midsona

YEAR-END REPORT 2023

Record-strong free cash flow and continued improvement in margins

October–December 2023 (fourth quarter)

- Net sales amounted to SEK 1,003 million (1,027). In the comparison period, distribution agreements that have now been terminated contributed to net sales of SEK 47 million.
- EBITDA, before items affecting comparability, amounted to SEK 60 million (45), corresponding to a margin of 6.0 percent (4.4) and EBITDA amounted to SEK 57 million (39).
- Operating profit/loss, before items affecting comparability, amounted to SEK 22 million (5), corresponding to a margin of 2.2 percent (0.5) and the operating profit/loss was SEK 19 million (–6). Items affecting comparability of SEK –3 million (–11) were included in the operating profit/loss.
- Profit/loss for the period was SEK 3 million (–15), corresponding to earnings per share of SEK 0.03 (–0.19) before and after dilution.
- Cash flow from operating activities amounted to SEK 157 million (128).

January–December 2023 (full-year)

- Net sales amounted to SEK 3,793 million (3,899). In the comparison period, distribution agreements that have now been terminated contributed to net sales of SEK 191 million.
- EBITDA, before items affecting comparability, amounted to SEK 217 million (191), corresponding to a margin of 5.7 percent (4.9) and EBITDA amounted to SEK 186 million (176).
- Operating profit/loss, before items affecting comparability, amounted to SEK 60 million (30), corresponding to a margin of 1.6 percent (0.8) and the operating profit/loss amounted to SEK 29 million (–465). Items affecting comparability of SEK –31 million (–495) were included in the operating profit/loss.
- The profit/loss for the period amounted to SEK –53 million (–501), corresponding to earnings per share of SEK –0.36 (–6.73) before and after dilution.
- Cash flow from operating activities amounted to SEK 343 million (203).
- The Board of Directors proposes that no dividend be paid for 2023.

Key figures, Group[1]	Oct–Dec 2023	Oct–Dec 2022	Full year 2023	Full year 2022
Net sales growth, %	–2.3	1.5	–2.7	3.3
Gross margin, before items affecting comparability, %	25.4	22.6	25.9	24.0
Gross margin, %	24.7	22.4	25.3	22.5
EBITDA margin, before items affecting comparability, %	6.0	4.4	5.7	4.9
EBITDA margin, %	5.7	3.8	4.9	4.5
Operating margin, before items affecting comparability, %	2.2	0.5	1.6	0.8
Operating margin, %	1.9	–0.6	0.8	–11.9
Profit margin, %	0.4	–3.2	–0.9	–13.6
Return on capital employed, %			1.0	Neg.
Net debt, SEK million	496	774	496	774
Net debt / Adjusted EBITDA, multiple			2.7	4.4
Equity/assets ratio, %	64.9	62.8	64.9	62.8
Free cash flow, SEK million	151	120	315	180

[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 19–20 of this Year-end Report and to pages 184–187 in the 2022 Annual Report.*

Note:
This is information such that Midsona AB (publ) is required to publish under the EU Market Abuse Regulation and the Financial Instruments Trading Act. This Year-end Report was submitted under the auspices of Peter Åsberg and Max Bokander for publication on 1 February 2024 at 8:00 a.m. CET.

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Peter Åsberg, President and CEO

Q4

SEK 1,003 million

Net sales

SEK 60 million

EBITDA, before items affecting comparability

6.0 percent

EBITDA margin, before items affecting comparability

Comment by the CEO

During the fourth quarter, we continued to take vital steps in the proper direction and were able to see clear results of our efforts, especially in improved margins and a record-strong free cash flow. We are therefore entering 2024 strengthened.

Friggs had strong development and organic food expanded

Net sales decreased by 2 percent to SEK 1,003 million (1,027), but adjusted for terminated distribution agreements and divested brands, corresponding to combined net sales of SEK 50 million in the comparison period, net sales increased by 2 percent. Several of our major brands, such as Davert, Friggs and Helios, continued to perform well and showed double-digit growth. In the organic products category, we saw sales growth of 5 percent.

Gross margin improved by optimised product portfolio

The gross margin, before items affecting comparability, improved to 25.4 percent (22.6) after implemented price increases and rationalisation of the product portfolio. Efforts to optimise and simplify the product portfolio continued, with the phasing out of unprofitable products and termination of some unfavourable contract manufacturing agreements. Two smaller, non-strategic brands were also divested. However, the positive margin trend was offset in part by a continued weak exchange rate trend for the SEK and NOK against the important EUR and USD currencies for the majority of the period. Both the SEK and NOK began to strengthen against both the EUR and USD in December, but did not have time to have any effect on the margin during the quarter. The price scenario was stable for most input and finished goods, although at continued high price levels. Our business is now more robust overall and efforts to optimise the product portfolio continue.

Nordics remains a driving force

Nordics continued to show good profitability, with very strong improvement in Denmark after a successful process of change. Our new marketing concept for our organic brands in the Nordic region was received positively by customers and consumers alike, with a positive effect on sales. So far, we have launched the concept for Kung Markatta and Urtekram. Unfavourable currencies continued to be a challenge and had a negative impact on performance, particularly in Sweden.

During the quarter we continued to address the challenges we face in North Europe and South Europe, where we managed to improve the results to some extent. For North Europe, sales increased by 9 percent, due primarily to strong growth for our Davert brand, which increased by 17 percent, as a result of new listings. Implemented operational activities produced good results and performance improved.

For South Europe, the situation improved during the period regarding challenges related to the production facility in Spain. At the same time, a major contract manufacturing assignment was renegotiated at a better price, which means that the outlook for the coming quarters is much brighter. Profitability continued to stabilise in France.

For the Group, EBITDA before items affecting comparability improved to SEK 60 million (45).

Record-strong free cash flow

During the quarter, active measures to reduce working capital and improve cash flow took effect. Capital tied up in inventories decreased by SEK 88 million in the fourth quarter, contributing to a free cash flow of SEK 151 million (120). Free cash flow improved to SEK 315 million (180) on a full-year basis, allowing us to gradually reduce net debt by SEK 278 million to SEK 496 million during the year.

Cautious optimism for 2024

To further strengthen our position, we will continue to harmonise our range through a reduced number of items and by renegotiating unprofitable contracts and divesting non-strategic brands. We have already seen positive effects of changes to the product range, which means we have a stable base from which to work. In addition, raw material prices have stabilised and the currency has started moving in a favourable direction. Several studies show that people want to eat healthily and sustainably. With a strategy and business concept based on a passion for healthy, natural and sustainable food, sustainability is an integral element of our business. As inflation subsides and any interest rate cuts are implemented, I confidently look forward to more affluent consumers who can pay for sustainable alternatives. Overall, I am cautiously optimistic about the general market situation and Midsona's prospects in 2024.

Peter Åsberg

President and CEO

Financial information – Group

October–December

Net sales

Net sales amounted to SEK 1,003 million (1,027), a decrease of 2.3 percent. The organic change in net sales was –4.4 percent while structural changes contributed –0.3 percent and exchange rate fluctuations 2.4 percent. Terminated distribution agreements for licensed brands representing combined net sales of SEK 47 million in the comparison period, contributed strongly to the negative organic change in net sales. For the Group's own brands, organic growth was –3.3 percent, although several of the Group's major own brands developed well, despite a challenging market situation. The sales trend was stable for the own brands portfolio in the organic products and consumer health products categories, while it was relatively weak for the health foods category, excluding the Friggs brand, which continued to show strong sales growth. The weaker performance of some brands in the health foods category was related to some extent to subcontractor capacity shortages. Contract manufacturing showed good sales growth due to new business volumes, while sales volumes for licensed brands were significantly lower, due entirely to terminated distribution agreements.

Gross profit

Operating profit, before items affecting comparability, amounted to SEK 255 million (232), corresponding to a margin of 25.4 percent (22.6) and gross profit amounted to SEK 248 million (230). The favourable margin trend was primarily the result of implemented price increases, offsetting the previous year's accelerating cost increases, although this was partially counteracted by several negative factors. A continued weak exchange rate trend during most of the period for the SEK and NOK against the important EUR and USD currencies, in which important input and finished goods are purchased, continued to exert pressure on the margin trend. For most inputs and finished goods, as well as road transports, the price scenario stabilised, although at continued high price levels. Two non-strategic brands were divested and products under other brands were discontinued in an ongoing portfolio rationalisation measure to reduce complexity and improve profitability. Efficiency improved at the Group's production facilities, despite continued lower production volumes in general compared with the previous year. Production overheads were gradually reduced during the period, but were not fully adapted to the lower production volumes at the end of the period. In December, parts of the supply chain began to be negatively affected to some extent by the geopolitical crisis in the Red Sea, with delivery delays.

Operating profit/loss

Operating profit/loss, before items affecting comparability, amounted to SEK 22 million (5), corresponding to a margin of 2.2 percent (0.5) and the operating profit/loss amounted to SEK 19 million (–6). Amortisation and depreciation for the period amounted to SEK –38 million (–40), divided between SEK –11 million (–12) in amortisation of intangible fixed assets and SEK –27 million (–28) in depreciation of tangible fixed assets. EBITDA amounted to SEK 57 million (39) and EBITDA, before items affecting comparability, amounted to SEK 60 million (45), corresponding to a margin of 6.0 percent (4.4). The EBITDA margin improved, essentially as a consequence of the positive gross margin trend, despite major long-term investments in own brands being implemented, and some temporary administrative additional costs. Good cost control and cost awareness pervaded the period at the same time as synergies from restructuring programmes were realised as a step in lowering the cost base.

Items affecting comparability

Operating profit/loss included items affecting comparability of SEK –3 million (–11) and consisted of capital gains from divestments of smaller brands of SEK 6 million and restructuring costs of SEK –9 million (–6) related to the closure of unprofitable brands and product groups in order to reduce complexity and improve profitability.

Financial items

Net financial items amounted to SEK –15 million (–27). Interest expenses for external loans to credit institutions amounted to SEK –13 million (–18) and interest expenses attributable to leases were SEK –2 million (–1). Interest expenses to credit institutions remained high, despite significantly lower debt, as a consequence of higher interest rates on the credit facilities. Net translation differences on financial receivables and liabilities in foreign currency were SEK 1 million (–5). In the comparison period, a realised currency effect of SEK –8 million arose from amortisation of loans to credit institutions in December 2022. Other financial items amounted to SEK –1 million (–3).

Profit/loss for the period

Profit/loss for the period amounted to SEK 3 million (–15), corresponding to earnings per share of SEK 0.03 (–0.19) before and after dilution. Tax on profit/loss for the period amounted to SEK –1 million (18), of which SEK 1 million (–1) consisted of current tax, SEK 0 million (1) was tax attributable to previous years and SEK –2 million (18) was deferred tax.

Cash flow

Cash flow from operating activities amounted to SEK 157 million (128) and improved primarily as a consequence of stronger cash flow from the operating activities before changes in working capital. Capital tied up in inventories continued to decline as a result of improved inventory management procedures, but goods supply problems due to capacity shortages at some subcontractors and the geopolitical crisis in the Red Sea also contributed to the reduction to some extent. Capital tied up in operating receivables was substantially reduced as a result of lower invoicing in December compared with September. Cash flow from investing activities amounted to SEK 6 million (–9), consisting of investments in tangible and intangible fixed assets of SEK –7 million (–8), disposal of tangible and intangible fixed assets of SEK 13 million (0) and a change of financial assets of SEK 0 million (–1). Free cash flow amounted to SEK 151 million (120). Cash flow from financing activities was SEK –111 million (–57), consisting of amortisation of loans for –97 million (–609) and amortisation of lease liabilities for SEK –14 million (–15). A voluntary additional amortisation of SEK 80 million was made within the existing credit limit in the period. The comparison period also included a new share issue of SEK 600 million, issue expenses of SEK –9 million and loans raised of SEK –24 million in the form of lower utilisation of overdraft facilities. A large loan repayment to credit institutions was made in December 2022 following an implemented rights issue. Cash flow for the period amounted to SEK 52 million (62).

68 percent[1]

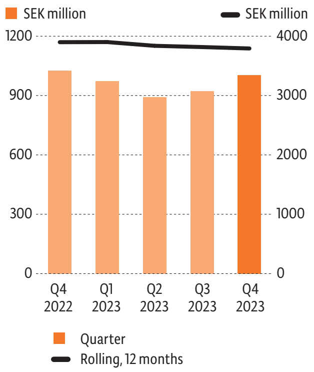
Percentage of own brands, income

–3.3 percent[1]

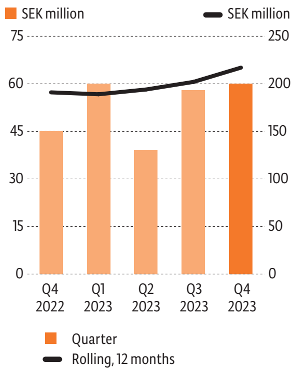
Organic growth of own brands

[1] For Q4, 2023

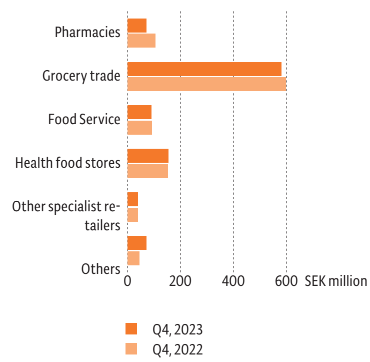
Net sales



EBITDA, before items affecting comparability



Net sales per sales channel



January–December

Net sales

Net sales amounted to SEK 3,793 million (3,899), a decrease of 2.7 percent. The organic change in net sales was –6.6 percent while structural changes contributed –0.1 percent and exchange rate fluctuations 4.0 percent. The negative organic change in net sales was largely attributable to terminated distribution agreements for licensed brands that combined contributed net sales of SEK 191 million in the comparison period. For the Group's own brands, the organic sales growth was –3.5 percent. The sales trend was challenging for parts of the own brand portfolio, particularly for the organic products category with occasionally lower sales volumes in a market in some decline. The rapid rise in living costs for households led to a temporary shift in consumers' purchasing patterns, where price value became increasingly important, leading to more consumers seeking out private label products in the lower price segment. In the fourth quarter, sales began to stabilise for the own brands portfolio in the organic products category, with good growth for some of the bigger brands. The sales trend was stable for the own brands portfolio in the consumer health products category, while it was weak for the health foods category, excluding the Friggs brand, which continued to show strong sales growth. Sales volumes for licensed brands were significantly lower, due entirely to terminated distribution agreements, while contract manufacturing showed sales growth, despite lower volumes in some markets due to the termination of unprofitable contract manufacturing assignments.

Gross profit

Gross profit before items affecting comparability amounted to SEK 984 million (935), corresponding to a margin of 25.9 percent (24.0), with gross profit amounting to SEK 959 million (878) where the comparison period included an impairment of tangible fixed assets by SEK –54 million, see the items affecting comparability section on page 4 for further information. The positive margin trend was essentially attributable to price increases implemented to offset the previous year's accelerating cost increases. To reduce complexity and improve margins, certain products and product groups were discontinued and two non-strategic brands were divested. In addition, the price scenario for the contract manufacturing assignments gradually improved during the year, both through renegotiated contracts and terminated loss-making contracts. However, the positive margin trend was offset by several negative factors. A strong exchange rate trend for the USD and EUR against the SEK and NOK exerted considerable pressure on the margin trend, as most input and finished goods are purchased in USD and EUR. For most input and finished goods, as well as road transport, the price scenario stabilised but at continued high price levels, while prices for energy and gas for the production facilities fell back to more normal levels compared with last year's peaks. For maritime transport, prices improved due to lower global demand for such transports until the geopolitical situation changed around the Red Sea, which quickly led to rising prices for containerised freight from Asia. The product mix was somewhat unfavourable, particularly in the first quarter, as a result of a higher proportion of sales of contract manufacture products with generally lower margins. Efficiency was low at most of the Group's production facilities due to gradually lowered production volumes. In addition, gross profit was burdened by high temporary production overheads at a production plant, particularly in the first quarter.

Operating profit/loss

Operating profit/loss, before items affecting comparability, amounted to SEK 60 million (30), corresponding to a margin of 1.6 percent (0.8) and the operating profit/loss amounted to SEK 29 million (–465). Amortisation and depreciation for the period amounted to SEK –157 million (–161), divided between SEK –48 million (–48) in amortisation of intangible fixed assets and SEK –109 million (–113) in depreciation of tangible fixed assets. In the comparison period, impairments of SEK –480 million were recognised in intangible and tangible fixed assets following impairment testing, see the items affecting comparability section on page 4 for further information. EBITDA amounted to SEK 186 million (176) and EBITDA, before items affecting comparability, amounted to SEK 217 million (191), corresponding to a margin of 5.7 percent (4.9). The EBITDA margin improved as a result of the positive gross margin trend, while synergies from the restructuring programme were realised to lower the cost base. Several major selective investments were made in own brands and other sales-promoting activities.

Items affecting comparability

Operating profit/loss included items affecting comparability of SEK –31 million (–495) and consisted of capital gains from divestments of smaller brands of SEK 6 million and restructuring costs of SEK –37 million (–15) related to the closure of unprofitable brands and product groups of SEK –22 million and SEK –15 million for changes in the Nordic organisation to further reduce the cost base on an annual basis. The comparison period also included impairment of intangible fixed assets of SEK –426 million and impairment of tangible fixed assets of SEK –54 million following the completion of impairment testing for cash-generating units and an indication of a need to recognise impairment as a result of low capacity utilisation, respectively.

Financial items

Net financial items amounted to SEK –64 million (–64). Interest expenses for external loans to credit institutions amounted to SEK –54 million (–50) and interest expenses attributable to leases were SEK –6 million (–4). Interest expenses to credit institutions increased, despite lower debt, as a consequence of higher interest rates on the credit facilities. Net translation differences on financial receivables and liabilities in foreign currency were SEK 1 million (–4). Other financial items amounted to SEK –5 million (–6).

Profit/loss for the period

Profit/loss for the period was SEK –53 million (–501), corresponding to earnings per share of SEK –0.36 (–6.73) before and after dilution. Tax on profit/loss for the period amounted to SEK –18 million (28), of which SEK –14 million (–10) consisted of current tax, SEK 1 million (1) was tax attributable to previous years and SEK –5 million (37) was deferred tax. The effective tax rate was –50.7 percent (5.2) and was a consequence of a loss before tax combined with a high tax expense, which was essentially related to new tax loss carryforwards in a number of subsidiaries not being activated.

Cash flow

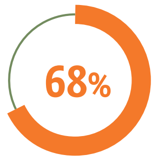
Cash flow from operating activities amounted to SEK 343 million (203) and improved as a result of both a stronger cash flow from underlying activities and a significantly stronger cash flow from changes in working capital, driven by less capital being tied up in inventories and operating receivables. Improved inventory management procedures and optimised inventory levels resulted in less capital tied up in inventories, while the reduced capital tied up in operating receivables was essentially related to lower invoiced sales of goods due to terminated sales assignments. Cash flow from investing activities amounted to SEK –18 million (–29), consisting of investments in tangible and intangible fixed assets of SEK –31 million (–35), divestments of tangible and intangible fixed assets of SEK 13 million (7), and a change in financial assets of SEK 0 million (–1). Free cash flow amounted to SEK 315 million (180). Cash flow from financing activities was SEK –209 million (–108), comprising loans raised of SEK 6 million (60), loan amortisations of SEK –152 million (–701), amortisations of lease liabilities by SEK –56 million (–58) and issue expenses of SEK –7 million (–9) from the rights issue implemented in December 2022. The comparison period also included a new share issue of SEK 600 million and a paid-in premium of SEK 0 million for warrant programme TO2022/2025. A large loan repayment to credit institutions was made in December 2022 following an implemented rights issue. Cash flow for the period amounted to SEK 116 million (66).

Liquidity and financial position

Cash and cash equivalents amounted to SEK 235 million (121) and there were unused credit facilities of SEK 416 million (587) at the end of the period. Net debt amounted to SEK 496 million (774) and was SEK 678 million at the end of the preceding quarter. The ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 2.7 (4.4), while it was a multiple of 4.0 at the end of the preceding quarter. Shareholders' equity amounted to SEK 2,987 million (3,082) and was SEK 3,044 million at the end of the preceding quarter. The changes consisted of profit/loss for the period of SEK 3 million and exchange rate differences of SEK –60 million on the translation of foreign operations. The equity/assets ratio was 64.9 percent (62.8) at the end of the period.

Division Nordics[1]

Percentage net sales in the Group[2]



Division Nordics[1]	Oct–Dec 2023	Oct–Dec 2022	Full year 2023	Full year 2022
Net sales	686	732	2,545	2,702
Gross profit	213	206	804	784
Gross margin, %	31.0	28.1	31.6	29.0
EBITDA	67	60	238	216
EBITDA margin, %	9.7	8.3	9.4	8.0

October–December

Net sales

Net sales amounted to SEK 686 million (732), a decrease of 6.2 percent. The organic change in net sales was –7.1 percent, relating in all material respects to terminated distribution agreements representing combined net sales of SEK 47 million in the comparison period and involving the licensed brands Compeed and Probi, among others. The organic change for own brands in external product sales was –3.4 percent, with a stable trend for consumer health products category, where brands such as Biopharma and Eskio-3 both had strong growth. The sales trend for the health foods category was relatively weak, with the exception of the Friggs brand, which continued to show strong sales growth. The weaker performance of some brands in the health foods category was related to some extent to subcontractor capacity shortages. For our own brands in the organic products category, the sales trend was varied. Sales growth was good for the Helios and Urtekram brands, while some other brands continued to face challenges. For licensed brands, sales were significantly lower as a consequence of the discontinued distribution agreements. Sales of contract manufactured products developed more weakly due to certain contracts previously running at margins that were too low not being extended.

Gross profit

Gross profit amounted to SEK 213 million (206), corresponding to a margin of 31.0 percent (28.1). The favourable margin trend was supported by the price increases that had been implemented, discontinued loss-making contract manufacture assignments and terminated distribution agreements, whose gross margin was below average. Production facility efficiency was better than last year, but still at a relatively low level due to lower production volumes.

EBITDA

EBITDA amounted to SEK 67 million (60), corresponding to a margin of 9.7 percent (8.3). The improvement in the margin was essentially driven by the improved gross margin, good cost control and synergies realised from completed restructuring programmes. Long-term selective investments in own brands were made, leading to slightly higher selling expenses compared to the previous year.

January–December

Net sales

Net sales amounted to SEK 2,545 million (2,702), a decrease of 5.8 percent, where the organic change in net sales was –8.1 percent, related largely to discontinued distribution agreements representing combined net sales of SEK 191 million in the comparison period. The organic change for the Group's own brands in external product sales was –1.6 percent, although the trend remained strong for several brands in the health foods and consumer health products categories. Sales volumes for own brands in the organic products category were more restrained, however, despite a strong sales trend for the Helios brand in the Norwegian market. For licensed brands, sales volumes were significantly lower as a consequence of terminated distribution agreements. Sales of contract manufactured products developed more weakly in comparison with the previous year due to certain contracts previously running at margins that were too low not being extended.

Gross profit

Gross profit amounted to SEK 804 million (784), corresponding to a margin of 31.6 percent (29.0). The favourable margin trend was supported by the price increases that had been implemented, improved governance of supply chain activities and terminated distribution agreements, whose gross margin was below average. Inflationary pressure remained high and the exchange rate trend for both USD and EUR exerted some pressure on the margin trend. The margin on contract manufacture assignments was continuously improved, both by renegotiating some contracts and by terminating loss-making contracts.

EBITDA

EBITDA amounted to SEK 238 million (216), corresponding to a margin of 9.4 percent (8.0). The improvement in the margin was essentially driven by the improved gross margin, good cost control and synergies realised from completed restructuring programmes.

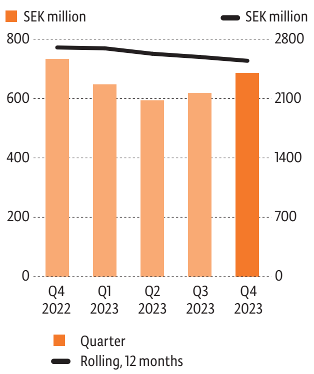
71 percent[2]

Percentage of own brands, income

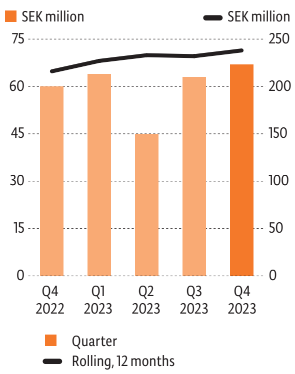
–3.4 percent[2]

Organic growth of own brands[3]

Net sales



EBITDA, before items affecting comparability



Net sales per sales channel

[1] Earnings and margin measurements refer to before items affecting comparability unless otherwise stated.
[2] For Q4, 2023
[3] For external product sales

Division North Europe[1]

Percentage net sales in the Group[2]

Division North Europe[1]	Oct–Dec 2023	Oct–Dec 2022	Full year 2023	Full year 2022
Net sales	232	212	872	860
Gross profit	34	23	129	114
Gross margin, %	14.6	11.0	14.8	13.3
EBITDA	6	2	16	16
EBITDA margin, %	2.4	0.7	1.8	1.9

October–December

Net sales

Net sales amounted to SEK 232 million (212), an increase of 9.5 percent, where the organic change in net sales was 4.0 percent. The organic change for own brands in external product sales was 0.2 percent. Sales growth for own brand Davert was strong, while it was weak for other proprietary brands in the food service sales channel. Contract manufacturing had favourable sales growth as a result of increased distribution. Overall, this favourable sales trend was due to structured and successful efforts to establish new sales agreements for both own brands and for contract manufacturing.

Gross profit

Gross profit amounted to SEK 34 million (23), corresponding to a margin of 14.6 percent (11.0). The margin development was supported by implemented price increases and improved efficiency at the production facilities. For most input goods, the price scenario stabilised, although at continued high price levels. Production costs relative to net sales saw significant improvement due to increased production volumes and improved efficiency compared to the previous year.

EBITDA

EBITDA amounted to SEK 6 million (2), corresponding to a margin of 2.4 percent (0.7). The improvement in the margin was essentially driven by the improved gross margin. Sales and administrative overheads increased in the period due to increased investments in sales-promotion activities and some temporary additional administrative costs.

January–December

Net sales

Net sales amounted to SEK 872 million (860), an increase of 1.4 percent, where the organic change in net sales was –6.0 percent. For own brands, the organic change in external product sales was –9.2 percent, where sales in the first quarter comparison period were affected to some extent by a hoarding effect among households in connection with the geopolitical situation in Europe being changed by Russia's invasion of Ukraine. Price value has become increasingly important to consumers as a result of dramatically increased living expenses, which is why sustainable products at higher price points have temporarily been prioritised down for the benefit of private label products or for the benefit of conventional health foods. During the fourth quarter, sales began to improve for both the Davert own brand and for contract manufacturing, as a result of structured and successful work to secure new customer contracts.

Gross profit

Gross profit amounted to SEK 129 million (114), corresponding to a margin of 14.8 percent (13.3). The positive margin trend was essentially due to implemented price increases. The product mix was unfavourable for much of the year as a consequence of a higher proportion of contract manufactured products with generally lower margins. In addition, production facility efficiency was low as a result of gradually lowered production volumes. However, efficiency improved in the fourth quarter with increased production volumes.

EBITDA

EBITDA amounted to SEK 16 million (16), corresponding to a margin of 1.8 percent (1.9). The weak EBITDA margin was to all intents and purposes a consequence of lower business volumes that were not fully offset by lower sales and administration overheads. Investments in sales-promoting activities increased while profit was negatively impacted by certain temporary additional administrative costs, which was offset in part by realised synergies from completed restructuring programmes.

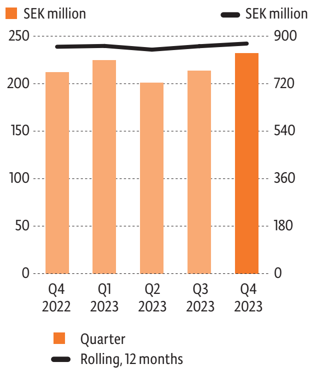
59 percent[2]

Percentage of own brands, income

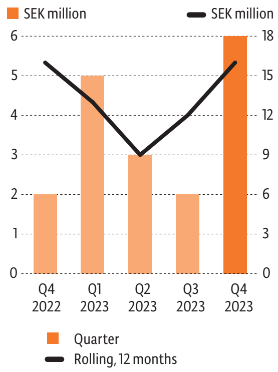
0.2 percent[2]

Organic growth of own brands[3]

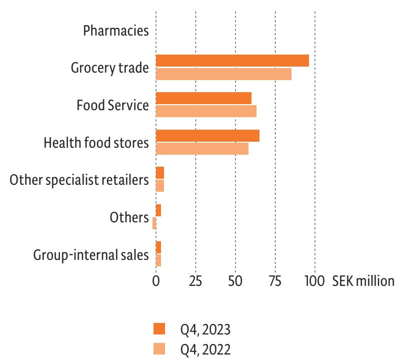
Net sales



EBITDA, before items affecting comparability



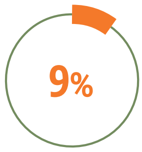
Net sales per sales channel



[1] *Earnings and margin measurements refer to before items affecting comparability unless otherwise stated.*
[2] *For Q4, 2023*
[3] *For external product sales*

Division South Europe[1]

Percentage net sales in the Group[2]



Division South Europe[1]	Oct–Dec 2023	Oct–Dec 2022	Full year 2023	Full year 2022
Net sales	93	90	414	374
Gross profit	9	4	53	39
Gross margin, %	10.0	4.0	12.9	10.5
EBITDA	–5	–10	–11	–16
EBITDA margin, %	–5.2	–10.7	–2.8	–4.3

October–December

Net sales

Net sales amounted to SEK 93 million (90), an increase of 3.1 percent, where the organic change in net sales was –1.3 percent. The organic change for own brands in external product sales was –8.3 percent. The sales trend for our own brands continued to weaken as a result of a shift in purchasing patterns among consumers towards increasingly choosing to make their purchases from the grocery trade to a greater extent, rather than from health food stores, which nonetheless remain the operations' foremost sales channel. Sales volumes for contract manufactured products continued to increase as a result of new business volumes rolled out to the grocery trade.

Gross profit

Gross profit amounted to SEK 9 million (4), corresponding to a margin of 10.0 percent (4.0). The positive margin trend was supported by implemented price increases, but was partially offset by an unfavourable product mix, as a consequence of a higher proportion of sales of contract manufactured products with a generally lower margin. The efficiency of the production facilities was relatively low as a result of lower production volumes overall, although they gradually improved in the quarter.

EBITDA

EBITDA amounted to SEK –5 million (–10), corresponding to a margin of –5.2 percent (–10.7). The margin improvement was essentially driven by the improved gross margin, but was offset to some extent by increased investments in sales-promotion activities and certain temporary additional administrative costs.

January–December

Net sales

Net sales amounted to SEK 414 million (374), an increase of 10.7 percent, where the organic change in net sales was 2.5 percent. The organic change for own brands in external product sales was –6.1 percent. On the whole, the sales trend for our own brands was weak as a result of a shift among consumers towards choosing to make their purchases from the grocery trade to a greater extent, rather than from health food stores, which nonetheless remain the operations' foremost sales channel. Sales volumes for contract manufactured products continued to increase as a result of new business volumes rolled out to the grocery trade, while the sales trend for licensed brands was weak, although sales picked up somewhat in the third quarter.

Gross profit

Gross profit amounted to SEK 53 million (39), corresponding to a margin of 12.9 percent (10.5). The positive margin trend was supported by implemented price increases, but was partly counteracted by high temporary production overheads. The product mix was also unfavourable because a higher proportion of sales involved contract manufactured products, which generally have lower margins. The margin gradually improved during the year, however, with the implemented price increases having an impact, and the temporary production overheads began to decrease.

EBITDA

EBITDA amounted to SEK –11 million (–16), corresponding to a margin of –2.8 percent (–4.3). The margin improvement was essentially driven by the improved gross margin, but was offset to some extent by increased investments in sales-promotion activities and certain temporary additional administrative costs.

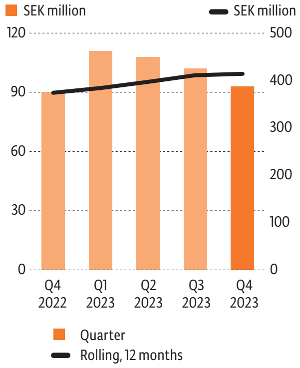
67 percent[2]

Percentage of own brands, income

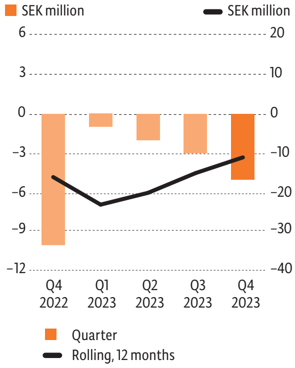
–8.3 percent[2]

Organic growth of own brands[3]

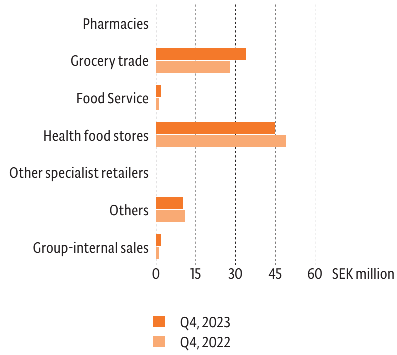
Net sales



EBITDA, before items affecting comparability



Net sales per sales channel



[1] *Earnings and margin measurements refer to before items affecting comparability unless otherwise stated.*
[2] *For Q4, 2023*
[3] *For external product sales*

Other information

Financial calendar

APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC

Interim Report Jan–Mar 2024, *25 April 2024*

Annual General Meeting 2024 *7 May 2024*

Interim Report Jan–Jun 2024 *18 July 2024*

Interim Report Jan–Sept 2024 *23 October 2024*

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 61 million (63), and related primarily to invoicing of services provided internally within the Group. The operating profit/loss amounted to SEK –23 million (–24). Profit/loss before tax amounted to SEK –118 million (–425). Profit/loss before tax included a capital gain of SEK 1 million for divestments of subsidiaries, impairment of shares in subsidiaries by SEK –117 million (–450) and allocations in the form of Group contributions received of SEK 25 million (67) and change in excess depreciation of SEK –7 million (–15). The comparison period also included dividends from subsidiaries of SEK 1 million, of which SEK 1 million was anticipated. Net financial items included interest income from subsidiaries of SEK 66 million (50), interest expenses to credit institutions of SEK –53 million (–48), exchange rate differences on financial receivables and liabilities in foreign currency by SEK 0 million (–8), exchange rate differences on net investments in subsidiaries of SEK –13 million (6) and other financial items of SEK 4 million (–4).

Cash and cash equivalents, including unutilised credit facilities, amounted to SEK 621 million (662). Borrowing from credit institutions was SEK 560 million (697) at the end of the period. A voluntary additional amortisation of SEK 80 million was made on liabilities to credit institutions within the existing credit limit, in December 2023. On the balance sheet date, there were 16 employees (16).

Closely-related parties

There were no significant related party transactions during the period January–December. See also Note 33 *Closely-related parties* on page 164 in the 2022 Annual Report for a description of the Group's and the Parent Company's related-party transactions.

Risks and uncertainties

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 first quarter of 2022, the geopolitical situation in Europe changed drastically when Ukraine was invaded by Russia, further fuelling the wave of challenges in the wake of the pandemic, with shortages of raw materials, higher prices for input goods, energy, fuel, gas and transport and considerable difficulties in maintaining a stable supply of goods. These factors contributed collectively to sharply increased inflation as central and national banks in Europe tried to mitigate this with rapid increases in key interest rates. This has resulted in sharply rising market interest rates, which have led to successively higher interest expenses on the Group's financing despite debt being lower than a year ago. However, there have recently been several positive indications that inflationary pressure is falling, which is why the current assessment is that key interest rates will decline in 2024, thus improving consumers' personal finances to some extent. The harsher private finance climate for consumers in 2023 has led to a temporary shift towards more private label products in the lower price segment. Accordingly, affordability has grown in importance and it is evident that many consumers have sought out low-price products and promotional items. This has brought challenges in demand for some product groups among the Group's own brands, particularly in the organic products category, where volumes gradually slowed down before recovering to some extent and stabilising in the fourth quarter.

Volatility in prices for raw materials, packaging materials, energy, gas and transport, as well as exchange rate trends for key currencies, including USD and EUR, will be an ongoing challenge for the Group. Although the price scenario for most key raw materials and packaging, as well as for road transport, has stabilised over the year, price levels have remained high, while prices on energy and gas for the Group's production facilities fell back to more normal levels compared with last year's peaks. An energy crisis like the one that spread across Europe last year, with rapidly rising electricity and gas prices, is not expected in the short term as a consequence of coordinated and prioritised activities by the EU. The price scenario for maritime transports has improved, having now returned to pre-pandemic price levels due to lower demand for such transports globally. However, the recent geopolitical turmoil around the Red Sea is expected to cause delays in container shipments from Asia and upward pressure on the prices of such shipments. Prices of key raw materials, such as dried fruits, nuts, seeds and kernels, oats, rice, quinoa, lentils and maize, are determined in large part by the key crop yields and harvests of summer and autumn. Prevailing climate-related risks, with extreme weather in the form of drought and floods, are leaving their mark on prices for raw materials. Prices have been lower for certain raw materials to some extent, due primarily to good harvests, while prices have increased for some other raw materials, due partly to unfavourable harvests and changes to import/export restrictions. However, it is currently difficult to provide an overall picture of how this will impact the Group in the coming quarters. After an extended period of an unfavourable exchange rate trend, the SEK and NOK strengthened somewhat against both the USD and EUR in December 2023. Price increases on raw materials, packaging materials and finished goods due to an unfavourable exchange rate trend cannot be absorbed by the Group, but must be taken out at the next stage instead. An overall assessment is that selective price increases to customers in some geographical markets cannot be ruled out, due to crop yields and harvests for certain raw materials as well as currency volatility.

Beyond the aforementioned, the assessment is that no new significant risks or uncertainties have arisen. For a detailed account of risks and uncertainty factors, please see the section Risks and risk management on pages 120–130 and Note 30 *Financial risk management* on pages 161-163 in the 2022 Annual Report.

Significant events January–December

Award-winning sustainability work

Midsona received recognition for being the stock exchange's most sustainable company in the groceries category and took third place overall in the Sustainable Company rankings for 2022. Lund University, Swedish business newspaper Dagens Industri and e-magazine Aktuell Hållbarhet joined forces to survey Swedish listed companies, focusing on risk and governance.

Prestigious appointment for supplier engagement

The global environmental initiative CDP named Midsona a Supplier Engagement Leader for its commitment along the entire supply chain. The award means that Midsona is seen as one of the best companies globally when it comes to climate change strategy and leadership.

Changes on the Board of Directors

At the 2023 Annual General Meeting on 4 May, Anna-Karin Falk was elected as a new Member of the Board in accordance with the Nomination Committee's proposal. She is independent in relation to the Company, its management and major shareholders. Heli Arantola declined re-election. As of the summer of 2023, the Board of Directors of Midsona AB comprises Patrik Andersson (Chairman), Anna-Karin Falk, Sandra Kottenauer, Jari Latvanen, Henrik Stenqvist, Anders Svensson and Johan Wester.

Changes in Group Management

Erk Schuchhardt, Director of Division North Europe, has chosen to leave Midsona. Heiko Hintze has been appointed the new Director of Division North Europe. He took up the position in early December 2023 and has been a Group Management member since then.

Significant events after the end of the reporting period

Proposed changes to the Board of Directors

The Nomination Committee of Midsona AB resolved to propose Tomas Bergendahl as a new member of the Board at the Annual General Meeting on 7 May 2024, as Board member Henrik Stenqvist provided notification that he was not available for re-election.

Other information

Board of Directors' dividend proposal

The Board of Directors proposes that no dividend be paid for the 2023 financial year. No dividend was paid for financial year 2022 either.

Annual Report

The Annual Report for 2023 will be available on the website *www.midsona.com* on 9 April 2024. The printed Annual Report will preliminarily be available at the head office in Malmö on 22 April 2024. Printed copies of the Annual Report will be sent to shareholders on request.

Annual General Meeting 2024

The Annual General Meeting will be held in Malmö on 7 May 2024. The Board of Directors will preliminarily publish its invitation to the Annual General Meeting on 5 April 2024.

Malmö, 1 February 2024
Midsona AB (publ)
BOARD OF DIRECTORS

Review by auditor

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

Report of Review of Interim Financial Information

Introduction

We have reviewed the year-end report (interim report) of Midsona AB (publ) for the period 1 January 2023 to 31 December 2023. 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, 1 February 2024
Deloitte AB

Jeanette Roosberg
AUTHORISED PUBLIC ACCOUNTANT

Financial statements

Summary consolidated income statement

SEK million	Note	Oct–Dec 2023	Oct–Dec 2022	Full year 2023	Full year 2022
Net sales	3.4	**1,003**	**1,027**	**3,793**	**3,899**
Expenses for goods sold		–755	–797	–2,834	–3,021
Gross profit		**248**	**230**	**959**	**878**
Selling expenses		–157	–159	–618	–1,045
Administrative expenses		–84	–76	–327	–298
Other operating income		12	3	22	10
Other operating expenses		0	–4	–7	–10
Operating profit/loss	3	**19**	**–6**	**29**	**–465**
Financial income		4	12	10	67
Financial expenses		–19	–39	–74	–131
Profit/loss before tax		**4**	**–33**	**–35**	**–529**
Tax on profit for the period		–1	18	–18	28
Profit/loss for the period		**3**	**–15**	**–53**	**–501**
Profit/loss for the period is divided between:					
Parent Company shareholders (SEK million)		3	–15	–53	–501
Earnings/loss per share before and after dilution attributable to Parent Company shareholders (SEK)		0.03	–0.19	–0.36	–6.73

Summary consolidated statement of comprehensive income

SEK million	Oct–Dec 2023	Oct–Dec 2022	Full year 2023	Full year 2022
Profit/loss for the period	**3**	**–15**	**–53**	**–501**
Items that have or can be reallocated to profit/loss for the period				
Translation differences for the period on translation of foreign operations	–60	36	–41	121
Other comprehensive income for the period	**–60**	**36**	**–41**	**121**
Comprehensive income for the period	**–57**	**21**	**–94**	**–380**
Comprehensive income for the period is divided between:				
Parent Company shareholders (SEK million)	–57	21	–94	–380

During the quarter, Urtekram Nordic Beauty launched a new skincare and haircare range for men.

Summary consolidated balance sheet

SEK million	Note	31 Dec 2023	31 Dec 2022
Assets			
Intangible fixed assets		2,926	3,020
Tangible fixed assets		404	451
Non-current receivables		5	5
Deferred tax assets		98	116
Fixed assets		**3,433**	**3,592**
Inventories		554	727
Accounts receivable		334	398
Tax receivables		7	17
Other receivables		16	27
Prepaid expenses and accrued income		20	22
Cash and cash equivalents		235	121
Current assets		**1,166**	**1,312**
Assets	5	**4,599**	**4,904**
Share capital	6	727	727
Additional paid-up capital		1,849	1,850
Reserves		85	126
Profit brought forward, including profit/loss for the period		326	379
Shareholders' equity		**2,987**	**3,082**
Non-current interest-bearing liabilities		608	776
Other non-current liabilities		7	8
Deferred tax liabilities		331	347
Non-current liabilities		**946**	**1,131**
Current interest-bearing liabilities		123	119
Accounts payable		312	358
Tax liabilities		6	7
Other current liabilities		53	43
Accrued expenses and deferred income		172	164
Current liabilities		**666**	**691**
Liabilities	5	**1,612**	**1,822**
Shareholders' equity and liabilities		**4,599**	**4,904**

Summary consolidated changes in shareholders' equity

SEK million	Share capital	Additional paid-up capital	Reserves	Profit brought forward, incl. profit/ loss for the period	Shareholders' equity
Opening shareholders' equity, 1 Jan 2022	363	1,627	5	880	2,875
Profit/loss for the period	–	–	–	−501	−501
Other comprehensive income for the period	–	–	121	–	121
Comprehensive income for the period	**–**	**–**	**121**	**−501**	**−380**
New share issue	364	236	–	–	600
Issue expenses	–	−13	–	–	−13
Premium paid in on issuing warrant programme, TO2022/2025	–	0	–	–	0
Transactions with the Group's owners	**364**	**223**	**–**	**–**	**587**
Closing shareholders' equity, 31 Dec 2022	**727**	**1,850**	**126**	**379**	**3,082**
Opening shareholders' equity, 1 Jan 2023	727	1,850	126	379	3,082
Profit/loss for the period	–	–	–	−53	−53
Other comprehensive income for the period	–	–	−41	–	−41
Comprehensive income for the period	**–**	**–**	**−41**	**−53**	**−94**
Issue expenses	–	−1	–	–	−1
Transactions with the Group's owners	**–**	**−1**	**–**	**–**	**−1**
Closing shareholders' equity, 31 Dec 2023	**727**	**1,849**	**85**	**326**	**2,987**

Summary consolidated cash flow statement

SEK million	Oct–Dec 2023	Oct–Dec 2022	Full year 2023	Full year 2022
Profit/loss before tax	4	−33	−35	−529
Adjustment for items not included in cash flow	50	63	204	683
Income tax paid	6	−7	−2	−13
Cash flow from operating activities before changes in working capital	**60**	**23**	**167**	**141**
Increase (-)/decrease (+) in inventories	88	136	121	76
Increase (-)/decrease (+) in operating receivables	44	57	72	27
Increase (+)/decrease (-) in operating liabilities	−35	−88	−17	−41
Changes in working capital	**97**	**105**	**176**	**62**
Cash flow from operating activities	**157**	**128**	**343**	**203**
Divestments of companies or operations	0	0	0	0
Acquisitions of intangible assets	−1	0	−1	−1
Divestments of intangible assets	12	–	12	–
Acquisitions of tangible assets	−6	−8	−30	−34
Divestments of tangible assets	1	0	1	7
Change in financial assets	0	−1	0	−1
Cash flow from investment activities	**6**	**−9**	**−18**	**−29**
Cash flow after investing activities	**163**	**119**	**325**	**174**
New share issue	–	600	–	600
Issue expenses	–	−9	−7	−9
Premium paid in, warrant programme, TO2022/2025	–	0	–	0
Loans raised	–	−24	6	60
Repayment of loans	−97	−609	−152	−701
Amortisation of lease liabilities	−14	−15	−56	−58
Cash flow from financing activities	**−111**	**−57**	**−209**	**−108**
Cash flow for the period	**52**	**62**	**116**	**66**
Cash and equivalents at beginning of period	180	55	121	53
Translation difference in cash and cash equivalents	3	4	−2	2
Cash and cash equivalents at end of the period	**235**	**121**	**235**	**121**

Summary income statement, Parent Company

SEK million	Oct–Dec 2023	Oct–Dec 2022	Full year 2023	Full year 2022
Net sales	**14**	**16**	**61**	**63**
Administrative expenses	−23	−22	−84	−85
Other operating income	0	0	1	0
Other operating expenses	0	−2	−1	−2
Operating profit/loss	**−9**	**−8**	**−23**	**−24**
Result from participations in subsidiaries	−45	−449	−116	−449
Financial income	10	32	87	120
Financial expenses	−11	−36	−83	−124
Profit/loss after financial items	**−55**	**−461**	**−135**	**−477**
Allocations	17	52	17	52
Profit/loss before tax	**−38**	**−409**	**−118**	**−425**
Tax on profit for the period	0	−5	0	−5
Profit/loss for the period[1]	**−38**	**−414**	**−118**	**−430**

[1] Profit/loss for the period and comprehensive income for the period are the same, as the Parent Company has no transactions that are reported in other comprehensive income.

Summary balance sheet, Parent Company

SEK million	Note	31 Dec 2023	31 Dec 2022
Intangible fixed assets		33	42
Tangible fixed assets		2	3
Participations in subsidiaries		2,410	2,481
Receivables from subsidiaries		867	1,030
Deferred tax assets		0	0
Financial fixed assets		**3,277**	**3,511**
Fixed assets		**3,312**	**3,556**
Receivables from subsidiaries		87	87
Other receivables		11	11
Cash and bank balances		205	75
Current assets		**303**	**173**
Assets		**3,615**	**3,729**
Share capital	6	727	727
Statutory reserve		58	58
Profit brought forward, including profit/loss for the period and other reserves		1,793	1,912
Shareholders' equity		**2,578**	**2,697**
Untaxed reserves		**27**	**20**
Liabilities to credit institutions		501	640
Other non-current liabilities		0	0
Non-current liabilities		**501**	**640**
Liabilities to credit institutions		59	57
Liabilities to subsidiaries		432	290
Other current liabilities		18	25
Current liabilities		**509**	**372**
Equity and liabilities		**3,615**	**3,729**

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.

In the year-end report for 2023, the same accounting principles and calculation methods were applied as in the last annual report issued for 2022 (Note 1 *Accounting principles*, pages 142–148). The new standards and the amendments and revisions to standards and new interpretations (IFRIC) that came into effect on 1 January 2023 had no significant impact on the Group's accounting for the period January–December 2023.

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.

During 2023, estimates and assessments were made on several occasions as to whether new tax loss carryforwards in some geographic markets should be capitalised as deferred tax assets to be realised through offset against future taxable income. Company management decided on all occasions to wait to capitalise such new tax loss carryforwards, taking into account short-term earnings capacity forecasts, significant uncertainty in external factors and levels of capitalised tax loss carryforwards from previous years. Furthermore, in the annual impairment testing process, new estimates and assessments were made in our assumptions regarding future conditions and regarding parameters affecting the future profitability of those cash-generating units within the Group to which goodwill has been allocated. For the cash-generating unit Nordics, the assessment of the company management was that no reasonable changes to the key assumptions would lead to the calculated recovery value being lower than the reported value. For the cash-generating units North Europe and South Europe, company management's sensitivity analysis indicated that certain shifts in the key assumptions could lead to the calculated recovery value being slightly lower than the reported value. The estimated recoverable amount for North Europe exceeded the carrying amount by SEK 144 million (EUR 13.0 million) or 27 percent, while the estimated recoverable amount for South Europe exceeded the carrying amount by SEK 72 million (EUR 6.5 million) or 19 percent. Moving forward, company management will be carefully monitoring the development of cash-generating units in the event that new estimates and assessments must be made in the assumptions due to altered conditions.

For a detailed account of the assessments made by management in the application of IFRS and that have a significant impact on the financial statements, as well as estimates made that could entail significant adjustments to subsequent financial statements, please refer to Note 34 *Important estimates and assessments* on page 165 of the 2022 Annual Report.

In other regards, no new significant estimates and assessments have been added since the publication of the most recent annual report.

Note 3 | Operating segments, Group

SEK million	Nordics		North Europe		South Europe		Group-wide functions		Group	
October–December	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Net sales, external	683	729	229	209	91	89	–	–	1,003	1,027
Net sales, intra-Group	3	3	3	3	2	1	–8	–7	–	–
Net sales	**686**	**732**	**232**	**212**	**93**	**90**	**–8**	**–7**	**1,003**	**1,027**
Expenses for goods sold	–472	–526	–206	–191	–84	–86	7	6	–755	–797
Gross profit	**214**	**206**	**26**	**21**	**9**	**4**	**–1**	**–1**	**248**	**230**
Other operating expenses	–146	–160	–39	–36	–20	–19	–24	–21	–229	–236
Operating profit/loss	**68**	**46**	**–13**	**–15**	**–11**	**–15**	**–25**	**–22**	**19**	**–6**
Financial items									–15	–27
Profit/loss before tax									**4**	**–33**
Significant income and expense items reported in the income statement:										
Items affecting comparability[1]	–13	1	9	6	0	0	7	4	3	11
Depreciation/amortisation and impairment	12	13	10	11	6	6	10	15	38	45
Gross profit, before items affecting comparability	**213**	**206**	**34**	**23**	**9**	**4**	**–1**	**–1**	**255**	**232**
Operating profit/loss, before items affecting comparability	**55**	**47**	**–4**	**–9**	**–11**	**–15**	**–18**	**–18**	**22**	**5**
EBITDA, before items affecting comparability	**67**	**60**	**6**	**2**	**–5**	**–9**	**–8**	**–8**	**60**	**45**
Average number of employees	401	411	200	203	162	158	15	16	778	788
Number of employees as of the balance sheet date	378	408	204	200	167	156	16	16	765	780

[1] *For a specification of items affecting comparability, refer to the definitions and reconciliations against IFRS, Group, on pages 19–20.*

SEK million	Nordics		North Europe		South Europe		Group-wide functions		Group	
January–December	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Net sales, external	2,530	2,692	860	841	403	366	–	–	3,793	3,899
Net sales, intra-Group	15	10	12	19	11	8	–38	–37	–	–
Net sales	**2,545**	**2,702**	**872**	**860**	**414**	**374**	**–38**	**–37**	**3,793**	**3,899**
Expenses for goods sold	–1,757	–1,918	–751	–802	–362	–336	36	35	–2,834	–3,021
Gross profit	**788**	**784**	**121**	**58**	**52**	**38**	**–2**	**–2**	**959**	**878**
Other operating expenses	–615	–626	–152	–147	–89	–78	–74	–492	–930	–1,343
Operating profit/loss	**173**	**158**	**–31**	**–89**	**–37**	**–40**	**–76**	**–494**	**29**	**–465**
Financial items									–64	–64
Profit/loss before tax									**–35**	**–529**
Significant income and expense items reported in the income statement:										
Items affecting comparability[1]	14	6	9	62	1	2	7	425	31	495
Depreciation/amortisation and impairment	51	52	38	97	25	22	43	470	157	641
Gross profit, before items affecting comparability	**804**	**784**	**129**	**114**	**53**	**39**	**–2**	**–2**	**984**	**935**
Operating profit/loss, before items affecting comparability	**187**	**164**	**–22**	**–27**	**–36**	**–38**	**–69**	**–69**	**60**	**30**
EBITDA, before items affecting comparability	**238**	**216**	**16**	**16**	**–11**	**–16**	**–26**	**–25**	**217**	**191**
Average number of employees	401	439	200	214	162	150	15	17	778	820
Number of employees as of the balance sheet date	378	408	204	200	167	156	16	16	765	780

[1] *For a specification of items affecting comparability, refer to the definitions and reconciliations against IFRS, Group, on pages 19–20.*

Note 4 | Breakdown of income, Group

SEK million	Nordics		North Europe		South Europe		Group	
October–December	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Geographical areas[1]								
Sweden	265	288	0	0	–	–	265	288
Denmark	157	180	0	0	0	–	157	180
Finland	113	114	–	–	0	0	113	114
Norway	115	116	0	0	–	–	115	116
France	1	1	4	3	48	50	53	54
Spain	3	3	1	5	38	35	42	43
Germany	0	0	202	177	0	0	202	177
Rest of Europe	27	24	22	24	3	2	52	50
Other countries outside Europe	2	3	–	0	2	2	4	5
Net sales	**683**	**729**	**229**	**209**	**91**	**89**	**1,003**	**1,027**
Sales channel								
Pharmacies	70	105	–	–	–	–	70	105
Grocery trade	451	484	96	85	34	28	581	597
Food Service	28	27	60	63	2	1	90	91
Health food stores	43	44	65	58	45	49	153	151
Other specialist retailers	33	34	5	5	–	–	38	39
Others	58	35	3	−2	10	11	71	44
Net sales	**683**	**729**	**229**	**209**	**91**	**89**	**1,003**	**1,027**
Product categories								
Organic products	173	174	230	209	91	88	494	471
Health foods	343	357	–	–	–	–	343	357
Consumer health products	161	195	–	–	–	–	161	195
Services linked to product handling	6	3	−1	0	0	1	5	4
Net sales	**683**	**729**	**229**	**209**	**91**	**89**	**1,003**	**1,027**
Brands								
Own	486	503	134	127	59	62	679	692
Licensed	93	127	–	–	8	8	101	135
Contract manufacture	98	96	96	82	24	18	218	196
Services linked to product handling	6	3	−1	0	0	1	5	4
Net sales	**683**	**729**	**229**	**209**	**91**	**89**	**1,003**	**1,027**

[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	
January–December	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Geographical areas[1]								
Sweden	1,027	1108	0	0	–	–	1,027	1,108
Denmark	525	592	1	1	0	0	526	593
Finland	437	442	–	–	0	0	437	442
Norway	412	440	0	0	–	–	412	440
France	3	3	12	13	221	203	236	219
Spain	13	11	13	17	158	142	184	170
Germany	0	0	746	719	0	0	746	719
Rest of Europe	102	89	88	91	12	11	202	191
Other countries outside Europe	11	7	–	0	12	10	23	17
Net sales	**2,530**	**2,692**	**860**	**841**	**403**	**366**	**3,793**	**3,899**
Sales channel								
Pharmacies	288	422	–	–	–	–	288	422
Grocery trade	1,687	1,736	362	352	155	121	2,204	2,209
Food Service	112	100	239	254	8	6	359	360
Health food stores	162	165	237	218	195	194	594	577
Other specialist retailers	120	130	19	19	–	–	139	149
Others	161	139	3	−2	45	45	209	182
Net sales	**2,530**	**2,692**	**860**	**841**	**403**	**366**	**3,793**	**3,899**
Product categories								
Organic products	682	691	860	841	403	364	1,945	1,896
Health foods	1,208	1201	–	–	–	–	1,208	1,201
Consumer health products	622	788	–	–	–	–	622	788
Services linked to product handling	18	12	0	0	0	2	18	14
Net sales	**2,530**	**2,692**	**860**	**841**	**403**	**366**	**3,793**	**3,899**
Brands								
Own	1,896	1,889	502	512	270	266	2,668	2,667
Licensed	344	520	–	–	32	32	376	552
Contract manufacture	272	271	358	329	101	66	731	666
Services linked to product handling	18	12	0	0	0	2	18	14
Net sales	**2,530**	**2,692**	**860**	**841**	**403**	**366**	**3,793**	**3,899**

[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

Fair value

The carrying amount on non-current receivables, accounts receivable, other receivables, cash and cash equivalents, other non-current receivables, accounts payable and other current liabilities measured at amortised cost constitutes a reasonable approximation of fair value.

SEK million	31 Dec 2023	31 Dec 2022
Assets		
Financial instruments measured at amortised cost		
Non-current receivables	5	5
Accounts receivable	334	398
Other receivables	16	27
Cash and cash equivalents	235	121
Total	**590**	**551**
Total receivables	**590**	**551**
Liabilities		
Financial instruments measured at fair value via the income statement		
Other current liabilities	1	2
Total	**1**	**2**
Financial instruments measured at amortised cost		
Non-current interest-bearing liabilities	608	776
Other non-current liabilities	7	8
Current interest-bearing liabilities	123	119
Accounts payable	312	358
Other current liabilities	52	41
Total	**1,102**	**1302**
Total liabilities and provisions	**1,103**	**1,304**

Certain disclosures regarding financial instruments assessed at fair value through profit for the year

The Group held financial instruments in the form of forward exchange contracts recognised at fair value via the consolidated income statement. The valuation was at level 2, in accordance with IFRS 13 *Fair Value Measurement.* Actual values were based on quotes from brokers. Similar contracts were traded on an active market and the rates reflected actual transactions on comparable instruments. In the comparison period, the Group held no such financial instruments, recognised at fair value in the balance sheet.

Netting agreements and similar agreements

For derivative counterparties, there are ISDA agreements, which mean that derivative items can be reported net under certain conditions. The Group had no derivatives reported net in its consolidated balance sheet.

Calculation of fair value

Fair value of interest bearing liabilities is calculated based on future cash flows of principal and interest discounted at the current market rate on the balance sheet date. Long-term interest-bearing liabilities essentially mature at variable interest rates and therefore correspond essentially to fair value with a carrying amount. For current interest-bearing liabilities, no discount is applied and the fair value corresponds, in all material respects, to the carrying amount. For further information on the valuation of financial assets and liabilities, refer to Note 32 *Valuation of financial assets and liabilities at fair value and the category breakdown* on page 164 in the 2022 Annual Report.

During the quarter, Spanish brand Vegetalia launched two new vegetarian burgers with different flavours, blue cheese and artichoke.

Note 6 | Change in number of shares, Group

Number of shares	Series A shares	Series B shares	Total
Number of shares, 1 January 2022	298,320	72,415,720	72,714,040
New share issue	298,320	72,415,720	72,714,040
Number of shares, 31 December 2022	**596,640**	**144,831,440**	**145,428,080**
Number of shares, 1 January 2023	596,640	144,831,440	145,428,080
Reclassification	–172,856	172,856	0
Number of shares, 31 December 2023	**423,784**	**145,004,296**	**145,428,080**
Quota value per share, SEK			5.00
Share capital on the balance sheet date, SEK			727,140,400
Votes on the balance sheet date, number			149,242,136

Reclassification of Series A shares to Series B

In December 2022, at the request of shareholders, a reclassification of 172,856 Series A shares to Series B shares was initiated. The reclassification was registered in January 2023, whereby the number of votes changed to 149,242,136.

Warrant programme

Two warrant programmes, directed at senior executives, remained outstanding at the end of the period. TO2021/2024 that can maximally provide 171,000 new Series B shares on full conversion, with the exercise period for the warrants being 1 August 2024 to 20 December 2024, and TO2022/2025 that can maximally provide 120,000 new Series B shares on full conversion, with the exercise period for the warrants being 1 August 2025 to 20 December 2025.

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 the third quarter of 2023, a resolution was taken not to offer senior executives the opportunity to subscribe for the TO2023/2026 series.

Earnings/loss per share after dilution were not calculated as the average price for the Series B shares fell short of the subscription price for TO2021/2024 and TO2022/2025 respectively on the balance sheet date. For more information on warrant programmes outstanding, see Note 10 *Employees, personnel expenses and senior executives' remuneration* on pages 151–153 in the 2022 Annual Report.

Average number of shares, Group

Number of shares (thousands)	Oct–Dec 2023	Oct–Dec 2022	Full year 2023	Full year 2022
Average during the period	145,428	79,646	145,428	74,447
Average during the period, after full dilution	145,719	79,937	145,719	74,668

During the quarter, German brand Davert launched Couscous.

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. Some additions were made in 2023 for one of the financial measures, Items affecting comparability.

Items affecting comparability
Significant items that are recognised separately due to their size or frequency, such as restructuring costs, acquisition-related income, acquisition-related expenses, impairment of tangible and intangible assets after impairment testing and capital gains/losses on divestment of brands. *This is a measure of operating items not normally included in the Company's operating activities. Relevant for assessing the company's operating profit growth eliminated for such operating items that are not frequently recurring.*

For the definition and purpose of respective measures otherwise that are not defined under IFRS, please see the Definitions section on pages 184–187 in the 2022 Annual Report. The following table presents reconciliations against IFRS.

IFRS reconciliations, Group

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

SEK million	Oct–Dec 2023	Oct–Dec 2022	Full year 2023	Full year 2022
Operating profit/loss, before items affecting comparability	**22**	**5**	**60**	**30**
Items affecting comparability included in operating profit/loss [1,2]	–3	–11	–31	–495
Operating profit/loss	**19**	**–6**	**29**	**–465**
Amortisation of intangible assets	11	12	48	48
Impairment of intangible assets	–	5	–	426
Depreciation of tangible fixed assets	27	28	109	113
Impairment of tangible fixed assets	–	0	–	54
EBITDA	**57**	**39**	**186**	**176**
Items affecting comparability included in EBITDA [1,2]	3	6	31	15
EBITDA, before items affecting comparability	**60**	**45**	**217**	**191**
Net sales	1,003	1,027	3,793	3,899
EBITDA margin, before items affecting comparability	**6.0%**	**4.4%**	**5.7%**	**4.9%**

[1] Specification of items affecting comparability

SEK million	Oct–Dec 2023	Oct–Dec 2022	Full year 2023	Full year 2022
Restructuring expenses, net	9	6	37	15
Capital gains and losses divestment of brands	–6	–	–6	–
Impairment of intangible and tangible assets	–	5	–	480
Items affecting comparability included in operating profit/loss	**3**	**11**	**31**	**495**
Impairment of intangible and tangible assets	–	–5	–	–480
Items affecting comparability included in EBITDA	**3**	**6**	**31**	**15**

[2] Corresponding line in the consolidated income statement

SEK million	Oct–Dec 2023	Oct–Dec 2022	Full year 2023	Full year 2022
Expenses for goods sold	7	2	25	57
Selling expenses	0	8	6	435
Administrative expenses	2	1	6	3
Other operating income	–6	–	–6	–
Other operating expenses	0	–	0	0
Items affecting comparability included in operating profit/loss	**3**	**11**	**31**	**495**
Expenses for goods sold	–	–	–	–54
Selling expenses	–	–5	–	–426
Items affecting comparability included in EBITDA	**3**	**6**	**31**	**15**

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

SEK million	Full year 2023	Full year 2022
EBITDA	**186**	**176**
Adjusted EBITDA	**186**	**176**

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

SEK million	31 Dec 2023	31 Dec 2022
Non-current interest-bearing liabilities	608	776
Current interest-bearing liabilities	123	119
Cash and cash equivalents [1]	–235	–121
Net debt	**496**	**774**

[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 2023	Oct–Dec 2022	Full year 2023	Full year 2022
Shareholders' equity and liabilities	**4,599**	**4,904**	**4,599**	**4,904**
Other non-current liabilities	–7	–8	–7	–8
Deferred tax liabilities	–331	–347	–331	–347
Accounts payable	–312	–358	–312	–358
Other current liabilities	–59	–50	–59	–50
Accrued expenses and deferred income	–172	–164	–172	–164
Capital employed	**3,718**	**3,977**	**3,718**	**3,977**
Capital employed at the beginning of the period	3,902	4,004	3,977	4,364
Average capital employed	**3,810**	**3,991**	**3,848**	**4,171**

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

SEK million	Full year 2023	Full year 2022
Profit/loss before tax	**–35**	**–529**
Financial expenses	74	131
Profit before taxes, excluding financial expenses	**39**	**–398**
Average capital employed	3,848	4,171
Return on capital employed, %	**1.0**	**–9.5**

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 2023	Oct–Dec 2022	Full year 2023	Full year 2022
Cash flow from operating activities	**157**	**128**	**343**	**203**
Cash flow from investment activities	6	–9	–18	–29
Expansion investment, new production line	0	1	2	6
Sales of trademarks and product rights	–12	–	–12	–
Free cash flow	**151**	**120**	**315**	**180**

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 2023	Oct–Dec 2022	Full year 2023	Full year 2022
Net sales	**1,003**	**1,027**	**3,793**	**3,899**
Net sales compared with the corresponding period in the previous year	–1,027	–1,012	–3,899	–3,773
Net sales, change	**–24**	**15**	**–106**	**126**
Structural changes	3	0	3	–93
Exchange rate changes	–24	–51	–156	–132
Organic change	**–45**	**–36**	**–259**	**–99**
Organic change	–4.4%	–3.5%	–6.6%	–2.6%
Structural changes	–0.3%	0.0%	–0.1%	2.5%
Exchange rate changes	2.4%	5.0%	4.0%	3.5%

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

SEK million	Oct–Dec 2023	Oct–Dec 2022	Full year 2023	Full year 2022
Net sales own brands	**679**	**692**	**2,668**	**2,667**
Net sales own brands compared with the corresponding period in the previous year	–692	–691	–2,667	–2,622
Net sales own brands, change	**–13**	**1**	**1**	**45**
Structural changes	3	0	3	–47
Exchange rate changes	–13	–33	–97	–85
Organic change own brands	**–23**	**–32**	**–93**	**–87**
Organic change	–3.3%	–4.6%	–3.5%	–3.3%
Structural changes	–0.4%	0.0%	–0.1%	1.8%
Exchange rate changes	1.9%	4.8%	3.6%	3.2%

Consolidated quarterly data

SEK million	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1
Net sales	**1,003**	**923**	**893**	**974**	**1,027**	**944**	**956**	**972**	**1,012**	**893**	**903**	**965**
Expenses for goods sold	–755	–690	–671	–718	–797	–775	–731	–718	–770	–652	–646	–690
Gross profit	**248**	**233**	**222**	**256**	**230**	**169**	**225**	**254**	**242**	**241**	**257**	**275**
Selling expenses	–157	–149	–152	–160	–159	–567	–162	–157	–148	–138	–155	–151
Administrative expenses	–84	–80	–83	–80	–76	–72	–76	–74	–76	–67	–73	–73
Other operating income	12	6	2	2	3	3	2	2	3	12	13	7
Other operating expenses	0	–1	–4	–2	–4	–1	–2	–3	–4	0	0	–4
Operating profit/loss	**19**	**9**	**–15**	**16**	**–6**	**–468**	**–13**	**22**	**17**	**48**	**42**	**54**
Financial income	4	2	2	2	12	20	25	10	5	4	–5	7
Financial expenses	–19	–22	–17	–16	–39	–35	–39	–18	–16	–16	–7	–18
Profit/loss before tax	**4**	**–11**	**–30**	**2**	**–33**	**–483**	**–27**	**14**	**6**	**36**	**30**	**43**
Tax on profit for the period	–1	–7	–2	–8	18	5	7	–2	–5	–5	–6	–10
Profit/loss for the period	**3**	**–18**	**–32**	**–6**	**–15**	**–478**	**–20**	**12**	**1**	**31**	**24**	**33**
Items affecting comparability												
Items affecting comparability included in operating profit/loss	3	9	14	5	11	478	6	–	3	–6	–3	2
Operating profit/loss, before items affecting comparability	**22**	**18**	**–1**	**21**	**5**	**10**	**–7**	**22**	**20**	**42**	**39**	**56**
Depreciation/amortisation and impairment												
Depreciation/amortisation and impairment included in operating profit/loss	38	40	40	39	45	515	41	40	41	42	47	38
EBITDA	**57**	**49**	**25**	**55**	**39**	**47**	**28**	**62**	**58**	**90**	**89**	**92**
Depreciation/amortisation, impairment and items affecting comparability												
Depreciation/amortisation, impairment and items affecting comparability included in operating profit/loss	41	49	54	44	51	518	47	40	44	32	36	40
EBITDA, before items affecting comparability	**60**	**58**	**39**	**60**	**45**	**50**	**34**	**62**	**61**	**80**	**78**	**94**
Free cash flow	151	80	8	76	120	22	53	–15	–25	–8	–35	–26
Cash flow from operating activities	157	87	17	82	128	29	54	–8	–16	0	–29	–19
Number of employees as of the balance sheet date	765	767	794	783	780	801	826	859	849	819	836	831

Exchange rates

	Average exchange rate		Closing day rate	
SEK	Jan–Dec 2023	Jan–Dec 2022	31 Dec 2023	31 Dec 2022
DKK	1.5403	1.4290	1.4888	1.4965
EUR	11.4765	10.6317	11.0960	11.1283
GBP	13.1979	12.4669	12.7680	12.5811
NOK	1.0054	1.0523	0.9871	1.0572
USD	10.6128	10.1245	10.0416	10.4371

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