable product mix, price increases for raw materials, transport and packaging materials, yet to be fully offset by price increases levied at the next level. Price increases have been announced to customers and will have a full impact on gross profit in the second quarter of 2022. In addition to cost increases, gross profit was impacted negatively by lower production volumes, which resulted in lower efficiency at the division's production units. Gross profit was also impacted negatively by inventory impairment.

Operating profit

EBITDA decreased as a consequence of lower gross profit, which was partly offset by lower selling expenses.

January–December

Net sales

Net sales decreased by 7.6 percent. The division's organic change in net sales was a decrease of 4.5 percent, with external net sales decreasing by 5.6 percent. The previous year's strong sales in February to April attributable to both hoarding and increased household consumption were challenging to match. Sales were also impacted negatively to a certain extent during the year by a low level of service to customers as a result of disruptions in the supply chain, with delayed deliveries and shortages of some raw materials.

Gross profit

Gross profit decreased and the margin was lower due to lower sales volumes. The margin was negatively affected by limited flexibility in production costs, as well as by temporary additional costs for measures to improve the level of service. The division was also affected by higher costs for raw materials, transport and packaging materials, which have yet to be fully offset by price increases levied at the next level.

Operating profit

EBITDA decreased and the margin was lower as a result of lower sales volumes and a lower gross margin. Although the division has demonstrated good cost control, it has not been able to fully reduce its overheads in line with the reduced sales volumes.

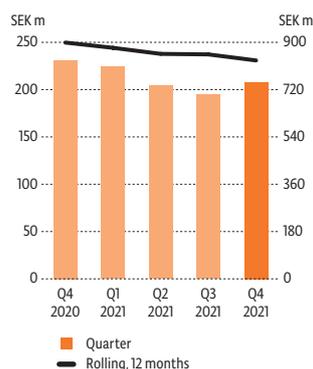
64 percent²

Percentage of own brands, income

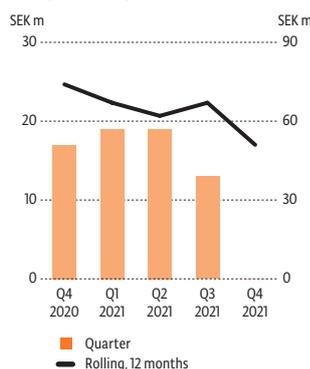
-7.6 percent²

Organic growth of own brands³

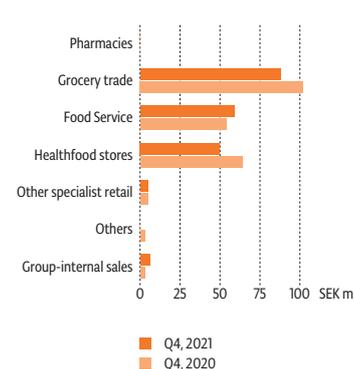
Net sales



EBITDA, before items affecting comparability



Net sales per sales channel



² For Q4, 2021

³ For external product sales

Division South Europe

Percentage net sales
in the Group²



| Division South Europe ¹ | Oct-Dec 2021 | Oct-Dec 2020 | Full year 2021 | Full year 2020 |
|------------------------------------|--------------|--------------|----------------|----------------|
| Net sales | 86 | 99 | 369 | 409 |
| Gross profit | 14 | 21 | 77 | 95 |
| Gross margin, % | 16.0 | 21.6 | 20.8 | 23.2 |
| EBITDA | 4 | 12 | 26 | 51 |
| EBITDA margin, % | 4.6 | 12.6 | 7.0 | 12.5 |
| Operating profit | -1 | 8 | 7 | 33 |
| Operating margin, % | -1.1 | 8.0 | 2.0 | 8.1 |

¹ Earnings and margin measurements refer to before items affecting comparability unless otherwise stated.

October–December

Net sales

Net sales decreased by 12.8 percent. The division's organic change in net sales was a decrease of 11.7 percent, with external net sales decreasing by 11.9 percent. Sales volumes to healthfood stores, which is still the largest sales channel in terms of volume, remained lower compared with the corresponding period in the preceding year as a consequence of a weak market, primarily in France. The Happy Bio brand continued to deliver good growth, while other brands had a sales trend in line with the mark.

Gross profit

Gross profit decreased and the margin was impacted negatively by lower business volumes, an unfavourable product mix and higher inventory costs related to the expansion investment in Spain, which claimed earlier warehouse space and was replaced with a new external warehouse.

Operating profit

EBITDA decreased and the margin was lower as a result of lower business volumes and a weak gross margin trend.

January–December

Net sales

Net sales decreased by 9.7 percent. The division's organic change in net sales was a decrease of 6.6 percent, with external net sales decreasing by 7.2 percent. The previous year's effects from product hoarding and higher household consumption during February to April were difficult to match. Moreover, the French market has been undergoing change for some time with lower sales volumes to healthfood stores and higher volumes to grocery trade. Sales to healthfood stores decreased significantly, which was partly offset by higher business volumes to the grocery trade, driven by the Happy Bio brand.

Gross profit

Gross profit decreased and the slightly lower margin was impacted by higher inventory costs as a consequence of the expansion investment in Spain for plant-based meat alternatives. The investment claimed a former warehouse, which was replaced by a new external warehouse.

Operating profit

EBITDA decreased and the margin was lower due to lower business volumes, a lower gross margin and increased structural costs.

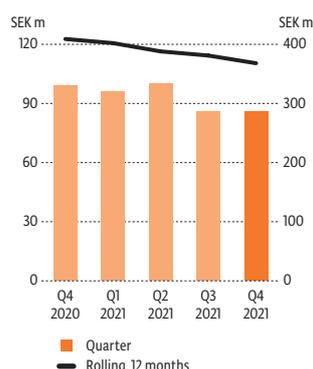
77 percent²

Percentage of own brands, income

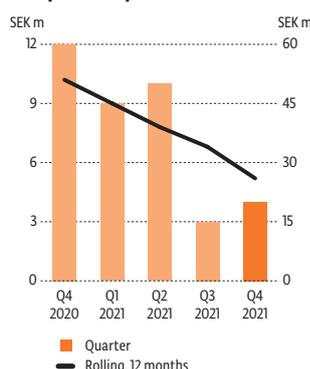
-14.8 percent²

Organic growth of own brands³

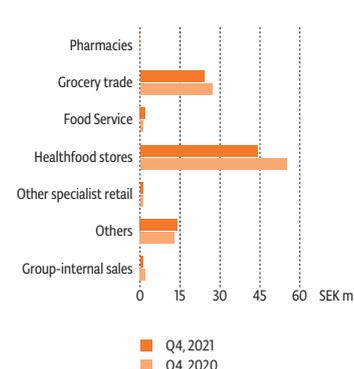
Net sales



EBITDA, before items affecting comparability



Net sales per sales channel



² For Q4, 2021

³ For external product sales

Other information

Financial calendar



Seasonal variations

Sales and earnings are affected to some extent by seasonal variations. Sales in the first and second quarter are affected by Easter week, depending on which quarter it occurs in. Easter week does not favour sales for the Group's product groups. Warm summer months normally entail lower sales for most product groups as the consumers prioritise different consumption. The second quarter of the year is usually the Group's weakest in terms of sales and profit. Sales are generally higher in the fourth quarter than in the first three quarters, which is mainly due to seasonally high deliveries of dried fruits and nuts prior to the holidays.

Parent Company

Net sales amounted to SEK 64 million (59), and related primarily to invoicing of services provided internally within the Group. Profit before tax amounted to SEK 13 million (102). Profit before tax included dividends from subsidiaries of SEK 2 million (153), of which SEK 1 million (19) was anticipated, as well as Group contributions received of SEK 31 million (41). The comparison period also included depreciation of SEK 49 million on shares in subsidiaries. Net financial items included exchange-rate differences on financial receivables and liabilities in foreign currency of a negative SEK 2 million (5) and exchange-rate differences of SEK 13 million (negative 19) on net investment in subsidiaries.

Cash and cash equivalents, including unutilised credit facilities, amounted to SEK 492 million (232). Borrowing from credit institutions was SEK 1,273 million (1,422) at the end of the period. On the balance sheet date, there were 18 employees (14).

Closely-related parties

CEO, Peter Åsberg, sold 35,150 Series B shares in Midsona AB to the main owner Stena Adactum AB in the first quarter of 2021. The transaction was carried out at market price.

In November 2016, the main owner Stena Adactum AB issued 100,000 call options to Chairman of the Board Ola Erici with its own holding in shares as a guarantee. The options were converted to 24,730 Series B shares in Midsona in the second quarter of 2021. The transaction was carried out at market price. It did not affect the Midsona Group's financial position or performance as it was not a party to the transaction.

In September 2021, warrants were transferred to senior executives on market terms, see Note 7 *Change in number of shares, Group* on page 18.

Besides the aforementioned transactions, there were no material related-party transactions in 2021. See also Note 33 *Related parties* on page 128 of the 2020 Annual Report, for a description of the related-party transactions of the Group and the Parent Company.

Risks and uncertainties including impact from Covid-19

In its operations, the Group is subject to operational, market, financial and sustainability risks that may affect profits to a greater or lesser extent. In the third and fourth quarters, the Group suffered diminished access to certain raw materials as well as higher prices for procured raw materials due to poorer harvests. On several occasions, raw materials had to be procured outside contractual volumes and at significantly higher spot market prices. The assessment is that this will have a negative impact on the Group looking

ahead, until the next harvest in the spring and summer of 2022. Beyond that, the assessment is that no new significant risks or uncertainties have arisen. For a detailed account of risks and uncertainty factors, please see the Risks and risk management section on pages 80–91 and Note 31 *Financial risk management* on pages 126–128 in the 2020 Annual Report.

The Covid-19 pandemic continued to affect the Group to some extent in 2021. As societies have reopened, demand for maritime transport has risen dramatically, leading to a global shortage of containers. This entailed considerably increased maritime shipping costs, with the assessment being that these will persist throughout much of 2022. The container shortage also entailed substantial delivery delays. With the external situation remaining somewhat unstable, we continue to maintain elevated reserve inventory levels for the most critical raw materials and finished products. As societies reopened and pandemic restrictions were lifted, sales to food service gradually improved.

Significant events January–December

Changes in priority brands

Midsona works with priority brands, all with great potential for growth. It was decided to replace the Eskio-3 and Naturdiet brands with the Earth Control brand as a priority brand effective from 1 January 2021. Earth Control, a strong brand in the Nordic market in the category of healthfoods, was acquired in October 2020. Eskio-3 and Naturdiet will continue to be developed within the Group. After the change, the priority brands include Urtekram, Kung Markatta, Davert, Helios, Friggs, Celnat, Vegetalia, Happy Bio and Earth Control.

Expanded financing agreement

In April 2021, an agreement was reached to expand an existing financing agreement with Danske Bank, increasing the Group's credit limit by SEK 200 million, to safeguard flexibility regarding future operating capital needs in the expanding group.

Annual General Meeting

The Annual General Meeting on 5 May 2021 addressed dividends and other matters. A decision was made to pay a dividend to shareholders of SEK 1.25 per share, divided between two payment dates. On the first payment date, 12 May, SEK 0.65 per share was paid with 7 May as the record date and on the second payment date, 29 October, SEK 0.60 per share was paid with 26 October as the record date.

Climate targets

In May, Midsona had its targets for reduced emissions approved by the international cooperative body Science Based Target initiative (SBTi), which is a collaboration between the CDP, the UN Global Compact, World Resources Institute (WRI) and World Wide Fund for Nature (WWF). This means that our targets agree with the levels required to achieve the targets in the Paris agreement.

Acquisition analysis

The acquisition analysis for System Frugt A/S, which was presented in the Year-End Report for 2020 and the 2020 Annual Report, was revised in the second quarter of 2021. Revised items in the acquisition analysis are presented in Note 8 *Changes in acquisition analysis* on page 18.

New legislation in Sweden

On 10 June 2021, the Swedish Parliament decided to introduce a new law as of 1 November 2021 regarding the prohibition of unfair trading methods in the purchase of agricultural and food products if the supplier or buyer are established in Sweden, in line with an EU directive. The law contains a number of different prohibited unfair trading methods and one of them is terms of payment of more than 30 days. The Swedish Competition Authority is the supervisory authority and may decide that if a buyer violates the law by applying unfair trading methods, the buyer must pay an administrative fine of a maximum of 1 percent of its annual sales. An analysis showed that changed payment terms in Sweden in the fourth quarter of 2021 had a negative effect of SEK 73 million on consolidated cash flow.

Production facility closure

In July, it was decided to close a small production plant in Jerez, Spain as a part of strengthening competitiveness. The production plant mainly produced organic baby food under the brand Vegebaby. Some production volumes were moved to the production plant in Castellcir, Spain, and some production volumes were concluded. The efficiency programme entailed restructuring costs of SEK 1 million and the impairment of tangible fixed assets by SEK 4 million in fair value, which was charged against profit for the third quarter of 2021. The efficiency-enhancement programme is expected to provide a minor savings, with full effect in 2022.

New share issue

On 24 August, supported by the authorisation granted by the Annual General Meeting on 5 May 2021, Midsona's Board of Directors approved a directed new share issue of 7,496,252 new Series B shares, whereby Midsona raised SEK 500 million before issue expenses in August. Issue expenses amounted to SEK 6 million. The issue proceeds strengthened our financial position and increased our financial flexibility to finance continued value-generating acquisitions. For further information, please see Note 7 *Change in number of shares, Group*, on page 18.

Business acquisitions

On 1 October, all of the shares in Finnish company Vitality were acquired, a company with a leading position in the Finnish consumer health products category, see Note 9 *Business acquisitions* on page 19 for a preliminary acquisition analysis.

Review by auditor

This Year-End Report was subject to review by company's auditors.

During the quarter, a new spread was launched in France under the Happy Bio brand.



Award for climate change strategy

Global environmental initiative CDP, an international non-profit organisation helping companies make their environmental impact visible, awarded Midsona a prestigious high ranking, as one of the best listed companies in the world, for its climate change strategy and leadership.

Board of Directors' dividend proposal

The Board of Directors proposes that no dividend be paid for the 2021 financial year. For the 2020 financial year, a dividend of SEK 1.25 per share was paid, equivalent to SEK 86,019,986.

Annual Report

The 2021 Annual Report will be available on the www.midsona.com website no later than 13 April 2022. The printed Annual Report will preliminarily be available at the head office in Malmö on 20 April 2022. Printed copies of the Annual Report will be sent to shareholders on request.

Annual General Meeting 2022

The Annual General Meeting will be held in Malmö on 5 May 2022. The Board of Directors will preliminarily publish its invitation to the Annual General Meeting on 31 March 2022.

Significant events following the end of the report period.

Market information

Midsona notified the market of lower than anticipated net sales and EBITDA before items affecting comparability for the fourth quarter – this being due to increased costs for input goods and delivery disruptions among others.

Customer agreement

A contract manufacturing agreement was signed with Mercadona, Spain's largest grocery trade chain, for deliveries of plant-based meat alternatives. It is estimated that the customer agreement will generate about SEK 30–40 million in net sales annually, with production taking place at the production facility in Spain.

Malmö, 4 February 2022
Midsona AB (publ)
Board of Directors

Report of Review of Interim Financial Information

Introduction

We have reviewed the Year-End Report (interim report) of Midsona AB (publ) for the period 1 January 2021 to 31 December 2021. The board of directors and the CEO are responsible for the preparation and presentation of the interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion regarding the Interim Report based on our review.

Scope and focus of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and

other review procedures. A review has a different focus and is considerably smaller in scope than an audit conducted in accordance with ISA and other generally accepted auditing standards. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Consequently, the conclusion based on a review does not give the same level of assurance as a conclusion based on an audit.

Conclusion

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

Malmö, 4 February 2022
Deloitte AB

Jeanette Roosberg
AUTHORISED PUBLIC ACCOUNTANT

Financial statements

Summary consolidated income statement

| SEK million | Note | Oct-Dec 2021 | Oct-Dec 2020 | Full year 2021 | Full year 2020 |
|--|------|--------------|--------------|----------------|----------------|
| Net sales | 3.4 | 1,012 | 1,083 | 3,773 | 3,709 |
| Expenses for goods sold | | -770 | -784 | -2,758 | -2,672 |
| Gross profit | | 242 | 299 | 1,015 | 1,037 |
| Selling expenses | | -148 | -161 | -592 | -542 |
| Administrative expenses | | -76 | -88 | -289 | -284 |
| Other operating income | | 3 | 17 | 35 | 52 |
| Other operating expenses | | -4 | -1 | -8 | -6 |
| Operating profit/loss | 3 | 17 | 66 | 161 | 257 |
| Result from participations in joint ventures | | - | - | - | -8 |
| Financial income | | 5 | 7 | 11 | 14 |
| Financial expenses | | -16 | -22 | -57 | -59 |
| Profit/loss before tax | | 6 | 51 | 115 | 204 |
| Tax on profit for the period | | -5 | 4 | -26 | -28 |
| Profit for the period | | 1 | 55 | 89 | 176 |

Profit for the period is divided between:

| | | | | |
|--|------|------|------|------|
| Parent Company shareholders (SEK million) | 1 | 55 | 89 | 176 |
| Earnings per share before dilution attributable to Parent Company shareholders (SEK) | 0.01 | 0.85 | 1.31 | 2.70 |
| Earnings per share after dilution attributable to Parent Company shareholders (SEK) | 0.01 | 0.85 | 1.30 | 2.69 |

Number of shares (thousands)

| | | | | |
|--|--------|--------|--------|--------|
| Average during the period | 72,714 | 65,005 | 67,783 | 65,005 |
| Average during the period, after full dilution | 72,864 | 65,365 | 67,932 | 65,364 |

Summary consolidated statement of comprehensive income

| SEK million | Oct-Dec 2021 | Oct-Dec 2020 | Full year 2021 | Full year 2020 |
|---|--------------|--------------|----------------|----------------|
| Profit for the period | 1 | 55 | 89 | 176 |
| <i>Items that have or can be reallocated to profit for the period</i> | | | | |
| Translation differences for the period on translation of foreign operations | 16 | -67 | 63 | -114 |
| Other comprehensive income for the period | 16 | -67 | 63 | -114 |
| Comprehensive income for the period | 17 | -12 | 152 | 62 |

Comprehensive income for the period is divided between:

| | | | | |
|---|----|-----|-----|----|
| Parent Company shareholders (SEK million) | 17 | -12 | 152 | 62 |
|---|----|-----|-----|----|

During the quarter, Urtekram launched a new beauty brand, Narcissa by Urtekram, with the Detox & Glow skin care series.



Summary consolidated balance sheet

| SEK million | Note | 31 Dec 2021 | 31 Dec 2020 |
|---|------|--------------|--------------|
| Intangible assets | | 3,364 | 3,289 |
| Tangible assets | | 522 | 548 |
| Non-current receivables | | 4 | 4 |
| Deferred tax assets | | 91 | 85 |
| Fixed assets | | 3,981 | 3,926 |
| Inventories | | 783 | 643 |
| Accounts receivable | | 403 | 290 |
| Tax receivables | | 18 | 11 |
| Other receivables | | 33 | 44 |
| Prepaid expenses and accrued income | | 16 | 18 |
| Cash and cash equivalents | | 53 | 195 |
| Current assets | | 1,306 | 1,201 |
| Assets | | 5,287 | 5,127 |
| Share capital | 7 | 363 | 325 |
| Additional paid-up capital | | 1,627 | 1,169 |
| Reserves | | 5 | -58 |
| Profit brought forward, including profit for the period | | 880 | 877 |
| Shareholders' equity | | 2,875 | 2,313 |
| Non-current interest-bearing liabilities | | 1,314 | 1,526 |
| Other non-current liabilities | 5,6 | 11 | 38 |
| Deferred tax liabilities | | 347 | 342 |
| Non-current liabilities | | 1,672 | 1,906 |
| Current interest-bearing liabilities | | 175 | 253 |
| Accounts payable | | 342 | 405 |
| Tax liabilities | | 15 | 0 |
| Other current liabilities | 5,6 | 41 | 80 |
| Accrued expenses and deferred income | | 167 | 170 |
| Current liabilities | | 740 | 908 |
| Liabilities | | 2,412 | 2,814 |
| Shareholders' equity and liabilities | | 5,287 | 5,127 |

Summary consolidated changes in shareholders' equity

| SEK million | Share capital | Additional paid-up capital | Reserves | Profit brought forward, incl. profit for the period | Shareholders' equity |
|---|---------------|----------------------------|-------------|---|----------------------|
| Opening shareholders' equity, 1 Jan 2020 | 325 | 1,159 | 56 | 782 | 2,322 |
| Profit for the period | - | - | - | 176 | 176 |
| Other comprehensive income for the period | - | - | -114 | - | -114 |
| Comprehensive income for the period | - | - | -114 | 176 | 62 |
| Issue expenses | - | -1 | - | - | -1 |
| On-going issue of warrant programme, TO2017/2020 | - | 11 | - | - | 11 |
| Dividend | - | - | - | -81 | -81 |
| Transactions with the Group's owners | - | 10 | - | -81 | -71 |
| Closing shareholders' equity, 31 Dec 2020 | 325 | 1,169 | -58 | 877 | 2,313 |
| Opening shareholders' equity, 1 Jan 2021 | 325 | 1,169 | -58 | 877 | 2,313 |
| Profit for the period | - | - | - | 89 | 89 |
| Other comprehensive income for the period | - | - | 63 | - | 63 |
| Comprehensive income for the period | - | - | 63 | 89 | 152 |
| New share issue | 37 | 463 | - | - | 500 |
| Issue expenses | - | -6 | - | - | -6 |
| Completed issue of warrant programme, TO2017/2020 | 1 | -1 | - | - | 0 |
| Issue expenses, TO2017/2020 | - | 0 | - | - | 0 |
| Premium paid in on issuing warrant programme, TO2021/2024 | - | 2 | - | - | 2 |
| Dividend | - | - | - | -86 | -86 |
| Transactions with the Group's owners | 38 | 458 | - | -86 | 410 |
| Closing shareholders' equity, 31 Dec 2021 | 363 | 1,627 | 5 | 880 | 2,875 |

Summary consolidated cash flow statement

| SEK million | Oct-Dec 2021 | Oct-Dec 2020 | Full year 2021 | Full year 2020 |
|--|--------------|--------------|----------------|----------------|
| Profit/loss before tax | 6 | 51 | 115 | 204 |
| Adjustment for items not included in cash flow | 47 | 53 | 141 | 155 |
| Income tax paid | 3 | -16 | -12 | -40 |
| Cash flow from operating activities before changes in working capital | 56 | 88 | 244 | 319 |
| Increase (-)/decrease (+) in inventories | 8 | 64 | -124 | -25 |
| Increase (-)/decrease (+) in operating receivables | 24 | 56 | -80 | -9 |
| Increase (+)/decrease (-) in operating liabilities | -104 | -95 | -104 | -2 |
| Changes in working capital | -72 | 25 | -308 | -36 |
| Cash flow from operating activities | -16 | 113 | -64 | 283 |
| Acquisitions of companies or operations | -111 | -243 | -114 | -278 |
| Acquisitions of intangible assets | 0 | -1 | -5 | -67 |
| Acquisitions of tangible assets | -15 | -8 | -54 | -21 |
| Change in financial assets | 1 | -2 | -2 | -3 |
| Cash flow from investing activities | -125 | -254 | -175 | -369 |
| Cash flow after investing activities | -141 | -141 | -239 | -86 |
| New share issue | - | - | 500 | - |
| Issue expenses | -6 | - | -6 | -1 |
| Premium paid in, warrant programme, T02021/2024 | - | - | 2 | - |
| Issue of warrant programme, T02017/2020 | - | 11 | - | 11 |
| Loans raised | 140 | 340 | 291 | 402 |
| Repayment of loans | -69 | -90 | -549 | -163 |
| Amortisation of lease liabilities | -14 | -16 | -58 | -51 |
| Dividend paid | -44 | -39 | -86 | -81 |
| Cash flow from financing activities | 7 | 206 | 94 | 117 |
| Cash flow for the period | -134 | 65 | -145 | 31 |
| Cash and equivalents at beginning of period | 185 | 138 | 195 | 173 |
| Translation difference in cash and cash equivalents | 2 | -8 | 3 | -9 |
| Cash and cash equivalents at end of the period | 53 | 195 | 53 | 195 |

Summary income statement, Parent Company

| SEK million | Oct-Dec 2021 | Oct-Dec 2020 | Full year 2021 | Full year 2020 |
|--|--------------|--------------|----------------|----------------|
| Net sales | 15 | 18 | 64 | 59 |
| Administrative expenses | -22 | -19 | -88 | -77 |
| Other operating income | 0 | 0 | 0 | 0 |
| Other operating expenses | 0 | 0 | 0 | 0 |
| Operating profit/loss | -7 | -1 | -24 | -18 |
| Result from participations in subsidiaries | 2 | -20 | 3 | 104 |
| Financial income | 17 | 18 | 54 | 44 |
| Financial expenses | -12 | -22 | -46 | -69 |
| Profit/loss after financial items | 0 | -25 | -13 | 61 |
| Allocations | 26 | 41 | 26 | 41 |
| Profit/loss before tax | 26 | 16 | 13 | 102 |
| Tax on profit for the period | 0 | 0 | 0 | 0 |
| Profit for the period | 26 | 16 | 13 | 102 |

Urtekram Nordic Beauty launched four different face masks during the quarter.



Summary balance sheet, Parent Company

| SEK million | Note | 31 Dec 2021 | 31 Dec 2020 |
|--|------|--------------|--------------|
| Intangible assets | | 51 | 55 |
| Tangible assets | | 5 | 3 |
| Participations in subsidiaries | | 2,535 | 2,546 |
| Receivables from subsidiaries | | 1,321 | 1,097 |
| Deferred tax assets | | 2 | 2 |
| Financial assets | | 3,858 | 3,645 |
| Fixed assets | | 3,914 | 3,703 |
| Receivables from subsidiaries | | 117 | 57 |
| Other receivables | | 12 | 12 |
| Cash and bank balances | | 2 | 82 |
| Current assets | | 131 | 151 |
| Assets | | 4,045 | 3,854 |
| Share capital | 7 | 363 | 325 |
| Statutory reserve | | 58 | 58 |
| On-going issue of warrant programme, TO2017/2020 | | - | 11 |
| Profit brought forward, including profit for the period and other reserves | | 2,118 | 1,725 |
| Shareholders' equity | | 2,539 | 2,119 |
| Untaxed reserves | | 5 | - |
| Liabilities to credit institutions | | 1,166 | 1,324 |
| Other non-current liabilities | 6 | 0 | 11 |
| Non-current liabilities | | 1,166 | 1,335 |
| Liabilities to credit institutions | | 107 | 98 |
| Liabilities to subsidiaries | | 212 | 281 |
| Other current liabilities | 6 | 16 | 21 |
| Current liabilities | | 335 | 400 |
| Equity and liabilities | | 4,045 | 3,854 |

Notes to the financial statements

Note 1 | Accounting principles

With regard to the Group, this Year-End Report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Annual Accounts Act (ÅRL). In addition to being presented in the financial statements and their notes, disclosures in accordance with IAS 34 p. 16A are also presented in other parts of the Year-End Report. The Parent Company's accounts are prepared in accordance with the Annual Accounts Act (ÅRL) and recommendation RFR 2 *Accounting for Legal Entities, from the Swedish Financial Reporting Board*. The statements published by the Swedish Financial Reporting Board concerning listed companies are also applied, meaning that the Parent Company must apply all EU-approved IFRS and statements as far as possible within the framework of the Annual Accounts Act, the Pension Protection Act and taking the relationship between accounting and taxation into account.

Year-End Report 2021 applies the same accounting principles and calculation methods as in the 2020 Annual Report (Note 1 *Accounting principles*, pages

102–109) – the most recently published annual report. The new standards and the amendments and revisions to standards and new interpretations (IFRIC) that came into effect on 1 January 2021 had no significant impact on the Group's accounting for the period January–December 2021.

Phase 2 of the amendments to IFRS 9, IFRS 7, etc. concerns the benchmark rate reform from 1 January 2021. In brief, the changes mean that it makes it possible for companies to reflect the effects of transitioning from benchmark rates, such as "STIBOR", to other benchmark rates without it giving rise to accounting effects, which would not provide useful information to users of financial statements. The Group is affected by the benchmark rate reform primarily in the exposure to IBOR in its external borrowing when hedge accounting is not applied. The exposure to IBOR is limited and the Group follows up the changes and their impact.

Note 2 | Significant estimates and assumptions

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

For a detailed account of the assessments made by management in the application of IFRS and that have a significant impact on the financial statements, as well as estimates made that could entail significant adjustments to subsequent financial statements, please refer to Note 35 *Important estimates and assessments* on pages 129–130 of the 2020 Annual Report.

In the second quarter of 2021, a new assessment was made of the fair value of identified assets and liabilities related to the acquisition of System Frugt A/S, whereby some items in the acquisition analysis were revised; see Note 8 *Changes in acquisition analysis*, Group on page 18. In the fourth quarter of 2021, the fair values of the assets and liabilities identified in connection with the Vitality acquisition were assessed. When preparing the acquisition analysis, brands were estimated at SEK 19 million, customer contracts at SEK 7 million, goodwill at SEK 52 million and deferred tax liabilities at SEK 7 million. Beyond these, no new material estimates and assessments have been made since the issuance of the latest Annual Report.

Note 3 | Operating segments, Group

| SEK million | Nordics | | North Europe | | South Europe | | Group-wide functions | | Group | |
|---|------------|------------|--------------|------------|--------------|-----------|----------------------|------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| October–December | | | | | | | | | | |
| Net sales, external | 725 | 758 | 202 | 227 | 85 | 98 | – | – | 1,012 | 1,083 |
| Net sales, intra-Group | 1 | 3 | 6 | 4 | 1 | 1 | –8 | –8 | – | – |
| Net sales | 726 | 761 | 208 | 231 | 86 | 99 | –8 | –8 | 1,012 | 1,083 |
| Expenses for goods sold | –524 | –530 | –182 | –184 | –72 | –78 | 8 | 8 | –770 | –784 |
| Gross profit | 202 | 231 | 26 | 47 | 14 | 21 | 0 | 0 | 242 | 299 |
| Other operating expenses | –155 | –175 | –37 | –36 | –15 | –13 | –18 | –9 | –225 | –233 |
| Operating profit/loss | 47 | 56 | –11 | 11 | –1 | 8 | –18 | –9 | 17 | 66 |
| Financial items | | | | | | | | | –11 | –15 |
| Profit/loss before tax | | | | | | | | | 6 | 51 |
| <i>Significant income and expense items reported in the income statement:</i> | | | | | | | | | | |
| Items affecting comparability ¹ | 4 | 19 | – | –6 | – | – | –1 | –6 | 3 | 7 |
| Depreciation/amortisation and impairment | 14 | 15 | 11 | 11 | 5 | 4 | 11 | 11 | 41 | 41 |
| Gross profit, before items affecting comparability | 202 | 236 | 26 | 47 | 14 | 21 | 0 | 0 | 242 | 304 |
| Operating profit, before items affecting comparability | 51 | 75 | –11 | 5 | –1 | 8 | –19 | –15 | 20 | 73 |
| EBITDA, before items affecting comparability | 65 | 90 | 0 | 16 | 4 | 12 | –8 | –4 | 61 | 114 |
| Average number of employees | 450 | 341 | 232 | 216 | 145 | 157 | 18 | 14 | 845 | 728 |
| Number of employees as per the balance sheet date | 459 | 339 | 229 | 216 | 143 | 155 | 18 | 13 | 849 | 723 |

¹ For a specification of items affecting comparability, refer to the definitions and reconciliations against IFRS, Group, on pages 20–21.

| SEK million | Nordics | | North Europe | | South Europe | | Group-wide functions | | Group | |
|---|--------------|--------------|--------------|------------|--------------|------------|----------------------|------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| January–December | | | | | | | | | | |
| Net sales, external | 2,601 | 2,419 | 807 | 883 | 365 | 407 | – | – | 3,773 | 3,709 |
| Net sales, intra-Group | 10 | 9 | 24 | 16 | 4 | 2 | –38 | –27 | – | – |
| Net sales | 2,611 | 2,428 | 831 | 899 | 369 | 409 | –38 | –27 | 3,773 | 3,709 |
| Expenses for goods sold | –1,811 | –1,659 | –688 | –725 | –296 | –314 | 37 | 26 | –2,758 | –2,672 |
| Gross profit | 800 | 769 | 143 | 174 | 73 | 95 | –1 | –1 | 1,015 | 1,037 |
| Other operating expenses | –593 | –535 | –126 | –131 | –71 | –62 | –64 | –52 | –854 | –780 |
| Operating profit/loss | 207 | 234 | 17 | 43 | 2 | 33 | –65 | –53 | 161 | 257 |
| Financial items | | | | | | | | | –46 | –53 |
| Profit/loss before tax | | | | | | | | | 115 | 204 |
| <i>Significant income and expense items reported in the income statement:</i> | | | | | | | | | | |
| Items affecting comparability ¹ | 3 | 11 | –10 | –14 | 5 | – | –2 | –11 | –4 | –14 |
| Depreciation/amortisation and impairment | 53 | 43 | 43 | 45 | 23 | 18 | 49 | 41 | 168 | 147 |
| Gross profit, before items affecting comparability | 800 | 774 | 143 | 174 | 77 | 95 | –1 | –1 | 1,019 | 1,042 |
| Operating profit, before items affecting comparability | 210 | 245 | 7 | 29 | 7 | 33 | –67 | –64 | 157 | 243 |
| EBITDA, before items affecting comparability | 263 | 288 | 50 | 74 | 26 | 51 | –26 | –23 | 313 | 390 |
| Average number of employees | 442 | 342 | 225 | 211 | 148 | 154 | 17 | 14 | 832 | 721 |
| Number of employees as per the balance sheet date | 459 | 339 | 229 | 216 | 143 | 155 | 18 | 13 | 849 | 723 |

¹ For a specification of items affecting comparability, refer to the definitions and reconciliations against IFRS, Group, on pages 20–21.

Note 4 | Breakdown of income, Group

| SEK million | Nordics | | North Europe | | South Europe | | Group-wide functions | | Group | |
|---------------------------------------|------------|------------|--------------|------------|--------------|-----------|----------------------|-----------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| October–December | | | | | | | | | | |
| <i>Geographical areas¹</i> | | | | | | | | | | |
| Sweden | 291 | 322 | 0 | 1 | 0 | 0 | -1 | -1 | 290 | 322 |
| Rest of Europe | 434 | 438 | 208 | 230 | 84 | 98 | -7 | -7 | 719 | 759 |
| Other countries outside Europe | 1 | 1 | 0 | 0 | 2 | 1 | - | - | 3 | 2 |
| Net sales | 726 | 761 | 208 | 231 | 86 | 99 | -8 | -8 | 1,012 | 1,083 |
| <i>Sales channel</i> | | | | | | | | | | |
| Pharmacies | 104 | 80 | - | - | - | - | - | - | 104 | 80 |
| Grocery trade | 484 | 553 | 88 | 102 | 24 | 27 | - | - | 596 | 682 |
| Food Service | 25 | 21 | 59 | 54 | 2 | 1 | - | - | 86 | 76 |
| Healthfood stores | 38 | 40 | 50 | 64 | 44 | 55 | - | - | 132 | 159 |
| Other specialist retailers | 35 | 37 | 5 | 5 | 1 | 1 | - | - | 41 | 43 |
| Others | 39 | 27 | 0 | 3 | 14 | 13 | - | - | 53 | 43 |
| Group-internal sales | 1 | 3 | 6 | 3 | 1 | 2 | -8 | -8 | - | - |
| Net sales | 726 | 761 | 208 | 231 | 86 | 99 | -8 | -8 | 1,012 | 1,083 |
| <i>Product categories</i> | | | | | | | | | | |
| Organic products | 183 | 212 | 208 | 231 | 85 | 99 | -7 | -7 | 469 | 535 |
| Healthfoods | 343 | 369 | - | - | - | - | - | - | 343 | 369 |
| Consumer health products | 198 | 177 | - | - | - | - | - | - | 198 | 177 |
| Services linked to product handling | 2 | 3 | 0 | 0 | 1 | 0 | -1 | -1 | 2 | 2 |
| Net sales | 726 | 761 | 208 | 231 | 86 | 99 | -8 | -8 | 1,012 | 1,083 |
| <i>Brands</i> | | | | | | | | | | |
| Own | 499 | 514 | 134 | 144 | 66 | 79 | -7 | -8 | 692 | 729 |
| Licensed | 140 | 129 | - | - | 7 | 9 | - | - | 147 | 138 |
| Contract manufacture | 85 | 115 | 74 | 87 | 12 | 11 | - | - | 171 | 213 |
| Services linked to product handling | 2 | 3 | 0 | - | 1 | 0 | -1 | 0 | 2 | 3 |
| Net sales | 726 | 761 | 208 | 231 | 86 | 99 | -8 | -8 | 1,012 | 1,083 |

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

| SEK million | Nordics | | North Europe | | South Europe | | Group-wide functions | | Group | |
|---------------------------------------|--------------|--------------|--------------|------------|--------------|------------|----------------------|------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| January–December | | | | | | | | | | |
| <i>Geographical areas¹</i> | | | | | | | | | | |
| Sweden | 1,120 | 1,098 | 0 | 1 | 1 | 0 | -2 | -1 | 1,119 | 1,098 |
| Rest of Europe | 1,487 | 1,325 | 830 | 896 | 355 | 396 | -36 | -26 | 2,636 | 2,591 |
| Other countries outside Europe | 4 | 5 | 1 | 2 | 13 | 13 | - | - | 18 | 20 |
| Net sales | 2,611 | 2,428 | 831 | 899 | 369 | 409 | -38 | -27 | 3,773 | 3,709 |
| <i>Sales channel</i> | | | | | | | | | | |
| Pharmacies | 376 | 339 | - | - | - | - | - | - | 376 | 339 |
| Grocery trade | 1,730 | 1,601 | 366 | 390 | 110 | 105 | - | - | 2,206 | 2,096 |
| Food Service | 85 | 70 | 222 | 223 | 5 | 4 | - | - | 312 | 297 |
| Healthfood stores | 150 | 168 | 196 | 246 | 185 | 224 | - | - | 531 | 638 |
| Other specialist retailers | 126 | 134 | 19 | 20 | 3 | 4 | - | - | 148 | 158 |
| Others | 134 | 107 | 4 | 4 | 62 | 70 | - | - | 200 | 181 |
| Group-internal sales | 10 | 9 | 24 | 16 | 4 | 2 | -38 | -27 | - | - |
| Net sales | 2,611 | 2,428 | 831 | 899 | 369 | 409 | -38 | -27 | 3,773 | 3,709 |
| <i>Product categories</i> | | | | | | | | | | |
| Organic products | 750 | 834 | 831 | 899 | 368 | 408 | -37 | -26 | 1,912 | 2,115 |
| Healthfoods | 1,146 | 838 | - | - | - | - | - | - | 1,146 | 838 |
| Consumer health products | 705 | 744 | - | - | - | - | - | - | 705 | 744 |
| Services linked to product handling | 10 | 12 | 0 | 0 | 1 | 1 | -1 | -1 | 10 | 12 |
| Net sales | 2,611 | 2,428 | 831 | 899 | 369 | 409 | -38 | -27 | 3,773 | 3,709 |
| <i>Brands</i> | | | | | | | | | | |
| Own | 1,852 | 1,717 | 519 | 540 | 288 | 320 | -37 | -27 | 2,622 | 2,550 |
| Licensed | 494 | 557 | - | - | 32 | 35 | - | - | 526 | 592 |
| Contract manufacture | 255 | 142 | 312 | 359 | 48 | 53 | - | - | 615 | 554 |
| Services linked to product handling | 10 | 12 | 0 | 0 | 1 | 1 | -1 | 0 | 10 | 13 |
| Net sales | 2,611 | 2,428 | 831 | 899 | 369 | 409 | -38 | -27 | 3,773 | 3,709 |

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

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

| SEK million | 31 Dec 2021 | 31 Dec 2020 |
|--|-------------|-------------|
| Liabilities | | |
| <i>Financial instruments measured at fair value via the income statement</i> | | |
| Currency swap | - | 0 |
| Currency option | - | 0 |
| Conditional purchase considerations | - | 24 |
| Total | - | 24 |
| <i>Financial instruments not measured at fair value</i> | | |
| Other non-current liabilities | 10 | 15 |
| Other current liabilities | 41 | 79 |
| Total | 51 | 94 |
| Total liabilities | 51 | 118 |

At the end of the period, the consolidated balance sheet included no financial instruments recognised at fair value. The comparison period included financial instruments in the form of currency swaps and currency options recorded at fair value in the consolidated 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.

At the end of the period, the consolidated balance sheet included no conditional purchase considerations. Comparison periods included conditional purchase considerations measured at fair value in the consolidated balance sheet. The valuation is at level 3, according to IFRS 13 *Fair Value Measurement*. Fair value of conditional 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.

Assets at fair value are recognised in the items non-current receivables and other receivables in the consolidated balance sheet. Liabilities at fair value are recognised in the items other non-current liabilities and other current liabilities in the consolidated balance sheet. The carrying amount on accounts receivable, other receivables, cash and cash equivalents and other liabilities constitutes a reasonable approximation of fair value.

For further information, refer to Note 34 *Valuation of financial assets and liabilities at fair value and the category breakdown* in the 2020 annual report, pages 128–129.

Note 6 | Conditional purchase considerations, Group

| SEK million | |
|---|-----------|
| Opening conditional purchase considerations, 1 Jan 2020 | 78 |
| Exchange rate change | 0 |
| Revaluation of conditional purchase considerations | -54 |
| Closing conditional purchase considerations, 31 Dec 2020 | 24 |
| Opening conditional purchase considerations, 1 Jan 2021 | 24 |
| Paid conditional purchase considerations | -3 |
| Exchange rate change | 0 |
| Revaluation of conditional purchase considerations | -21 |
| Closing conditional purchase considerations, 31 Dec 2021 | - |

At the end of the period, the consolidated balance sheet included no conditional purchase considerations. The comparative period included the conditional purchase considerations of SEK 24 million related to the acquisitions of the

companies Davert GmbH (2018) at SEK 11 million and Eisblümerl Naturkost GmbH (2019) at SEK 13 million. The parent company, Midsona AB, held the conditional purchase consideration for Davert GmbH.

In Spain, Vegetalia launched three new spice blends during the quarter.



Note 7 | Change in number of shares, Group

| Number | Series A shares | Series B shares | Total |
|--|-----------------|-------------------|-------------------|
| Number of shares, 1 Jan 2020 | 755,820 | 64,248,788 | 65,004,608 |
| Number of shares, 31 Dec 2020 | 755,820 | 64,248,788 | 65,004,608 |
| Number of shares, 1 Jan 2021 | 755,820 | 64,248,788 | 65,004,608 |
| Redemption of warrants | – | 213,180 | 213,180 |
| New share issue | – | 7,496,252 | 7,496,252 |
| Share reclassification | –457,500 | 457,500 | 0 |
| Number of shares, 31 Dec 2021 | 298,320 | 72,415,720 | 72,714,040 |
| Quota value per share, SEK | | | 5.00 |
| Share capital on the balance sheet date, SEK | | | 363,570,200 |
| Votes on the balance sheet date, number | | | 75,398,920 |

In January 2021, the number of shares and votes in Midsona AB (publ) changed as a result of a new share issue under way at the end of the year, which was concluded whereby 187,000 warrants were exercised in exchange for 213,180 Series B shares in the scope of the TO2017/2020 incentive programme, which was adopted at the Extraordinary General Meeting on 1 December 2017.

On 24 August, supported by the authorisation granted by the Annual General Meeting on 5 May 2021, Midsona's Board of Directors approved a directed new share issue of 7,496,252 new Series B shares. The subscription price for the directed new share issue was set at SEK 66.70 per share through a so-called accelerated bookbuilding procedure that was implemented by Danske Bank, targeting selected Swedish and international investors. The new share issue brought Midsona SEK 500 million before issue expenses. Issue expenses amounted to SEK 6 million. For existing shareholders, the transaction caused a dilution effect of approximately 10.3 percent in the share capital and of approximately 9.4 percent in the number of votes based on the total number of shares and votes in Midsona AB following the transaction.

The 2021 Annual General Meeting approved the issue and transfer of a maximum of 780,000 warrants to senior executives in Midsona, distributed equally between the TO2021/2024, TO2022/2025 and TO2023/2026 series. In September 2021, a total of 171,000 series TO2021/2024 warrants were

transferred to senior executives. Each warrant entitles the holder to subscribe for one Series B share. The period during which the warrants may be exercised will be from 1 August 2024 to 20 December 2024. The subscription price was SEK 75.85. The transfer of the warrants took place at market terms 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 Midsona. On the transaction date, the fair value per warrant was SEK 9.60. Because the average price for Series B shares was lower than the subscription price for TO2021/2024 on the balance sheet date, earnings per share after dilution were not calculated.

An additional warrant programme was outstanding at the end of the period, the TO2019/2022 series, which can provide a maximum of 150,960 new Series B shares on full conversion. On the balance sheet date, the average price for Series B shares exceeded the subscription price for TO2019/2022, and accordingly the earnings per share after full dilution were calculated. For more information on TO2019/2022, see Note 10 *Employees, personnel expenses and senior executives' remuneration* on pages 114–116 in the 2020 Annual Report.

In October 2021, 457,000 Series A shares were re-classified as Series B shares at the request of shareholders, bringing the total number of votes in the company to 75,398,920.

Note 8 | Changes in acquisition analysis, Group

On 7 October 2020, all shares in the Danish company System Frugt A/S were acquired. After an analysis of the value of assets was done in the second quarter

of 2021, a revision was made of some items in the initial acquisition analysis, which was presented in Year-End Report 2020 and the 2020 Annual Report.

| Changes in the acquired company's net assets on the acquisition date, SEK million | Before change | Change | After change |
|---|---------------|--------|--------------|
| Intangible assets | 173 | –9 | 164 |
| Consolidated goodwill | 149 | –13 | 136 |
| Deferred tax assets | 20 | 20 | 40 |
| Deferred tax liabilities | 38 | –2 | 36 |

The revision meant that SEK 149 million (DKK 105.6 million) was allocated to brands, SEK 13 million (DKK 8.9 million) to customer contracts, SEK 36 million (DKK 25.2 million) to deferred tax liabilities and SEK 136 million (DKK 96.3 million) to goodwill. A brand with a fair value of SEK 147 million (DKK 104.5 million)

was deemed to continue to have an indefinite useful life, while a brand with a fair value of SEK 2 million (DKK 1.2 million) was deemed to still have a useful life of five years. The acquisition analysis was approved during the third quarter of 2021.

Note 9 | Business acquisitions, Group

On 1 October, all shares in the Finnish company Vitality were acquired, with offices, warehousing and production facilities in Pietarsaari, Finland. With the acquisition, Midsona continues to consolidate the market in the Nordic region in accordance with the growth strategy. The total purchase consideration for the shares amounted to SEK 79 million (EUR 7.7 million), corresponding to SEK 122 million (EUR 11.9 million) on a debt-free basis. The company's financing of SEK 43 million (EUR 4.2 million) was settled at the time of the transaction. This comprised bank loans of SEK 32 million (EUR 3.1 million) and a shareholder loan of SEK 11 million (EUR 1.1 million) forming part of the consideration transferred. The acquisition was financed with our own funds and was paid for in cash on the transfer date. Through the acquisition, Midsona gained access to several brands and a property with an integrated value chain with its own production of consumer health products.

Vitality has a broad product portfolio, including its own brands, licensed

brands and contract manufacturing, in the consumer health and organic products categories. Adjusted net sales amounted to SEK 128 million (EUR 12.2 million) and adjusted EBITDA to SEK 17 million (EUR 1.7 million) in 2020. Customers are primarily found among pharmacies, the grocery trade and healthfood stores. Most sales are made in the Finnish market. First and foremost, the acquisition is expected to generate cost synergies. At the time of acquisition, Vitality had 38 full-time employees.

The acquired business was consolidated into the Midsona Group as of 1 October 2021, and is included in the Nordics operating segment in the segment reporting. From date of acquisition and until 31 December 2021, the acquired operations contributed SEK 35 million to consolidated net sales and SEK 5 million to consolidated EBITDA. Had the acquisition taken place on 1 January 2021, consolidated net sales for 2021 are estimated at SEK 3,875 million and EBITDA at SEK 324 million.

| The acquired company's net assets on the acquisition date, SEK million | Fair value |
|--|------------|
| Intangible assets | 27 |
| Tangible assets | 14 |
| Deferred tax assets | 1 |
| Inventories | 26 |
| Accounts receivable | 15 |
| Other receivables | 2 |
| Prepaid expenses and accrued income | 1 |
| Cash and cash equivalents | 11 |
| Non-current interest-bearing liabilities | -32 |
| Deferred tax liabilities | -7 |
| Current interest-bearing liabilities | -2 |
| Accounts payable | -9 |
| Other current liabilities | -6 |
| Accrued expenses and deferred income | -3 |
| Total | 38 |
| Consolidated goodwill | 52 |
| Total | 90 |

| Transferred consideration, SEK million | Fair value |
|--|------------|
| Cash on transfer of control | 79 |
| Redemption of shareholder loans | 11 |
| Total | 90 |

The fair values of the assets and liabilities identified, totalling SEK 79 million (EUR 7.8 million), were allocated to brands at SEK 19 million (EUR 1.8 million), to customer contracts at SEK 7 million (EUR 0.7 million), to property at SEK 8 million (EUR 0.8 million), to deferred tax liabilities at SEK 7 million (EUR 0.7 million) and to goodwill at SEK 52 million (EUR 5.1 million). Brands were judged to have a useful life of ten years, customer contracts were judged to have a useful life of eight years and property was judged to have a useful life of 20 years. The goodwill reported is not expected to be tax deductible. This corresponds to the acquired company's market position in the Finnish market for consumer

health products, the expertise and experience of its personnel in the industry, as well as expected cost synergies. The fair value of accounts receivable amounted to SEK 15 million and had essentially been settled at the end of the period.

Acquisition-related expenses amounted to SEK 3 million (EUR 0.3 million) and were reported as Other operating expenses in Profit for the period for the fourth quarter of 2021. The integration of the acquired operations commenced during the period and is scheduled for completion in 2022.

The prepared acquisition analysis is preliminary.

Some of recently-acquired company Vitality's best-selling products under the brand Bertil's.



Definitions

Midsona presents certain financial measures in the Year-End Report that are not defined under IFRS. Midsona considers these measures to provide useful supplemental information to investors and the company's management as they facilitate the evaluation of the company's performance. Because not all companies calculate financial measures in the same way, these are not always

comparable to the measures used by other companies. Accordingly, these financial measures should not be considered a substitute for measurements as defined under IFRS. For the definition and purpose of respective measures not defined under IFRS, please see the Definitions section on pages 150–153 in the 2020 Annual Report. The following table presents reconciliations against IFRS.

IFRS reconciliations, Group

EBITDA. Operating profit before amortisation/depreciation and impairment of tangible and intangible assets

| SEK million | Oct-Dec 2021 | Oct-Dec 2020 | Full year 2021 | Full year 2020 |
|---|--------------|--------------|----------------|----------------|
| Operating profit, before items affecting comparability | 20 | 73 | 157 | 243 |
| Items affecting comparability included in operating profit ^{1,2} | -3 | -7 | 4 | 14 |
| Operating profit/loss | 17 | 66 | 161 | 257 |
| Amortisation of intangible assets | 13 | 14 | 47 | 48 |
| Impairment losses on intangible assets | - | - | 8 | - |
| Depreciation of tangible assets | 28 | 27 | 109 | 99 |
| Impairment of tangible assets | - | - | 4 | - |
| EBITDA | 58 | 107 | 329 | 404 |
| Items affecting comparability included in EBITDA ^{1,2} | 3 | 7 | -16 | -14 |
| EBITDA, before items affecting comparability | 61 | 114 | 313 | 390 |
| Net sales | 1,012 | 1,083 | 3,773 | 3,709 |
| EBITDA-margin, before items affecting comparability | 6.0% | 10.5% | 8.3% | 10.5% |

¹Specification of items affecting comparability

| SEK million | Oct-Dec 2021 | Oct-Dec 2020 | Full year 2021 | Full year 2020 |
|---|--------------|--------------|----------------|----------------|
| Restructuring expenses, net | - | 20 | 0 | 25 |
| Revaluation of conditional purchase consideration | - | -18 | -21 | -36 |
| Acquisition-related expenses | 3 | 5 | 5 | 5 |
| Acquisition-related revenues (negative consolidated goodwill) | - | - | - | -8 |
| Impairment of intangible and tangible assets | - | - | 12 | - |
| Items affecting comparability included in operating profit | 3 | 7 | -4 | -14 |
| Impairment of intangible and tangible assets | - | - | -12 | - |
| Items affecting comparability included in EBITDA | 3 | 7 | -16 | -14 |

²Corresponding line in the consolidated income statement

| SEK million | Oct-Dec 2021 | Oct-Dec 2020 | Full year 2021 | Full year 2020 |
|---|--------------|--------------|----------------|----------------|
| Expenses for goods sold | - | 5 | 4 | 5 |
| Selling expenses | - | 4 | 8 | 5 |
| Administrative expenses | - | 11 | 0 | 15 |
| Other operating income | - | -18 | -21 | -44 |
| Other operating expenses | 3 | 5 | 5 | 5 |
| Items affecting comparability included in operating profit | 3 | 7 | -4 | -14 |
| Expenses for goods sold | - | - | -4 | - |
| Selling expenses | - | - | -8 | - |
| Items affecting comparability included in EBITDA | 3 | 7 | -16 | -14 |

During the quarter, Davert launched two new ready-made meals in the German market, with couscous and noodles as their base.



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

| SEK million | Full year 2021 | Full year 2020 |
|--|----------------|----------------|
| EBITDA | 329 | 404 |
| Acquisition-related transaction expenses | -16 | -39 |
| Pro forma adjustment | 11 | 9 |
| Adjusted EBITDA | 324 | 374 |

Net liabilities. Interest-bearing provisions and interest-bearing liabilities less cash and cash equivalents, including short-term investments

| SEK million | 31 Dec 2021 | 31 Dec 2020 |
|--|--------------|--------------|
| Non-current interest-bearing liabilities | 1,314 | 1,526 |
| Current interest-bearing liabilities | 175 | 253 |
| Cash and cash equivalents ¹ | -53 | -195 |
| Net liabilities | 1,436 | 1,584 |

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 | Oct-Dec 2021 | Oct-Dec 2020 | Full year 2021 | Full year 2020 |
|---|--------------|--------------|----------------|----------------|
| Shareholders' equity and liabilities | 5,287 | 5,127 | 5,287 | 5,127 |
| Other non-current liabilities | -11 | -38 | -11 | -38 |
| Deferred tax liabilities | -347 | -342 | -347 | -342 |
| Accounts payable | -342 | -405 | -342 | -405 |
| Other current liabilities | -56 | -80 | -56 | -80 |
| Accrued expenses and deferred income | -167 | -170 | -167 | -170 |
| Capital employed | 4,364 | 4,092 | 4,364 | 4,092 |
| Capital employed at the beginning of the period | 4,280 | 3,804 | 4,092 | 3,848 |
| Average capital employed | 4,322 | 3,948 | 4,228 | 3,970 |

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

| SEK million | Full year 2021 | Full year 2020 |
|--|----------------|----------------|
| Profit/loss before tax | 115 | 204 |
| Financial expenses | 57 | 59 |
| Profit before taxes, excluding financial expenses | 172 | 263 |
| Average capital employed | 4,228 | 3,970 |
| Return on capital employed, % | 4.1 | 6.6 |

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 and expansion investments

| SEK million | Oct-Dec 2021 | Oct-Dec 2020 | Full year 2021 | Full year 2020 |
|--|--------------|--------------|----------------|----------------|
| Cash flow from operating activities | -16 | 113 | -64 | 283 |
| Cash flow from investing activities | -125 | -254 | -175 | -369 |
| Acquisitions of companies or operations | 111 | 243 | 114 | 278 |
| Expansion investment, new production line | 5 | - | 31 | - |
| Acquisitions of brands and product rights | - | - | - | 60 |
| Free cash flow | -25 | 102 | -94 | 252 |

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

| SEK million | Oct-Dec 2021 | Oct-Dec 2020 | Full year 2021 | Full year 2020 |
|--|--------------|--------------|----------------|----------------|
| Net sales | 1,012 | 1,083 | 3,773 | 3,709 |
| Net sales compared with the corresponding period in the preceding year | -1,083 | -825 | -3,709 | -3,081 |
| Net sales, change | -71 | 258 | 64 | 628 |
| Structural changes | -36 | -203 | -355 | -574 |
| Exchange rate changes | 4 | 31 | 67 | 65 |
| Organic change | -103 | 86 | -224 | 119 |
| Organic change | -9.5% | 10.4% | -6.0% | 3.9% |
| Structural changes | 3.3% | 24.7% | 9.5% | 18.6% |
| Exchange rate changes | -0.4% | -3.8% | -1.8% | -2.1% |

Consolidated quarterly data

| SEK million | 2021 Q4 | 2021 Q3 | 2021 Q2 | 2021 Q1 | 2020 Q4 | 2020 Q3 | 2020 Q2 | 2020 Q1 | 2019 Q4 | 2019 Q3 | 2019 Q2 | 2019 Q1 |
|--|--------------|------------|------------|------------|--------------|------------|------------|------------|------------|------------|------------|------------|
| Net sales | 1,012 | 893 | 903 | 965 | 1,083 | 821 | 859 | 946 | 825 | 765 | 705 | 786 |
| Expenses for goods sold | -770 | -652 | -646 | -690 | -784 | -598 | -619 | -671 | -594 | -524 | -490 | -570 |
| Gross profit | 242 | 241 | 257 | 275 | 299 | 223 | 240 | 275 | 231 | 241 | 215 | 216 |
| Selling expenses | -148 | -138 | -155 | -151 | -161 | -128 | -123 | -130 | -129 | -122 | -123 | -131 |
| Administrative expenses | -76 | -67 | -73 | -73 | -88 | -60 | -70 | -66 | -64 | -56 | -59 | -61 |
| Other operating income | 3 | 12 | 13 | 7 | 17 | 16 | 17 | 2 | 30 | -1 | 7 | 1 |
| Other operating expenses | -4 | 0 | 0 | -4 | -1 | -4 | 9 | -10 | -16 | -5 | -1 | -3 |
| Operating profit/loss | 17 | 48 | 42 | 54 | 66 | 47 | 73 | 71 | 52 | 57 | 39 | 22 |
| Result from participations in joint ventures | - | - | - | - | - | - | -8 | 0 | -1 | - | - | - |
| Financial income | 5 | 4 | -5 | 7 | 7 | 3 | -29 | 33 | 0 | 0 | 0 | 0 |
| Financial expenses | -16 | -16 | -7 | -18 | -22 | -10 | 16 | -43 | -9 | -13 | -14 | -17 |
| Profit/loss before tax | 6 | 36 | 30 | 43 | 51 | 40 | 52 | 61 | 42 | 44 | 25 | 5 |
| Tax on profit for the period | -5 | -5 | -6 | -10 | 4 | -6 | -12 | -14 | -7 | -9 | -2 | -1 |
| Profit for the period | 1 | 31 | 24 | 33 | 55 | 34 | 40 | 47 | 35 | 35 | 23 | 4 |
| <i>Items affecting comparability</i> | | | | | | | | | | | | |
| Items affecting comparability included in operating profit | 3 | -6 | -3 | 2 | 7 | -10 | -11 | - | -5 | -8 | -6 | 25 |
| Operating profit, before items affecting comparability | 20 | 42 | 39 | 56 | 73 | 37 | 62 | 71 | 47 | 49 | 33 | 47 |
| <i>Depreciation/amortisation and impairment</i> | | | | | | | | | | | | |
| Depreciation/amortisation and impairment included in operating income | 41 | 42 | 47 | 38 | 41 | 35 | 35 | 36 | 34 | 28 | 26 | 26 |
| EBITDA | 58 | 90 | 89 | 92 | 107 | 82 | 108 | 107 | 86 | 85 | 65 | 48 |
| <i>Depreciation/amortisation, impairment and items affecting comparability</i> | | | | | | | | | | | | |
| Depreciation/amortisation, impairment and items affecting comparability included in operating profit | 44 | 32 | 36 | 40 | 48 | 25 | 24 | 36 | 29 | 20 | 20 | 51 |
| EBITDA, before items affecting comparability | 61 | 80 | 78 | 94 | 114 | 72 | 97 | 107 | 81 | 77 | 59 | 73 |
| Free cash flow | -25 | -8 | -35 | -26 | 102 | 64 | 84 | 2 | 103 | 19 | 75 | -42 |
| Cash flow from operating activities | -16 | 0 | -29 | -19 | 113 | 71 | 89 | 10 | 117 | 29 | 87 | -35 |
| Number of employees as per the balance sheet date | 849 | 819 | 836 | 831 | 834 | 723 | 730 | 713 | 721 | 571 | 530 | 526 |

Midsona AB (publ)

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