Midsona

ANNUAL REPORT 2020
WITH SUSTAINABILITY REPORT

midsona

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

Midsona's strategy for building leading positions in selected product categories is based on strong brands in health and well-being. We will continuously develop our brands and bring in new ones so that we can meet current and new trends even more effectively. With this strategy, Midsona has become a leader in the Nordic region and the goal is to now work in a similar way to become a leader in Europe.

In 2020, we continued our aggressive efforts and acquired System Frugt in Denmark and the rights to the Swedish Gainomax brand. As of 1 January 2021, Midsona's priority brands are Urtekram, Kung Markatta, Helios, Davert, Happy Bio, Celnat, Vegetalia, Friggs and Earth Control.

Contents

Annual Report and consolidated accounts

The Annual Report and consolidated accounts are included on pages 92–135 of this document and include the Auditor's report. The consolidated financial statements have been prepared in accordance with IFRS. All values are expressed in millions of Swedish kronor (SEK million) unless otherwise stated. Figures in parentheses refer to the preceding financial year, unless otherwise stated. Market information is based on Midsona's own assessment if no other source is given. Assessments are based on the best available evidence.

Information about the Annual General Meeting

Due to the ongoing corona pandemic, the Board has decided that the Annual General Meeting on May 5, 2021 will only be held through a postal voting procedure. This means that the meeting must be conducted without the physical presence of shareholders. Shareholders' participation and exercise of voting rights takes place by shareholders voting by mail in accordance with the complete notice convening the Annual General Meeting.

Participation and registration

Shareholders who wish to participate in the Annual General Meeting by postal vote must:

- be entered as a shareholder in the share register kept by Euroclear Sweden AB on Tuesday, 27 April 2021 and
- register by casting their postal vote in accordance with the instructions in the full notice of the meeting so that the postal vote is received by Euroclear Sweden AB no later than Tuesday, May 4, 2021. Please note that registration for the meeting can only be made by postal ballot.

Shareholders who have their shares nominee-registered must, in addition to registering for the meeting by casting their postal vote, have the shares registered in their own name so that the shareholder is entered in the general meeting share register as of the record date of Tuesday 27 April 2021. Such registration can be temporary (so-called voting rights registration) and is requested from the trustee in accordance with the trustee's procedures, at such time as the trustee determines.

Dividend

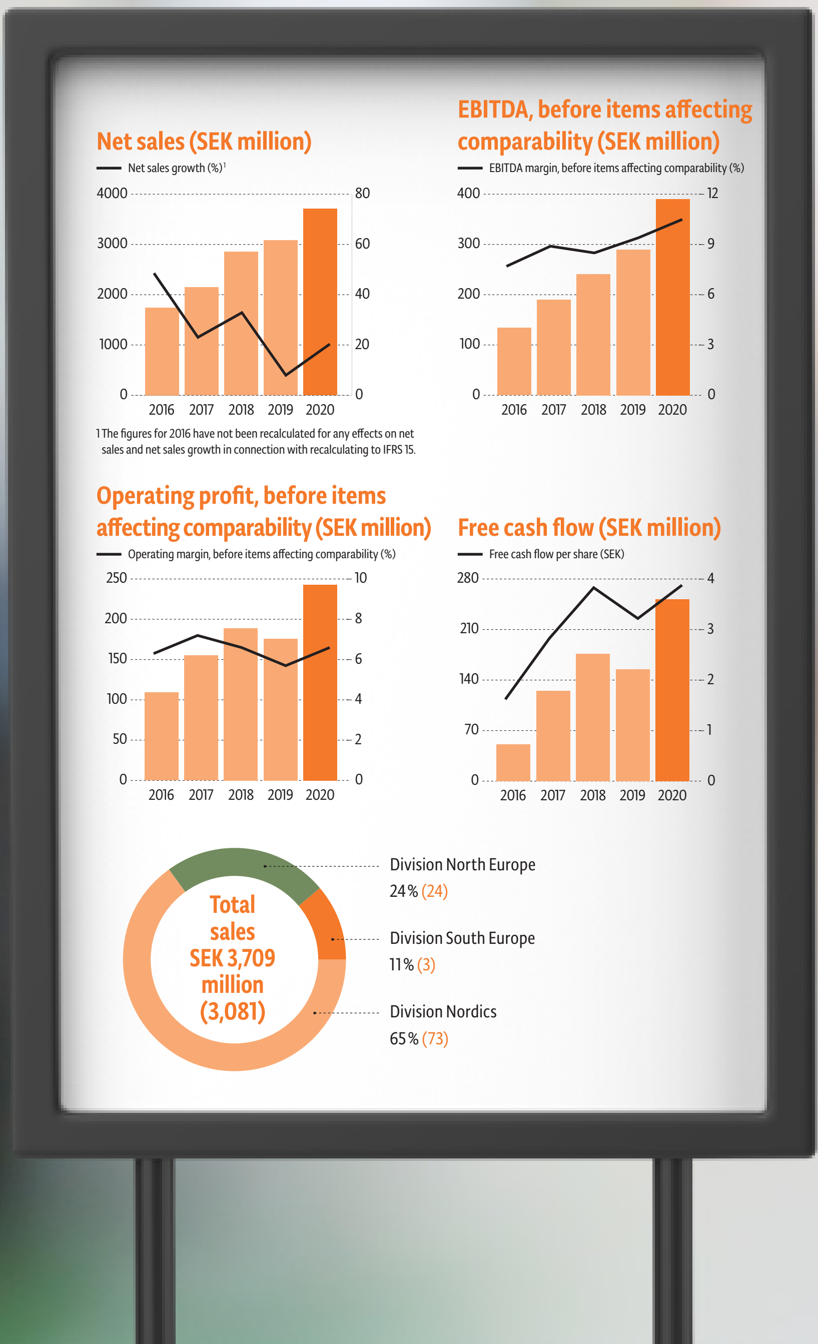
The Board of Directors proposes that the 2021 Annual General Meeting resolve for a dividend to be paid on two occasions. The first payout on 12 May 2021 would amount to SEK 0.65 per share with 7 May 2021 as the record date and the second payout on 29 October 2021 would amount to SEK 0.60 per share with 26 October 2021 as the record date.

Significant events in 2020

- **Acquisition of System Frugt A/S** strengthens the position in plant-based foods. System Frugt is a leading supplier of nuts and dried fruit to FMCG retailers in the Nordic region. The company's market presence and product portfolio complement and strengthen Midsona's position in healthy snacks and plant-based foods. The company's leading brand, Earth Control, becomes one of Midsona's priority brands and the Group's third-largest. Learn more on page 32.
- **Expansion in plant-based meat alternatives.** Investment in the Company's production unit in Castellcir, in northern Spain, to strengthen operations in plant-based meat alternatives. This means that production capacity can be increased and the product range broadened. Learn more on page 25.
- **Ambitious new sustainability targets.** Midsona is advancing an agenda of change aimed at influencing people's eating habits in the direction of healthy and sustainable alternatives. In line with these ambitions and the demands customers, consumers and investors make of a clear sustainability agenda, during the year, Midsona adopted ambitious new sustainability targets for the period up until 2030. Learn more on page 11.
- **Midsona's sustainability work praised.** When the newspapers Dagens industri and Aktuell Hållbarhet named the stock exchange's most sustainable company in 2020, Midsona was named a winner in the FMCG category. Learn more on page 40.
- **Acquisition of the rights to the Gainomax brand.** Gainomax is Sweden's most famous brand in sports nutrition. The brand and range complement Midsona's existing portfolio in Sweden and constitute a good platform for growth in the rest of the Nordic region. Learn more on page 33.
- **Increased demand in the first quarter.** In March 2020, Midsona stated that it had experienced increased demand in most product categories compared with the same period in the preceding year. The increase was explained by the effects of the corona virus outbreak. Learn more on page 93.
- **Max Bokander become the new CFO.** Lennart Svensson, Midsona AB's CFO since 2009, is leaving his position during the first quarter of 2021 and Max Bokander has been appointed as his replacement. Max Bokander took up his position on 11 January 2021 and became a member of Midsona's Group Management.
- **During the year, the demand for organic products** increased, partly as a result of the ongoing pandemic, and partly because new consumers discovered our products.

Events after the end of the financial year

- **Strengthened position with a focus on priority brands.** To drive effective growth, Midsona focuses on its priority brands. With an extended product portfolio and strengthened position in new markets, our priority brands as of 1 January 2021, are Urtekram, Kung Markatta, Helios, Davert, Happy Bio, Celnat, Vegetalia, Friggs and Earth Control. Learn more on pages 22–23.
- **Midsona's brand Kung Markatta received at the beginning of 2021 the award Sweden's greenest brand.** The assessment was made by Swedish consumers, a total of 145 brands were ranked.



This is Midsona

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

Leading in Europe

Strong emphasis on plant-based and organic foods

Through an active brand and acquisition strategy, Midsona has become a leader in health and well-being in the Nordic region. Applying the same recipe for success, the objective is to become a European leader.

We have taken the first steps in recent years by acquiring Davert, providing a strong platform in Germany, Europe's largest market for organic foods; and Alimentation Santé in France and Spain, providing a strong platform in plant-based meat alternatives in southern Europe. Our position in northern Europe has also been strengthened with additional acquisitions, both geographically and within product categories.

In 2020, System Frugt was acquired in Denmark, strengthening Midsona's position in plant-based foods and healthy snacks and the Swedish trademark rights to Gainomax were acquired, strengthening our position in sports nutrition. In 2020, the decision was also made to expand the production of plant-based meat alternatives through an investment in the Group's production facility in Spain.

Healthy food for people and our planet

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

- Plant-based
- Natural and organic
- Healthy

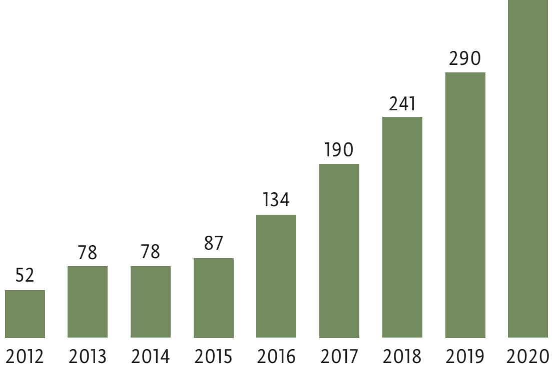
Sustainability

Midsona's strategy and business concept are based on a passion for healthy, natural and sustainable foods, making sustainability an integral part of the operations. To be at the forefront, we invest considerable resources in sustainability and have been working extensively for several years, both internally (to motivate employees to good health) and externally. In 2020, Midsona's sustainability work attracted attention when newspapers Dagens Industri and Aktuell Hållbarhet examined the sustainability work of listed companies, with Midsona gaining first place in the FMCG category.

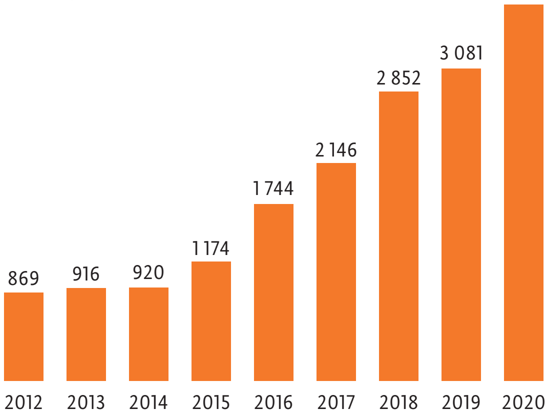
High profitable growth

Growth in recent years has taken place profitably and with a gradually improved EBITDA before items affecting comparability. Profitability is created through economies of scale in the entire value chain, from purchasing to sales. The potential to further improve earnings lies in an even better product mix, production and logistics, as well as cost synergies from acquisitions.

EBITDA, before items affecting comparability, SEK million

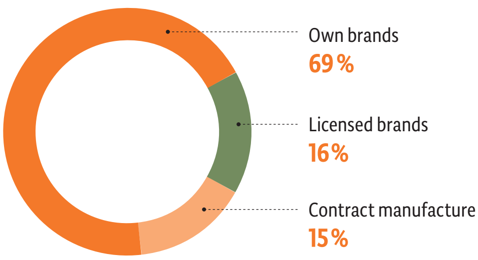


Net sales, SEK million



Strong brands

Midsona focuses on developing and marketing powerful brands. The business builds on a portfolio of own brands supplemented with licensed brands. Our own brands are our backbone.



Employees

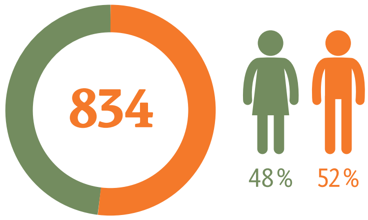
The Midsona Group has approximately 820 employees in Sweden, Denmark, Norway, Finland, Germany, France and Spain.

A healthy and sustainable work environment is core for us at Midsona and there are several ways to promote the health of our employees, such as:

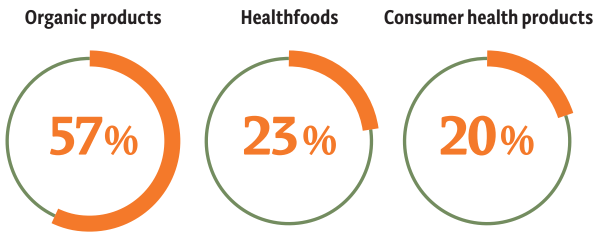
- Ensuring our employees have a good balance between work and leisure
- Making Midsona a balanced organisation, where we actively work on gender equality and diversity issues
- Working with various initiatives, such as lectures, internal training and activities for training at or outside the workplace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

Learn more on page 55.

Number of employees



Our product categories



Our priority brands in 2021

In 2020, our strategy proved sustainable even under turbulent conditions

Despite challenging conditions during large parts of 2020, Midsona had a strong year with record sales – driven by both new acquisitions and organic growth – as well as record earnings. The strategy we have pursued for several years has worked well, even under turbulent conditions.

Our success is largely due to demand for our products being driven by long-term trends. These entail a paradigm shift with an increased focus on health and sustainability, the reduced consumption of meat and increased demand for plant-based and organic alternatives. More and more people are realising the benefits of a plant-based diet, both for their personal health, as well as for the well-being of the planet.

The process of moving products over to the FMCG retail channel is having an effect

Organic growth has been in focus, and remains so, particularly for our continued efforts with our priority brands, which grew by 9.7 percent* in 2020. In accordance with our overall strategy, we have also worked with growth initiatives in Germany, France and Spain to move our products over from specialist retailers to the FMCG retail channel to reach consumers on a broader front. Our brands should hold position number one or two in their categories and should be in the right channels, where we have the best knowledge and where there are opportunities for strong growth. Over the year, we reached FMCG retail outlets in Germany, France and Spain alike, which was one of our key strategic objectives for the year. This work will continue in the future and we expect that it will affect our growth positively.

Plant-based meat alternatives are a growth segment in large parts of Europe, with Midsona being a frontrunner. To further strengthen our position in plant-based meat alternatives, we decided, at the end of the year, to make a major investment in our facility in Spain, a project in which we worked across our internal division boundaries to extend our business with increased production capacity and product development.

Our systematic sustainability work attracts attention

For several years, Midsona has maintained a clear sustainability agenda, building on its healthy and sustainable products. Our entire strategy and business concept build on a passion for healthy, natural and sustainable food, which makes sustainability a well-integrated part of our business. To continue to develop and be on the forefront, we devote extensive resources to our sustainability efforts and we were therefore very proud in November to receive the award as the stock exchange's most sustainable company in the FMCG category, where we were competing with the giants of the industry.

Pandemic affected 2020 throughout

The ongoing Covid-19 pandemic has had, and continues to have, a major impact on society. Midsona is no exception. We have taken action throughout operations to protect our personnel and minimise the risk of contagion.

Regarding the effects of the pandemic on business, we have the privilege of operating in an industry that has not suffered any direct negative impact. Demand for our products has been favourable, although it did vary considerably over the year, with extremely high demand in the first quarter.

Despite the pandemic, we were able to conduct two acquisitions during the year. We managed to take advantage of the opportunities that arose during the summer, completing the acquisitions of System Frugt in Denmark and of the Gainomax brand in Sweden. These developed well during the autumn, helping to further strengthen our brand portfolio. System Frugt significantly strengthens our platform in the Nordic region, adding an exciting health brand, Earth Control, in an attractive segment that is open to development.

Our strategy and plan stand firm

We have a strong ambition to reinvest Midsona's profits in the business and continue to evaluate acquisitions in Europe. Our strong history of incorporating products and businesses, together with our size and our geographic coverage, makes us an attractive partner, which we notice in our discussions with potential acquisition objects.

Midsona played a major part in consolidating the market in the Nordic region. Although we will continue to do that, our sights are now set primarily on the rest of Europe. In accordance with our strategy, I hope and believe we will be able to make further complementary acquisitions in one of our three regions in 2021.

I would like to take this opportunity to extend my warmest thanks to all of our employees for their efforts under the unusual circumstances in the wake of the pandemic. Everyone has quickly adapted to new conditions and approaches and, during certain periods, coping with the high level of demand was a challenge. Efforts with suppliers to safeguard purchasing and logistics have been demanding. Thanks to well-functioning internal processes and structures, we coped with difficult and volatile developments very well.

I look forward to playing my continued part in Midsona's long-term sustainable development. The strategy we have worked by for several years has proved itself and I look forward to a continued strong development in the upcoming years.

Malmö, April 2021

Peter Åsberg
President and CEO

For 2020, the priority brands Celnat, Happio Bio and Vegetalia are compared against sales in 2019, despite the fact that Midsona did not own the brands throughout 2019.

Our mission and vision

Mission

We help people achieve a healthier life.

We help people achieve a healthier life by producing and marketing food that is healthy, both for people and the environment.

Most of our products are natural and organic, many are plant-based, vegetarian or vegan.

Vision

We will become a European leader in health and well-being.

Midsona will lead by continuously developing our own brands and taking in new ones so that we can meet current and new trends even more effectively. This is how Midsona has become the leader in the Nordic region and the goal is now to apply the same strategy to become the leader in Europe.

Midsona has identified a corresponding trend with a fragmented market that then consolidated rapidly, which took place first in the Nordic region, and can now been observed in the rest of Europe, particularly in the two major markets of Germany and France.

Fundamental to becoming a leader in Europe is acting as a driving force in the consolidation of these markets – and Midsona has taken key steps, attracting interest, acquiring platform operations in Germany, France and Spain and by also making supplementary acquisitions in those markets.

Why you should invest in Midsona

Growing markets driven by global trends

Midsona's markets are attractive and growing more than the overall FMCG market. This growth is driven by several large, global trends, such as an ageing population, generally increased interest in personal health and plant-based food, as well as increased consumer demands for transparency and sustainability.

Strong growth and profitability since 2012

Midsona has a clear mission and vision, aggressive growth targets, clear strategies, as well as financial and organisational capacity. Both growth and profitability have grown strongly since the new strategy was initiated in the Nordic region in 2012.

Active in the consolidation of the European market

Today, Midsona is the leader in the Nordic region, a position achieved through an active acquisition strategy. The markets in the rest of Europe are assessed to be facing the same rapid growth as in the Nordic region, and Midsona is actively involved in consolidating the fragmented European market.

Leading positions with strong brands

Midsona holds a leading position in most of its sales channels, making the Company a preferred supplier and generating economies of scale. The strategy is based on developing strong brands in priority categories. Midsona holds several strong brands in the Nordic region, and these hold strong positions in their respective categories. Acquisitions in Germany, France and Spain have laid the foundation for growth in the rest of Europe, including for growth based on strong brands.

Solid sustainability work

Midsona's offering agrees well with the prevailing sustainability trend in the Company's markets. The strategy and business concept build on a passion for healthy, natural and sustainable food, making sustainability a well-integrated part of our operations.

Midsona's vision is to influence people's eating habits in the direction of healthy and sustainable alternatives. In line with the Company's ambitions and the demands of customers, consumers and investors, Midsona has established clear sustainability targets with regard to sustainable brands, a healthy work environment, responsible purchasing, safe products, efficient use of resources and efficient transports.

Financial targets

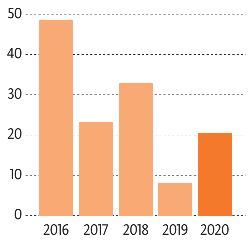
The Group's financial targets are a way for Midsona's management to manage the Group, but also a tool for the financial market to clearly monitor the Group's development. The targets show how the Group develops in the long term, regardless of the economy and what phase the Group is in. In individual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

Net sales growth: on average more than 15 percent annually

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

Target fulfilment in 2020: Net sales amounted to SEK 3,709 million (3,081), an increase of 20.4 percent. The organic change in net sales was 3.9 percent, with structural changes contributing 18.6 percent and exchange rate fluctuations negatively by 2.1 percent.

Net sales growth (%)

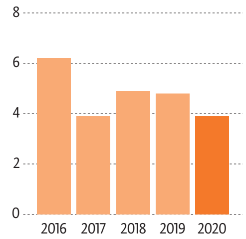


Net debt/EBITDA: between a multiple of 3–4

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

Target fulfilment in 2020: The relationship between net debt and EBITDA on a rolling 12-month basis was a multiple of 3.9 (4.8), despite a strong cash flow and improved earnings. Periodically, the key ratio can be significantly higher than the target at the time after an acquisition as the results from the acquisition have not yet achieved full impact in the key ratio calculation.

Net debt/EBITDA (multiple)

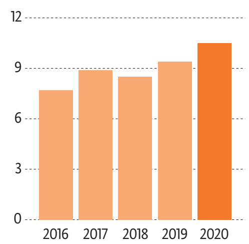


EBITDA margin: more than 12 percent

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

Target fulfilment in 2020: EBITDA amounted to SEK 390 million (290), before items affecting comparability, corresponding to a margin of 10.5 percent (9.4), and was driven by acquired operations and volume growth in the underlying operations.

EBITDA margin (%)
before items affecting comparability

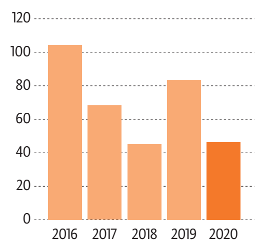


Dividend: at least 30 percent of profit after tax

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

Target fulfilment in 2020: The Board proposes a dividend of SEK 1.25 per share (1.25), corresponding to a pay-out ratio of 46.4 percent (83.6). The objective is to continue to use future cash flows for share dividends, but also provide financial flexibility for acquisitions. The long-term financial goal of paying at least 30 percent of the profit after tax in dividends to the shareholders has been achieved in the past eight years.

Pay-out ratio (%)



Sustainability targets

Sustainable brands
By 2025, Midsona's plastic consumer packaging shall be made from 100 percent recycled materials. By 2030, 100 percent of our products shall be plant-based or vegetarian.

Healthy work environment
Healthy workplaces will promote healthy employees without work-related injuries. Midsona shall have an even gender distribution in management positions throughout the organisation.

Responsible purchasing
By 2025, 100 percent of Midsona's suppliers will be classified in accordance with sustainable guidelines in procurement.

Safe products
By 2025, 100 percent of our suppliers will be risk classified and risk-based audits will take place annually.

Efficient use of resources
All emissions (100 percent) to be mapped in accordance with Science Based Target during 2021 at the latest. By 2025, 90 percent of Midsona's waste shall be recycled. Midsona's food waste will be reduced and 100 percent of our food waste will be re-used by 2025.

Efficient transports
By 2030, 100 percent of our transports will be fossil free.


Vegetalia
SEITÁN NATURAL
AGRICULTURA ECOLÓGICA
250g
Vegetalia
AGRICULTURA ECOLÓGICA
SALSA TAMARI

Trends and driving forces

Midsona's products belong to strong, growing categories driven by a number of underlying, long-term global trends.

Midsona's sales are driven by strong global trends

PLANT-BASED FOODS

A growing share of the population in Europe is choosing plant-based foods and define themselves as flexitarians, vegetarians or vegans. This trend is driven by increased interest in, and focus on sustainability, environmental awareness and health.

HEALTH AND WELL-BEING

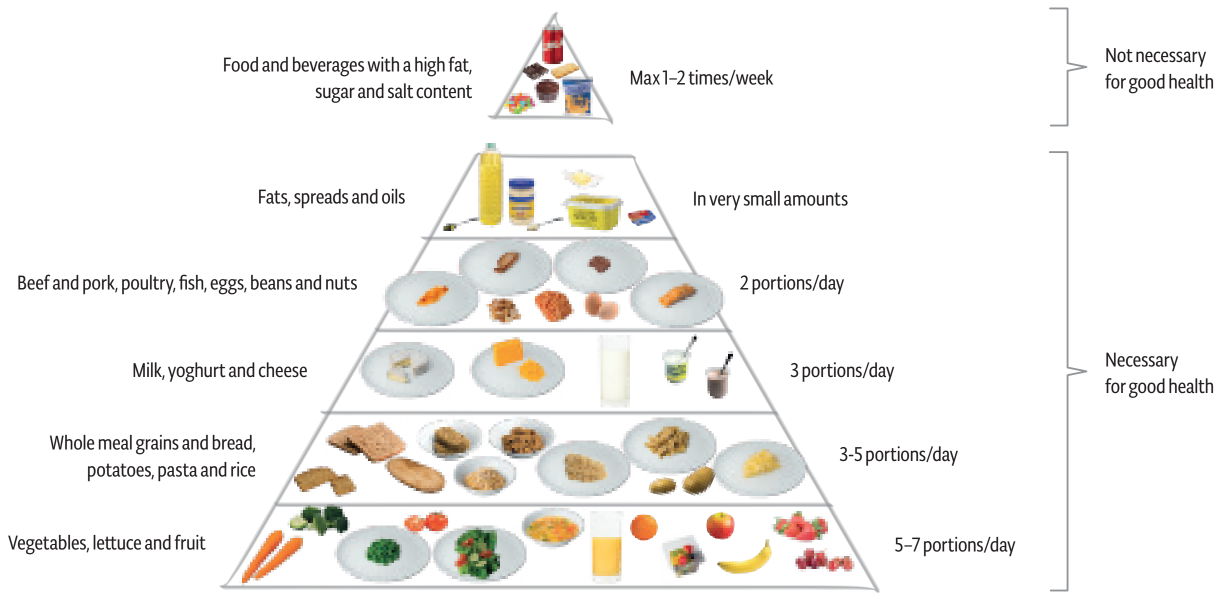
Consumers are becoming more and more aware of their health and are adopting a more holistic approach to improving their well-being. People increasingly prefer more healthy food, but at the same time, have less time to prepare food, which creates a rising demand for comfortable and easy products.

ORGANIC FOODS

Sales of organic foods continue to increase strongly in large parts of the world. Demand is strong in the Nordic region and increasing in Central Europe, particularly in Germany and France. Today, Germany is the world's second-largest market for organic products, France is the fourth-largest and, relative to population, Denmark is the world's largest market.

A plant-based revolution

Ethical, environmental and climate reasons are playing an increasing role in the food choices that both consumers and customers make. We are in the middle of a plant-based food revolution. The traditional food circle has been replaced by the new food pyramid, in part since people have begun over-consuming animal protein and fast carbohydrates with several negative consequences. The meat industry, including the dairy industry, consumes so much of the planet's resources that it is not possible to feed the population of the whole world. It also contributes considerably to global warming through carbon dioxide emissions.



Source: Safefood EU

A particularly strong global trend is plant-based food in general, and plant protein as an alternative to meat in particular. The market is being driven by people's rapid shift to a flexible diet (meat and vegetarian/vegan), especially in North America. The growing vegan trend is expected to sharply increase demand for plant-based meat alternatives in Europe as well. The latest available data from the US shows that growth in plant-based foods significantly exceeds growth in conventional foods.

Demand for plant-based foods is growing rapidly

The report "How Sweden will become a world leader in plant-based food" published by the Växtbaserat Sverige organisation, states that changing the food system is a necessity for the climate. We need to eat more plant-based foods, both for the climate and for our health. At the same time, the shift to plant-based also brings other benefits, particularly in Sweden. There is great potential for Sweden to become a leading country in the development, production and export of plant-based foods.

A number of banks and investment institutions agree that demand for plant-based foods will continue to grow at a very rapid pace over the upcoming years, encompassing an increasing share of the total food market. Assessments from several analysis firms indicate that the global market will achieve double-digit growth on an annual basis. This can be compared with the growth rate in the food industry in general, which is usually around two percent. Interest in investing in plant-based products is increasing as this insight spreads.

Even in Sweden, the growth figures for plant-based foods are double-digit each year. The vegetable proteins category, that is, alternatives to meat products, has grown by about 15 percent in recent years.

Continued strong sales increases for organic foods

Sales of organic foods continue to develop positively in many of the world's largest markets. The latest available statistics show double-digit growth in several of the larger markets. The global market for organic foods has grown by about USD 11 billion to USD 105 billion.

A continued positive trend for organic foods is forecast, with the strongest growth occurring in the US and northern Europe. In some of the largest eco-markets, such as Germany and France, sales of organic foods have exceeded 5 percent of total food sales. Five percent is considered a limit at which organic food leaves the niche stage and becomes more widely available, generating potential forfurther growth.

The US is the world's largest market for organic food, followed by Germany, China and France.

Some global trends:

- Consumers mainly buy organic food for health reasons, although environmental reasons are growing in importance.
- Consumers with increased disposable income drive sales of premium products.
- The ageing population in North America and Europe is buying more organic food.

Source: Ecoviva Intelligence

The proportion of flexitarians in the Nordic region is increasing

Almost half of the Nordic population can identify with the term "flexitarians", an increase compared with the preceding year. This is shown by the annual survey that YouGov conducts among some 2,500 people in the Nordic region.

The survey shows that half of those who call themselves flexitarians in the Nordic countries have reduced their overall consumption of meat.

Increased interest in alternative sources of protein

- 40 percent of Nordic consumers believe that protein-rich products are good for your health. In addition, about 20 percent increased their consumption of protein-rich products in the past year.
- Eggs, beans and nuts are considered to be the best sources of protein. In general, Finns appreciate alternative protein sources, such as beans, nuts, soy-based products, seeds and tofu, to a greater extent than the other Nordic peoples.

Increased consumption of organic products

- Almost 30 percent of Nordic consumers increased their consumption of organic food in the past year, the largest increase being in Denmark despite organic foods already holding a strong position there.
- About 40 percent of Nordic consumers believe that organic products are more climate-friendly and 20 percent believes that organic products are more nutritious.

Sweden – eco-sales decreased by 1.7 percent

The Swedish food market generated total sales of approximately SEK 320 billion in 2020. According to Ekoweb, sales of organic food decreased by 1.7 percent in 2019, while food prices increased by 3.0 percent. The eco-share of total food sales was 8.7 percent, marginally lower than in 2019. The total market for organic food in 2020 amounted to SEK 27.7 billion (28.2 billion).

Denmark best in the world for organic foods

Denmark continues to be the country constantly breaking new ground in terms of ecological growth. No other country has such a high share of organic sales in the FMCG channel Organic products' share of the sales value in the grocery trade amounted to slightly more than 13 percent in 2020.

More than half of all Danes, 52 percent, buy organic products every week. The Danish market is deemed to have entered a phase at which it drives itself, that is, consumers are constantly testing new eco-products and Danish companies continuously supply the market with new eco-products. This means, in turn, that the stores are inclined to dare place new organic products on the shelves.

In surveys by the Danish trade association Økologisk Landsforening, 74 percent of Danish consumers responded that they will buy more organic products in the upcoming years.

Germany – increase of about 10 percent

The German market for organic products is the world's second largest. The latest available statistics show an annual increase of 9.7 percent and organic foods now account for 5.3 percent of all food sales in Germany. Retail sales of organic products are estimated to be worth the equivalent of SEK 115 billion. The FMCG channel is broken down between supermarkets, specialist stores and others. The supermarket segment, in particular, is growing, and now accounts for 61 percent of eco-sales.

The organic market for vegetarian and vegan food has increased significantly. Today, some 9.3 million Germans are vegetarians or vegans. Meat consumption has decreased by 8 kg per person over the past 20 years.

France – 15 percent increase

France is the second largest eco-market in Europe, and sales increased by 15 percent to approximately SEK 101 billion. The organic content of the total food market was 5 percent. Confidence in organic food is strong in France; 82 percent of all consumers respond that they trust organic products. 26 percent state that they intend to buy more organic products.

Finland – 7 percent increase

Organic food sales in Finland continue to increase. At the end of the first half of 2019, the rate of increase for the preceding 12 months was estimated at 7 percent.

Over 80 percent of all organic food sales occur through the FMCG chains. In consumer surveys, half of Finns say they will increase their purchases of organic products (*Source: Ekoweb*).

Our strategy

It is through this that we identify our end-customers' renewed or changed needs. We continuously develop, acquire and nurture successful brands with strong market positions and chooses the best channel strategy for each product.

MIDSONA'S STRATEGY IS BASED ON FOUR COMPONENTS:

1. Leading brands in prioritised categories

We develop, produce and market strong brands in health and well-being in our principal market, the Nordic region, as well as in the rest of Europe. Our brands should hold position number one or two in their categories and should be in the right channels, where we have the best knowledge and where there are opportunities for strong growth.

2. Selective acquisitions and market consolidation

Acquisitions are an integral part of Midsona's business. Midsona has played a major part in consolidating the market in the Nordic region. Although we will continue to do that, our sights are now set primarily on the rest of Europe.

3. Cost-efficient value chain

We work continuously to adapt and streamline the organisation and to assess the product range in terms of profitability. Existing suppliers are evaluated on an ongoing basis to ensure the best terms and quality.

4. Healthy and sustainable culture

While Midsona offers products that help people live a healthier life, we must, at the same time, stimulate and motivate our employees to live healthier lives given their specific opportunities.Our employees being motivated is the basis for success and we will continue the work of making Midsona an even better and more attractive workplace.

1. Leading brands in prioritised categories

Midsona focuses on its own strong brands and also offers a number of selected licensed brands in the product categories organic products, healthfoods and consumer health products.

The current primary geographical markets are Sweden, Denmark, Norway, Finland, Germany, France and Spain. The vision is to take the Nordic concept to a growing and fragmented market in the rest of Europe. In recent years, platform acquisitions have been made in Germany, France and Spain. In addition, further additional acquisitions have been made in Division North Europe (Germany) and in Division Nordics (Denmark).

Midsona strives for our brands to hold position number one or two in their categories and to be in the right channels, meaning where we have the best knowledge and where there are opportunities for strong growth. In recent years, Midsona has launched numerous new products and innovations. In addition, the packaging is renewed continuously, improving the visibility of the products and making them agree more with the requirements of both consumers and retailers, particularly from the perspective of sustainability.

IN 2020, AMONG OTHER THINGS, MIDSONA:

- Acquired Danish company System Frugt A/S, a leading Nordic player in plant-based foods with its premium Earth Control brand. The acquisition strengthens Midsona's position, mainly in nuts and dried food.
- Acquired the rights to the established Swedish brand Gainomax. The brand and range complement Midsona's existing portfolio in sports nutrition in Sweden and provide a good platform for growth in the rest of the Nordic region.
- Integrated the strategic platform acquisition, Alimentation Santé in France/Spain, establishing a geographical platform in southern Europe and a category platform in plant-based meat alternatives. Alimentation comprises three strong, organic and plant-based brands: Happy Bio, Vegetalia and Celnat.
- Continued to focus on innovation, increased the pace of innovation, and launched several new products. Most have been launched under the Urtekram, Friggs, Kung Markatta and Davert brands.
- Continued to work with launches in the FMCG channel of the Davert brand in northern Europe and Happy Bio in southern Europe, to increase penetration and reach additional customer groups.
- Decided on a strategic investment at the Company's production unit in Castellcir, Spain. The investment aims to strengthen the business in plant-based meat alternatives by increasing production capacity and broadening the product range.


Earth Control
PINE KERNELS
WALNUTS
CROUTONS
BANANA CHIPS
Italiensk Olivolja

Our priority product categories

Strong brands that meet the consumers' needs

Midsona's wide range of strong brands with leading products in health and well-being satisfy the needs of many consumers. By continuously developing the brands so that we can meet existing and new trends in an even better manner we have reached a leading position.

We develop our brands by reviewing the range and being innovative with exciting new flavours, relevant ingredients and new categories. We also develop our brands in how and where we communicate about them. In 2020, most of our marketing continued to be steered towards digital channels and social media, where we reach new and existing customer groups. Rapid digital development demands that we are constantly present, are easy to find, can answer our consumers' questions and have an open dialogue.

Midsona's strategic goal is to work with brands that are number one or two in their markets. This creates opportunities for increased exposure in shops, making it even easier for consumers to choose our products.

In 2020, own brands accounted for a total of 69 percent (68) of the Group's sales. Many of our brands have strong and leading positions in selected segments in the respective product category.

The proportion of organic products in Midsona's total sales has increased sharply in recent years, accounting for 57 percent in 2020. Increasing the proportion of organic products in our range is a conscious, strategic choice, as this is the segment within health and well-being that is expected to grow fastest in Europe over the next few years.

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

Through the brands Kung Markatta, Urtekram, Davert and Helios, Midsona holds leading positions in the organic market in all Nordic markets and Germany. In addition, we work with several other brands of our own with good profitability, as well as a number of licensed brands.

The acquisitions of recent years have given Midsona access to brands such as Urtekram, Kung Markatta, Helios, Davert, Happy Bio, etc., brands with several dimensions. Most importantly, the brands are organic, strong, clearly niched and personal, and are therefore well suited to Midsona's brand strategy.

Our priority brands

Midsona's operations build on strong own brands that are continuously developed in new channels to reach existing and new consumers. The prioritised brands play a key role in the Group's growth and together account for a significant part of Midsona's total sales.

Urtekram

Urtekram is a leading brand in organic food and beauty products. This broad range of products is sold primarily through FMCG retailers. Urtekram offers a wide range of dried fruits, nuts, oils, spices, fruit cream, muesli, rice and pasta. Urtekram offers several series of hair and bodycare products with contemporary fragrances. The range is exported to around 30 countries and is continuously being developed.

Kung Markatta

Kung Markatta is a leading Swedish brand in organic food. With a broad range of food products for all kinds of cooking and baking, such as oils, grains, pasta, bouillon and various kinds of flour, Kung Markatta offers food that both tastes good and has a good impact. Sold in FMCG stores.

Davert

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

Helios

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

Earth Control

Premium brand in plant-based foods. Carefully selected, natural products from around the world, including nuts, kernels, dried fruits and berries. Leading supplier to the FMCG channel.

Happy Bio

Organic and plant-based foods, such as grains, flakes, seeds, vegetables, pasta and rice.
All products are certified palm oil-free. Happy Bio's products are sold primarily in the grocery trade in France and Belgium and with growth ambitions in Spain.

Friggs

Friggs is a broad health brand that focuses on the latest trends. The product range is mainly available through FMCG retailers. Friggs holds a leading position in the market for corn and rice cakes and is continuously launching new flavours. Friggs' range of teas focuses on good taste with ingredients that have strong health ties. The dietary supplements have a leading position in the Swedish market.

Celnat

Pioneer in organic and plant-based products in France since the 1970s. Leading actor in production of roasted grain and cereals in its own production unit. Sold mainly in shops specialising in organic products and in FMCG retail.

Vegetalia

Leading Spanish brand in production of vegetable protein including fresh plant-based products. Strong position in organic specialist stores and FMCG.

Case: products in France and Spain

Happy Bio introduces organic food to supermarkets in southern Europe

Midsona's leading position in the Nordic region is based, among other things, on our organic products becoming more accessible by moving them from specialist stores (mainly specialist healthfood stores) to FMCG stores. We now see the same opportunities in the rest of Europe, where these products are primarily sold in specialist stores. By making them available in the FMCG channel and thereby reaching a wider group of consumers, opportunities for favourable growth increase.

The acquisition of Alimentation Santé in 2019 has provided an important geographical platform in southern Europe. One of the Company's strongest brands is Happy Bio, which offers high-quality organic products. Happy Bio bases its products on a careful selection of raw materials and uses unique methods to preserve the raw materials' original nutritional values. Happy Bio sells organic and plant-based foods, such as grains, flakes, seeds, vegetables, pasta and rice.

Happy Bio was created in 2017 when the products were launched in French supermarkets. The strategy was to continue working with the existing Celnat brand in specialist health food stores and launching the new Happy Bio brand in the FMCG channel, with a new positioning and new products that, at least in part, differed from Celnat.

Happy Bio has developed in a very good way, receiving several prominent awards. Sales have grown steadily. The brand has a strong presence in the FMCG segment in France.

The strategy for the brand is to make it easier for consumers to switch to organic and plant-based products and to help those who are interested to more easily understand how to prepare organic food to introduce it to their daily diet.

The main strength of the Happy Bio brand is that it uses local produce and proprietary own production, which is generally important for customers buying organic food. Midsona believes that Happy Bio has good potential to grow into a very strong brand in organic products in the southern European FMCG channel.

To date, Happy Bio has been launched in a few, selected supermarkets in Spain, but in 2021 the brand will increase its marketing there. Sales support will gradually increase, both inside and outside stores to further enhance the brand's presence, teaching consumers understand what it represents. In 2021, marketing will also increase in France and Belgium, primarily in stores and online (particularly in social media).

When Happy Bio was launched in 2017, it had 29 products, today that number is about 100. The launch of a further 30–40 products is planned in 2021, broadening the brand into new, attractive segments. Happy Bio recently launched plant-based proteins, such as tempeh and plant-based burgers, under the sub-brand Happy Bio Vego and produced at Midsona's factory in Spain.

Case: production in Spain

Strategic investment in plant-based meat alternatives

Midsona is making large, strategic investments in plant-based meat alternatives. With the European market growing by between 10 and 20 percent annually, it goes without saying that one has to be innovative and aim for a leading position. By vigorously expanding the capacity of the Castellcir factory in Spain, Midsona will be relevant in the segment.

At the end of the year, Midsona announced that the Company was strengthening its plant-based meat alternatives business by investing in the Castellcir factory in Spain. This entails an investment of SEK 45 million and involves more than doubling the existing production area. The investment is aimed partly at increasing capacity in existing production, and partly at broadening the range with new and more advanced products.

The Castellcir factory became part of Midsona through the 2019 acquisition of Alimentation Santé, which includes the Vegetalia subsidiary and brand. Vegetalia is a leading Spanish actor in the production of vegetable protein, including fresh plant-based products, with unique characteristics.

Castellcir already produces first and second generation plant-based meat alternatives, such as tofu, tempeh and seitan, as well as veggieburgers. With the expansion and new production techniques, opportunities were also generated to eventually be able to offer third generation products, entailing more chicken and meat-like plant-based products. The project goes by the name of BioFrio.

Significant cost synergies

The choice to invest in Castellcir was based on there already being a factory to invest further in and accumulated knowledge regarding production in this particular niche. Through economies of scale and improved production efficiency, the cost synergies are significant. The cost synergies and increased volumes are expected to improve Midsona's EBITDA by as much as SEK 50 million annually, three years after production commences.

In addition, the location in northern Spain provides proximity to the large and growing markets in France and Spain. An alternative that was considered entailed acquiring a company already active in the market segment of third-generation plant-based meat alternatives. The transaction multiples are very high among such companies, however, and could not be defended compared with the investment in proprietary production and product development that has now been approved.

The investment is aimed at doubling sales of plant-based meat alternatives at least. The segment is growing by about 15 percent annually in Sweden, according to research company Nielsen and, in Midsona's experience, growth will be at least as high in the Group's other European markets.

New packaging lines

In the first phase, new packaging lines will be developed to provide flexibility in packaging in bags, cartons or trays. In addition, frozen products will be produced, which, unlike chilled products, have a significant longer durability. It will also be possible to develop additional types of second-generation products, including vegetarian burgers, pies and meatballs. These will be ready for operation at the end of 2021.

The second stage will involve the development of third-generation products, as well as broadening the foundation of raw materials, where the situation is currently dominated by soya beans. The goal is to be able to launch unique new products in 2022 in all of Midsona's geographical markets and under the Group's existing brands. These include Kung Markatta, Urtekram, Helios, Davert, Vegetalia and Happy Bio.

In short, Castellcir in Spain will be the Midsona Group's hub and development centre for plant-based meat alternatives, providing all divisions with new, innovative and, not least, delicious vegetarian products.

2. Selective acquisitions and market consolidation

Acquisitions are an integral and fundamental part of Midsona's business. We have in recent years played a major role in consolidating the market in the Nordic region, primarily through the acquisitions of the Urtekram and Kung Markatta brands and, in 2020, with the acquisition of Danish company System Frugt. We have shown a good capacity for identifying strategically suitable acquisitions and for integrating and developing operations offering short and long-term synergies alike. Today, Misdsona holds a strong position in the Nordic region.

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

IN 2020, AMONG OTHER THINGS, MIDSONA:

- Acquired System Frugt in Denmark (read more on page 32).
- Acquired Swedish Gainomax (read more on page 33).
- Integrated French/Spanish Alimentation Santé, giving Midsona a strong platform in the Southern Europe market, as well as a platform in vegetarian meat alternatives.
- Integrated Eisblümerl in Germany, an add-on acquisition in Division North Europe.
- Integrated Ekko Gourmet in Sweden, an add-on acquisition in Division Nordics.
- Continued to map, contact and visit possible acquisitions in the rest of Europe outside of the Nordic region to further strengthen the Group's position in Europe.


ESKIMO-3
PURE
OMEGA-3
ESKIMO-3
KIDS
OMEGA-3,-6,-9
SWEBAR
gainomax
RECOVER OR DON'T BOTHER!

Our acquisitions 2012–2020

The amounts refer to sales at the time of acquisition.

2012

Nordsveen
Norway
Healthfoods/Consumer health products
NOK 74 million

Dalblads Nutrition
Sweden
Healthfoods
SEK 51 million

2013

Supernature
Norway
Healthfoods
NOK 49 million

Elivo*
Finland
Consumer health products
EUR 1.3 MILLION

2014

Soma Nordic
Norway
Organic products
NOK 51 million

2015

Urtekram International
Denmark
Organic products/Healthfoods
DKK 368 million

2016

Internatural
Sweden
Organic products
SEK 637 MILLION

Biopharma*
Norway
Consumer health products
NOK 30 million

* Trademark acquisition

2017

Bringwell (publ)
Sweden
Consumer health products
SEK 335 million

2018

Davert
Germany
Organic products
EUR 64 million

2019

Eisblümerl
Germany
Organic products
EUR 9 million

Ekko Gourmet
Sweden
Organic products
SEK 10 million

Alimentation Santé
France/Spain
Organic products
EUR 33 million

2020

System Frugt
Denmark
Organic products
SEK 562 million

Gainomax*
Sweden
Healthfoods
SEK 80 million

The growth journey continues in the rest of Europe

Midsona is a growth company. During the 2010s, we grew strongly through a bled of organic growth in existing brands and an offensive strategy to acquire companies and strong brands in the Nordic region, which has, in recent years, been extended to encompass the rest of Europe.

Since the consolidation in the Nordic region began in 2012, sales have risen from SEK 0.9 billion to approximately SEK 3.5 billion. As our growth continues, we are also seeing that it derives primarily from organic and plant-based products, which are rapidly-growing and profitable categories.

In 2012, we noted a number of favourable trends in the Nordic market for products for health and well-being:

- A fragmented market with many small and medium-sized family-owned businesses.
- Few strong companies and few strong brands.
- The majority of the products were sold in special stores, such as healthfood stores and pharmacies. There was an emerging trend for certain products to also start being sold in FMCG retail.
- Public interest in health and well-being increased sharply.

Ready for Nordic consolidation

The industry was ready for a Nordic consolidation, at the same time that interest in the whole market and our products grew. Over a period of a few years, we broadened our presence in the Nordic region, mainly by building and growing our own brands, but also by making a number of acquisitions. We acquired several small and medium-sised family-owned companies, and integrated them and their brands with Midsona's portfolio. Step by step, we became an ever larger and stronger company.

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

Great similarities between the Nordic countries in 2012 and Europe today

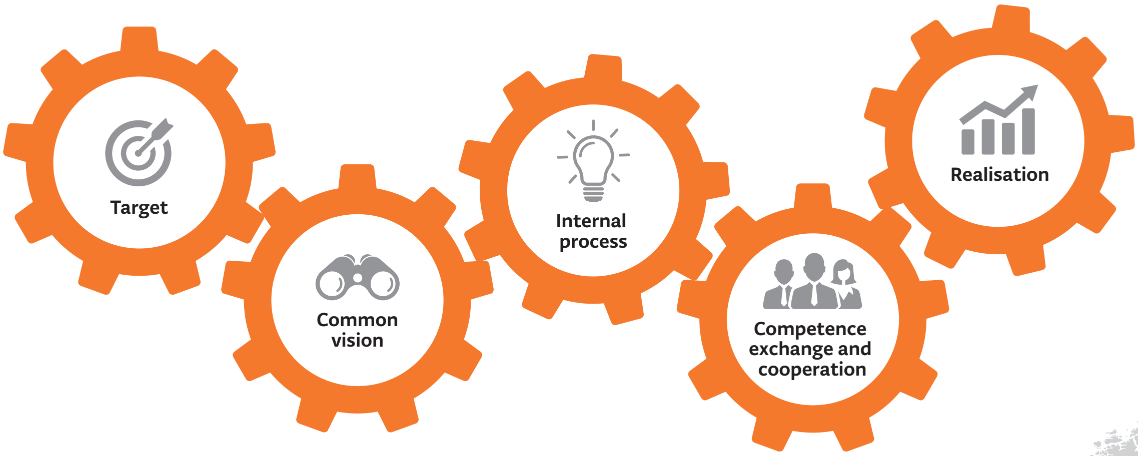
The similarities between the current European market and the Nordic market in 2012 are extensive, which makes the rest of Europe of interest to us. Just as they were in the Nordic countries, most of these markets are highly fragmented, with many small and medium-sised family businesses. A considerable proportion of sales are made through specialist stores, mainly healthfood stores, and there is an emerging trend for products to move to the FMCG channel (see page 13). The market for products that contribute to health and well-being is in focus and people are becoming increasingly aware of what they eat. Knowledge of, and interest in, healthy foods is growing rapidly.

Before Midsona entered the European market, a comprehensive analysis was carried out, with a list of some 1,000 small and medium-sized family-owned European companies of interest being produced. Based on this list, we have already conducted one major acquisition in Germany (Davert), and one in France/Spain (Alimentation Santé).

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

Clear acquisition and integration model

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



Opportunities for further consolidation in Europe

Midsona has acquired some of the companies analysed, The full list and the list of the prioritised companies is continuously updated and evaluated. Midsona maintains continuous contacts with the companies, visiting them and conducting a dialogue to be able to participate if an opportunity to make an acquisition arises.

CRITERIA FOR POTENTIAL COMPANIES

- Well-established brands with good market positions in one or more countries.
- Broad product portfolio or focused on a specific subcategory/product group.
- Opportunities to generate synergies

System Frugt strengthens its position in healthy snacks

In 2020, Midsona acquired the Danish company System Frugt A/S, a Nordic leader in plant-based foods, through its premium Earth Control brand. The acquisition strengthens Midsona's position, mainly in nuts and dried fruit.

With System Frugt, Division Nordics' sales will be close to SEK 3 billion*, with the Danish operations growing to about SEK 1 billion*.

System Frugt supplements Midsona well, providing a good platform for dry plant-based foods. The Earth Control brand holds a strong position in Denmark and is growing steadily in the rest of the Nordic region. Midsona's existing platform provides favourable opportunities for expanding System Frugt's operations further beyond its home market, while considerable opportunities also exist in Denmark where we can leverage our combined portfolio to become one of the leading players in healthy groceries.

The acquisition also increases Midsona's production capacity, including in roasting, as well as providing new packaging options. System Frugt was founded in 1991 and is based in Aarhus, Denmark.

Two own brands

The company has two own brands: Earth Control and Delicata, as well as contract manufacturing. Earth Control is a leader in nuts and dried fruits and will be one of Midsona's priority brands. Earth Control becomes the Group's third-largest brand and has shown favourable two-digit growth for several years. The portfolio includes a number of products and mixes, both natural and flavoured, offering customers healthy, convenient choices for healthy snacks and treats, salad toppings and cooking.

Green Cooking is a new concept in which Earth Control supplies simple vegan food solutions and new parts of the salad market.

* Pro forma

Earth Control is among the three leading brands in three out of four Nordic countries, measured in terms of "brand preference". The brand's vision "We want to make it easy to succeed with green, healthy and natural" fits well into Midsona's mission to help people lead a healthier life.

The Earth Control brand accounts for the largest share of revenue, and has grown strongly in recent years. Behind this growth lies innovation relevant to consumers and gradual launches in the Nordic region outside the Danish home market.

Most of the Company's employees work at the factory and headquarters in Aarhus, Denmark. The Group maintains sales organisations in Denmark, Sweden, Norway and Finland.

In 2019, System Frugt achieved sales of approximately SEK 562 million, with an adjusted EBITDA of SEK 38 million, making it the third largest acquisition in Midsona's history. Midsona anticipates annual synergies of SEK 34 million, achieving full effect from late 2022.

Gainomax provides a stronger position in sports nutrition

Over 2020, Midsona strengthened its position in sports nutrition by acquiring the rights to the established Gainomax brand. It is one of Sweden's most well-known brands in sports nutrition, offering products for exercise recovery and functional snacks, such as milk-based sports drinks and protein bars. The brand and range complement Midsona's existing portfolio in sports nutrition in Sweden and provide a good platform for growth in the rest of the Nordic region. Today, the brand is present in Sweden and Finland, although the rights acquired by Midsona also include other markets in the Nordic region.

Gainomax is strong in sports drinks and complements well Midsona's existing Swebar operations, whose strength is in sports bars. The strategy is, with Gainomax in the portfolio, to build a favourable position in sports nutrition beverages. At Midsona, the sales force enjoys favourable conditions for gaining key floor space and generating visibility in stores, and thereby good opportunities for improving sales.

In 2019, Gainomax achieved sales of approximately SEK 80 million. The purchase consideration for the brand rights amounted to SEK 60 million. Gainomax is expected to contribute an EBITDA margin well in line with that of the Midsona Group and to have a positive effect on earnings per share. Midsona gained control of all trademark rights on 1 September 2020.

As Gainomax is a brand acquisition, the integration has been smooth and did not require any additional resources or costs, but simply added to Midsona's existing position in the category.

3. Cost-efficient value chain

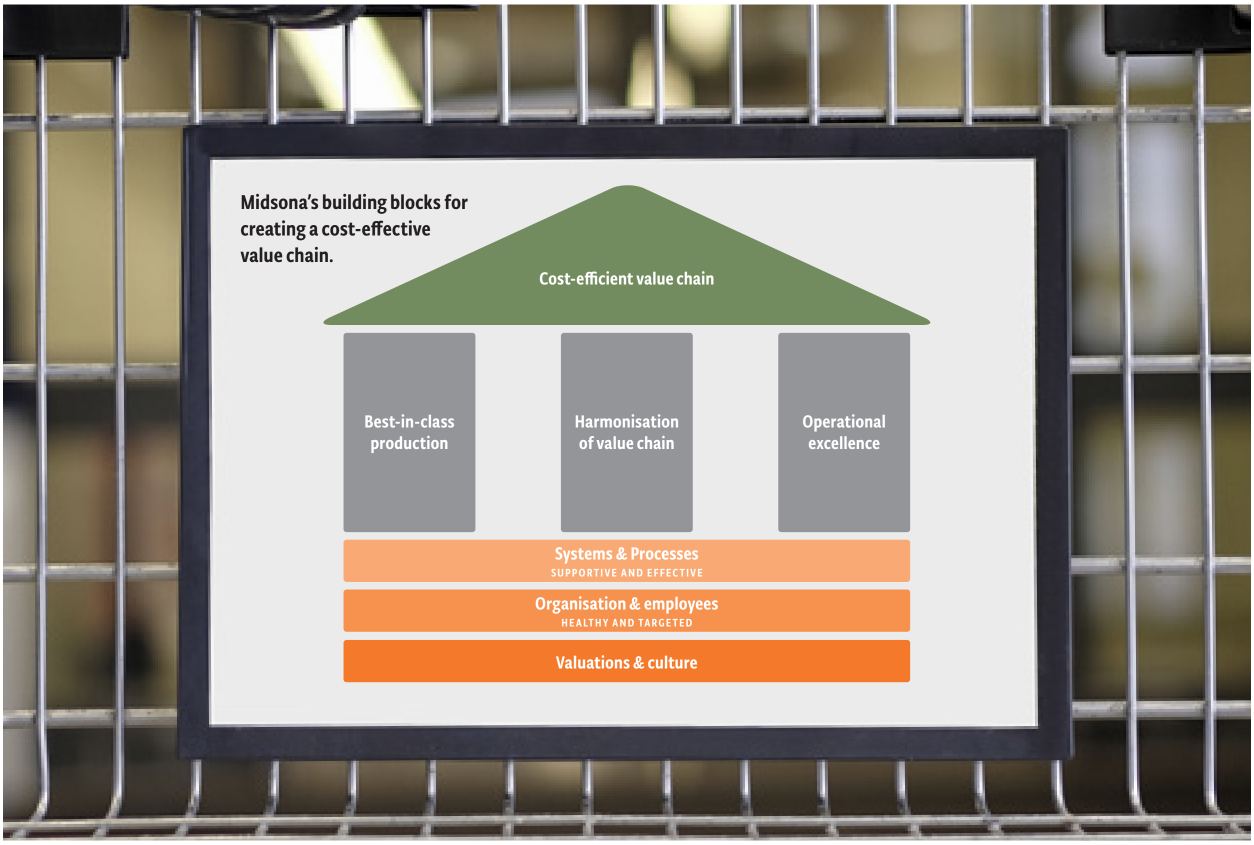
Midsona works continuously to streamline the organisation and to integrate the acquired companies fully into the value chain. An increasingly coordinated purchasing strategy is in development at the European level, with extensive investments being made to increase the production capacity of our proprietary facilities.

A European value chain structure is taking shape, entailing a coordinated production and distribution network with a more efficient inventory structure and shared purchasing processes.

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

IN 2020, AMONG OTHER THINGS, MIDSONA:

- Continued development of the Sales & Operations Plan, now being initiated at the European level.
- Based on the structure of the Nordic value chain, a European structure has been developed.
- Further developed system for supplier evaluation for the entire Group.
- Consolidated and streamlined the European inventory structure.
- Mapped production capacity and strategy for proprietary facilities.
- Continued work with joint purchasing processes and coordinated procurement, resulting in significant savings.
- Invested in increased production capacity at proprietary facilities.
- Set the strategy for the Group's value chain efforts in 2020–2022.




COOKIES & CREAM
FRIGGS
RABARBER
MYNTA

A European value chain under continuous improvement

The process continues of harmonising the value chains of the operations in the Nordics, North Europe and South Europe, and thereby deriving synergies. At the same time, major investments are being made to broaden and improve the offer.

Best-in-class production

Based on Midsona's strategy of building a cost efficient and harmonised value chain, Midsona continues to develop its own production operations. At the Vegetalia facility in Spain, which was acquired in 2019 and is a leader in organic and plant-based foods, efforts are in progress to increase production capacity. In 2021, Midsona will invest SEK 45 million to increase production capacity at the Company's Spanish facility. The investment means an opportunity to strengthen the offering in plant-based alternatives, making it possible to offer products based on organic and vegetable ingredients rather than meat. These include alternative protein sources such as beans and lentils, which with the right structure, nutritional content and taste experience are a good substitute for meat, as is the case with veggie burger.

Following Midsona's acquisition expedition of recent years, several specialised proprietary production facilities are generating completely new development opportunities in attractive segments. Midsona is conducting a review of these facilities from a holistic perspective to refine the specific purpose of each facility. Midsona's European presence makes it increasingly important to coordinate existing production opportunities across divisions and national borders. The review will help Midsona to further differentiate the factories, fine-tuning their unique functions within the Group. An example is the supplementary investment initiated in late 2020 at the Castellcir factory in Spain to increase production capacity in plant-based meat alternatives (see page 25).

During the year, Midsona continued to optimise its inventory structure, phasing out additional proprietary stocks and outsourcing warehousing to external suppliers to achieve a more variable cost base. In 2020, Midsona decided to outsource warehouses in Drammen, Norway and Castellcir, Spain.

Harmonisation of value chain

In 2019, Midsona conducted a major effort aimed at significantly improving the value chain in the Nordic region and establishing "One System – One Organisation – One Plan". In brief, this entailed building up a shared business system for the entire Nordic region, the introduction of a Nordic value chain management organisation, as well as the introduction of a Sales & Operations Planning process, and a system for supplier assessment. The latter two components will now be implemented further in the Group, beyond the Nordic region.

In 2020, Midsona will continue efforts to coordinate purchasing of, for example, raw materials. An example is quinoa, which is now procured jointly for France, Germany and Denmark. Beyond this, Midsona is harmonising its quality work, with the objective of all Group players applying uniform specifications and raw material requirements with regard to suppliers. Midsona made an additional acquisition in plant-based foods during the year, System Frugt A/S, which will be integrated into Midsona's Nordic structure.

Operational excellence

The past four years have brought a major transformation of Midsona's operations. Five years ago, Midsona had no proprietary production, while today more than 50 percent of the Group's total sales derive from products produced in-house. A major shift has also occurred in the proportion of organic products in Midsona's range. Over the past four years, organic has grown from a very minor share to now comprise more than 50 percent of the range. As the product portfolio has grown and changed, so have the sales channels – from the earlier focus on niche healthfood stores to significantly larger volumes now being sold to FMCG chains, such as ICA and Coop.

The increasing proportion of products produced in-house affects Midsona's needs and conditions. Proprietary manufacture gives Midsona greater opportunities to maintain control of the entire flow and benefit more from the value generated in value chain. At the same time, because a growing proprietary production structure entails overheads, production volumes must remain favourable over time and necessary investments must be made continuously to maintain favourable development.

Supply chain was put to the test

While the pandemic has challenged for Midsona's organisation, it also brought increased demand in all markets. Rice, pasta, beans, lentils and canned foods in particular, that is, products with a long shelf life, have been in demand. During March to June, measures were implemented to secure production capacity and external deliveries. The increase in sales was greatest in Germany and France. During that period, transport lead times were not hugely impacted because, along with medical supplies, the food supply is a

Manufacturing footprint

Warehouse footprint

fundamental and prioritised function in society. The highest priority has been to ensure that Midsona's personnel have been healthy and thanks to preventive measures, contagion could be mitigated without affecting production.

Midsona's supply chain faced unique challenges during the year. The production apparatus has functioned well despite higher demand than ever, while challenges have arisen in the logistics chain. Midsona has therefore focused on greater flexibility and capacity in the existing inventory structure. Developments during the year have led Midsona to decide to change its inventory structure in Spain to handle larger volumes. By outsourcing inventory to a greater extent, the level can be increased when needed, resulting in greater flexibility and good cost efficiency. The Group also continues to review its supply of key raw materials.

Entering 2020, one of Midsona's principal goals was to conduct a review of the Group's inventory value to then implement measures to reduce the amount of capital tied up. Covid-19 changed the Group's circumstances, requiring it to adjust to secure raw materials and maintain higher inventory levels than normal. An important metric for Midsona is how well it can deliver what customers demand, which has been a challenge in 2020 due to sharply increasing demand.

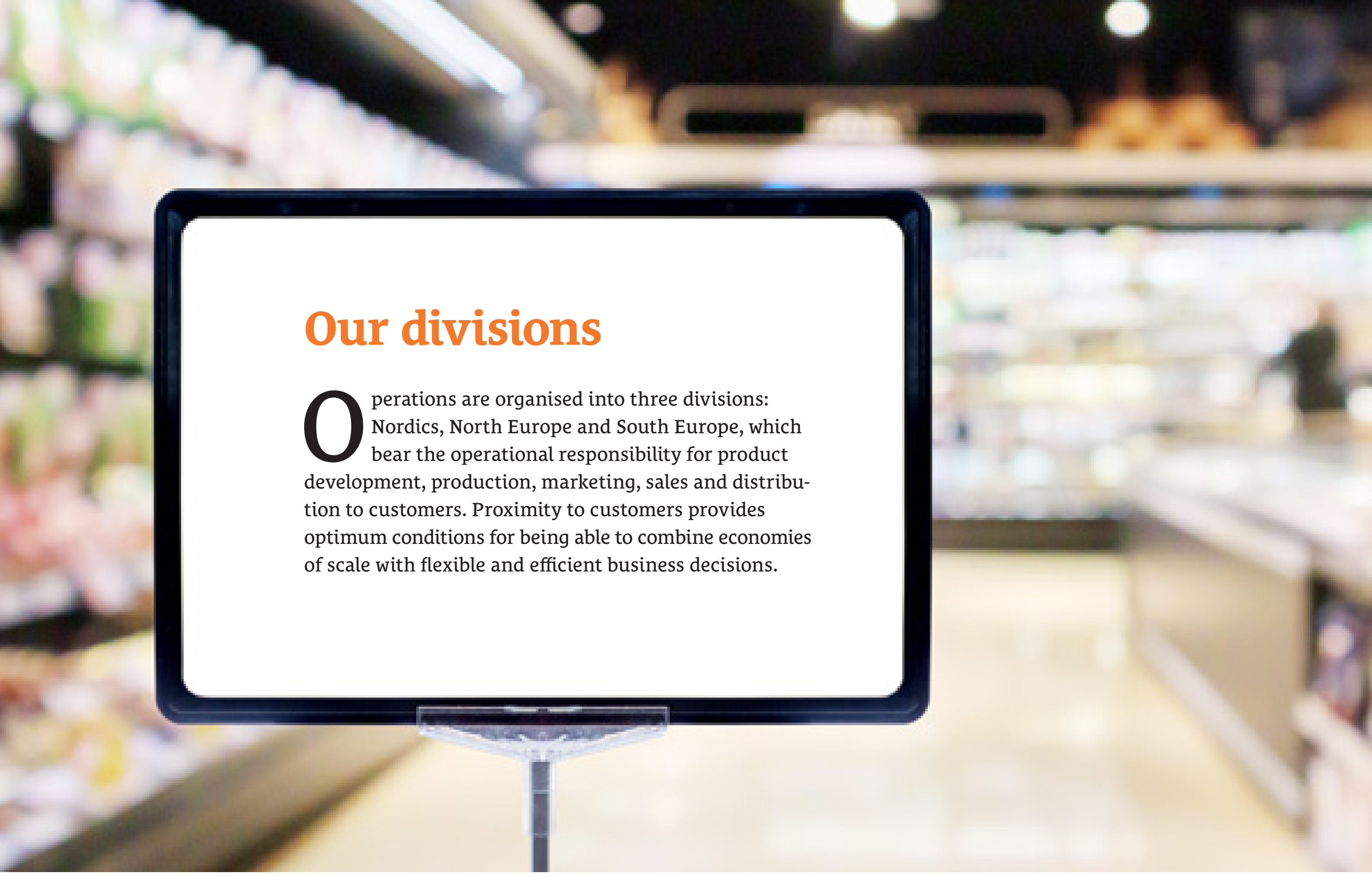
Integration and sustainability in focus

During the year, Midsona worked to integrate the acquired companies in France and Spain to create a good basis for cooperation.

Sustainability issues were, and remain, in focus and during the year project was initiated focusing on a review of packaging consumption. A preliminary study is considering the Group's packaging expenses, consumption in the Group's different divisions and how handling can be streamlined.

Proprietary production strengthens the offering

Through the acquisitions of recent years, Midsona has been able to build up a broad production network for organic food with specialised production facilities in the Nordic countries, Germany, France and Spain. Consequently, we have been able to broaden the offering of organic products, while also increasing capacity. Through the acquisitions, Midsona now owns a plant in France for oat production, with the oats coming from nearby growers. In Germany, a proprietary factory produces sandwich spreads, peanut butter and Tahini, while another factory packs rice, beans, peas, lentils and various types of nuts. In Denmark, we manufacture a series of beauty products and in Sweden, we manufacture proprietary dietary supplements, among other products. Midsona has built up a clear production structure, which will be further harmonised at the next stage. The goal is for the facilities to be able to more efficiently provide all Midsona brands with products across national borders, and to make all of the parts work as one whole.



Our divisions

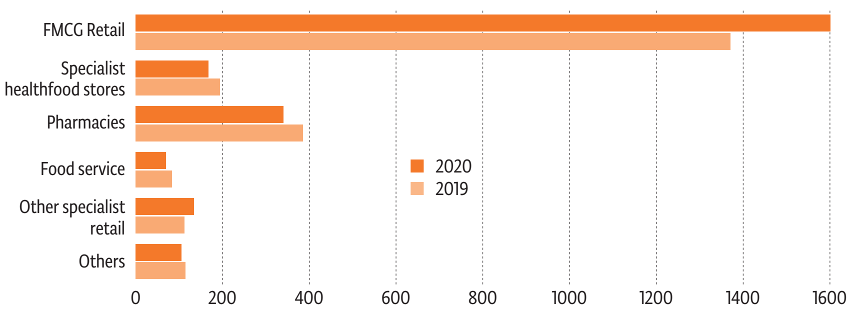
Operations are organised into three divisions: Nordics, North Europe and South Europe, which bear the operational responsibility for product development, production, marketing, sales and distribution to customers. Proximity to customers provides optimum conditions for being able to combine economies of scale with flexible and efficient business decisions.

Division Nordics

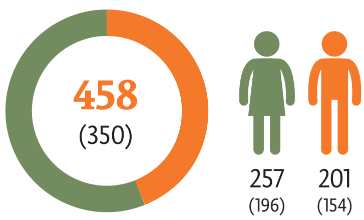
- Acquired the trademark rights for Gainomax, a leader in sports nutrition in Sweden
- Launched Urtekram's new collection of beauty products in grocery stores and selected retailers
- Acquisition of System Frugt A/S in Denmark, a leader in natural products in the Nordic region, including nuts, kernels, fruit and berries under the premium brand Earth Control
- Launched several new products, especially under the Urtekram, Friggs and Kung Markatta brands
- The new Nordic communication platform for organic brands, "One-Organic", was received well by consumers
- The Urtekram brand was ranked Denmark's fifth most sustainable brand and the Kung Markatta brand was ranked Sweden's 16th most sustainable brand in the annual independent brand survey Sustainable Brand Index 2020
- The cost base was reduced in line with on-going savings programmes to strengthen the competitiveness through harmonisation and optimisation of joint processes
- Declining in demand for consumer health products due to the corona pandemic and the lower level of store activity in the pharmacy and health trade that it brought

Key figures	2020	2019
Net sales	2,428	2,269
Net sales growth	7.0%	−6.6%
EBITDA, before items affecting comparability	288	243
Depreciation and amortisation	−43	−42
Operating profit, before items affecting comparability	245	201
Items affecting comparability included in operating profit	11	−14
Operating profit	234	215
Operating margin	9.6%	9.5%

Sales channels



Gender distribution

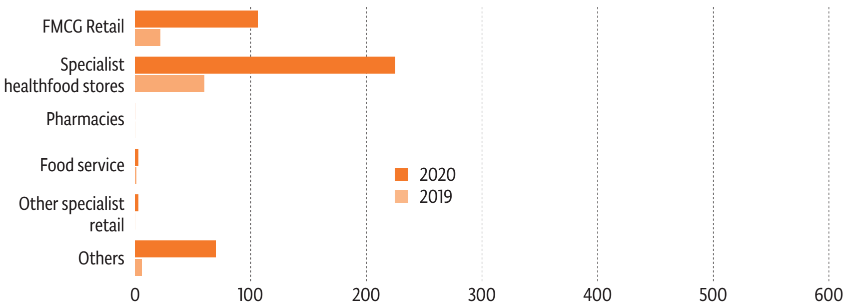


Division North Europe

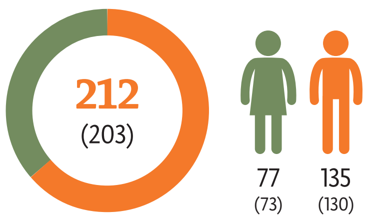
- Strategically important rollout of new business volumes for the Davert brand to a leading FMCG chain in the DACH region.
- Strong volume growth for contract manufacturing
- Shortages of certain raw materials due to poor harvests had some negative impact on sales over the year
- Decisions have been made to invest in a mill to produce peanut butter, which both increases capacity and improves efficiency.
- The increased demand for organic products has from time to time led to high capacity utilisation in the production units.
- Successfully integrated Eisblümerl, a leading manufacturer of organic spreadable toppings.

Key figures	2020	2019
Net sales	899	745
Net sales growth	20.7%	74.9%
EBITDA, before items affecting comparability	74	61
Depreciation and amortisation	–45	–43
Operating profit, before items affecting comparability	29	18
Items affecting comparability included in operating profit	–14	–7
Operating profit	43	25
Operating margin	4.8%	3.4%

Sales channels



Gender distribution



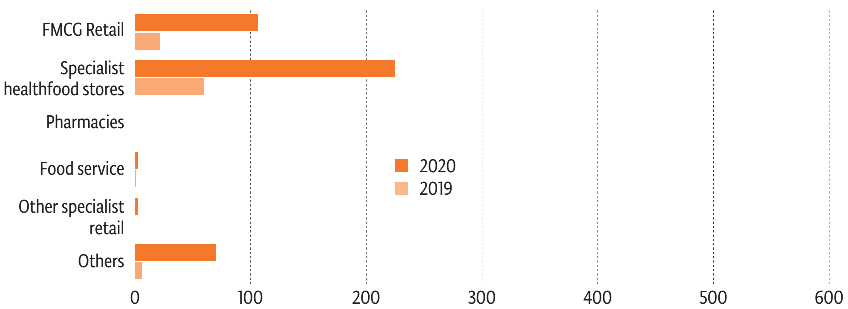
Division South Europe

- Roll-out of Happy Bio in French and Spanish grocery stores
- Decision made on an investment of SEK 45 million in Midsona's production unit in Castellcir in Spain – the hub for the production of our plant-based meat alternatives
- Launch of plant-based proteins such as tempeh and plant-based burgers under the Happy Bio Vega brand
- An expansion investment, in the form of a new packing line, was brought into use at a production facility in Spain
- Occasionally high capacity utilisation in production facilities to meet increased demand for organic products
- The production facility in France secured IFS certification during the year

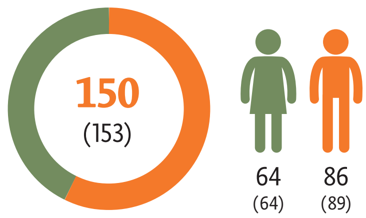
Key figures	2020	2019*
Net sales	408	89
Net sales growth	358.4%	–
EBITDA, before items affecting comparability	51	–
Depreciation/amortisation and impairment	–18	–4
Operating profit, before items affecting comparability	33	11
Items affecting comparability included in operating profit	–	–
Operating profit	33	11
Operating margin	8.1%	–

** Refers to the period October to December 2019*

Sales channels



Gender distribution



4. A sustainable and healthy culture

Midsona's core mission is to offer products that help people live healthier lives, which applies both to our employees, as well as our stakeholders. Midsona's customers and consumers impose strict demands on sustainable products. There is a strong connection between their interest in plant-based organic products and sustainability.

Midsona has chosen to connect the sustainability work to the UN's global sustainable development goals. The goals cover a large number of issues and we have analysed and mapped the way in which Midsona best contributes to Agenda 2030. We have then chosen to prioritise the most important ones based on Midsona's operations and where we can make the greatest difference. The Group's sustainability data are reported on pages 72–75.

IN 2020, AMONG OTHER THINGS, MIDSONA:

- Fully integrated Alimentation Santé in France/Spain (acquired in 2019) into the Group's sustainability work.
- Analysed and further refined the Group's KPIs.
- Joined Science Based Target to take responsibility in efforts to reduce emissions.
- Intensified work to analyse sustainability risks
- Worked with a clear ESG focus throughout the Group
- Integrated documentation for sustainability management in newly acquired units and developed new documentation necessary, such as regarding Midsona's approach to responsible marketing, GMOs, palm oil and animal welfare.

Midsona praised for its sustainability work

In 2020, Midsona shared first place in the Sustainable Companies survey by Swedish newspapers Dagens Industri and Aktuell Hållbarhet. From last year's fourth place, Midsona made it to the top of the rankings. The Group was praised for its clear and dedicated organisation for sustainability work and for applying long-term targets.

ISS ESG rating

Midsona was awarded a Prime rating in 2020 in a review of ESG results by ISS. The Prime rating is awarded to companies with an ESG result above the sector-specific threshold, meaning that the Company meets ambitious absolute performance requirements.

Kung Markatta is Sweden's greenest brand

In early 2021, Kung Markatta was crowned Sweden's greenest brand in the Food Producer category. Since 2008, the award has been presented annually by strategy consultancy Differ. Assessments by Swedish consumers lie behind the award and a total 145 brands were ranked in this year's survey.

99%

of Midsona's prioritised product portfolio was plant-based or vegetarian in 2020.

Project Kotwa is an example of a collaborative project with a strategic supplier. In the project, we contribute together to reducing the risks of soil depletion and water consumption, while at the same time contributing to a more sustainable local community. Learn more on page 60.

HÅLLBARA BOLAG 2020

Corporate ESG Performance Prime RATED BY ISS ESG

SVERIGES GRÖNASTE VARUMÄRKE


Pizza
Bollar
Rödbetsbiffar

Sustainability Report

Contents

Clear focus on sustain-ability

Midsona's entire strategy and business concept are based on a passion for healthy, natural and sustainable food. For several years, we have maintained a clear sustainability agenda, building on our healthy and sustainable products. To continue developing and to remain at the forefront, we invest substantial resources in this work, and this has yielded results. Newspapers Dagens Industri and Aktuell Hållbarhet named Midsona as the most sustainable company in the FMCG category on the OMX Nasdaq Stockholm exchange.

During 2020, we continued working to present our work both in the Group and externally, with a clear plan and a clear agenda, in business plans, as well as in the day-to-day operations. We have also presented new sustainability targets that will help us maintain our lead in sustainability in our industry. These ambitious sustainability targets cover the most significant areas based on Midsona's operations and are selected based on where we can have most influence and make the biggest difference.

During the year, we have committed to setting scientific and ambitious emissions targets for 2021 in accordance with the Science Based Targets Initiative, applying criteria to reduce emissions far below two degrees. We will work hard to accurately map the emissions targets and to then have these validated by SBTi.

Environment – Society – Governance

We also placed considerable focus on how we run Midsona sustainably while, at the same time, working for a sound environment and living up to others' expectations of us. These issues have long been important to Midsona and they are also important to our stakeholders – we are working to reduce our negative impact on the environment and to move towards an environmentally sustainable society, we prioritise human rights and labour law, as well as health and safety among our employees, and we run Midsona in a healthy and sustainable way, always in line with our values and always with zero tolerance for corruption and irregularities.

Demand for plant-based alternatives

A paradigm shift is taking place in the food market, as consumers switch from meat to plant-based protein sources. Demand for plant-based alternatives has steadily increased in recent years and is expected to continue to grow as growing numbers of people see the benefit of a plant-based diet for both personal health and the well-being of the planet. At the same time, people are devoting less and less time to cooking, while still wanting to be able to eat healthy and climate-consciously. Here, with our plant-based, pure organic products, Midsona offers options with a low climate footprint, and sustainability from crop to finished product.

Plant-based meat alternatives are a growth segment in large parts of Europe, with Midsona being a frontrunner in several different categories, in both fresh and frozen products. In December, Midsona announced its investment of about SEK 45 million in our production unit for plant-based meat alternatives in Castellcir in northern Spain. The production facility will be the hub for our plant-based meat alternatives, providing Group operations with products demanded by our customers and by consumers. The unit will have increased capacity in the production of both first and second-generation plant-based alternatives, such as tofu, tempeh and seitan, as well as vegetarian burgers, pies and meatballs.

Midsona will remain a sustainability leader in its industry, both in terms of the environment and climate, as well as in terms of social and economic sustainability and, thanks to the dedication of our employees over the year, our sustainability targets developed positively. In 2021, we will continue tirelessly the work of managing Midsona sustainably, further advancing our long-term sustainability efforts by developing even more healthy and sustainable products.

Peter Åsberg
President and CEO

Sustainability strategy and sustainability targets

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

Our sustainable strategy

The foundation of Midsona's operations is a passion for healthfood combined with a clear desire to promote sustainable consumption. We are driving a change agenda with the clear goal of influencing people's eating habits towards healthy and sustainable alternatives.

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

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

The most important parts of Midsona's sustainability work are identified in six development areas – *Sustainable brands, Healthy work environment, Responsible sourcing, Safe products, Efficient use of resources* and *Efficient transports*. We have mapped these in line with the UN Sustainable Development Goals (Agenda 2030), see structure above.

Focus areas contribute to clarifying the activities that Midsona is conducting and the targets set within our sustainability work and also means that we can measure our results over time. Midsona conducts its operations long term so our six development areas have been chosen based on what is most relevant to us as a company in our industry and were we see that we can influence it in the most effective way. The development areas are regularly reviewed to ensure that we work with issues that are relevant to us and our stakeholders. We have also established and analysed sustainability strategy, development targets, action plans and performance indicators against Midsona's sustainability risks and opportunities and an assessment of sustainability risks has been conducted, linked directly to our development targets.

New sustainability targets 2020

In 2020, Midsona developed new sustainability targets. These help us to reduce our greatest sustainability risks and to increase our focus on our greatest opportunities.

The targets were the result of our work to identify and analyse areas with the highest risks and effects within the framework already established by Midsona, to update with new realistic, measurable and time-bound fixed targets. This has made it easier for us to measure our progress and it facilitates the management of our foremost sustainability risks and opportunities. In this work, we identified the following important social and environmental risk areas for Midsona:

- Risk of negative environmental impact from end-of-life treatment of our consumer units packaging.
- Risk of negative impact from our products on the climate and/or consumer health.
- Risk to employees' health and poor gender balance in management positions.
- Risk of reduced product safety, as well as deliveries and production that are not sustainable.
- Risk of environmental impact from waste and food waste generated in our operations.
- Risk of negative climate impact caused by goods transport and business travel with fossil fuels.
- Risk of poor knowledge of our own negative effects on the climate due to greenhouse gas emissions and therefore also lack of necessary measures against climate change and risk of poor reporting of climate-related information.
- Risk of using fossil-fuelled energy to power our operations in offices, warehouses and production facilities.

Based on this risk analysis, Midsona's nine new sustainability targets for 2020 were developed to be able to reduce our greatest impact on sustainability within our established development areas.

New ambition targets

We are proud to have 100 percent renewable electricity at all offices, warehouses and production facilities in Division Nordics and Division North Europe, where we can influence the electricity agreement. The same applies to energy for heating, with the exception of Division North Europe, which instead chosen to offset the amount of natural gas purchased for the production process and heating. Midsona is currently working to secure corresponding information for Division South Europe and the newly acquired System Frugt. We also work to achieve 100-percent mapping of energy use within the Group.

Fresh water at our production facilities is a potential risk for Midsona, but so far our facilities have had relatively low water consumption and a small negative impact on the water in areas where we operate. Since 2019, we have measured our water consumption annually at all facilities.

To further strengthen ongoing activities, in 2021, Midsona will be starting up measures in the areas of palm oil, water stress and product safety certification, namely:

- Our own brands shall be 100-percent free from palm oil by 2025.
- We shall achieve 100-percent product safety certification in our own production.
- By 2030, we shall achieve a 10-percent reduction in fresh water consumption per tonne produced.

To measure the results of our actions

Most of our opportunities and progress can be affected by various driving forces, such as changes in rules and policies, changes in economic development and priorities,

Our sustainability targets

Sustainable brands
Target 2025
100 %
recyclable plastic (consumer units)
Target 2030
100 %
plant-based or vegetarian assortment

Healthy work environment
Target
Healthy workplaces promoting healthy life and zero injuries
50/50
gender balance in leadership positions

Responsible sourcing
Target 2025
100 %
classified strategic suppliers according to sustainable procurement

Safe products
Target 2025
100 %
risk-classified suppliers and yearly risk-based audits

Efficient use of resources
Target 2021
100 %
mapped emissions and Science Based Targets
Target 2025
90 %
recycled waste
Reduce food waste &
100 %
reused food waste

Efficient transports
Target 2030
100 %
fossil-free goods transports

The targets are described in more detail in the sections on our development goals.

changes in skills needs, technical development, market and societal changes, unexpected events and, last but not least, climate change. Although Midsona systematically measures progress and the results of our measures annually, the area of sustainability is undergoing rapid change and it is important to gain a complete picture of future risks and opportunities – both in terms of climate and in terms of our business opportunities. In order to adequately report on sustainability-related issues, we map the possibilities in the short, medium and long term.

Although Midsona has long-term targets, to handle the work in the most efficient way possible, we must have short-term intermediate targets, where we adjust the direction annually. For example, technical developments in sustainable packaging and for what can be recycled is fast and therefore our targets for waste and recyclable plastic must be updated regularly in line with the latest technology. Another area that is developing rapidly is the science of what constitutes sustainable fuel as well as the attitude of transporters towards fossil-free fuel. The EU's ongoing work on the Green Deal, including its action plan for sustainable finance and taxonomy, will also be adapted to what will be defined as sustainable in the future. The outcome of Midsona's sustainability targets depends on whether, in addition to traditional planning and trend projection, we also understand the different scenarios of our sustainability targets. It is important for Midsona to focus on and prioritise correctly where, for example, the greatest opportunities and effects lie or where the greatest progress is possible, thus facilitating governance.

Climate-related strategic measures going forward

Through our sustainability strategy, we seek to safeguard Midsona's leading position in sustainability work in our industry. We achieve this by maintaining control of our sustainability risks and opportunities, conducting scenario analyses and corresponding risk management. In addition, common and efficient organisation and process is required, superior expertise and a good knowledge of the needs and requirements of our stakeholders.

In 2021, Midsona will strengthen its work on climate-related risks and opportunities based on the TCFD framework (Task Force for on Climate-related Financial Disclosures). To appropriately integrate the potential effects of climate change into our strategic and financial planning processes, we must consider how climate-related risks and opportunities can be developed and the potential business implications that may arise under different conditions. Through a TCFD risk and scenario analysis, we obtain an opportunity to show a set of possible future scenarios based on climate. The understanding of alternative scenarios for climate change enables us to better manage Midsona's sustainability development and, in particular, to implement the measures necessary to change the Company's strategy before it is too late. Midsona's emission mapping goal and Science Based Target from 2020 are in line with the long – term goal of reaching net zero emissions during the second half of the century (2050), with short-term time frames to enable our accountability (15 years). Methods and best practices in climate-related reporting are developing rapidly. Therefore, we must make adjustments for climate-related risks and reporting along the way, in line with the latest climate science. With TCFD's risk and scenario analyses, Midsona seeks to increase the understanding of future changes in the risk landscape.

Strategic projects and measures in 2021

To improve Midsona's sustainability reporting, we work to integrate and optimise our sustainability and climate-related reporting and risk management by:

- Implementing TCFD and CDP (Carbon Disclosure Project) for climate-related risks and information. This is a natural extension of our 2020 work with the climate accounts in accordance with the Greenhouse Gas Protocol (GHG) and Science Based Target (SBT).
- Examine the flexibility of Midsona's business model and strategy, taking into account different climate-related scenarios over different time horizons.
- Prepare to comply with the EU Taxonomy (EU classification system for sustainability activities) from 2022.

Framework

The framework for Midsona's Sustainability Report is based on the Global Reporting Initiative (GRI) framework. the UN Global Compact, which includes the UN Universal Declaration of Human Rights, the UN Convention against Corruption, the ILO's core conventions and the Rio Declaration.

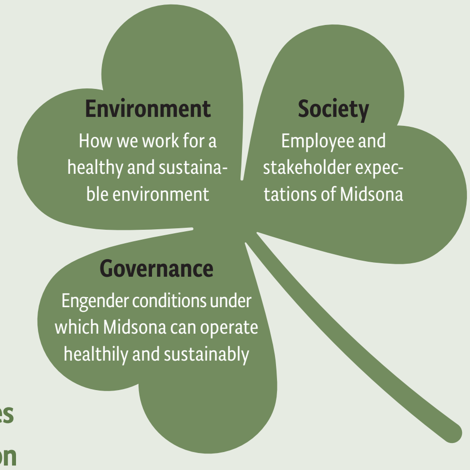
Midsona's sustainability management work is addressed in the Code of Conduct, Supplier Code of Conduct and Sustainability Policy. In addition, our related policies, procedures and instructions ensure that we work in the very best way to constantly improve and to improve how we work.

With Midsona's sustainability strategy, development goals and sustainability plan, we contribute to thirteen of the global goals for sustainable development.

Environment – Society – Governance

For Midsona, the environment and climate, society and governance involve:

- **How we deal with environmental issues and risks**
- **Our role as a trustworthy social partner, involved in local communities, partnering with stakeholders regarding their expectations of Midsona, prioritising our employees and our suppliers' employees in terms of health, safety and rights**
- **To be a responsibly and honourably governed company that does not get involved with or tolerate any form of bribery or corruption**



Midsona joined the UN Global Compact initiative in 2011 because we believe in, and seek to follow, the ten principles in the areas of human rights, working conditions, the environment and anti-corruption. Our most important driving forces are our mission, vision and values – which are incorporated into Midsona's Code of Conduct – and, not least, our commitment to health and sustainability.

It is important for Midsona to be valued not only on the basis of our financial results, but also on the basis of our work with the environment, working conditions and business ethics. These issues have long been important to Midsona and they are also important to our stakeholders.

We are integrating sustainability and the progress linked to the goals we have set out in our sustainability work, into our financial targets. At Midsona, sustainability and profitability coincide. Sustainability must be an integrated and transparent part of our operations and sustainability risks must be managed by the Company in the same way as other risks.

How we work for a healthy and sustainable environment

Midsona is working to mitigate its negative impact on the environment and to make the switch to an environmentally sustainable society. We have well-documented and established procedures for product development, as well as for the production and transport of those products.

Our climate impact, under the direct control of our own operations, pertains largely to freight transport and energy consumption.

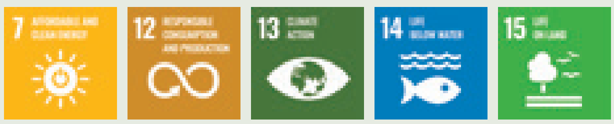
Midsona works continuously and purposefully in seeking to minimise transport emissions. We joined DLF's Transport Initiative 2025 in Sweden, with a shared target of 100-percent fossil-free transport and, in future, we will also be applying this target in other parts of the Group.

Midsona's energy supply is increasingly based on renewable energy, including 100-percent renewable electricity at all offices, warehouses and production facilities in Division Nordics and Division North Europe, where we can influence our electricity agreements. The same applies to energy for heating, with the exception of Division North Europe, where Midsona has instead chosen to offset its use of natural gas purchased for production processes and heating.

Our environmental work is regulated by the Code of Conduct, Supplier Code of Conduct, Supplier Self Assessment, Sustainability Policy, Travel Policy, Procedures for Sustainable Management, Sustainability in Midsona's Daily Operations, Chemicals Control and in the brands' innovation templates.

We write more about climate and resource consumption, as well as our ambitious sustainability targets in the Sustainable brands section on page 50, the Responsible sourcing section on page 58, the Efficient use of resources section on page 66 and the Efficient transports section on page 68.

Midsona's work for a healthy and sustainable environment supports the following global goals for sustainable development:



Employee and stakeholder expectations of Midsona

Human rights

For several years now, Midsona has participated in the UN Global Compact, which includes the UN Universal Declaration of Human Rights, the UN Convention against Corruption, the ILO's core conventions and the Rio Declaration.

It is of the highest priority for Midsona to respect human rights and labour law, as well as to protect health, safety and the environment. We also expect our suppliers and other partners to have the same priorities.

Midsona's mission

Midsona's mission is to help people lead a healthier life and, through our purely plant-based and organic products, we can help them achieve both a healthy and sustainable life.

Midsona also prioritises employees' health and safety, and their right to a creative and stimulating work environment, we actively promote gender equality and diversity among personnel and in management and management groups.

Our work on human rights and our responsibilities towards mankind and society are regulated in the Code of Conduct, Supplier Code of Conduct, Supplier Self Assessment, our Personnel Policy and underlying procedures for the organisational and social work environment, employee interviews, expertise and development, as well as health.

Read more about how we work with these issues in the Sustainable brands section on page 50 and in the Healthy work environment section on page 55.

With Midsona's efforts to improve human health and promote human rights, we support the following global goals for sustainable development:

Engender conditions under which Midsona can operate in a healthy and sustainable manner

With its governance documents, Midsona creates the conditions for responsible and motivated employees with the customers' and consumers' best interests in mind.

For Midsona, the most important steering document is the Group's Code of Conduct. This is always included when introducing new recruits and is also offered to existing employees by means of a reminder via the intranet once a year. Among other matters, the Code explains that the individual employee, the Board of Directors and all others acting in Midsona's name must act responsibly, with integrity, loyalty and respect for other people.

To create and maintain a functioning internal governance environment, the Board adopted a number of policies and other steering documents that serve as guides for the operations. In 2019, Midsona strengthened its internal control system to ensure that it applies a formalised model of internal control that is in line with our culture and ethical values. The structure has been made easier to understand, mainly by reducing the number of policies to 12, and those responsible for each control document shall ensure that training and follow-up procedures are in place as regards the contents of the document. *Learn more about internal control on pages 140–141.*

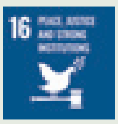
Ethics and combating corruption

We seek to operate Midsona in a healthy and sustainable manner. That is why we are careful to always act in accordance with our values and to always counteract all forms of corruption and irregularities. All communications are to be conducted in accordance with applicable legislation, as well as Midsona own Code of Conduct and other governing documents. Midsona's employees are expected to act in an ethical manner in relation to the Group's stakeholders and no corruption is accepted.

Midsona's Whistleblower service is for employees who have concerns regarding conduct that is contrary to the Group's values and governing documents. Our Whistle-blower Policy urges our employees to take up the matter with their immediate superior in the first instance. In the event that employee does not find its possible to address the matter via his/her manager or via the HR department, there is a Whistleblower service, managed by an external party and fully confidential. It is possible to report a case anonymously.

Midsona's efforts to maintain an ethical approach in all situations and to combat corruption is regulated in the Code of Conduct, the Corporate Governance Policy, the Communication and IR Policy and in our Whistleblower Policy.

With Midsona's efforts to combat corruption and other irregularities, we support one of the global goals for sustainable development:



Sustainable brands

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

Environmental and social impact on Midsona's product portfolio

Midsona's brands are at the forefront of our sustainability work and it is through them we meet our consumers. We are proud that two of our largest brands, Urtekram and Kung Markatta, have over the years been named as among Denmark and Sweden's most sustainable brands by Sustainable Brand Index, and in 2021 Kung Markatta has also won an award as Sweden's greenest brand by Differ. Efforts are currently in progress in different places to find common standards for what are considered to be sustainable products. Midsona is careful to assess the European Commission's guidelines and welcomes all forms of sector interaction in this area. Midsona monitors developments regarding nutrition claims and sustainable product declarations and strives to provide consumers with the best possible ways of identifying our sustainable products.

Plant-based and vegetarian

Demand for plant-based alternatives has risen steadily in recent years and is expected to continue growing. To be able to offer products with a low climate footprint, where the sustainability aspect is included from crop to finished product, is a very high priority for Midsona. We have therefore set a goal that our food products must be 100-percent vegetarian or plant-based by 2030, and we are well on the way – even today, 79 percent of our total sales comprise vegetarian or plant-based products. To meet demand, Midsona decided during the year to further increase capacity and broaden its product range by expanding the Group's factory in Castellcir, Spain. The unit will be our hub for the production of plant-based meat alternatives.

Organic

Never before has it been so important to work to preserve the wealth of species that is a prerequisite for our existence, of which as much as 75 percent are currently at risk of disappearing*. Midsona's range largely comprises products that contribute in various ways to biological diversity, with cultivation not being exposed to harmful pesticides. The Group's sales of organic products currently account for 57 percent of total sales.

* Naturskyddsföreningen.se/jordbruket-biologisk-mangfald

Responsible products

We are very proud of our solid Code of Conduct for Suppliers, which is based on the UN Global Compact. *Learn more on page 58*. A large part of Midsona's raw materials and products are purchased from European suppliers or from the product's country of origin, without intermediaries. In cases where we cannot purchase locally, and cannot therefore invoke EU regulations on, for example, labour law and raw materials, we try to purchase from suppliers that are certified in accordance with KRAV, ECOCERT, Fairtrade or other certifications with a positive environ-

Environmental and social impact of Midsona's product portfolio

MINIMISE NEGATIVE ENVIRONMENTAL IMPACT

- 57 percent of Midsona's total sales are organic products, mainly in healthy categories, such as fruit, legumes, staple foods (such as rice, grains, seeds), plant-based or vegetarian products, etc.
- 99 percent of the products under our priority brands are plant-based/vegan.
- 79 percent of the products under all of our brands are plant-based or vegetarian.

SAFEGUARDING HEALTH (SHARE OF SALES = 11.2 PERCENT)

- Brands Swebar and Gainomax: High fibre content with nutrition claims regarding fibre in accordance with EU regulations for nutrition and health claims.
- The Naturdiet brand's LCD and VLCD products provide the recommended daily intake of vitamins and minerals when following VLCD compared with LCD diets based on EU rules.
- The Supernature brand: Partly organic (not part of Midsona's Organic products category) or raw materials grown freely in nature.
- Food supplements under different brands: Important nutrients with health claims in accordance with EU regulations regarding nutrition and health claims.
- Fish oil/omega under different brands: Essential nutrients with health claims in accordance with EU regulations regarding nutrition and health claims.

OTHER PRODUCTS (NON-EDIBLE) WITH POSITIVE EFFECTS (SHARE OF SALES = 5.8 PERCENT)

mental or social impact. Today, Fairtrade-labelled products make up 5 percent of our total sales of goods. See further under Sustainability data, on pages 72–75.

Products to counteract food waste

Midsona is continuing to develop additional products that counteract food waste – under the Kung Markatta brand, for example, this is achieved partly through a new range of frozen dishes where the consumer can choose to use only the amount of food needed at the moment, and partly through smaller packages with fresh vegetarian dishes to suit two people. Midsona also works actively with printing "best before, often good after" labelling on all of Midsona's new organic products in the Division Nordics, and in the longer term, this will be printed on most of our products where possible under applicable guidelines.

Basic commitments on responsible marketing

Our marketing processes ensure that we foster responsible marketing.

SELECT PROJECTS IN 2020

- **Mivitotal:** recyclable cans are now made from plant-based plastic. The small cans provide a higher degree of filling and fewer transports. The range will be launched in the spring of 2021.
- **Eskimo-3:** we have optimised the range so that the number of unique products is fewer and can be more easily divided between the markets. A design change reduced the number of unique labels. Launch in spring 2020.
- **The Organic Food range** has been expanded with new vegan options in chilled and frozen products, such as meat alternatives.
- **Optimisation project** to reduce the number of unique products in peanut butter, tahini and spices
- **Frigg's Popcorn Corn Cake:** a variant with a lower salt content has been developed
- **Davert:** we have replaced the transparent films in 115 of our products from films of PE-OPP material to a recyclable PP compound that has a much higher recycling rate.

Midsona adheres to regulations and ethical principles in accordance with the Swedish Marketing Act and the EU's consumer information regulations. We are members of the Association of Swedish Advertisers, a local organisation promoting regulatory compliance. In the second quarter of 2020, the Association of Swedish Advertisers launched the sector initiative "Transparency, Ethics and Responsibility".

Historically, Midsona has marketed products in more traditional ways and it is only in recent years that people appear in our communications. In our cooperation with so-called influencers, it is important that we ensure that communications adhere to the guidelines for what can be said about our products included segments as over-the-counter medicines, food supplements or medical devices. It is also important that the marketing department, in consultation with our regulatory department, signs off on the communication.

Packaging

Midsona strives to generate the least possible resource use and cause the least possible amount of waste. We have committed ourselves to the Plastics Initiative in Sweden and will apply this goal to other parts of the Group as of 2020. The ambition is for all of Midsona's proprietary consumer packages to be able to be recycled for materials by 2025 and that we thereby contribute to the EU's strategy for a circular economy. We base our work with sustainable packaging on our Group strategy for sustainable choices of materials and responsibility throughout the value chain.

The strategy focuses on increasing recyclability, optimising shelf life to avoid food waste, phasing out fossil plastics and increasing the use of FSC-labelled paper.

Today, a total of 25 percent of our purchases of packaging materials are of plant-based plastics from sugar cane waste. We continuously run various projects in all divisions to increase the level of recyclable plastic and paper, to reduce or completely avoiding consumption of plastics and to use labelling to inspire consumers to reduce their food waste and increase their recycling. In 2020, one of our priority brands, Davert, updated 115 of its plastic packages for even greater recyclability, which is estimated to save 11 tonnes of plastic annually. By choosing certified raw materials and FSC-labelled (Forest Stewardship Council) packaging materials for our products, Midsona promotes sustainable management and felling of forests. Midsona's packaging strategy is an important way for us to participate in the EU's strategy for a circular economy and to reduce our greenhouse gas emissions in the downstream value chain. Data for Midsona's use of sustainable packaging material, see page 72.

The innovation journey

In developing new products, we always start with Midsona's core values of health and sustainability. We always seek to be in line with the needs of consumers and customers and to maintain a close dialogue with suppliers and other partners. Midsona's innovation groups have a high level of expertise and work dedicatedly to develop or update products that help people lead a healthy and sustainable life. For us, quality entails that we always approve recipes, suppliers and end products to ensure that they are approved in accordance with our specifications.

Sustainability is a major part of the whole process. Depending on the brand, different aspects of sustainability are considered, such as whether the product should be organic, vegetarian, vegan, or if it should it have little or no added sugar, a high fibre content, or reduced salt content. Our product strategy is to increase the amount of fibre and to reduce both salt and sugar in our portfolio, with the ambition of having little or no added salt or sugar in accordance with EU regulation 1924/2006 on nutrition and health claims made on foods. We also endeavour to continue increasing the proportion of organic products, for which the requirements are stricter than they are for conventional foods regarding, for example, the dyes, aromas and additives that are permitted. Packaging is also an important part of the project. We strive to find sustainable packaging materials, but also discuss how we can share items between markets more efficiently to restrict the number of different products and thereby also avoid food waste. Other aspects we take into account are whether packaging materials can be reduced, avoiding packaging tea in cellophane, for example, or considering the extent to which packages are filled. Midsona monitors and reviews all of these aspects in its innovation process, as well as in its product and supplier checks.

Midsona's current recyclable packaging:

- 25 percent of our plastic packaging in the Swedish market (our largest market in the Nordic region),
- more than 85 percent of our packaging in Division North Europe
- 43 percent of our packaging in France
- in Spain, 30 percent of used plastic can be recycled to manufacture new consumer packaging for other sectors.

Community involvement

Midsona maintains several rewarding collaborations with organisations, in which we believe that we can together contribute to change in terms of the environment, health and social influence. In addition to our membership of the Association of Swedish Advertisers, we are also members of Organic Sweden and DLF, to name just two, and during the year we collaborated with the University of Hohenheim and Münster University of Applied Sciences in Germany.

We have also donated to organisations such as Doctors without Borders and Wildlife Conservation Society, and we have sponsored the Swedish Ice Hockey Association, the Swedish Football Association and the Swedish Handball Association with products.

Sustainable school kitchens

In 2020, Midsona's Food Service focused on helping the school world make sustainable choices. This is a matter of health and of minimising environmental impacts. Midsona seeks to provide support, all the way from calculating the climate impacts of recipes and menus via the RISE research institute, to providing inspiration for recipes and holding workshops on plant-based alternatives.

Flavouring plant-based foods can sometimes be challenging. For this reason, Midsona works extensively with concepts that speak to the senses, including sight, smell and taste. Top of the list is presenting the food correctly – if it does not look good, children will not even want to taste it.

For Midsona, it is natural to want to be involved and contribute to sustainable development in school meals, which is why we chose to partner with White Guide Junior. Alongside those who work daily with identifying new approaches and making active choices, our participation contributes to positive long-term change.

Over the year, Midsona worked on "keep it sustainable", a concept that will be launched in 2021. The concept builds on five foundation stones and comprises an educational tool to aid and encourage chefs in school kitchens and lower and upper-secondary students to act more sustainably with regard to food, particularly in reducing food waste and choosing unadulterated ingredients that are full of flavour.

With our work in sustainable Brands, Midsona supports six of the global goals for sustainable development.

Healthy work environment

A healthy and sustainable work environment lays the foundation for a healthier life and is a central sustainability issue for us at Midsona. We must be a company permeated by good health, both physical and mental. We have a safe and equal workplace as our clear target scenario and have circled some key success factors for our employees to enjoy a favourable balance between work and leisure, including:

- **Flexible workdays and opportunities to work from home should be provided**
- **Measures to prevent and reduce sick leave must be both initiated and encouraged**
- **Work must be compatible with parenthood**
- **Gender equality and diversity must be a natural part of the operations**
- **Employee surveys and interviews should be developed continuously**

Motivated employees

A healthy lifestyle can be fostered in numerous ways. For Midsona, it involves a series of activities: lending of bicycles , opportunities to buy products at reduced prices, fitness allowances, team building, walk-and-talk meetings and beneficial follow-ups following sick leave.

Midsona's most recent employee survey was conducted in 2020 and was then responded to by 93 percent of the employees in Division Nordics – an increase of 10 percentage points from 2018. We could see there that all areas showed positive development since 2018. Employees state that they are highly satisfied with their tasks, with management and with the support and service functions. In general, Midsona's earnings were higher than the benchmark index for companies in our industry.

In Division South Europe, each employee undergoes an annual health check-up. In 2021, Division North Europe will conduct its first comprehensive stress-related health survey.

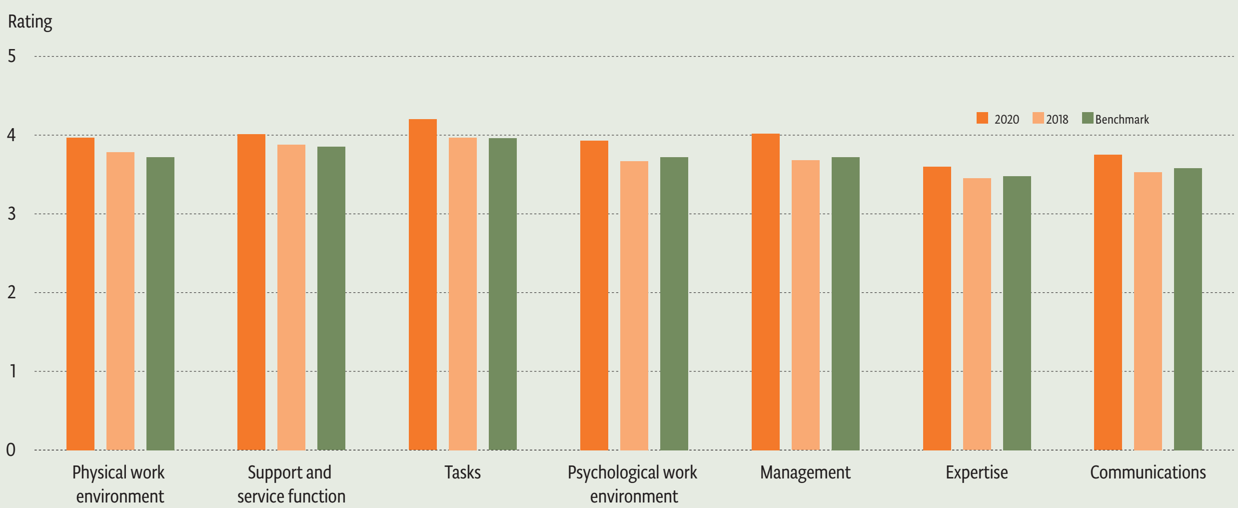
In 2021, continuations are planned of our internal training, mentoring and leadership programmes. Midsona's next employee survey is planned for 2022 and will include a special focus on the impact of the pandemic.

A safe workplace

Midsona endeavours to help everyone enjoy their work and feel safe in their workplace. A safe work environment leads to employees feeling better and working more productively. This is achieved partly through prioritised and transparent work environment initiatives with commitment from employees, partly through well-established procedures for risk assessment and systematic work environment efforts. Safety committees or local equivalents exist in Sweden, Denmark, Norway Germany and Spain.

Our governance documents regarding work environment are available to all employees on our intranet and are also presented at introductions and staff presentations. In the

Employee survey



area of healthy work environment, Midsona maintains governance documents regarding skills and development, employee interviews, solitary work, health, rehabilitation and organisational and social work environment, including a policy for diversity and gender equality.

In 2020, total sick leave increased due to the pandemic. The Group's total absence amounted to 5.1 percent.

The pandemic has led to challenges regarding work environment issues. Midsona has consulted locally with the divisions to prepare optimum conditions for our employees to work from home.

Gender equality and diversity

Key aspects for a favourable working environment include an even gender distribution, fair wage setting and diversity within the organisation. Midsona has a relatively even gender distribution with a total 48 percent women and 52 percent men in the Group. When recruiting, we have prioritised the under-represented gender with equal skills to achieve more equal departments, in several instances yielding results. The gender distribution within the production units is slightly distorted, with an overweight for men. Key factors for an equal workplace also include the working conditions suiting all employees, fairness in wage-setting criteria, salary surveys being conducted and employees having opportunities to combine work with parenthood.

Midsona believes that diversity within all areas will make Midsona's development even better, both on an individual level and in groups, and the divisions are therefore encouraged to actively work for diversity in the organisation to thereby better understand and be able to meet the consumers' various needs and thereby improve the business opportunities. In 2020, there were no cases of discrimination in any of the three divisions.

Forms of employment

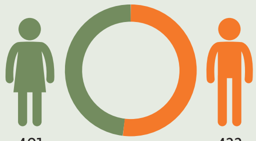
Midsona is dependent on skilled and trained employees to ensure the quality of our organic, healthy and natural products. Our ambition is therefore to avoid all types of irregular employment. Exceptions can be made under specific circumstances, as with short-term increased demand or projects requiring special knowledge. At the beginning of 2020, an exception was made, namely during an extreme peak in demand for our products in connection with the pandemic. The increased demand for our products meant that Midsona needed to employ a limited number of temporary staff to ensure that we could meet the high demand while production continued in a safe manner.

Research and education

Midsona's governing document for competence and development provides guidance in building, developing and maintaining the organisation's expertise. During the annual employee interview, employees and managers agree on the individual training or development plans for the coming year. The development goals are documented and followed up during the next employee interview. Midsona works with different methods to develop employees' skills, for example through lectures, in-house training, external courses, e-training, seminars or training programs. In 2020, a number of skills development programmes were carried

Gender balance

On the balance sheet date

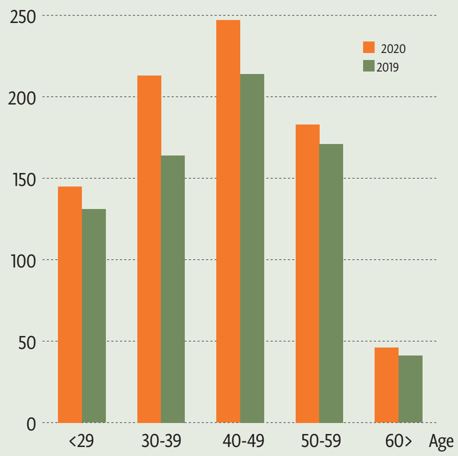


Group Management

Board of Directors

Age structure

Number of employees



Absence due to illness, %

	2016	2017	2018	2019	2020
Sweden	6.0	3.8	4.7	1.3	2.4
Norway	5.7	5.0	3.4	4.2	2.9
Finland	3.2	2.1	2.7	1.6	3.0
Denmark	4.5	5.7	8.4	4.7	5.8
Germany	–	–	6.2	5.4	6.3
France	–	–	–	1.7	3.3
Spain	–	–	–	7.5	9.0
Group	**5.1**	**4.6**	**5.7**	**3.9**	**5.1**

out within Division Nordics. Among other things, these training programmes addressed, leadership, brand-driven growth, digital strategies, finance and negotiation techniques. All managers with personnel responsibilities within the Nordics division have undergone OSA – organisational and social work environment (AFS 2015: 4). In Division Nordics, all office personnel received an average of three hours of training and all production personnel received two hours of training over the year.

In Division North Europe, Midsona has supported and guided three academics with their dissertations. Two of the three academics were hired by Midsona after completing their studies.

In 2020, seminars, personal coaching and online training for various areas, such as leadership, language skills, brand development and other specific work-related topics, were held within Division North Europe. Employees are given free access to a web-based platform for learning one or more new languages, which also improves the understanding between Midsona's divisions.

Governance

For Midsona, the most important steering document is the Group's Code of Conduct, which states that the individual employee, the Board and all others who act in Midsona's name must act in a responsible manner, with integrity, responsibility, loyalty and respect for other people and the environment.

With a clear Code of Conduct, we create the conditions for responsible and motivated employees with the customers' and consumers' best interests in mind. All employees are expected to be familiar with its contents. This forms a mandatory part in the introduction of newly hired staff and is also posted once a year as a reminder on the intranet.

To create and maintain a functioning internal governance environment, the Board adopted a number of policies and other steering documents that serve as guides for the operations. In 2019, Midsona's internal management processes were strengthened and a more functional structure was established. Among other things, the process entails all of Midsona's policies being reviewed at regular intervals and revised where necessary.

Respect for human rights

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

Social conditions and personnel

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

Combating corruption

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

The Group's Whistle-blower Policy is an important tool for quickly calling attention to and combating conduct not in line with Midsona's values. The formal steering document was adopted in 2017 and no cases have been reported in during these years.

A healthy and sustainable environment

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

Read more in the section Environment – Society – Governance on page 48.

With our Healthy Work Environment efforts, Midsona supports five of the global goals for sustainable development.

Responsible sourcing

Midsona focuses on sustainable suppliers and, since early 2020, applies two new targets to further improve our supplier checks: 100-percent of suppliers to be risk-classified and 100-percent of strategic suppliers to be mapped for sustainable procurement in accordance with industry-relevant ESG standards at the Group level.

Stricter requirements at the supplier level

Midsona's Supplier Code of Conduct has been developed from the Group's Code of Conduct. It is a fundamental part of our procurement documentation and has been included as a part of new agreements and existing agreements in renegotiations. The Supplier Code of Conduct helps us set higher standards and improve internal processes to ensure that we only work with sustainable suppliers. We focus on taking responsibility throughout the value chain by cooperating with our suppliers in such areas as quality, safe raw materials and products, environment, human rights, sound competitive conditions and ethical businesses.

All of Midsona's suppliers must sign the Supplier Code of Conduct and, by 2020, 78 percent (that is 452 of 578 individual suppliers) had signed the document. The deviation percentages derive from some of the larger suppliers, primarily within Division North Europe, being able to verify that they apply corresponding sustainability requirements and have their own Code of Conduct, which is to Midsona's satisfaction. Division South Europe is not included in the above figures as Midsona's Supplier Code of Conduct is currently being implemented there.

Why Midsona assesses its suppliers

Two of Midsona's sustainability risks are in the areas of "responsible sourcing and safe products". It is therefore important that we focus on taking responsibility for performing supplier and product checks and for ensuring that the supply chain complies with strict social and environmental standards.

IN 2020, MIDSONA INITIATED AN INVESTMENT IN A MULTI-DIMENSIONAL COMMUNITY PROJECT WITH OUR KEY RICE SUPPLIERS IN KOTWA, UTTAR PRADESH, INDIA. THE PROJECT AIMS TO:

- Establish a sustainable supply chain of bio-dynamic and Fairtrade-labelled products among 340 selected farmers (by 2021, the project will be expanded to approximately 470 farmers)
- Introduce climate-friendly cultivation methods with a particular focus on the efficient use of water
- Improve the socio-economic situation in Kotwa, in a long-term perspective, supporting the local community by securing farmers' incomes and healthcare and a basic level of education, not only for the families of the farmers but for the whole community of Kotwa
- Improving society's food security and increasing its ability to adapt to climate change
- Create a supply chain for high-quality certified rice for Midsona

Assessing sustainability risks at the supplier level

We monitor, rate and follow up suppliers using our supplier assessment system, KODIAK. In addition to signing the Supplier Code of Conduct, all new suppliers must undergo Midsona's Supplier Self Assessment before an agreement comes into force, enabling Midsona to get to know the supplier and its strengths and areas of expertise.

Suppliers are rated in terms of sustainability, quality and safety. Based on this mapping, Midsona assesses:

- What are the risks and what risks may there be in the future?
- Is this a risk we can or cannot tolerate?
- How will the risk affect our business and products if we fail to manage it?
- How should we manage the risk?

The result of the risk mapping increases the awareness of our sustainability risks in the value chain, improving our risk management and capacity to focus on the risks that could cause us most harm. This also allows us to conduct a better and more constructive dialogue with our suppliers and affords us opportunities to improve key processes together with them. In accordance with Midsona's Risk Policy, this is analysed, reported, remedied and followed up on, resulting in more informed and fact-based decision-making and better strategic planning. Midsona's system and criteria for supplier assessment is to be used throughout the Group and began being implemented in 2019.

Risk assessment of suppliers

Based on the KODIAK evaluation, the supplier receives a classification in accordance with various parameters, including:

- **Geographic risks in accordance with BSCI.** *There are major differences in product and supplier risks between different countries and continents. Knowledge of the geographical risks in accordance with international standards for safe and sustainable purchasing are highly important in being able to assess both safety and sustainability.*
- **Certification of raw materials, for example, RSPO, GMO Free, FOS (sustainable fishing), organic certified, KRAV certified.** *Midsona works with a number of raw material certifications. By choosing certified raw materials and sustainable packaging, Midsona mitigates risk and promotes the implementation of sustainable environmental management.*
- **Certifications in accordance with international product safety standards, for example, GFSI for food, GMP for pharma and GMP-C/150 22716 for cosmetics.** *To safeguard our focus on product and food safety, all of Midsona's suppliers must meet our product safety requirements. Our risk assessment detects any errors at an early stage.*
- **Financial impact.** *To safeguard financial sustainability and the long-term sustainability of the business model, it is important to focus on financial risks among our suppliers.*
- **Health and safety.** *Naturally, Midsona's mission to help people achieve a healthier life, also applies to our own employees and our suppliers' employees.*
- **Environmental impact.** *Midsona maps its emissions in accordance with the GHG protocol for Scopes 1, 2 and 3 and has committed to set a Science Based Target by 2021. Should our suppliers not have the same environmental focus as Midsona, however, there is a risk that we will not achieve our environmental targets. For this reason, we have integrated environmental impacts into KODIAK and will also expand this in an updated Supplier Self Assessment 2021.*
- **Business ethics and anti-corruption, labour law in accordance with ILO, human rights.** *Midsona's Code of Conduct is based on the UN Global Compact initiative and includes the areas of business ethics and anti-corruption, labour law and human rights. These are areas to which Midsona attaches great importance.*

Improved framework for ESG issues

Based on the new targets we set for strategic suppliers from 2020, we are working to introduce an improved Supplier Self Assessment in KODIAK in accordance with the relevant ESG standard for our industry. This means that from 2021 onwards, we will have an even greater focus on sustainability in KODIAK to safeguard our requirements in relation to ESG standards.

Risk-based review of suppliers

Midsona has a large product portfolio. This demands favourable relationships and close cooperation with all of our suppliers. We choose our suppliers with care and focus on a long-term, structured collaboration. All suppliers must meet Midsona's product safety requirements and conduct socially, ethically, environmentally and economically sustainable operations. To further ensure this, we use our risk assessment and classification of suppliers to adopt a risk-based annual audit plan. Suppliers classified in a high-risk group will be carefully examined and a corrective action plan drawn up. This action plan is then assessed annually. The results of audits and follow-up are handled within KODIAK and serve as a basis for the supplier's ratings. Midsona reserves the right to implement its own unannounced inspections or inspections carried out by a third party, affording us the opportunity to engage with suppliers who do not meet the requirements, to agree on a corrective action plan.

If the supplier does not comply with the terms of the Supplier Code of Conduct or the Supplier Self Assessment process in KODIAK Midsona may terminate the business relationship unless improvements are not made within an agreed period. By the end of 2020, 269 out of a total 364 Nordic suppliers had been evaluated in KODIAK. The suppliers are carefully evaluated by Midsona's quality team and special consideration is given to whether the suppliers should be included in our audit plan. All suppliers are evaluated at one to three-year intervals to ensure that they meet their set targets. Due to the pandemic and the resulting visitor and travel restrictions, the Midsona Group performed a total of only nine supplier audits in 2020.

Strategic suppliers and sustainable value chain

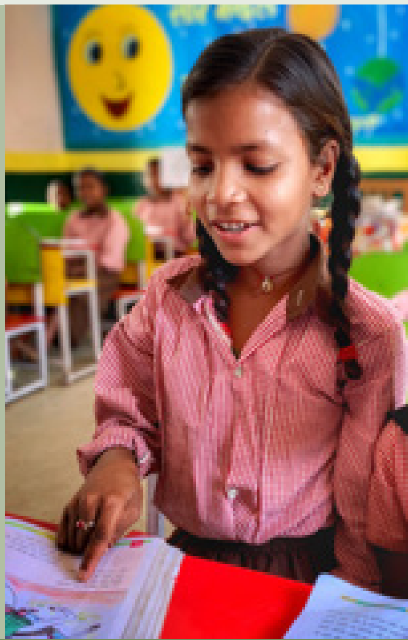
Over time, Midsona's supplier inspections have built on close, long-term relationships with the suppliers, making them one of the most important tools for being able to set clear requirements. To minimise the risks in our product supply and to safeguard the ESG issues, we maintain a dialogue with our most important suppliers. Midsona's ambition is that all strategic suppliers shall be mapped and assessed on the basis of a framework for sustainable procurement by 2025. This mapping allows the Group to impose stricter requirements on key suppliers and to improve important key processes in partnership with them, contributing in turn to the successful implementation of Midsona's sustainability work. During the year, Midsona established common definitions for the Group's strategic suppliers.

The pandemic has highlighted the importance of working closely with our suppliers. Demand for socially critical products increased during the pandemic and, to meet this demand, during 2020, we endeavoured to achieve a more cost-efficient innovation process to identify optimal synergies between brands and countries, as well as a cost-efficient purchasing and supply chain. This is an important part of Midsona's long-term sustainable business model. Since 2018, Midsona has worked intensively to create a supply chain organisation with efficient common systems and suppliers. The pandemic highlighted the importance of this project. Delivery disruptions have mainly occurred at non-European suppliers – an issue that we need to address. This means that one of our sustainability goals from 2018, to source additional production in Europe (more local production) and closer collaboration with suppliers – is now even more important.

Environmental and social impact of Midsona's product portfolio

In 2020, Division North Europe embarked on a collaboration with one of Midsona's strategic suppliers of rice – Nature BIO FOODS – with approximately 470 smallholder farmers in the Kotwa area of Uttar Pradesh, India. The products grown are basmati and long-grain rice (with lentils, amaranth,flax, etc. as rotation crops).

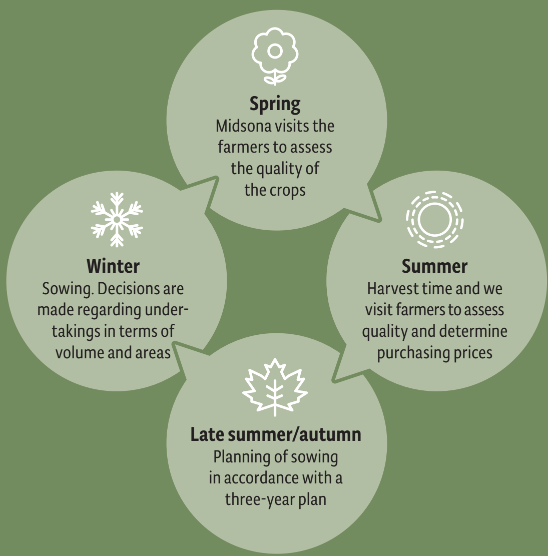
Although rice production consumes large quantities of water, the Kotwa area of India, where this rice is grown, is, at the same time, an area of considerable water risk. The project entails collaborating to achieve a production process significantly reducing water consumption while ensuring better living conditions for small farmers. The collaboration provides us with 100-percent Demeter and Fairtrade-certified raw materials. The expected production volume is 931 metric tons, at a purchase value of EUR 1,900,000.



Division South Europe is working long-term, collaborating with 150 independent French organic farmers regarding purchasing of cereals and legumes. In 2020, 92 percent of the division's grain purchases and 100 percent of its legume purchases were sourced from France and 21.5 percent of these came from farmers located less than 250 km from Midsona's facility. The products are marketed under the Celnat brand.

When plans for the season are set out, Midsona participates, undertaking to purchase a certain amount of the harvests. Prices are set in discussions with farmers. The aim is to avoid price fluctuations and to ensure stable and fair incomes for farmers.

In 2021, Division South Europe will initiate a collaboration on purchases of rice from the Camargue wetlands in southern France. The rice will be marketed under the Happy Bio and Celnat brands.



More local production

Midsona has increased production at its own factories, as well as our purchases from countries within the EU. EU goods are covered by EU regulations on safety and sustainability. This entails a proximity to our factories and a reduction in transport needs. Midsona purchases many of its products from within the EU (see Sustainability data on pages 72–75).

Soy, maize and rice represent a GMO risk, and it is particularly important to ensure that these raw materials are GMO-free. Much of our soy comes from within the EU and is therefore covered by EU regulations on GMOs. The products are for the most part certified organically to reduce the risks. Only the newly-acquired System Frugt A/S uses conventional raw materials of this type. The suppliers of the raw materials have accepted our demand that products not contain GMOs. In Division South Europe, 100 percent of the soy purchased comes from France.

Country of origin and proximity to agriculture

In addition to our focus on local purchasing and production, we source some of our raw materials from the country of origin to maintain close relations with farmers and to promote sustainable agriculture. In 2020, for example, our production facilities in Division North Europe sourced 65 percent of their raw materials from the country of origin. 92 percent of Division South Europe's grain purchases and 100 percent of its legume purchases are sourced from France and 21.5 percent of these came from farmers located less than 250 km from Midsona's facility. In 2020, Division North Europe also started working on a joint multi-dimensional community project with one of the most important key suppliers of rice in the Kotwa area of Uttar Pradesh in India, to create a transparent and sustainable supply chain of high-quality certified products, to support the local community and to focus on efficient water use in rice production. We aim to establish similar ground-breaking projects in other locations.

With Midsona's work on the Kotwa project, we support six of the global goals for sustainable development.

Training

All employees at Midsona's purchasing departments and those responsible for product quality undergo training in the Supplier Code of Conduct, policies, the supplier approval process and other governance documents in this area.

IMPLEMENTATION OF KODIAK

Midsona's supplier assessment system KODIAK was implemented in Division Nordics in 2019. Within Division North Europe and Division South Europe, we began implementing the system in the autumn of 2020 and we expect to have fully completed implementation in 2021. In the meantime, both divisions apply IFS-based systems of supplier assessment. Suppliers yet to be managed in KODIAK are assessed in accordance with current international standards and the respective certification requirements.

Raw materials

The supply of sustainable raw materials will always be a risk for Midsona and it is important for us to safeguard such raw materials, thereby supporting sustainable and environmentally-friendly agriculture by concentrating on organic, plant-based and sustainable products.

Certified raw materials

For organic food production, Midsona uses only organic raw materials, except for salt, water and other natural substances that cannot be organic. In addition to conventional raw materials used in the newly acquired production facility in Tilst, more than 90 percent of the raw materials Midsona used in 2020 were certified as organic. Among our priority brands, 99 percent were plant-based or vegetarian in 2020. Plant-based products have lower carbon dioxide emissions, representing an important step towards reducing Midsona's climate impact and – alongside the health benefits – the reasons for our setting a target of a 100-percent plant-based or vegetarian range by 2030.

Midsona wants to be involved in protecting the forest and biodiversity through our work with innovation, production and the value chain and we have therefore chosen to take a stand on the following issues in our Responsible sourcing development goals:

- Organic
- GMO (Genetically Modified Organisms)
- RSPO (palm oil)
- FOS (fish oil)
- FSC (durable paper/packaging material)
- Plant-based food and Animal Welfare

Midsona's position has been explained in the document "Midsona's position towards GMOs, palm oil, fish oil, consumption of paper and animal welfare", the full-text of which is available from Midsona's website https://www.midsona.com/en/sustainability.

GMO-free raw materials

At Midsona, GMOs are considered to be a raw material risk. We buy only certified GMO-free raw materials, such as soy, corn and rice, addressing these by means of Midsona's Supplier Code of Conduct and our supplier assessment system, KODIAK. Midsona is currently working to improve its GMO-control procedures while adapting these to all divisions.

Midsona's new governance document regarding sustainable raw materials will start being applied in 2021.

All of our products are GMO-free

FSC (Sustainable Paper Use)

79 percent of total purchased packaging material is certified by FSC (Forest Stewardship Council).

Division South Europe and the newly acquired System Frugt are not included in the calculation.

RSPO certified (palm oil)

From 2018, Midsona will only buy RSPO-certified palm oil for its production. Our purchases of RSPO-certified palm oil are controlled through Supplier Self Assessment in KODIAK and through our internal quality and regulatory department. Midsona's largest food production facilities – in Germany and Denmark respectively – are members of the RSPO.

Midsona has decided to adopt a new sustainability goal regarding palm oil – the Group's own brands must be completely free of of palm oil by 2025. The interim target has already been achieved for Division South Europe by 2020. In Division Nordics and Division North Europe, there is relatively little palm oil by 2020 (see layouts to the right).

Midsona is currently working to improve existing palm oil control procedures, with the aim of preventing the purchase of products containing uncertified palm oil. The procedure, which must be adapted to apply for all divisions, will start to be used in 2021.

Use of palm oil per division:

DIVISION NORDICS

- Palm oil as a raw material: *None.*
- Palm oil as part of composite raw material: *Negligible amount, only RSPO palm oil.*
- 43 products, corresponding to 2.1 percent of sales: *Only RSPO palm oil*

DIVISION NORTH EUROPE

- None in the own brands Davert and Eisblümerl.
- Minimum quantities of RSPO palm oil in contract manufacturing products and food service (0.1 percent of sales).

DIVISION SOUTH EUROPE

- 0 percent palm oil.

Newly acquired System Frugt is not included in the accounts.

FOS (fish oil)

100 percent of the fish oil Midsona uses in dietary supplements in its own production is certified in accordance with Friends of the Sea (FOS). This corresponds to 2 percent of total net sales.

Product certifications and labellings

Midsona works with various generally accepted certifications and labels, such as Organic, KRAV, ECOCERT Cosmos, Fairtrade, Demeter, etc. to ensure our sustainable brands. The proportion of certified products is shown in the table *Product certifications and labelling* on page 75.

Plant-based food and Animal Welfare

Midsona seeks to foster a healthy and environmentally friendly world by:

- Inspiring a lifestyle with culinary and plant-based/vegetarian cooking
- Making it easier for people to increase their consumption of plant-based and organic foods
- Making it possible for schools, hospitals and other public meeting places to increase consumption of plant-based foods.

Although Midsona regulates animal welfare in its Supplier Code of Conduct, in 2020, it produced a supplementary control document.

We advocate improved animal welfare through encouragement and support and by striving to not use animal experiments to test our products and/or raw materials.

With Midsona's work with certified raw materials, we contribute to the sustainable management of forests, land, seas and agriculture, thereby supporting five of the global goals for sustainable development.

Safe products and quality

To support UN Goals 2 and 12 on preventing hunger and promoting sustainable production and consumption, Midsona focuses on food security and improved nutrition, as well as promoting sustainable agriculture.

The quality demands in all of our processes are rigorous to minimise the risk of defects, product recalls or product liability claims. All of Midsona's suppliers must also meet our product safety requirements. Any complaints are registered early in our quality assurance system for proactive purposes.

Midsona's quality and product safety work is guided by applicable laws, requirements from authorities and customers, industry guidelines and internal policies, procedures and instructions.

Quality management system

Midsona's system for safeguarding product and food safety in the Group's proprietary production comprises:

- Quality and Product Safety Policy, procedures and instructions with a clear and efficient structure and division of responsibilities
- all necessary regulations, certifications and permits relating to the operations and our products
- employees with regulatory and quality expertise to evaluate suppliers, raw materials and finished products and to ensure that Midsona complies with all rules and requirements for safe and legal products
- systems with action plans for products that do not meet the requirements, as well as traceability, recalls and claims

For food, the quality and food safety management system is based on HACCP (Hazard Analysis of Critical Control Point) risk analyses. Follow-up involves regular internal audits, or self-inspections, as well as third party audits. Midsona regularly assesses the need for additional expertise among our employees and/or for updated management documentation. In 2020, Midsona carried out ten product recalls throughout the Group.

Certifications of Midsona's quality management system

A large part of Midsona's proprietary production is certified in accordance with international standards, which in food means GFSI-recognised (Global Food Safety Initiative) standards. In 2020, 75 percent of the units (six out of eight) were covered by a quality management system for food, certified in accordance with a GFSI-recognised standard.

New target in 2021

As of 2021, Midsona has a clear certification target of 100-percent certification of proprietary production units, based on internationally recognised standards:

Food: GFSI-recognised certification (FSSC 22000, BRC, IFS)
Beauty (cosmetics): ISO 22716 certification

Exceptions may only be made for minor production units, in response to which we secure a quality system in accordance with international requirements for safe production. The goal also applies to new acquisitions with realistic time frames.

- The target was achieved in December 2020 by Division South Europe with GFSI-recognised IFS and BRC standards
- The ambition is for the target to be achieved by Division Nordics already in 2021 (with the exception of our manufacture of food supplements in Falköping, Sweden), although delays could occur due to the corona pandemic.
- In October 2020, Midsona's production unit in Mariager, Denmark, was upgraded from ISO 22000 to a GFSI-recognised FSSC 22000 standard.
- The process of ISO 22716 certifying Midsona's production of beauty products will commence in 2021.
- Newly acquired System Frugt already has a GFSI-recognised BRC standard in place.
- Division North Europe has achieved the target of having a GFSI-recognised IFS standard, with the exception of a minor production unit in Lauterhofen, Germany which is certified in accordance with IFS, but at the lower IFS Basic Level.

Certifications in accordance with GFSI-recognised standards in 2020

IFS (INTERNATIONAL FEATURED STANDARD FOOD) ORGANIC FOOD PRODUCTION UNITS

- Ascheberg, Germany
- Castellcir, Spain
- St-Germain-Laprade, France

BRC (GLOBAL STANDARD FOR FOOD SAFETY) FOOD PRODUCTION UNIT

- Tilst, Denmark
- Jerez, Spain

FSSC 22000 (GLOBAL STANDARD FOR FOOD SAFETY) PRODUCTION UNIT FOR ORGANIC FOOD

- Mariager, Denmark

NO GFSI RECOGNISED CERTIFICATION MINOR PRODUCTION UNITS

- Falköping, Sweden (Food supplements)
- Lauterhofen, Germany (IFS Basic Level)

With Midsona's work for safe, high-quality products, we contribute to the UN's goals of reducing hunger as well as responsible consumption and production.

Efficient use of resources

For Midsona, energy-efficient and environmentally friendly workplaces are a priority. Since we acquired the production unit in Mariager, Denmark, in 2015, resource-efficient and climate-smart production has been at the top of the agenda. All of the Nordic production units are currently operated using renewable energy, with the same applying to the warehouses and offices where we can influence the agreement. We try to keep all waste in production to a minimum, both for environmental and cost reasons and we endeavour continuously to increase our efficiency around energy, water and waste.

Environmental standards

Midsona's Environmental Policy was adopted as far back as in 2010, meaning that environmental work has been a priority issue at Midsona for over a decade. In 2019, the Environmental Policy was expanded to become a comprehensive Sustainability Policy, in which the environment is still central. This highlights our ambition to minimise the negative environmental impact of our operations and our products and for Midsona's environmental work to build on the ongoing adaptation of the operations. The ultimate responsibility for the Group's environmental work lies with management, although all employees should be encouraged to contribute solutions within their own specific areas. Customers and suppliers should share our ambitions and work together to achieve optimum environmental performance. Applicable environmental legislation, regulations and other requirements to which the organisation is subject, as well as establishing environmental requirements for suppliers and products, will form the basis for improving our environmental work.

Resource consumption

Water

Water is a resource that has become increasingly critical and important to protect. Midsona focuses on optimising the use of water at our facilities to mitigate our impact and measures annual fresh water consumption, encompassing the total amount of water consumed by each production site.
In production, we want to work to save water and reduce waste water.

Midsona mainly operates in countries where the proportion of the population lacking access to sources of treated fresh water is low. At Midsona's plant in Castellcir, Spain, we have taken various measures to reduce our total water use, as the plant is our most water-intensive production unit. For example, we recycle process and surface water in a 1,500 m^3 tank for irrigation and for cleaning the facility. This water passes through the treatment station and is then passed on to the municipal waste water system. We also use diffusers in the taps at both plants in Spain to reduce the flow. In Spain, 60 percent of the water consumed originates from proprietary wells and the sustainable management of this natural resource is monitored by the regional authorities. In 2020, Midsona's water use increased to 53,723 (12,645) m^3, with 68 percent of that consumption being attributable to Division South Europe. To further mitigate risk and reduce our negative impact on water, Midsona has adopted a target for 2023 of reducing water consumption in Spain by 20 percent for the number of tonnes of goods produced in-house. At the same time, each facility must work to reduce its water consumption by at least 1 percent annually to continuously improve our water efficiency. Combined, this will amount to a reduction by at least 10 percent of the fresh water consumed by Midsona based on the number of tonnes produced.

With its supplier self-assessment form, Midsona questions suppliers on water quality, groundwater protection, water consumption and compliance with the UN's goals of clean water and underwater life, as well as on ISO 14001 and EMAS certifications. Midsona's supplier assessment system (KODIAK) manages geographical risks – including access to fresh water – and together with the responses from the supplier self-assessment form, Midsona obtains a well-informed overview of water-related risks, helping us focus our actions.

Waste and food waste

Midsona's ambition is to continuously increase our focus on, and control of, food waste to thereby be able to reduce unnecessary food waste and increase the re-use of the unavoidable food waste. Our objective is to reuse all of our food waste by 2025. This is to be in line with both Agenda 2030 and the EU's "Green Deal", as well as with the Swedish government's milestone targets for food waste.

Midsona collaborates with several players to donate, or at a reduced price, manage the unavoidable residual waste in production and at our warehouses. Over the year, Midsona has found new partners who are helping us prevent food waste and who welcome the growing awareness of the phenomenon in society. Today, we donate to charities such as AMMA in Spain, FødevareBanken and Julemarket in Denmark, and Tafel in Germany. In 2020, Division

North Europe and Division Nordics donated a total of more than 16 tonnes of food to charity. The residual waste from our Danish production facilities goes to a local biogas plant, while in Spain it is used as an organic fertiliser in local agriculture. We measure our resource efficiency carefully and have increased our recycling rate to 76 (74) percent compared with 2019. Our total waste increased to 1,492 (1,073) tonnes, while our waste intensity decreased to 22 (23) kg of waste per tonne produced.

Energy

Midsona has worked with energy efficiency for a long time, and our ambition is for all proprietary operations to have 100-percent renewable energy and for consumption to be kept to a minimum. Midsona currently reaches >90-percent renewable electricity at all offices, warehouses and production facilities. In addition, we have a target of reducing our total energy consumption by reusing energy, where possible, for warehousing and production. Besides purchasing renewable wind and hydro-power, we also produced 490 MWh of solar energy from our own solar panel systems.
In the Nordic region, energy derived from non-renewable sources was phased out in 2020 in all operations where we have an influence on the electricity agreement.

In Division Nordics, Midsona mainly uses renewable energy for heating, while in Division North Europe, we have chosen to offset climate emissions. Midsona also installed a new type of mill towards the end of 2020 to streamline processes, improve product quality and to save energy in the long run.

Our energy consumption is one of our most important sustainability risks, and in 2020 we began to map the Group's total energy consumption. Based on this, the Group will assess a possible new target for energy reduction in 2021. In 2020, our energy consumption increased in Division Nordics and Division North Europe to 9,943 (8,668) MWh, while our energy intensity decreased to 0.63 (0.67) gigajoules per tonne produced.

Greenhouse gas emissions

Midsona applies a climate change strategy, in which we have undertaken to SBTi-determine (Science Based Target Initiative) ambitious and science-based emissions targets for 2021, with ambitious criteria for emission reductions far below the 2 degrees based on the IPCC report, in which all categories are carefully mapped.

Midsona's greenhouse gas reduction targets will be validated by SBTi. From 2020, we will measure all direct and indirect greenhouse gas emissions from purchased energy, as well as parts of our value chain in accordance with the Greenhouse Gas Protocol. Our greenhouse gas mappings and scientifically based targets agree with the EU's long-term target of achieving zero net emissions in the second half of the century (2050) with a time frame to enable liability (15 years).

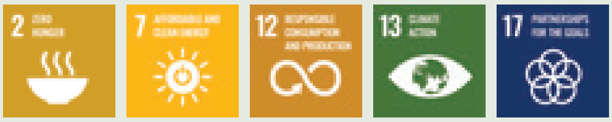
Most of Midsona's sustainability goals are set to also contribute to reduced greenhouse gas emissions:

- 100 percent recyclable plastic packaging by 2025
- 100 percent plant-based or vegetarian range by 2030
- 90 percent recyclability at our facilities
- 100 percent recycled food waste
- 100 percent fossil-free goods transport by 2030

Midsona has chosen these sustainability targets to be in line with the Scope 3 categories "Purchased goods and services", "Waste generated in the operations", "End-of-life-treatment of sold products" and "Downstream & upstream transport". However, we have previously worked with climate reduction measures:

- As far back as in 2019, we began implementing new machines to drastically reduce the carbon footprint by reusing carbon dioxide in the cleaning pressure chamber at the Ascheberg plant in Germany, through a circulation process that was put into operation in early 2020.
- During 2019, Midsona joined the Allianz für Entwicklung und Klima, an initiative that strives for CO_2-neutral German production facilities.
- In 2020, Midsona's factory in Ascheberg, Germany, offset all emissions in Scopes 1 and 2 via projects in its own value chain.
- In 2020, our total emissions in Scopes 1 and 2 decreased to 1,098 (1,189) tonnes CO_2e and our emission intensity to 0.016 (0.022) tonnes CO_2e per tonne produced.

In the area of efficient resource use, Midsona has contributed to five of the global goals for sustainable development.



Efficient transports

Transports

Transport is one of Midsona's most important sustainability issues. We have, for a long time, worked to streamline transport chains, prioritise purchases from local suppliers, phase out air transport as far as possible and explore new opportunities for diversified fuels. To avoid delays, Midsona had only one incoming air transport in 2020. All Nordic transport suppliers report their greenhouse gas emissions in accordance with the European standard EN-16258's "Well to wheel", which facilitates our review of the environmental impact and helps us to concretise the work towards our goal of 100-percent fossil-free self-contracted transport by 2030. The development and science of what is considered sustainable fuel and carriers' attitudes towards fossil-free fuel is shifting rapidly and, accordingly, this area also needs to be updated regularly. At present, there are a limited number of opportunities and of suppliers offering favourable solutions for fossil-free freight transport. In 2021, Midsona must therefore continue its work to map the opportunities and developments among transport providers to find the best solution for this goal.

The ongoing pandemic affected the availability of containers in China, delaying, in turn, the transport of coconut products from Sri Lanka and making them more expensive. This has made it more difficult for our suppliers to operate with the higher proportion of renewable fuel that we sought. Over the year, Midsona's inventory structure was optimised, with proprietary stocks being wound up and others being outsourced to external players. Among other things, this means it will be easier for Midsona to purchase larger volumes centrally and to then distribute these to each country, saving on transport, reducing resource consumption and the risk of wastage in the value chain.

Over the year, we continued to convert large parts of the transport chains from Belgium and Italy to an inter-modal solution mostly using rail rather than road transports. The pandemic further strengthened our confidence in the inter-modal solution as a reliable partner, both in a carbon-efficient transport chain, as well as in the supply of goods, as rail proved to be less vulnerable to the disruptions that arose during the pandemic. Today, inter-modal transports account for 45 percent of all incoming transports to Sweden.

In 2020, Division North Europe introduced a new collection and delivery system. Via a portal, the transport supplier can book a slot at Midsona's warehouse in advance. This avoids unnecessary waiting times and idling and increases the efficiency of the loading and unloading process, in turn reducing fuel consumption and greenhouse gas emissions.

Business travel

We measure and analyse our travel statistics annually, as well as our emissions and the environmental impacts in connection with business travel. In 2020, emissions from the Group's air travel decreased to 58 (342) tonnes CO_2e.

The ongoing pandemic drastically decreased Midsona's business travel in 2020, with this largely being replaced by online meetings.

For Midsona's employees, prioritising online meetings is nothing new. In accordance with the Group's procedure for business travel, employees should always consider an online meeting rather than traditional travel and online meetings have increased annually, both in terms of their number and combined duration. This equipped employees well for the obstacles that 2020 placed in the way of their meeting and communicating.

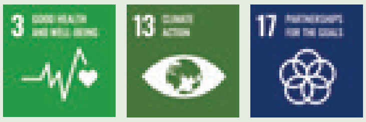
Midsona's business travel is regulated in our Business Travel procedure.

Company cars and official vehicles

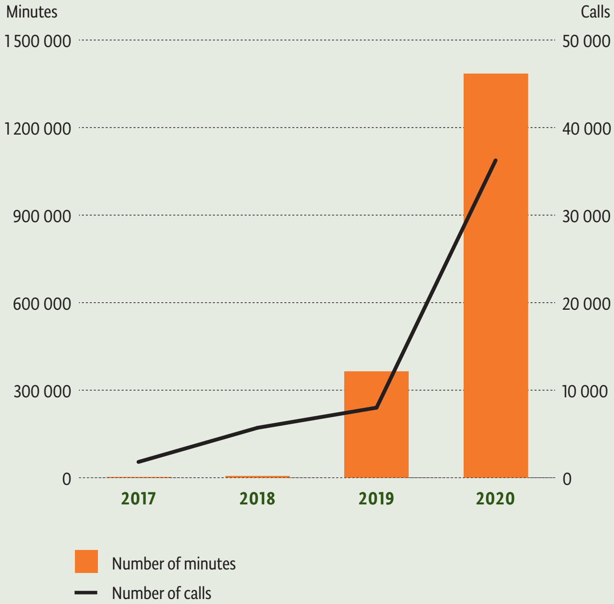
Midsona's vehicle fleet is gradually being replaced with hybrid or electric vehicles. In Division Nordics, we normally replace petrol or diesel-fuelled company cars and official vehicles with hybrid vehicles as car leases expire. Of 74 vehicles in the division, 13 are currently hybrid or electric vehicles.

In mid-2020, Midsona began converting its vehicle fleet in Division North Europe to hybrid cars and, by the end of the year, about 50 percent of the vehicles had already been replaced. At the plant in Ascheberg, Germany, electric charging stations have also been installed.

With Midsona's work for efficient transports, we support three of the global goals for sustainable development.



Use of video equipment



Sustainability governance

Midsona's Board of Directors bears the overall responsibility for Midsona pursuing a realistic agenda for sustainable development. Through Midsona's Sustainability Steering Group, the Board of Directors has tasked Group Management with pursuing cohesive sustainability work. The results are reported to the Board of Directors once or twice a year.

Sustainability work within Midsona is conducted cross-functionally through a sustainability group comprising representatives of the three divisions, as well as production, purchasing, quality, marketing, transport, etc. This group reports to the sustainability governance group.

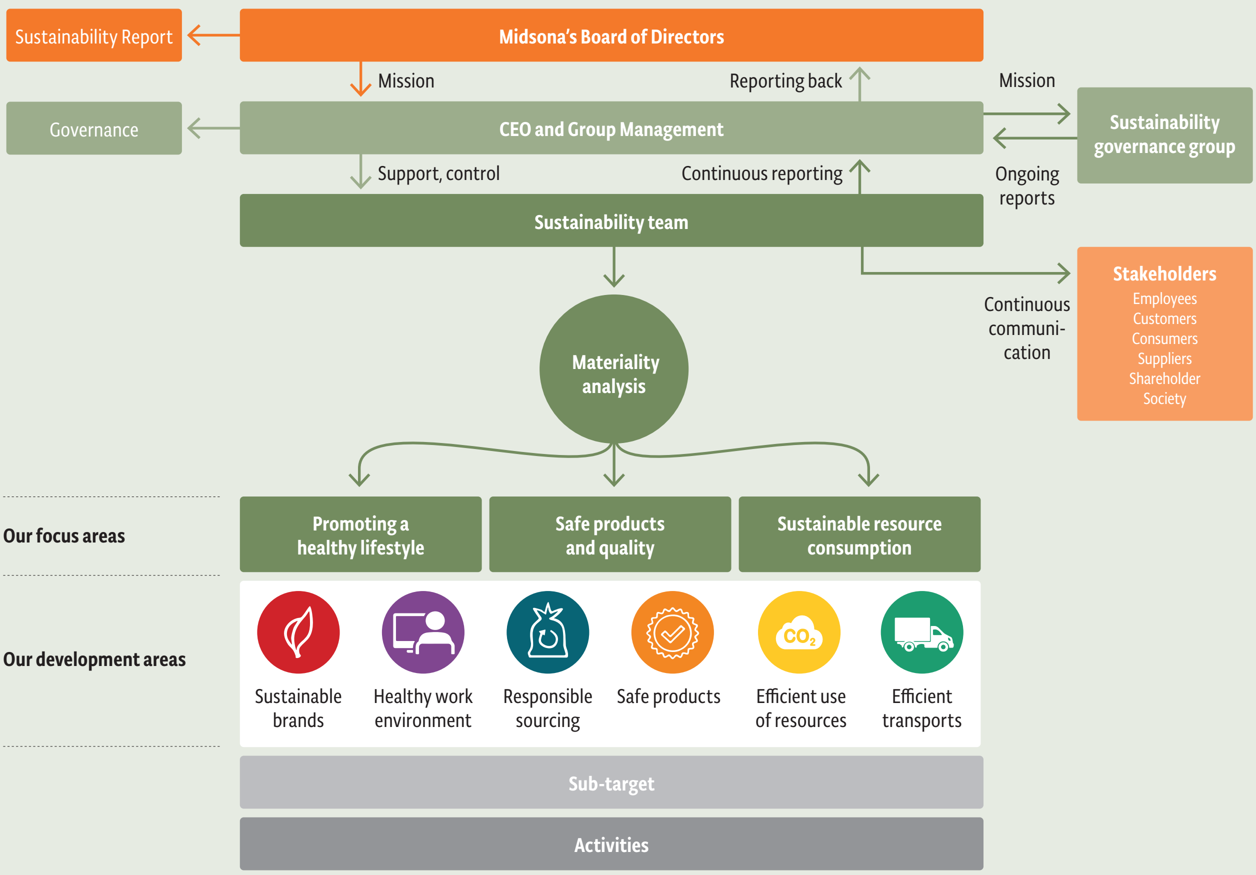
Responsibility for implementation lies with the line organisation and is driven by sub-goals, projects and activities.

Stakeholder dialogue

A lack of cooperation and dialogue with our stakeholders could lead to a lack of understanding of common challenges, needs and desires to drive our operations, value and sustainability goals in the same direction and towards the same objectives. Insufficient sustainability reporting can. in turn, lead to a gap between what Midsona does and stands for and what our stakeholders receive information about. This can lead to misjudgements and inadequate analyses of Midsona as a sustainable company, lessen the values of our business and hinder our opportunities for development towards a more sustainable future.

Midsona has developed a communications plan to ensure that we have a functioning stakeholder dialogue and that we follow up and inform our stakeholders. The plan is included as part of Midsona's Communications Policy. We follow up on our sustainability metrics and carry out systematic reporting of these to illustrate development over the year. Our sustainability metrics are closely related to the GRI (Global Reporting Initiative), the most widely used international standard for ESG reporting. Over time, Midsona works to further link its key figures to the GRI and to improve our climate and sustainability reporting to an even higher level, based on stakeholder needs.

Midsona's sustainability governance model



Midsona's stakeholders

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

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

Sustainability data

Midsona's sustainability data have an emphasis on Midsona's own operations. Production in the Group's own facilities has increased significantly during 2020, partly due toof generally increased demand but also due to "insourcing". The report includesall companies in the Nordic and North Europe divisions and the parent company, with the exception of System Frugt A/S which was acquired in 2020. Reported data for 2019 do not include the Lauterhofen production unit in Division North Europe or Division South Europe. Some data for 2019 have been corrected.

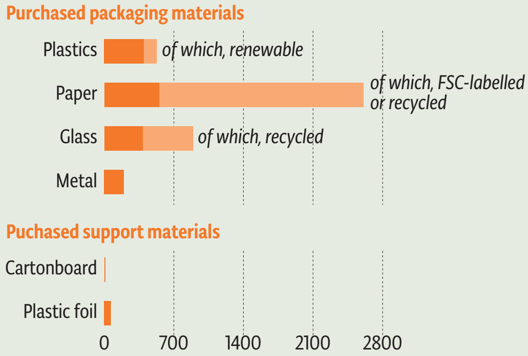
For the reporting of results indicators, a Group-wide IT system is used. Frameworks, indications and definitions are established by Midsona's sustainability team and evaluated annually. Every division is responsible for its reported data.

Environment

Material use, tonnes

	2020
Purchased packaging materials	
Plastic	528
of which, renewable	130
Paper	2607
of which, FSC-labelled or recycled	2051
Glass	897
of which, recycled	506
Metal	197
of which, recycled	0
Purchased support material	
Carton board	8
Plastic foil	66

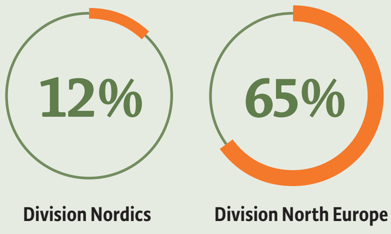
Material use, tonnes



Purchases from suppliers within the EU, %

	2020
Raw materials	
Division Nordics	88%
Division North Europe	39%
Division South Europe	88%
Finished products	
Division Nordics	92%
Division North Europe	95%
Division South Europe	77%

Purchases from the country of origin of the raw material



Purchase of risk raw materials, tonnes

	2020	2019	2018
Palm oil	50	97	n/a
of which, RSPO-segregated	50	97	n/a
Soya	342	290	219
of which, GMO-free	342	290	219
Fish oil	78	71	84
of which, FoS-certified	78	71	84

Division South Europe and the Lauterhofen production unit are included in 2020 but not 2019

Heating consumption, MWh

	2020	2019
Biogas or natural gas	3,133	1,863
District heating	1,321	1,402
Total heating consumption, Division Nordics & Division North Europe	**4,454**	**3,264**

The production unit in Lauterhofen is included for 2020 but not for 2019

Electricity consumption, MWh

	2020	2019
Renewable	5,470	4,241
Non-renewable	19	1,163
Total electricity consumption incl. self-produced, Division Nordics & Division North Europe	**5,489**	**5,404**

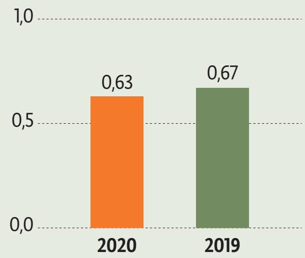
The production unit in Lauterhofen is included for 2020 but not for 2019

Electricity production, MWh

	2020	2019
Consumed self-produced	437	375
Sold self-produced	53	57
Total electricity production, Division Nordics & Division North Europe	**490**	**432**

Energy intensity, GJ/h

In total, Division Nordics & Division North Europe



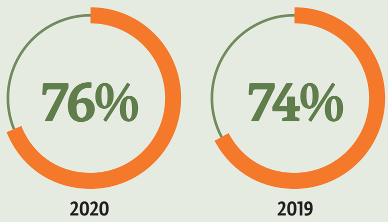
The production unit in Lauterhofen is included for 2020 but not for 2019

Waste, tonnes

	2020	2019
Metal	10	9
Glass	15	14
Carton board	328	239
Plastic	161	80
Organic	566	422
Hazardous	14	3
Electric	2	0
BigBags sent for reuse	20	24
Other sorted	12	1
Totally sorted	1,129	792
Totally unsorted	363	281
Overall, Midsona Group	**1,492**	**1,073**

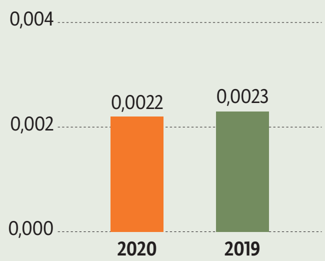
Division South Europe and the Lauterhofen production unit are included in 2020 but not 2019

Recycling rate



Waste intensity, t/t

Overall, Midsona Group



Division South Europe and the production unit in Lauterhofen are included in 2020 but not for 2019

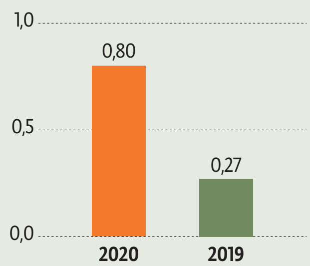
Water, m^3

	2020	2019
Division Nordics	5,991	5,856
Division North Europe	10,967	6,789
Division South Europe	36,765	n/a
Overall, Midsona Group	**53,723**	**12,645**

Division South Europe and the production unit in Lauterhofen are included for 2020 but not for 2019

Water intensity, m^3/ t

Overall, Midsona Group



Greenhouse gas emissions, CO_2e

Direct emissions	2020	2019
Scope 1, tCO_2e		
RefrigerantS	0	51.5
Gas	807.8	468.5
Company cars	281.9	272.0
Oil	0	0.2
In total, Division Nordics & Division North Europe	**1,090**	**792**

Indirect emissions	2020	2019
Scope 2, tCO_2e		
Electricity	6	338
District heating and cooling	2	58
In total, Division Nordics & Division North Europe	**8**	**396**

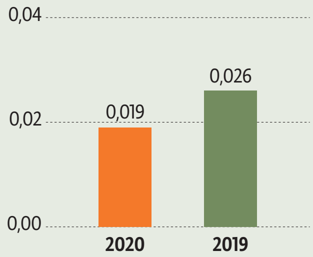
Midsona's use of non-renewable district heating was reported too high in 2019, has now been corrected.

Scope 3, tCO_2e		
Business travel		
of which trains	0.5	0.4
of which flights	58.0	342
of which hotel nights	14.4	8
In total, Division Nordics & Division North Europe	**72.8**	**350.4**

Hotel nights for 2019 do not include Division North Europe

Emission intensity, tco_2e/t

In total, Division Nordics & Division North Europe



The production unit in Lauterhofen is included for 2020 but not for 2019

Health and safety

Workplace injuries

	2020	2019
Number of cases of workplace injuries		
Division Nordics	0	3
Division North Europe	3	10
Division South Europe	11	n/a
Overall, Midsona Group	**14**	**13**
Number of sick days due to workplace injuries		
Division Nordics	0	5
Division North Europe	211	219
Division South Europe	n/a	n/a
Overall, Midsona Group	**211**	**224**

Training hours

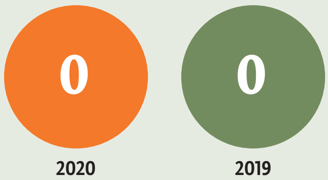
	2020	2019
Number of training hours per employee, salaried employees		
Division Nordics	3	3
Number of training hours per employee, production		
Division Nordics	2	3

Examination of suppliers from social and environmental aspects

	2020	2019
Number of supplier audits, %		
Division Nordics	3	8
Division North Europe	6	3
Division South Europe	0	n/a
Overall, Midsona Group	**9**	**11**

Number of cases of discrimination

Overall, Midsona Group

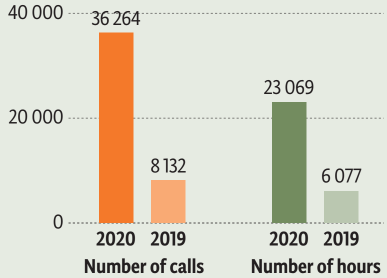


Other key figures

Product certifications, % of sales, total Midsona Group

	2020
Organic	57
KRAV	4
Fairtrade	5
ECOCERT Cosmos	4
Vegan Society's Trademark	4
Naturland	3
Demeter	1

Video conferencing



Accounting principles

Electricity
Covers offices, warehouses and production where Midsona owns the electricity agreement. The calculation is based on actual consumption collected from the supplier and confirmation with a certificate of origin for all eco-labelled electricity. For the two offices in the Nordics division that do not have influence on their electricity contract, actual electricity consumption and emission factor for the Finnish residual mix from AIB are used.

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

District heating and cooling
Covers offices, warehouses and production where Midsona owns the rental agreement. Calculation builds on actual consumption gathered from suppliers and primarily the supplier's production-specific emission factor, secondarily a Nordic or, alternatively, European average in accordance with naturvardsverket.se.

Gas
Covers offices, warehouses and production where Midsona owns the rental agreement. Calculation builds on actual consumption gathered from suppliers and primarily the supplier's production-specific emission factor, secondarily a Nordic average in accordance with naturvardsverket.se.

Water
Covers warehouse and production. Data build on actual consumption gathered from the respective facilities or property owners.

Waste
Covers warehouse and production. Data build on actual volume in weight gathered from the respective facilities or property owners. Organic waste includes volumes that are reused for biogas or animal feed.

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

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

Business travel and Hotel nights
Includes all business trips and hotel nights for Midsona AB, Division North and Division Nordics, implemented by Midsona employees. Emission data from aircraft, trains and leased company cars are primarily obtained from travel suppliers, in others hand from manually collected and with emission factor per distance from NTM or DEFRA IPCC. Emission data for hotel nights is based on actual data and emission factor from HCMI.

Employees
Includes all Midsona staff at the end of the year and the current distribution between age, gender and position. Actual completed or actual absence is used for follow-up of activities and sick leave.

Supplier reviews
Data based on data reported during the year regarding audits of suppliers.

Intensity calculations
Based on actual data on tonnes produced per production unit owned for at least one full year by Midsona and specific parameters under each area, in accordance with the above principles, for 2019 and 2020. Energy intensity calculation also includes office energy consumption. Intensity calculations for the entire Midsona Group include data from Division South Europe for 2020.

Climate impact in accordance with location-based method
Midsona's climate impact is presented in accordance with the GHG protocol guidelines and the calculations take place through a market-based method. If Midsona calculated the climate impact in Scope 2 with a "location-based method", the footprint for 2020 would have been 1,450,582 tonnes of CO_2 equivalents. The calculation is based on actualelectricity consumption and country-specific emission factors from the IEA.

Auditor's opinion regarding the statutory Sustainability Report

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

Engagement and responsibility

The Board of Directors is responsible for the Sustainability Report for 1 January – 31 December 2020 on pages 42–75 and for it being prepared in accordance with the Annual Accounts Act.

The scope of the examination

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

Opinion

A sustainability report has been prepared.

Malmö, 7 April 2021
Deloitte AB

Per-Arne Pettersson
Authorised Public Accountant

Share and ownership structure

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

Share capital

At the end of the period, the total number of shares was 65,004,608 (65,004,608), divided between 755,820 Series A shares (755,820) and 64,248,788 Series B shares (64,248,788). The number of votes at the end of the period was 71,806,988 votes (71,806,988).

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

The share capital trend is reported at *www.midsona.com/Investerare/Midsonaaktien*.

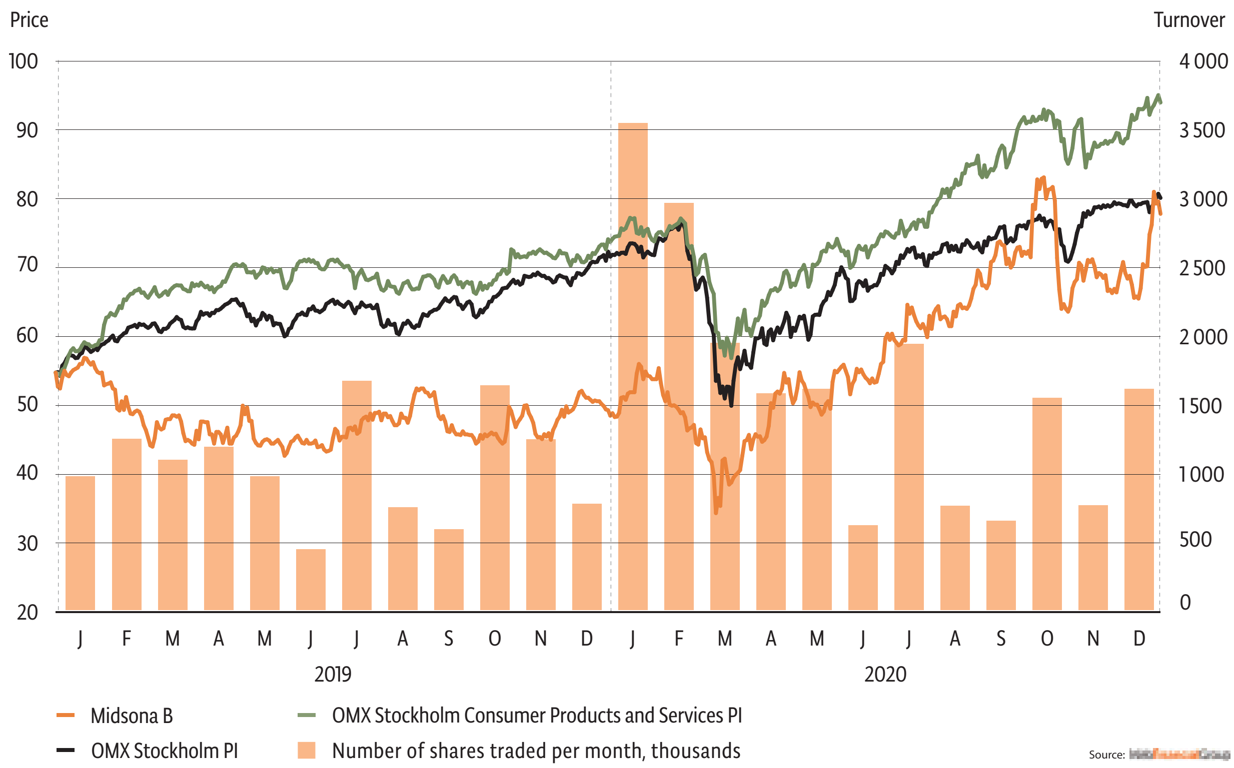
Unregistered shares

There were 213,180 unregistered Series B shares at the end of the year. Senior executives subscribed for these shares in December 2020, with the support of warrants that were issued in the scope of the TO2017/2020 warrants programme. The shares were registered on 29 January 2021, resulting in a dilution of the shares by 0.3 percent. Following registration, the total number of shares was 65,217,788, divided between 755,820 Series A shares and 64,461,968 Series B shares. Following registration, the number of votes amounted to 72,020,168.

Share turnover and bid price

During the period January-December 2020, a total 19,580,243 Series A and B shares (12,577,144) were traded. The highest price paid for Series B shares was SEK 84.80 (57.07), and the lowest was SEK 32.60 (42.67). On 30 December, the most recent price paid for the share was SEK 77.80 (49.40). The total value of trade in series B shares was SEK

Share price trend, January 2019 – December 2020



1,096 million (668). The average daily turnover for both Series A shares and Series B shares combined was 77,813 shares (41,825), corresponding to SEK 4,384,484 (2,688,541).

Over 2020, the price paid for the Series B share rose from SEK 49.40 to SEK 77.80, equivalent to 57.5 percent (16.9). The stock market as a whole, measured as the OMX Stockholm PI (OMXSPI), rose by 12.9 percent(29.5), while the OMX Stockholm index for the FMCG segment rose by 29.3 percent (29.6).

Warrants programme

At the end of the period, there was one warrants programme aimed at senior executives outstanding (TO2019/2022), which could result in at most 148,000 new Series B shares on full conversion. For more information on TO2019/2022, see Note 10 *Employees, personnel expenses and remuneration to senior executives*, on pages 114-116.

Ownership

The largest shareholder in Midsona AB (publ) is Stena Adactum AB, which held 543,928 Series A shares and 14,685,861 Series B shares as per 31 December 2020, corresponding to 23.4 percent of the capital and 28.0 percent of the votes. No other shareholder held 10 percent or more of the total number of shares as per 31 December 2020. The ten largest shareholders in Midsona AB (publ) are detailed in the current shareholder list as of 31 December 2020.

The ten largest shareholders accounted for 60.4 percent (57.5) of the capital and 61.6 percent (59.1) of the votes.

The members of Group Management held a total 628,052 Series B shares (646,324) with a record date of 28 February 2021. Board Members held 3,443,404 Series B shares (3,465,204) with a record date of 28 February 2021. Neither Midsona AB (publ) nor its subsidiaries held any treasury shares at the end of 2020.

Of the total number of shares, foreign shareholders accounted for 17.2 percent of the capital and 15.8 percent of the votes, which was a decrease of 5.6 percentage points and 5.1 percentage points respectively since last year. Of the Swedish shareholders, legal entities held 66.9 percent of the capital and 67.9 percent of votes, while physical persons held 15.8 percent of the capital and 16.4 percent of the votes.

The total number of shareholders (including nominee-registered) was 11,701, which was an increase of 3,945 on the preceding year. The distribution of shareholdings within various intervals is shown in the current shareholder list as of 31 December 2020.

Dividend Policy and dividends

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

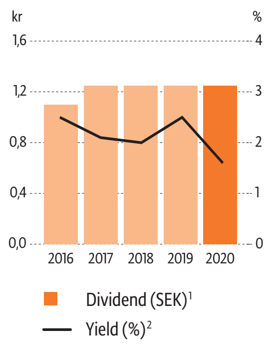
The Board of Directors proposes that a dividend of SEK 1.25 per share (1.25) be paid for the 2020 financial year, equivalent to SEK 81,522,235 (81,255,760) based on the number of shares registered as of 29 January 2021. The proposed dividend corresponds to a dividend share of 46.4 percent (83.6). The Board proposes that the dividend be split

The ten largest shareholders, 31 December 2020

	Number of shares	Share of capital, %	Share of votes, %
Stena Adactum AB	15,229,789	23.4	28.0
Insurance company Avanza Pension	5,114,005	7.9	7.3
BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC)	3,535,631	5.4	4.9
Swedbank Robur Funds	3,343,682	5.1	4.7
Cliens Funds	2,450,000	3.8	3.4
Lannebo Funds	2,435,773	3.8	3.4
Handelsbanken Funds	2,131,843	3.3	3.0
Nordea Investment Funds	1,963,105	3.0	2.7
Peter Wahlberg and companies	1,544,122	2.4	2.1
Spiltan Fonder AB	1,478,490	2.3	2.1
Total	**39,226,440**	**60.4**	**61.6**
Other shareholders	25,778,168	39.6	38.4
Total	**65,004,608**	**100.0**	**100.0**

Source: Euroclear

Dividend per share and yield



[1] Dividend for 2020 refers to the proposal by the Board of Directors.
[2] Adjusted for unregistered shares at the end of the year.

between two payouts. The first payout on 12 May 2021 would amount to SEK 0.65 per share with 7 May 2021 as the record date and the second payout on 29 October 2021 would amount to SEK 0.60 per share with 26 October 2021 as the record date.

Stock market data

The publication of information is guided by the Communications and IR Policy adopted by the Board of Directors. Annual and interim reports, as well as press releases are published in Swedish. Annual and interim reports are also published in English. Interim reports are commented on by the CEOand CFO via live audiocasts/ conference calls in English and other information meetings and conferences with analysts, fund managers and the media are held on an on-going basis over the year.

Annual and interim reports, press releases and the Corporate Governance Report are available from the website, *www.midsona.com*, where it is also possible to subscribe for reports and order specific information. The 2020 Annual Report will be published as a PDF on Midsona's website on 13 April 2021 and the printed report will be available from Midsona's headquarters in Malmö by 20 April 2021. Printed copies of the Annual Report will be sent to shareholders on request.

Analysts and other monitoring

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

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

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

Silent periods

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

Financial calendar 2021

Interim report, January-March	29 April
Annual General Meeting in Malmö	5 May
Interim report, January-June	22 July
Interim report, January-September	22 October
Year-end Report 2021	February 2022

Key figures per share

		2020	2019	2018	2017	2016
Profit attributable to Parent Company shareholders	SEK	2.70	2.02	2.80	1.91	1.42
Equity	SEK	35.58	35.72	35.43	33.69	31.63
Cash flow from current operations	SEK	4.35	4.11	4.61	3.44	2.19
Free cash flow	SEK	3.88	3.22	3.83	2.83	1.62
Share price on balance sheet date (series B shares)	SEK	77.80	49.40	61.60	58.50	44.00
Dividend[1]	SEK	1.25	1.25	1.25	1.25	1.10
Yield[2]	%	1.6	2.5	2.0	2.1	2.5
Pay-out ratio	%	46.4	83.6	45.1	68.2	104.5
P/E ratio	multiple	28.8	24.5	22.0	30.6	30.9

[1]Dividend for 2020 refers to the proposal by the Board of Directors.[2]Adjusted for unregistered shares at the end of the year.

Distribution of shares in intervals, 31 December 2020

Number of shares	No. of shareholders	No. of Series A	No. of Series B	Holdings (%)	Votes (%)	Market capitalisation (SEK thousands)
1 – 500	9,764	50,541	879,377	1.43%	1.93%	72,358
501 – 1,000	798	21,162	579,957	0.92%	1.10%	46,771
1,001 – 5,000	822	37,560	1,659,782	2.61%	2.83%	132,061
5,001 – 10,000	115	32,418	807,033	1.29%	1.58%	65,316
10,001 – 15,000	38	2,625	473,594	0.73%	0.70%	37,050
15,001 – 20,000	25	15,078	424,156	0.68%	0.80%	34,175
20,001 –	139	596,436	59,424,889	92.33%	91.06%	4,669,778
Total	**11,701**	**755,820**	**64,248,788**	**100.00%**	**100.00%**	**5,057,510**

Source: Euroclear

Risks and risk management

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

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

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

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

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

Operational risks

Business ethics

Probability

Effect

Description of risk

Our reputation is a central risk and it is of utmost importance that customers, business partners, investors and consumers associate our operations and our brands with positive values, with both a favourable reputation and credibility being essential for business value and sales success. Reputation and credibility can easily be damaged if we, a supplier, or a partner, for example, harm the environment, exploit labour or our suppliers' labour, produce harmful products or otherwise behave, in our operations, contrary to the Company's values and brands, with negative sales trends and negative business value as a result.

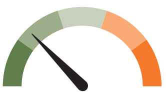
Risk management

We conduct systematic prevention work both internally and externally with partners through our Code of Conduct, Supplier Code of Conduct, policies and other guidelines for our employees to live up to the reputation of our company and our brands with the right quality, function, product labelling and accurate market communications.

Comment

In January 2021, the Swedish Patent and Market Court issued a ruling regarding Urtekram's marketing of skin and haircare products in the Swedish market, with these being marketed on the Internet and in social media as organic products. The question was raised as to whether or not parts of this were misleading for the consumer. Midsona takes a positive view of the ruling, which includes a clarification of the question, and in the respects that can be deemed to be necessary will adjust its communications to be even clearer towards its customers. In February 2021, the Kung Markatta brand won the Sweden's Greenest BRAND 2020 award in the category of food-producing companies. The survey was conducted by branding agency Differ and examines how Swedish people view issues of sustainability and brands.

Insurable risks



Probability

Effect

Description of risk

Production facilities, production equipment and others assets can be damaged by fire, power outages or other physical hazards due to environmental and climate changes, such as flooding. Insufficient insurance protection can cause negative effects on the Group's financial position in the event of an injury. An unplanned production interruption can directly affect deliveries to customers, because we have relatively few days of finished products in stock.

Risk management

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

Comment

Two incidents occurred in 2020 requiring the insurance solution to be called into play. There were two cases in which the transport insurance needed to be activated due damage in connection with transport. It was not, however, necessary to activate contingencies because of the transport damage.

Information systems

Probability

Effect

Description of risk

The operations are dependent on a well-functioning and secure IT infrastructure. Disruptions or faults in critical systems have a direct impact on our production and distribution, as well as on our financial reporting. It can be caused by system overload, low competence, external influences in the event of burglary and hacking or physical damage to the infrastructure. Sophisticated data infringement and deficiencies in the handling of customer and employee information can damage financial capacity and reputation.

Risk management

We work continuously to keep our IT systems well protected from intrusion and to improve the level of service with regard to the IT infrastructure, in line with policy, guidelines and procedures. We establish processes to increase the information security in and between systems. Among other things, investments are being made to improve recovery plans and data storage functions. Information security is monitored regularly through IT security audits. We have a centralised IT environment for better control and cost awareness, while we work with local experts to ensure that we comply with all legal requirements.

Comment

An IT audit was conducted in 2020, in which our internal processes and instructions were reviewed and updated to ensure that we have appropriate procedures for managing and developing our IT environment. During the year, we have created a process for traceability when a user is to be created, updated or removed with regard to permissions, and a process for change management for traceability regarding configuration and implementation of improvement of new and existing functions.

Skills and training – a critical resource

Probability

Effect

Description of risk

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

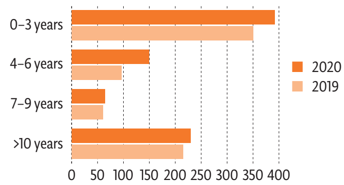
Risk management

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

Comment

Over the year, the Group made 113 new recruitments (115), with most of these being made in Germany and Denmark. In Germany, this was a consequence of previously hired staff being employed, while in Denmark it was attributable to retirements.

Employment period for employees



Suppliers and delivery capacity

Probability

Effect

Description of risk

Purchases of raw materials, packaging and packaging materials, as well as of finished goods, are sourced mainly from suppliers in Europe, South America and Asia. There is a risk that suppliers cannot deliver ordered quantities on time as a result of production disruptions, capacity shortages or other causes, which can in turn negatively impact commitment to the relationship to our customers.

Risk management

To minimise risks in the supply of goods, we maintain a close dialogue on volume-critical products with our major suppliers to ensure reliable delivery. To reduce our dependence on individual suppliers, alternative suppliers are established, primarily with regard to delivery-critical, volume raw materials. We work actively to harmonise processes and instructions on the cooperation with our suppliers; among other things, we have a strategy on efficient and sustainable value chains and a Supplier Code of Conduct has been developed, which among other things improves the support for our commercial operations. The KODIAK supplier assessment system has been in place, initially in Division Nordics, making it easier to analyse and risk assess our suppliers with regard to product quality, delivery quality, and sustainability. This also facilitates the evaluation of which suppliers our quality and regulatory staff should primarily apply resources to for follow-up.

Comment

The level of service to our customers was lower than normal during parts of the year due both to delayed deliveries of important raw materials when countries such as India and Sri Lanka were closed down, as well as to occasional shortages of certain packaging and packaging materials. Challenges in terms of quality also occurred regarding certain organic raw materials, as a result of poor harvests. The challenges in terms of quality largely involved excessive levels of pesticides in organic products (although these occur naturally, the authorities set tight limits). All in all, our customer relationships were not affected to any great extent as a result of the lower level of service other than in the penalties paid as a consequence. Postponed deliveries and quality challenges also resulted in a certain loss of sales.

Production technology risk

Probability

Effect

Description of risk

The Group maintains eight production facilities, six for organic products, one for healthfoods and one for consumer health products. These are located in Sweden (1), Denmark (2), Germany (2), France (1), and Spain (2). At the production facilities in Denmark (1), Germany (1), France (1) and Spain (2), significant volumes of certified organic products are produced for our priority brands. The risk of unplanned interruptions to production could cause deliveries to customers being directly affected, as we keep relatively few days of finished goods in stock. Accordingly, shortcomings in production technology or production disruptions due to external influences constitute a core physical risk.

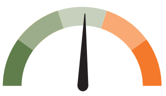
Risk management

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

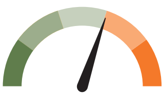
Comment

Operational disruptions continued in a production line for breakfast products at one of the production facilities in Germany, resulting in both loss of revenue and temporary additional expenses. On a number of occasions, the production plant in Spain was hit by power outages, bringing production to a standstill. A decision has been made to invest in a back-up generator for the Spanish factory. A pallet robot broke down at the Swedish factory, incurring additional expenses until a new one was in place. No other unplanned production interruptions occurred at the Group's factories over the year.

Safe products



Probability



Effect

Description of risk

Sustainable products and brands are cornerstones of the operations. There is always a risk of serious product liability incidents. Content documentation and information on how the products are manufactured is of utmost importance in assuring sustainable products. A lack of such documentation and information could have major negative consequences for Midsona. Handling foods imposes rigorous demands on traceability, hygiene and handling. Poor safety checks can lead to contamination, allergic reactions, personal injury or other types of injuries. Product management deficiencies could impair our reputation and our stakeholders' confidence in our products, and may require defective products to be recalled or bought back. Recalls can damage our overall reputation and can be costly. Product liability claims can also be made if a product is considered to have caused personal injury.

Risk management

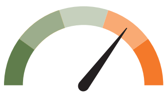
Our goal is to have 100 percent product safety certification for our own production facilities, based on the GFSI-recognised standard for food and on ISO 22716 for skin care products. We want to take responsibility throughout the value chain by co-operating with our suppliers in such areas as quality, safe raw materials and products. We focus on supplier quality and product control as well as good social and environmental standards in the supply chain with the objective of having safe and sustainable suppliers. Our quality and purchasing functions have together mapped the risks arising in the process to assure approved, safe and sustainable suppliers and manufacture of our products. With our objective of classifying supplier risks as of 2020, we have this in focus for all of our suppliers, who must meet our requirements on product safety. To ensure this, a risk evaluation and classification of our suppliers is done with the help of a supplier assessment system, KODIAK. Our work with quality and product safety is guided by applicable laws, official requirements, customers, industry guidelines and internal policies, procedures and instructions. Strict quality requirements are applied in all processes to minimise the risk of deficiencies, product recalls or product liability claims. Any complaint flows are captured early on in our quality assurance system in for proactive purposes. Our products are certified in accordance with multiple standards, including EU organic, KRAV, Fairtrade, Äkta Vara, Vegan, Eco-cert, etc. All of these set stringent requirements on quality, environmental and sustainability issues and become like a stamp of quality on our products. Our insurance solution includes a liability and product liability insurance against any product liability claims.

Comment

In 2020, 10 unplanned product recalls (13) were made. No incidents occurred during the year requiring the insurance solution to be activated. The product recalls had no material impact on the Company's results and financial position.

Inspections, permits, certifications and licences

Probability



Effect

Description of risk

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

Risk management

Midsona has developed a systematic and controlled follow-up of permits, certifications and licenses. Our regulatory and quality organisations jointly manage existing and new requirements, inventories and guidelines from authorities, as well as the management of permits, certifications and licenses in a quality management system. All relevant permits, certifications and licenses were renewed in accordance with the set requirements, in 2020 after official inspections and other revisions were carried out. As part of our position with regard to safe products, we ensure that all our production facilities have product or food safety certification based on internationally recognised standards. This entails a GFSI-recognised standard for food safety.

Comment

The production facility in Mariager, Denmark, was upgraded in 2020 from ISO 22000 to ISO 22000 FSSC certification, a recognised GFSI food safety standard. The production facility in France gained IFS certification during 2020. Both the production facility in Castellcir, Spain, and Ascheberg, Germany hold GFSI-recognised IFS certification. The production facility in Tilst, Denmark, which was part of the acquisition of System Frugt, had a GFSI-recognised BRC certification at the time of acquisition.

Structure and organisational changes

Probability

Effect

Description of risk

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

Risk management

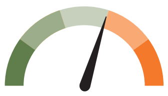
There is an established team for the acquisition process. There is a well-developed acquisition process, which is both efficient and structures, for analysis and implementation. The process is updated and improved continuously to manage and prevent risks. Thorough investigations and analyses are done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

Comment

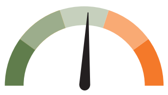
Twelve business acquisitions and three trademark rights acquisitions have been made since 2012. These have been integrated in a structured way. The integration of System Frugt (the acquisition of which was completed in October 2020) was in progress at the end of the year. Both the organisational and structural integration are expected to be fully implemented during 2021. Acquired intangible assets with indefinite useful lives from all acquisitions have not been subject to any impairment.

Market risks

Distribution agreement



Probability



Effect

Description of risk

About 15 percent of our sales of goods derives from distribution agreements, with an exclusive right to market, sell and distribute other companies' products in a defined market. Normally, agreements extend over a period of one to five years and can, under certain circumstances, be cancelled prematurely if, for example, agreed minimum sales volumes cannot be achieved. There is always a risk that we will not manage to extend distribution agreements or enter new distribution agreements with acceptable terms.

Risk management

Midsona has extensive experience of marketing, selling and distributing products on customers' behalf in the Nordic health and personal care market. In such partnerships, relations with the customer are built up in the long term through continuous follow-up meetings and other joint activities at different levels in the organisation, generating mutual trust. With access to the Group's market expertise, licensed products are afforded favourable opportunities for growth and favourable profitability, which normally provides a good foundation for long-term cooperation. Through credible sustainability work, a reliable portrayal of Midsona is presented, with products that are healthy, safe and of superior quality.

Comment

A distribution agreement on Norwegian market ended at the end of 2020, when the owner chose to coordinate distribution in-house with its other products. The distribution assignment corresponded to net sales of SEK 61 million for 2020, with relatively low margins. A minor distribution agreement in the Swedish market was also terminated in 2020.

Competitors – and, at the same time, customers

Probability

Effect

Description of risk

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

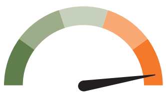
Risk management

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

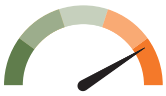
Comment

A new joint Nordic communication platform, One-Organic, was rolled out for our organic brands with a good impact on trade. A large number of product innovations under several different brands were launched during the year. However, a clear continuing trend is that private label products are getting more space on the store shelves. Price increases were announced against trade in some geographic markets, as compensation for higher commodity costs. Product sales to customers in the sales channels of pharmacy, FMCG and healthfood retailers amounted to 84 percent (79) of the total product sales.

Consumer behaviour and trends



Probability



Effect

Description of risk

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

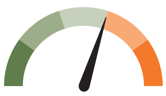
Risk management

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

Comment

In 2020, it was important to monitor closely how Covid-19 affected consumer behaviour, both in terms of shopping and consumption behaviour. Nielsen released regular reports on this topic over the year. We purchase data from Nielsen on a quarterly basis to monitor retail value and volume trends for several product groups. For organic products, we monitor ongoing reports from Ecoweb ,for example. It is important for us to understand how the consumer relates to health specifically, which is why we purchase reports such as the Nielsen Health Report and YouGov Good & Health on an annual basis. Here we follow both consumers' lifestyle habits and views on healthy foods, as well as their views on specific ingredients and additives.

Prices for raw materials



Probability

Effect

Description of risk

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

Risk management

We continuously monitor the price trend of all important raw materials to have a good chance of contracting volumes at the best possible time. To secure both supply and price of key raw materials, supplier agreements are normally signed that cover the need for the upcoming 6-12 months. Midsona usually charges increased raw material prices at the next level by increasing the prices charged to customers. Several important raw material purchases are coordinated at the European level by our supply chain organisation. By purchasing larger volumes, raw material prices can be affected to a certain extent.

Comment

Increased demand for organic products in the second half of the year meant, however, that new volumes of some important raw materials had to be procured outside contractual volumes at less attractive spot market prices. In addition, commodity prices for some important commodities rose due to poor harvests. Price revisions normally take place once or twice a year. It is generally difficult to achieve price increases to our customers immediately after a demonstrable rise in prices for raw materials. In certain special cases, discussions are continuously held with our customers during the year if there is a drastic change in the price of a raw material.

Financial risks

Financing risk

Probability

Effect

Description of risk

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

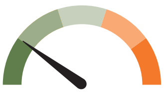
Risk management

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

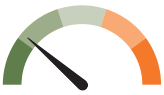
Comment

In October 2020, an agreement was reached supplementing an existing financing agreement with Danske Bank and Svensk Exportkredit with an extended credit limit of SEK 200 million to partly finance the acquisition of System Frugt A/S. The existing financing agreement with Danske Bank runs until 30 September 2023 with the possibility of a one-year extension until 30 September 2024 and the financing arrangement with Svensk Exportkredit runs until 30 September 2024. At the end of the year, the average remaining maturity on the Group's confirmed loan commitments was 24 months (31).

Credit risk



Probability



Effect

Description of risk

There is a risk of losses if the counterparties that the Group has cash and cash equivalents, financial investments or entered derivatives with cannot fulfil their obligations, a so-called financial credit risk. There is also a risk that our customers cannot fulfil their payment commitments, a so-called customer credit risk. The 10 largest customers accounted for 43 percent (46) of the total net sales.

Risk management

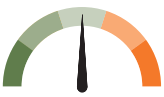
How surplus liquidity is to be placed is set in policy. If the Group is a net borrower, surplus liquidity shall be used to reduce loans from credit institutions. The subsidiaries shall place their surplus liquidity in bank accounts belonging to Group account systems or in bank accounts approved by the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

Comment

The financial credit risk for cash and cash equivalents in bank accounts amounted to SEK 195 million (173), while the customer credit risk amounted to SEK 290 million (290) at year-end. Accounts receivable included a provision for expected credit losses of SEK 2 million, based on previous events, current conditions and forecasts for future economic conditions. The customer credit risk was elevated related to food service customers as a result of the corona virus pandemic and the changed consumption pattern in society. This entailed a somewhat higher uncertainty regarding these customers' payment capacity. Sales to food service customers account for slightly less than 10 percent of total sales. Cash and cash equivalents are covered by the general model for impairments. For cash and cash equivalents, the exception is applied for low credit risk.

Liquidity risk

Probability



Effect

Description of risk

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

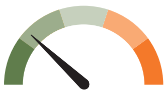
Risk management

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

Comment

At the end of year, the liquidity reserve amounted to SEK 345 million (523), with SEK 195 million (173) being allocated to cash and cash equivalents, and SEK 150 (150) being allocated to the unused part of the overdraft facility. For the 2019 comparison year, an unutilised component of other credits was included in an amount of SEK 200 million. Loan maturity, including principal and interest, to credit institutions, over the next six months amounts to SEK 116 million (45). Liquidity was strong considering the maturity structure for external loans, the size of cash and cash equivalents and available credit facilities at year-end.

Interest rate risk



Probability

Effect

Description of risk

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

Risk management

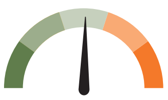
The Group strives for a consideration between a reasonable running expense for its borrowing and the risk of having a significant negative impact on earnings in the event of a larger interest rate change. At present, the guideline is to not hedge for interest-rate risks in the Group. Changes in the market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

Comment

The average period of fixed interest for the Parent Company's interest-bearing liabilities to credit institutions was three months (3) at the end of the year. The interest on the facilities taken over in connection with the business combinations in 2018 and 2019 is largely fixed over the term. A change in interest rates of +/– 1 percentage point causes an impact of +/– SEK 16 million (13) calculated on the liabilities to credit institutions of SEK 1,565 million (1,300) at year-end if the entire loan portfolio were to mature with a variable interest rate. The average interest on the Group's bank loans and overdrafts amounted to 1.7 percent (2.1) for 2020.

Currency risk – transaction exposure

Probability



Effect

Description of risk

The Group's sales of goods are conducted primarily in the currencies SEK, NOK, DKK and EUR, while purchase of goods is made primarily in EUR and USD. The net exposure in EUR is significant depending on the purchases exceeding the sales, which however is dampened by a positive net exposure in DKK, which tracks the EUR.

Risk management

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

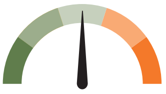
Comment

An isolated shift in exchange rates against the SEK by +/- 5 percentage points for the four currencies with the largest estimated net flows is calculated to have an effect on profit before tax of +/- SEK 18 million (25). At the end of 2020, there were outstanding forward contracts that were assumed in the acquisition of System Frugt. The forward contracts mature in 2021.

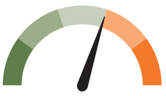
Sustainability risks

Personal and social conditions

Employee health – a healthy culture



Probability



Effect

Description of risk

The work environment has a major impact on how we feel, both when we are at work and after work. One of our foremost risks with regard to personnel is health. Midsona seeks to promote a healthy culture with an even gender distribution, in order to stimulate and motivate our employees to good health, based on each employee's own opportunities and level of satisfaction. High levels of absence due to illness and other kinds of absence can have consequences for operations both in the ability to implement and the capacity to recruit new employees through the impact on the Company's reputation.

Risk management

We work actively for employees to have a healthy, creative and developing work environment and we try in various ways to stimulate health-promotion activities. Sick leave is monitored and all absences are discussed with the individual based on his or her needs. We conduct regular employee surveys, collaborate with occupational health care in all locations where we operate and conduct mandatory employee interviews every year. From 2020, we have set a goal of zero occupational injuries. Midsona has policies and procedures that regulate employee safety, freedom of association and the right to collective bargaining, equality and diversity, as well as the right not to be discriminated against, their right to good health and a good working environment with balance in their working life and their opportunities for education and training.

Comment

The latest employee survey was conducted in 2020. Leadership, skills, information and health were among the areas for improvement that were identified. We began working actively on these following the survey in 2020, and are continuing with this in 2021. Based on the results of the employee survey, we have implemented a system for deriving a health index.

Absence due to illness, %

	2016	2017	2018	2019	2020
Sweden	6.0	3.8	4.7	1.3	2.4
Norway	5.7	5.0	3.4	4.2	2.9
Finland	3.2	2.1	2.7	1.6	3.0
Denmark	4.5	5.7	8.4	4.7	5.8
Germany	–	–	6.2	5.4	6.3
France	–	–	–	1.7	3.3
Spain	–	–	–	7.5	9.0
Group	**5.1**	**4.6**	**5.7**	**3.9**	**5.1**

Respect for human rights

Diversity and equality

Probability

Effect

Description of risk

Lack of diversity and equality among our employees, even in management positions, can have consequences for the Company's operations in that we may miss opportunities that diversity and equality generate. Valuable skills can be missed, thereby limiting our capacity for innovation. This could cause major consequences for Midsona's reputation in society.

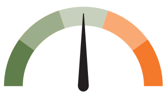
Risk management

Our Code of Conduct is based on the UN's Global Compact initiative (member since 2011) and establishes key principles for diversity and gender equality, among other things. We work with such issues on an ongoing basis by ensuring our compliance with human rights principles as defined by the UN, that working conditions suit all employees, that instructions and criteria for determining salaries are fair and that salaries are mapped, that it is possible to combine work with parenthood and that, where skills and expertise are equal between job applicants, we recruit the applicant of the gender that is under-represented at the department. As of 2020, our ambition is to achieve an even gender distribution in leading positions.

Comment

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

Responsible purchasing



Probability

Effect

Description of risk

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

Risk management

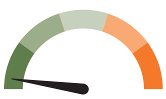
We assume responsibility in the value chain by cooperating with our suppliers in such areas as quality, safe raw materials and products, the environment, human rights and ethical businesses. We achieve this by having our suppliers sign the Supplier Code of Conduct (SCOC). We monitor, rate and follow up suppliers using our supplier assessment system, KODIAK. In addition to signing the Supplier Code of Conduct, all new suppliers must undergo our Supplier Self Assessment before an agreement comes into force, enabling us to get to know the supplier, including its strengths and areas of expertise. Suppliers are rated in terms of sustainability, quality and safety. The result of the risk mapping increases the awareness of our sustainability risks in the value chain, improving our risk management and capacity to focus on the risks that could cause us most harm. This also allows us to conduct a better and more constructive dialogue with our suppliers and affords us opportunities to improve key processes together with them.

Comment

At the end of 2020, 78 percent (78) of our suppliers had signed our Supplier Code of Conduct. The large suppliers can most often verify that they work with equivalent sustainability requirements and have their own Code of Conduct that is satisfactory for us. If suppliers fail to comply with the terms of the Supplier Code of Conduct or those set out in the self-assessment process in KODIAK, the business relationship may be terminated unless improvements are implemented rapidly. By the end of 2020, 269 out of a total 364 Nordic suppliers had been evaluated in KODIAK. The other suppliers are carefully evaluated by our quality organisation and special consideration is given to whether the suppliers should be included in our audit plan. All suppliers are evaluated at one to three-year intervals. Nine supplier audits (11) were conducted in 2020.

Combating corruption

Corruption risk



Probability

Effect

Description of risk

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

Risk management

We have a Code of Conduct Policy that all employees must sign. This states our zero tolerance of corruption. Our Code of Conduct is based on the UN Global Compact initiative and addresses key primary principles, including diversity and equality principles, environmental impact, business ethics, anti-corruption, labour law in accordance with the ILO principles, and human rights in accordance with the UN principles.
In the relationship with suppliers, our Supplier Code of Conduct, the supplier's self-assessment and an active collaboration in terms of business ethics are the most important tools for taking responsibility throughout the value chain. The Group applies has a Whistle-blower Policy, which everyone is encouraged to use at the slightest hint of corruption, immorality or violation of our business ethics.

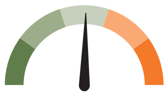
Comment

No corruption incidents were reported between 2017 and 2020.

Environmental conditions

Environmental conditions, terms for efficient use of transport and resources

Probability



Effect

Description of risk

Transport (both freight and business travel), water and energy consumption, packaging waste, production waste and food waste are the most important sources of our environmental and climate impact at our offices and production facilities. Food production consumes substantial quantities of water and our consumption of fresh water use poses a risk to Midsona. There is also a risk of negative climate impact from the use of fossil fuels in freight transport and business travel, as well as in our own operations at our offices, warehouses and production facilities. The impact of business operations on the climate is one of the foremost global challenges for all sectors. There is a risk that we are insufficiently knowledgeable about our own negative impacts on the climate based on greenhouse gas emissions 1 (direct), 2 (indirect), 3 (indirect upstream and downstream) that could lead to inadequate climate data and thereby a risk that essential measures against climate change are not taken.

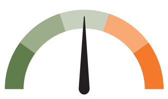
Risk management

To reduce our impact in terms of waste, our target since 2020 has been to increase our focus on waste recycling and reduced food waste. Midsona operates in countries with a relatively low risk of fresh water shortages. In all divisions, we work actively to keep waterconsumption low. Spain has the most water-intensive production and we have taken measures there to reduce our fresh water consumption. We have taken direct measures to reduce our energy footprint by using 100-percent renewable electricity at all offices, warehouses and production facilities in Division Nordics and Division North Europe. We produce a certain amount of renewable solar energy in all divisions. To achieve efficient transports, our target from 2020 is to increase our focus on fossil-free transport. We had also significantly increased our use of video conferencing as an alternative to business travel even before the pandemic, as we always encourage all of our employees to avoid unnecessary travel. We conduct systematic preventive environmental work at our production facilities and set environmental requirements on our transports and suppliers to reduce our environmental impact.

Comment

We regularly monitor environmental impacts through our reporting platform, giving us the opportunity to systematically report results and progress for all sustainability measures and objectives, including environment and climate-related data. We set targets and make comparisons for assessment using this platform. Although we currently have a favourable structure, we are constantly working to improve our reporting.

Changed price level and availability of raw materials and products



Probability

Effect

Description of risk

The ability to secure raw materials and finished products even in weather-related and/or other physical conditions caused by climate change can affect our operations and profitability. The consequences may also affect the supply and expense of renewable fuels, which can in turn affect our transports. We buy raw materials and finished products mainly from suppliers in Europe, South America and Asia. There is always a risk that the supplier will not be able to deliver ordered quantities on time due to physical/environmental impacts and environmental disasters caused by climate change. This can lead to shortages of raw materials, production disruptions, capacity shortages, increased prices and in the long run other unexpected events, which in turn can negatively affect our delivery capacity and the relationship with our customers. Good or bad harvests and, in the worst case, climate catastrophe affect the pricing of a large part of the raw materials we buy. Lack of controls in the event of a climate catastrophe also increases the risk of inadequate food safety, for example, poor control can lead to contamination, cases of allergic reactions or various types of damage.

Risk management

We work based on the respective brand's sustainability plan to secure raw materials. By integrating climate change measures into our policies, routines, strategies and planning, as well as our ongoing work with Science Based Target, fossil-free transport, recyclable packaging, plant-based products, sustainable suppliers, reduced food waste and recycled waste, Midsona participates in efforts to reduce both its own and the common negative impact on the climate.

Comment

Midsona has a climate change strategy, in which we are committed to SBTi-setting Science-Based Target Initiative (SBTi) ambitious and scientifically based emissions targets 2021, with ambition criteria for emission reduction well below 2 degrees based on the IPCC report, where all categories are carefully mapped. Our greenhouse gas reduction target will be validated by SBTi. From 2020, we will all measure direct and indirect greenhouse gas emissions from purchased energy and parts of our value chain in accordance with the Greenhouse Gas Protocol. Our greenhouse gas mappings and scientifically based targets are in line with the EU's long-term goal of achieving net zero emissions in the second half of the century (2050), with a time frame to enable accountability (15 years). Most of the sustainability targets from 2020 are also set to contribute to reduced greenhouse gas emissions. In 2021, we will strengthen our work with climate-related risks and opportunities based on the TCFD framework (Task Force for Climate related Financial Disclosure), to integrate in an appropriate way the potential effects of climate change in our strategic and financial planning processes. To improve our climate reporting, we will also work with CDP reporting (Carbon Disclosure Project).

Administration report

The Board of Directors and President of Midsona AB (publ), corporate identity number 556241-5322, headquartered in Malmö, Sweden, hereby presents its annual report and consolidated accounts for the 2020 financial year.

Operations

Midsona is the leading consumer goods company in the Nordic region in health and well-being with proven products in the categories organic products, healthfoods and consumer health products. Since 2018, the Group has established itself outside the Nordic region through acquisitions in Germany, France and Spain. The vision is to become one of the leaders in Europe in health and well-being.

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

The brand portfolio consists of both proprietary brands and licensed brands that are represented. The Group also has contract manufacturing assignments. The proprietary brands form the backbone of the operations and, together with licensed brands and contract manufacturing assignments, these form a strong and broad brand portfolio that is marketed to customers. Customers are primarily pharmacy chains, FMCG and healthfood retailers and other specialist retailers, as well as actors in food service and the food industry.

The Group is organised into three divisions, which are the same as the operating segments: Nordics, North Europe and South Europe, which have the operational responsibility for product development, production, marketing, sales and distribution to customers. Sales primarily take place in the European market for health and well-being. Group-wide management, administration and IT are operated as Group functions in the Parent Company Midsona AB. For more information on the Group's operating segments, see Note 4 *Operating segments*, pages 112–113.

Significant events

First quarter

As of 1 January 2020, Midsona changed its segment reporting to report three geographic segments, which agree with the internal reporting provided to Group Management.

It was decided to increase the number of prioritised brands, as a result of the expansion in new geographic markets in Europe. The Dalblads brand was replaced as a prioritised brand by the Celnat, Happy Bio and Vegetalia brands as of 1 January 2020. Celnat and HappyBio, both strong brands in the French market in the organic product category, and Vegetalia, a strong brand in the Spanish market in the organic product category, were acquired in October 2019. Dalblads, a strong brand in the Swedish market in the healthfoods category, will continue to be further developed within the Group.

A change agenda is being conducted with the clear goal of influencing people's eating habits towards healthy and sustainable alternatives. In line with our ambitions and the requirements customers, consumers and investors set on a clear sustainability agenda, new sustainability targets were set for the period 2020 to 2030, see the Sustainability Report on pages 42–75.

Second quarter

The remaining 49 percent of the shares and votes in Paradiset EMV AB were acquired, with a trademark license right to develop, manufacture, market and sell healthfoods that focus on sustainability and health under the Everyday by Paradiset brand. For further information on the acquisition, please see Note 2 *Acquisitions of operations* on pages 110-111.

An upcoming change in Group Management was announced. CFO, Lennart Svensson, has chosen to leave Midsona in the first quarter of 2021.

Third quarter

Access was acquired to the trademark rights to Gainomax, one of Sweden's most well-known brands in sports nutrition in the healthfoods category, offering products for exercise recovery and functional snacks, such as milk-based sports drinks and protein bars. The purchase consideration amounted to SEK 60 million, including acquisition-related expenses, with SEK 55 million allocated for the brand and SEK 5 million for related brand profiled inventory. Acquired assets were financed with new loans of SEK 60 million within the agreed credit framework.

Max Bokander was appointed the new CFO. He will start work in this position on 11 January 2021 and will, from that date, be part of Group Management.

Fourth quarter

An agreement was reached supplementing an existing financing agreement with Danske Bank and Svensk Exportkredit with an extended credit limit of SEK 200 million to partly finance acquisitions.

Midsona acquired all of the shares in the Danish company System Frugt A/S with its head office in Tilst, Denmark. The company has three wholly owned subsidiaries with operations in Finland, Sweden and Norway. Midsona significantly strengthened its position in healthfoods in the Nordic region and through the acquisition gained access to the premium Earth Control brand. The total purchase consideration amounted to SEK 248 million (DKK 175.4 million), corresponding to SEK 297 million (DKK 210.0 million) on a debt-free basis, and was paid in cash. The acquisition was financed partly with new loans of SEK 200 million from the extended credit framework and partly with new loans within the previously agreed credit framework of SEK 48 million. For further information on the acquisition, please see Note 2 *Acquisitions of operations* on pages 110–111.

Midsona was named the stock exchange's most sustainable company in the FMCG category. The periodicals Dagens Industri and Aktuell Hållbarhet named the stock exchange's most sustainable company for the third consecutive year. The ranking measures how well Swedish listed companies handle sustainability issues and is done by Lund University under the supervision of an advisory committee.

A decision was made to make an expansion investment of around SEK 45 million in the Group's production unit for plant-based meat alternatives in the organic products category in Castellcir, Spain. The investment is expected to be able to be commissioned in the fourth quarter of 2021 and will become the Group's hub for the production of both the first and second generation of plant-based meat alternatives, such as tofu, tempeh and seitan, as well as vegetarian hamburgers, pâté and meatballs. The increased sales and expected cost synergies are expected to strengthen the Group's EBITDA by up to SEK 50 million on an annual basis three years after the start of production.

Impact from the coronavirus pandemic

In the first few months of the year, risks and uncertainty factors were significantly elevated as a result of the rapid global spread of Covid-19. We prioritise to keep our employees and customers safe and ensure compliance with all guidelines and recommendations established on a national, regional and local level. As a result of Covid-19, we have seen changed consumer behaviour, delivery and production disruptions and disruptions in retailing. Demand increased markedly for several product categories in March–April and we saw mainly positive financial effects in the first quarter as a result of the pandemic. In both the second and third quarters, we saw some negative effect on our operations. Demand for our products was lower in a few sales channels as a result of lower store activity, closed stores and restaurants. The supply chain was impacted both from a cost perspective, with higher prices on certain raw materials and higher costs of transports, and from an asset perspective with shortages of certain raw materials and longer transport times. The fourth quarter was characterised by both positive and negative factors stemming from the pandemic, but to a more limited extent compared with earlier quarters.

Demand for consumer health products and products in certain sales channels is expected to probably remain lower, as long as there are local and regional infection outbreaks and lockdowns in the community. We also expect the supply chain to continue to be impacted with higher costs for shipping, for example.

We continue to follow pandemic developments very closely and are taking prompt action when necessary.

Net sales and profit

Financial overview[1]	2020	2019
Net sales, SEK million	3,709	3,081
Net sales growth, %	20.4	8.0
Organic change, net sales, %	3.9	–6.1
Operating margin, before items affecting comparability, %	28.1	29.5
EBITDA, before items affecting comparability, SEK million	390	290
EBITDA-margin, before items affecting comparability, %	10.5	9.4
EBITDA SEK million	404	284
EBITDA margin, %	10.9	9.2
Operating profit, before items affecting comparability, SEK million	243	176
Operating margin, before items affecting comparability, %	6.6	5.7
Operating profit, SEK million	257	170
Operating margin,%	6.9	5.5
Profit for the year, SEK million	176	97
Earnings per share for the year before dilution, SEK	2.70	2.02
Earnings per share for the year after dilution, SEK	2.69	2.02

[1] Midsona presents certain financial measures in the Year-end report that are not defined under IFRS. For definitions and reconciliation to IFRS, see pages 150–153.

Net sales

Net sales amounted to SEK 3,709 million (3,081), an increase of 20.4 (8.0) percent, driven by both organic growth and acquired business volumes. The organic change in net sales was a growth of 3.9 percent (decline: 6.1) while structural changes contributed by 18.6 percent (12.4) and exchange rate fluctuations by –2.1 percent (1.7).

Sales were strong over the year, but the trend between the quarters was affected by the coronavirus pandemic with changed purchasing and consumption patterns. The first quarter was pervaded by increased demand for several product categories, which can be attributed both to hoarding and increased household consumption stemming from the Covid-19 outbreak. The second quarter was characterised by a certain levelling off in the heightened demand as countries eased restrictions, albeit at a higher level of sales with many new consumers finding organic products in particular on store shelves as a result of the changing patterns of consumption. The supply chain was impacted by some disruptions, with deliveries of some raw materials and finished goods being either delayed or postponed due to lockdowns. Although capacity utilisation at the Group's production facilities was very high, goods could not really be produced at the rate required by customers. Accordingly, the degree of service was a challenge in most geographic markets and, combined, these factors led to a certain loss of sales. The third quarter was pervaded by lower sales volumes due to fewer sales campaigns, cancelled trade fairs, narrower launch windows and a decline in demand for consumer health products, associated with the reduced customer flows at pharmacies and healthfood retailers brought by Covid-19. In the fourth quarter, sales were more stable than earlier quarters, but continued to be affected by both positive and negative factors stemming from the coronavirus pandemic although not to the same extent as in earlier periods.

Gross profit

Gross profit amounted to SEK 1,042 million (910) before items affecting comparability, corresponding to a margin of 28.1 percent (29.5). The lower gross margin was primarily related to the Group's changed cost structure, with a higher proportion of production and inventory-related costs in relation to indirect costs, as well as a product mix that was occasionally unfavourable to a certain extent. Prices also increased on both some key raw materials and on transports. Altogether, synergies in the supply chain and implemented price increases did not fully compensate for the negative margin development.

Operating loss

EBITDA amounted to SEK 390 million (290), before items affecting comparability, corresponding to a margin of 10.5 percent (9.4), and was driven by acquired operations and volume growth in the underlying operations.

Viewed over the year, although profit was satisfactory, the quarter to quarter trend was impacted by the ongoing coronavirus pandemic. Amortisation and depreciation for the year amounted to SEK 147 million (114), divided between SEK 48 million (36) in amortisation of intangible fixed assets and depreciation of SEK 99 million (78) on tangible fixed assets. Amortisation and depreciation increased as a result of acquired operations and new and replacement investments brought into use. Operating profit amounted to SEK 243 million (176) before items affecting comparability, corresponding to a margin of 6.6 percent (5.7). Operating profit for the year amounted to SEK 257 million (170), with an operating margin of 6.9 percent (5.5).

Items affecting comparability

Operating profit included positive items affecting comparability by a net SEK 14 million (negative 6), comprising a reversed estimated conditional purchase consideration of SEK 36 million (26), restructuring costs of SEK 25 million (15), acquisition-related income (negative consolidated goodwill) of SEK 8 million and acquisition-related costs of SEK 5 million (17). Restructuring costs were related to a reorganisation of administrative, warehousing and commercial functions in the Nordic region, as well as integration costs attributable to acquired business. Acquisition-related income consisted of negative goodwill on business acquisitions at low prices; see Note 2 *Aquisitions of operations* on pages 110–111.

Profit before tax

Profit before tax amounted to SEK 204 million (116). Net financial items amounted to an expense of SEK 53 million (54). Interest expenses for external loans to credit institutions amounted to SEK 28 million (32) and interest expenses attributable to leases were SEK 5 million (5). Interest expenses to credit institutions essentially decreased as a result of improved credit terms to credit institutions. Net translation differences on financial receivables and liabilities in foreign currency were a negative SEK 5 million (6). Earnings from shares in the joint venture were negative in the amount of SEK 8 million (1) and were attributable to a revaluation of shares in a joint venture on obtaining a controlling influence. This revaluation resulted in a loss as the previously recognised book value of shares in joint ventures in the consolidated accounts exceeded fair value. Other financial items were negative in the amount of SEK 7 million (10).

Profit for the year

Profit for the year was SEK 176 million (97), corresponding to earnings per share of SEK 2.70 (2.02) before dilution and SEK 2.69 (2.02) after dilution. Tax on profit for the period amounted to a negative SEK 28 million (19), of which a negative SEK 28 million (24) consisted of current tax, a positive SEK 1 million (negative 2) was tax attributable to preceding years and negative SEK 1 million (positive 7) was in deferred tax. The effective tax rate for the period was 13.8 percent (16.0) and was lower than the current tax rate applicable to the Parent Company. The low tax rate was mainly attributable to income from estimated purchase considerations from previous years' acquisitions expected to be entered as liabilities and not corresponding to taxes in any legal entity and effects of a changed tax rate in France.

Cash flow, liquidity and financial position

Cash flow from operating activities before changes in working capital improved to SEK 319 million (221) and changes in working capital were a negative SEK 36 million (23). Capital tied up in inventories and operating receivables increased, essentially as a consequence of increased business volumes and increased reserve inventory levels of certain raw materials and finished goods. Cash flow from operating activities improved to SEK 283 million (198).

Cash flow from investing activities amounted to a negative SEK 369 million (712), consisting of acquisitions of operations of a negative SEK 278 million

(659), investments in tangible and intangible fixed assets of a negative SEK 88 million (41), of which the Gainomax trademark rights accounted for negative SEK 60 million, and a change in financial assets for a negative SEK 3 million (12). Business acquisitions included purchase considerations paid for earlier years' business acquisitions of SEK 35 million and this year's acquisition of System Frugt of SEK 243 million. Free cash flow improved to SEK 252 million (155).

Cash flow from financing activities was SEK 117 million (589), comprising issue expenses of SEK 1 million attributable to the previous year's new share issue, a positive SEK 402 million (1,855) in loans raised, SEK 163 million (1,786) in loan repayments, SEK 51 million (47) in amortisations on lease liabilities, dividends of SEK 81 million (58) and proceeds from the on-going issue of the warrant programme TO2017/2020 of SEK 11 million. The comparative period also included a new share issue of SEK 603 million including issue expenses, proceeds from the issue of the warrant programme TO2016/2019 of SEK 21 million including issue expenses and premiums paid in of SEK 1 million for the TO2019/2022 warrant programme. In the comparison period, existing debt was refinanced and the framework for the financing of working capital was broadened. Cash flow for the year amounted to SEK 31 million (75).

Liquidity and financial position

Cash and equivalents amounted to SEK 195 million (173) and there were unutilised credit facilities of SEK 150 million (350) at year-end.

Summary of capital and liquidity structure[1]	31 Dec 2020	31 Dec 2019
Average capital employed, SEK million	3,970	3,348
Return on capital employed, %	6.6	5.1
Equity/assets ratio	45.1	48.6
Net debt, SEK million	1,584	1,353
Net debt/Adjusted EBITDA, multiple	4.2	4.4
Shareholders' equity, SEK million	2,313	2,322
Net debt/equity ratio, multiple	0.7	0.6
Interest coverage ratio, multiple	7.0	4.2

[1] Midsona presents certain financial measures in the Year-end report that are not defined under IFRS. For definitions and reconciliation to IFRS, see pages 150-153.

Net debt amounted to SEK 1,584 million (1,353) with the increase being primarily attributable to the financing of business combinations and asset acquisitions. The net debt/equity ratio was a multiple of 0.7 (0.6). The ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 4.2 (4.4).

Equity amounted to SEK 2,313 million (2,322). The changes were comprised of profit for the year of SEK 176 million, negative translation differences in the translation of foreign operations of SEK 114 million, dividend payment of SEK 81 million, emission expenses for TO2016/2019 of SEK 1 million and redemption of warrants in the ongoing issue of the warrant programme TO2017/2020 of SEK 11 million. The equity/assets ratio was 45.1 percent (48.6) at the end of the period.

Investments

Investments in intangible and tangible fixed assets amounted to SEK 83 million (41). This was essentially comprised of the acquired asset of Gainomax trademark rights, software and replacement investments in production facilities. An expansion investment, in the form of a new packing line, was commissioned in one of the production facilities in Spain at the start of the year. The comparative period included an investment in software in the form of a new business system and compensation investments in the Group's production facilities.

Risks and risk management

For risks and risk management, refer to pages 80–91. For financial risks, see also Note 31 *Financial risk management*, on pages 126–128.

Guidelines for remuneration of senior executives

The 2020 Annual General Meeting approved the guidelines for the remuneration of senior executives to apply until a need arises for significant changes in the guidelines, although not longer than to the 2024 Annual General Meeting. No proposal on new guidelines will be presented to the 2021 Annual General Meeting. For information on the guidelines for remuneration of senior executives adopted by the 2020 Annual General Meeting, see Note 10 *Employees, personnel expenses and senior executives' remuneration* on pages 114–116.

Share and shareholders

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

At the end of the year, the total number of shares was 65,004,608 (65,004,608), divided between 755,820 Series A shares (755,820) and 64,248,788 Series B shares (64,248,788). At the end of the year, the number of votes was 71,806,988 (71,806,988), where one Series A share carries ten votes and one Series B share carries one vote. There were also 213,180 unregistered Series B shares at year-end, all of which entitle to the dividend set by the 2021 Annual General Meeting. In December, senior executives subscribed for these Series B shares with support from warrants, which were issued in the scope of the warrant programme TO2017/2020. These shares were registered on 29 January 2021 and entailed a dilution of 0.3 percent of the shares. The total number of shares after the registration was 65,217,788, divided between 755,820 Series A shares and 64,461,968 Series B shares. The number of votes amounted to 72,020,168 after the registration. For more information on the issue under way over the end of the year, refer to Note 25 *Shareholders' equity*, on page 124.

During 2020, 19,580,243 shares (12,577,144) were traded. The highest price paid for Series B shares was SEK 84.80 (57.07), and the lowest was SEK 32.60 (42.67). On 30 December, the most recent price paid for the share was SEK 77.80 (49.40). For the comparison year, the share price was adjusted for the new share issue.

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

The largest shareholder in the company was Stena Adactum AB, which held 543,928 Series A shares (543,928) and 14,685,861 Series B shares (14,685,861), representing 23.4 percent of capital (23.4) and 28.0 percent of the voting rights (28.0) on 31 December 2020. No other shareholder had a holding of 10 percent or more of the total number of shares as per 31 December 2020. The ten largest owners together had an ownership in the company of 60.4 percent of the capital (57.5) and 61.6 percent of the votes (59.1) at year-end. To the Company's knowledge, there are no agreements between shareholders that could entail limitations to the right to transfer shares.

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

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

For more information about the share and shareholders, see the section *Shares and shareholders*, pages 77–79.

Environmental information

The basis for reducing Midsona's environmental impact lies in organised environmental efforts. The greatest environmental impact is caused by water and energy consumption, waste, wastewater and transportation. Midsona complies with statutory environmental requirements and is not involved in any environmentally-related disputes. Midsona had eight production facilities at its disposal at the end of 2020, located in Sweden (1), Denmark (2), France (1), Germany (2) and Spain (2). The Swedish production facility in Falköping conducts operations that it is required to register in accordance with the Swedish Environmental Code. Each year, an audit is performed by the local environmental authority regarding compliance with the Swedish Environmental Code.

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

The Group's production facilities conduct organized environmental efforts, including action plans and review in a number of areas. Environmental efforts form an integral part of Midsona's business and decision making always takes environmental considerations into account. The majority of production and warehouse facilities use renewable electricity. For more information on Midsona's environmental work, see the Sustainability Report on pages 42–75.

Corporate Governance Report

For the Corporate Governance Report, see pages 137–141.

Sustainability Report

For the Sustainability Report, please see pages 42–75.

Parent Company

Net sales amounted to SEK 59 million (47), and related primarily to invoicing of services provided internally within the Group. Profit before tax amounted to SEK 102 million (134). The profit before tax included dividends from subsidiaries of SEK 153 million (217), of which an anticipated SEK 19 million (96), impairment of shares in subsidiaries of a negative SEK 49 million (84) and Group contributions received totalling SEK 41 million (32). Interest expenses to credit institutions amounted to SEK 24 million (28) and essentially decreased as a consequence of improved credit terms to credit institutions. Net financial items included exchange-rate differences on financial receivables and liabilities in foreign currency of a negative SEK 5 million (4) and exchange-rate differences of net investment in subsidiaries in an amount of a negative SEK 19 million (positive 6).

Investments in intangible and tangible fixed assets amounted to SEK 7 million (23) and consisted mainly of investments in software.
In the comparative period, the investments were primarily related to a new business system that was rolled out and brought into operation in all Nordic countries. Depreciation and amortisation on tangible and intangible fixed assets amounted to SEK 10 million (4).

Cash and cash equivalents, including unutilised credit facilities, amounted to SEK 232 million (459). Borrowing from credit institutions was SEK 1,422 million (1,121) at the end of the year. The financing agreement with Danske Bank, valid for three years until September 2022 (with options for extension until September 2024) was extended by one year until September 2023, see Note 26 *Liabilities to credit institutions*, pages 124–125.

Shareholders' equity amounted to SEK 2,119 million (2,089), of which restricted equity amounted to SEK 1,725 million (1,706). The changes in shareholders' equity during the year were comprised of profit for the year at SEK 102 million, issue expenses (TO2016/2019) of SEK 1 million, redemption of warrants in an ongoing issue of warrant programme (TO2017/2020) at SEK 11 million and a dividend payment of SEK 81 million.

On the balance sheet date, there were 14 employees (15).

Proposed appropriation of profit or loss

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

Share premium reserve	SEK 1,109,031,537
Profit brought forward	SEK 514,905,586
Profit for the year	SEK 101,874,947
Total	**SEK 1,725,812,070**

The Board of Directors proposes that the unrestricted shareholders' equity in the Parent Company, amounting to SEK 1,725,812,070 be appropriated as follows:

Dividend, SEK 1.25 per share[1]	SEK 81,522,235
Carried forward	SEK 1,644,289,835
Total	**SEK 1,725,812,070**

[1] Calculated on the number of shares outstanding at 29 January 2021.

The Board of Directors further proposes that the 2021 Annual General Meeting resolve for a dividend to be paid on two occasions. At the first payment date on 12 May 2021, SEK 0.65 per share shall be paid with 7 May 2021 as the record date and at the second payment date on 29 October 2021, SEK 0.60 per share shall be paid with 26 October 2021 as the record date.

Statement by the Board of Directors regarding the proposed dividend

At the 2021 Annual General Meeting, shareholders shall take a position regarding matters including the dividend proposed by the Board of Directors.

The proposed dividend decreases the equity/assets ratio in the Parent Company to 52.9 percent and the consolidated equity/assets ratio to 43.5 percent. The proposed measure does not affect the Company's capacity to meet current and foreseen payment obligations in a timely manner. The company's liquidity forecast includes contingencies for managing variations in on-going payment obligations. The company's financial position does not give rise to any assessment other than that it can continue its operations and can be expected to meet its obligations in both the short and long term.

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

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

The financial accounts were approved for publication by the Board of Directors of the Parent Company on 7 April 2021.

With regard to the Company's profits and position in other regards, please see the ensuing financial accounts and associated notes to the financial statements.

Financial statements

Consolidated income statement

SEK million	Note	2020	2019
Net sales	2, 3, 4, 5	3,709	3,081
Expenses for goods sold		−2,672	−2,178
Gross profit		**1,037**	**903**
Selling expenses		−542	−505
Administrative expenses		−284	−240
Other operating income	6	52	37
Other operating expenses	7	−6	−25
Indirect expenses, net		**−780**	**−733**
Operating profit/loss	2, 4, 8, 9, 10, 15, 16, 17, 28	**257**	**170**
Profit/loss from participations in joint ventures	19	−8	−1
Financial income		14	0
Financial expenses		−59	−53
Net financial items	11	**−53**	**−54**
Profit/loss before tax		**204**	**116**
Tax	13	−28	−19
Profit/loss for the year		**176**	**97**
Attributable to			
Parent Company shareholders (SEK million)		176	97
Earnings per share to Parent Company shareholders (SEK)	14	2.70	2.02
Earnings per share to Parent Company shareholders, before and after dilution (SEK)	14	2.69	2.02
Number of shares (thousands)	14		
On the balance sheet date		65,005	65,005
On the balance sheet date, after full dilution		65,367	65,005
Average during the period		65,005	48,179
Average during the period, after full dilution		65,364	48,179

Consolidated statement of comprehensive income

SEK million	Note	2020	2019
Profit/loss for the year		**176**	**97**
Items that have or can be reallocated to profit for the year			
Translation differences for the year on translation of foreign operations		−114	32
Items that have or can be reallocated to profit for the year		**−114**	**32**
Other comprehensive income for the year		**−114**	**32**
Comprehensive income for the year		**62**	**129**
Attributable to			
Parent Company shareholders (SEK million)		62	129

Consolidated balance sheet

SEK million	Note	31 Dec 2020	31 Dec 2019
Assets			
Intangible fixed assets	15	3,289	3,058
Tangible assets	16, 17	548	585
Participations in joint ventures	19	–	26
Non-current receivables	21	4	4
Deferred tax assets	13	85	71
Fixed assets		**3,926**	**3,744**
Inventories	22	643	529
Tax receivables		11	–
Accounts receivable	23	290	290
Other receivables	21	44	18
Prepaid expenses and accrued income	24	18	26
Cash and cash equivalents	31, 36	195	173
Current assets		**1,201**	**1,036**
Assets	2, 4, 32, 34	**5,127**	**4,780**
Shareholders' equity			
Share capital		325	325
Additional paid-up capital		1,169	1,159
Reserves		–58	56
Profit brought forward, including profit for the year		877	782
Shareholders' equity	25	**2,313**	**2,322**
Liabilities			
Non-current interest-bearing liabilities	26,31,36	1,526	1,408
Other non-current liabilities	27	23	75
Other provisions	29	15	17
Deferred tax liabilities	13	342	321
Non-current liabilities		**1,906**	**1,821**
Current interest-bearing liabilities	26, 31,36	253	118
Accounts payable		405	288
Tax liabilities		0	2
Other current liabilities	27	59	85
Accrued expenses and deferred income	30	170	140
Other provisions	29	21	4
Current liabilities		**908**	**637**
Liabilities		**2,814**	**2,458**
Shareholders' equity and liabilities	2,4,32,34	**5,127**	**4,780**

Changes in consolidated shareholders' equity

SEK million	Note 25	Share capital	Additional paid-up capital	Reserves	Profit brought forward, including profit for the year	Total shareholders' equity
Opening shareholders' equity 1 January 2019		**230**	**629**	**24**	**747**	**1,630**
Changed accounting principle (IFRS 9)		–	–	–	–4	–4
Comprehensive income for the year						
Profit/loss for the year		–	–	–	97	97
Other comprehensive income for the year		–	–	32	–	32
Comprehensive income for the year		–	–	**32**	**97**	**129**
Transactions with the Group's owners						
New share issue		93	520	–	–	613
Issue expenses		–	–10	–	–	–10
Redemption of warrants in warrant programme, TO2016/2019		2	19	–	–	21
Issue expenses, TO2016/2019		–	0	–	–	0
Premium receipts upon issue of warrant programme, TO2019/2022		–	1	–	–	1
Dividend		–	–	–	–58	–58
Transactions with the Group's owners		**95**	**530**	**–**	**–58**	**567**
Closing shareholders' equity 31 Dec 2019		**325**	**1,159**	**56**	**782**	**2,322**
Opening shareholders' equity 1 Jan 2020		**325**	**1,159**	**56**	**782**	**2,322**
Comprehensive income for the year						
Profit for the year		–	–	–	176	176
Other comprehensive income for the year		–	–	–114	–	–114
Comprehensive income for the year		–	–	**–114**	**176**	**62**
Transactions with the Group's owners						
Issue expenses, TO2016/2019		–	–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**

Consolidated cash flow statement

SEK million	Note	2020	2019
Operating activities			
Profit/loss before tax		204	116
Adjustment for non-cash items	36	155	124
Income tax paid		–40	–19
Cash flow from operating activities before changes in working capital		**319**	**221**
Cash flow from changes in working capital			
Increase (–)/decrease (+) in inventories		–25	27
Increase (–)/decrease (+) in operating receivables		–9	32
Increase (+)/decrease (–) in operating liabilities		–2	–82
Changes in working capital		**–36**	**–23**
Cash flow from operating activities		**283**	**198**
Investing activities			
Acquisitions of companies or operations	36	–278	–659
Acquisitions of intangible assets	15	–67	–22
Acquisitions of tangible assets	16	–21	–19
Divestments of tangible assets		–	0
Change in financial assets		–3	–12
Cash flow from investing activities		**–369**	**–712**
Cash flow after investing activities		**–86**	**–514**
Financing activities			
Issue of warrant programme, TO2016/2019		–	21
Issue expenses warrant programme, TO2016/2019		–	0
New share issue		–	613
Issue expenses		–1	–10
Premium receipts warrant programme, TO2019/2022		–	1
On-going issue of warrant programme, TO2017/2020		11	–
Loans raised	36	402	1,855
Repayment of loans	36	–163	–1,786
Amortisation of lease liabilities	36	–51	–47
Dividend paid		–81	–58
Cash flow from financing activities		**117**	**589**
Cash flow for the year		**31**	**75**
Cash and cash equivalents			
Cash and cash equivalents at beginning of year		173	101
Translation difference in cash and cash equivalents		–9	–3
Cash and cash equivalents at end of year	36	**195**	**173**

Income Statement, Parent Company

SEK million	Note	2020	2019
Net sales	3	59	47
Selling expenses		–	-1
Administrative expenses		-77	-64
Other operating income	6	0	0
Other operating expenses	7	0	-3
Operating profit/loss	9, 10, 15, 16, 17, 28	**-18**	**-21**
Profit from participations in subsidiaries	11	104	133
Financial income	11	44	31
Financial expenses	11	-69	-41
Profit/loss after financial items		**61**	**102**
Allocations	12	41	32
Profit/loss before tax		**102**	**134**
Tax	13	0	-1
Profit/loss for the year		**102**	**133**

Balance sheet, Parent Company

SEK million	Note	31 Dec 2020	31 Dec 2019
Fixed assets			
Intangible fixed assets	15	55	57
Tangible assets	16, 17	3	3
Participations in subsidiaries	18	2,546	2,202
Receivables from subsidiaries	20, 33	1,097	1,149
Deferred tax assets	13	2	2
Financial assets		**3,645**	**3,353**
Fixed assets		**3,703**	**3,413**
Current assets			
Receivables from subsidiaries	20, 33	57	152
Other receivables	21	5	6
Prepaid expenses and accrued income	24	7	11
Current receivables		**69**	**169**
Cash and bank balances	31, 36	82	109
Current assets		**151**	**278**
Assets	32, 34	**3,854**	**3,691**
Shareholders' equity			
Restricted shareholders' equity			
Share capital		325	325
Statutory reserve		58	58
On-going issue of warrant programme, TO2017/2020		11	–
Restricted shareholders' equity		**394**	**383**
Unrestricted shareholders' equity			
Share premium reserve:		1,109	1,110
Profit/loss brought forward		514	463
Profit/loss for the year		102	133
Unrestricted shareholders' equity		**1,725**	**1,706**
Shareholders' equity	25	**2,119**	**2,089**
Non-current liabilities			
Liabilities to credit institutions	26, 31, 36	1,324	1,066
Liabilities to subsidiaries	20, 33, 36	–	–
Other non-current liabilities	27	11	31
Non-current liabilities		**1,335**	**1,097**
Current liabilities			
Liabilities to credit institutions	26, 31, 36	98	55
Accounts payable		7	6
Liabilities to subsidiaries	20, 33, 36	281	390
Other current liabilities	27	4	36
Accrued expenses and deferred income	30	10	18
Current liabilities		**400**	**505**
Shareholders' equity and liabilities	32, 34	**3,854**	**3,691**

Changes in equity for the Parent Company

SEK million	Note 25	Restricted shareholders' equity: Share capital	Restricted shareholders' equity: Statutory reserve	Restricted shareholders' equity: On-going issue of warrant programme, TO2017/2020	Unrestricted shareholders' equity: Share premium reserve:	Unrestricted shareholders' equity: Profit brought forward, including profit for the year	Total shareholders' equity
Opening shareholders' equity 1 January 2019		**230**	**58**	**–**	**581**	**520**	**1,389**
Profit/loss for the year		–	–	–	–	133	133
Comprehensive income for the year		–	–	–	–	**133**	**133**
New share issue		93	–	–	520	–	613
Issue expenses		–	–	–	-10	–	-10
Redemption of warrants in warrant programme, TO2016/2019		2	–	–	19	–	21
Issue expenses, TO2016/2019		–	–	–	0	–	0
Dividend		–	–	–	–	-58	-58
Closing shareholders' equity 31 December 2019		**325**	**58**	**–**	**1,110**	**595**	**2,088**
Opening shareholders' equity 1 January 2020		**325**	**58**	**–**	**1,110**	**595**	**2,088**
Profit/loss for the year		–	–	–	–	102	102
Comprehensive income for the year		–	–	–	–	**102**	**102**
Issue expenses		–	–	–	-1	–	-1
On-going issue of warrant programme, TO2017/2020		–	–	11	–	–	11
Dividend		–	–	–	–	-81	-81
Closing shareholders' equity 31 December 2020		**325**	**58**	**11**	**1,109**	**616**	**2,119**

Parent Company cash flow statement

SEK million	Note	2020	2019
Operating activities			
Profit/loss after financial items		61	102
Adjustment for non-cash items	36	62	-21
Cash flow from operating activities before changes in working capital		**123**	**81**
Cash flow from changes in working capital			
Increase (–)/decrease (+) in operating receivables		9	-12
Increase (+)/decrease (–) in operating liabilities		-10	5
Changes in working capital		**-1**	**-7**
Cash flow from operating activities		**122**	**74**
Investing activities			
Acquisitions of companies or operations	36	-290	-235
Acquisitions of intangible assets	15	-5	-22
Acquisitions of tangible assets	16	-2	-1
Change in financial assets		12	-549
Cash flow from investing activities		**-285**	**-807**
Cash flow after investing activities		**-163**	**-733**
Financing activities			
Issue of warrant programme, TO2016/2019		–	21
Issue expenses warrant programme, TO2016/2019		–	0
New share issue		–	613
Issue expenses		-1	-10
On-going issue of warrant programme, TO2017/2020		11	–
Loans raised	36	400	1,998
Repayment of loans	36	-192	-1,764
Dividend paid		-81	-58
Cash flow from financing activities		**137**	**800**
Cash flow for the year		**-26**	**67**
Cash and cash equivalents			
Cash and cash equivalents at beginning of year		109	47
Translation difference in cash and cash equivalents		-1	-5
Cash and cash equivalents at end of year	36	**82**	**109**

Notes to the financial statements

Not 1 | Accounting principles

Group accounting principles

Compliance with standards and regulations

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

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

Basis of valuation applied in the preparation of the financial statements

Assets and liabilities are reported at historical cost except for certain financial assets and liabilities measured at fair value. Financial assets and liabilities measured at fair value through profit or loss for the year consist of derivatives and conditional supplementary purchase considerations.

Functional and presentation currency

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

Estimates and assumptions in the financial statements

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

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

Assumptions made by management in the application of IFRS that have a significant impact on the financial statements and estimates that can result in significant adjustments in future financial statements are described in more detail in Note 35 *Significant estimates and assesments*, pages 129–130.

Accounting principles applied

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

Changes in accounting principles due to new or amended IFRS

The following new or amended standards were applicable as of 1 January 2020: Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* regarding the definition of materiality (adopted by the EU on 29 November 2019); Amendments to IFRS 3 *Business Combinations* regarding the definition of operations/business (adopted by the EU on 21 April 2020); Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* regarding the benchmark rate reform (adopted by the EU on 15 January 2020); Amendments to IFRS 16 *Leases* regarding the relief rule for changes in leases attributable to the pandemic (adopted by the EU on 9 October 2020). Revised standards have not had any material impact on the consolidated financial statements.

New IFRS that have yet to begin being applied

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

Benchmark rate reform, phase 2

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.

Classification

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

Consolidated accounts

Subsidiaries

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

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

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

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

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

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

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

Jointly owned companies

An assessment must be made of whether or not the potential joint arrangements that exist in the Group were to be considered joint ventures and recognised according to the equity method. In the Group, there was a joint arrangement in the form of a joint venture until 6 May 2020 when the remaining shares and votes were acquired. A holding in a joint venture is initially recognised at cost in the consolidated balance sheet. The recognised value is subsequently increased or decreased to take into account the Group's share of earnings from the joint venture after the time of acquisition. The Group's share of earnings is included in the Group's earnings. When the Group's share of the losses in a joint venture are as large as or exceed the holding, the Group recognises no further losses insofar as the Group has not assumed obligations or made payments benefiting the joint venture.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the highest executive decision maker. The highest executive decision maker is the function responsible for allocating resources and assessing performance of the operating segment's results. In the Group, this function has been identified as the company's CEO, who is responsible for and manages the day-to-day administration of the Group according to the Board's guidelines and instructions. He has the other members of Group Management to support him. The grounds for the division of segment reporting are geographic areas and they match the Group's divisions, see Note 4 *Operating segments*, pages 112–113, for the presentation of operating segments. Other operations consist of Group-wide functions.

Foreign currency

Transactions in foreign currencies

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

Foreign operations' financial statements

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

Exchange rates

	Average exchange rate		Closing day rate	
Exchange rate SEK	**2020**	**2019**	**2020**	**2019**
CAD	6.8603	7.1308	6.3996	7.1283
CHF	9.7979	9.5185	9.2541	9.5729
CNY	1.3329	1.3691	1.2537	1.3333
DKK	1.4068	1.4183	1.3492	1.3968
EUR	10.4867	10.5892	10.0375	10.4336
GBP	11.7981	12.0658	11.0873	12.2145
JPY	0.0862	0.0868	0.0792	0.0853
NOK	0.9786	1.0747	0.9546	1.0579
USD	9.2037	9.4604	8.1886	9.3171

Income

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

Goods

The Group's income originates from the following activities:

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

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

Sales of consumer goods in the categories of organic products, healthfoods and personal care products.

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

In the Group's customer contracts, there are contractual obligations on the return right for both expired products that are not commercially viable and for products that are still commercially viable. At the time of sale, a return obligation is recognised corresponding to the expected level of returns with a corresponding reduction of income. At the same time, a return asset is booked corresponding to the expected right to receive products in return with a corresponding reduction of expenses for goods sold on condition that the product is expected to be received back in sellable condition. The

Group bases the above adjustments on historical experience and handles this on a portfolio level valued at the anticipated values. The Group also assesses that there is not a risk of material reversals as the level of these items has been historically stable and there are currently no indications that this would change. At present, the returns do not amount to material amounts and the Group thereby does not recognise any return liability or return asset.

In the Group's customer agreements, there are contractual obligations of various kinds of sales-promoting measures, such as campaign discounts (variable or fixed), loyalty programme discounts, annual bonuses, chain discounts and distribution discounts. Campaign discounts, which are occasional discounts in connection with activities, are handled as sales expenses if there is an agreed obligation for a counter-performance from a customer, such as special store exposure, an advertising sheet, an advertising magazine or the like. Temporary discounts in connection with activity are handled as a reduction of net sales if the purpose is a pure price reduction out to consumers without any obligation for a counter-performance from a customer. Loyalty programme discounts, annual bonuses, chain discounts and distribution discounts constitute bonus programmes to customers. No such programmes are directed at end customers, but they are only applicable business to business. Such programmes are handled continuously and the assessed outcome reduces net sales, meaning the effects of these discounts are estimated as an expected value.

Sales of services linked to product handling.

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

Operating expenses

Expenses for goods sold

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

Selling expenses

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

Administrative expenses

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

Other operating income and expenses

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

Non-recurring items

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

Leasing

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

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

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

For more information on ROU assets and lease liabilities, please refer to the sections on fixed assets and the cash flow statement on pages 106–107 and 108, respectively, in this note.

Financial income and expenses

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

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

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

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

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

Taxes

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

Current tax

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

Deferred tax

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

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

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

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

Financial instruments – classification and measurement

A financial asset or financial liability is recognised in the balance sheet when Midsona becomes party to the contractual terms. A financial asset is derecognised from the balance sheet when the right to the cash flows expires or when all benefits and risks associated with ownership have been transferred. A financial liability is derecognised from the balance sheet when the contractual obligation is discharged or otherwise extinguished. Financial instruments are initially measured at fair value and then continuously at fair value or amortised cost depending on the classification. Financial instruments recognised at cost are initially recognised in an amount corresponding to the instrument's fair value with additions for transaction expenses. Financial instruments recognised at fair value are initially recognised in an amount corresponding to the instrument's fair value, transaction expenses are expensed directly. On initial recognition, a financial instrument is classified based on the purpose for which it was acquired. The classification determines how the financial instrument is measured after initial recognition, as described below.

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

Classification of financial instruments

Financial assets

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

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

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

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

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

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

Fair value through profit or loss for the year applies to all other debt instruments that are not valued at *amortised cost* or *fair value through other* comprehensive income for the year. Financial instruments in this category are initially recognised at fair value. Changes in fair value are recognised in profit for the year. The Group's debt instruments are classified at *amortised cost*, except debt instruments held for trade.

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

Financial liabilities

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

Reservation for expected credit losses

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

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

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

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

The Group's accounts receivable are covered by the simplified model for impairments. The expected credit losses for accounts receivable are estimated using a provision matrix, which is based on earlier events, current circumstances and forecasts of future financial circumstances and the time value of money if applicable. A loss provision is recognised in the simplified model for the receivable's or asset's expected remaining maturity period, see Note 31 *Financial risk management*, pages 126–128.

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

The Group defines default as it being deemed unlikely that the counterparty will fulfil its commitments due to indicators, such as financial difficulties and missed payments. Regardless, default is considered to exist when the payment is 90 days late. The Group writes off a receivable when no possibilities for further cash flows are deemed to exist. The Group's credit exposure is presented in Note 31 *Financial risk management*, pages 126–128.

Tangible fixed assets

Owned assets

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

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

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

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

ROU assets

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

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

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

The ROU asset is initially recognised at the value of the lease liability plus lease fees paid on or before the commencement date for the lease and initial direct fees. The ROU asset is recognised in subsequent periods at cost less depreciation and impairment. In the event that the Group incurs obligations for the dismantling of a leased asset, restoration and renovation of an asset to a condition agreed in the contract, a provision for such obligations is recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Such provisions are included in the cost of the ROU asset as long as they are not linked to production of the good in inventory.

The Group applies the principles in IAS 36 *Impairment of Assets* for ROU assets and recognises this in the way described in the principles for property, plant and equipment recognised as per IAS 16 *Property, Plant and Equipment*.

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

Additional expenses

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

Depreciation principles

Depreciation is applied on a linear basis over the asset's estimated useful life. Land is not depreciated because its useful life is considered indefinite. ROU assets are also depreciated over their estimated useful life or, if shorter, over the agreed lease period. Depreciation begins at the start of the lease. If a lease transfers the right of ownership at the end of the leasing period or if cost includes a probable exercise of a purchase option, the ROU asset is depreciated over the useful life.

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

Operating properties	10–40 years
Plant and equipment	8–15 years
Equipment, tools, fixtures and fittings	3–10 years
Leasing	3–10 years
Land improvements	10–20 years
Improvements on property owned by other	3–8 years

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

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

Intangible assets

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

Goodwill

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment , also see the accounting principle for impairment losses.

Expenses incurred for internally generated goodwill are recognised in profit for the year or when incurred.

Brands

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

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

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

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

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

Other intangible assets

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

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

Additional expenses

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

Amortisation principles

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

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

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

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

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

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

Inventories

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

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

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

Impairment

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

Impairment of tangible and intangible assets

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

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

Reversal of impairment

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

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

Payment of capital to shareholders

Dividends

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

Earnings per share

The calculation of earnings per share is based on consolidated profit attributable to Parent Company shareholders and the weighted average number of shares outstanding during the year. There was an outstanding option programme at year end, which can cause effects of dilutive potential shares. On the balance sheet date, the average price for Series B shares exceeded the subscription price for the warrants outstanding, and accordingly the earnings per share after full dilution were calculated.

Employee benefits

pensions

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

In Sweden, commitments for retirement pensions and family pensions for salaried employees are secured through an insurance plan with Alecta. Such insurance comprises a defined benefit plan covering several employers. For the 2020 financial year, there has been no access to information making it possible to report this as a defined benefit plan. Consequently, this pension obligation is reported as a defined contribution plan.

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

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

Termination benefits

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

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

Variable salary

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

Provisions

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

Restructuring

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

Contingent liability

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

Cash flow statement

The cash flow statement is prepared using the indirect method. The reported cash flow only includes transactions entailing receipts and disbursements.

The cash flow statement reports the interest component in lease fees as cash flow from operating activities before changes in working capital. The other part, also the majority, of the lease fee is recognised as repayment of lease liabilities in cash flow from financing activities with a corresponding increase in cash flow from operating activities before changes in working capital.

Parent company accounting principles

Compliance with standards and regulations

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

Differences between the accounting principles of the Group and Parent Company

The differences between the accounting principles of the Group and Parent Company are described below. The accounting principles of the Parent

Company have been applied consistently to all periods presented in the Parent Company's financial statements.

Changed accounting principles

The Parent Company's accounting principles changed in 2020 as detailed under Group accounting principles.

Others amendments to RFR 2 *Accounting for legal entities* that have entered into force for the 2020 financial year have had no impact on the Parent Company's financial statements.

Changes in accounting principles not yet been applied

Management's assessment is that the agreed changes in RFR 2 *Accounting for Legal Entities* relating to the financial year 2020 and onward will not have any material effect on the Parent Company's financial reports when they first apply.

Classification and presentation

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

Subsidiaries

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

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

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

Financial instruments

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

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

Financial guarantees

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

Anticipated dividends

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

Segment reporting

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

Tangible fixed assets

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

Leased assets

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

Borrowing expenses

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

Intangible fixed assets

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

Employee benefits

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

Taxes

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

Shareholder contributions

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

Group contributions

Group contributions are recognised as appropriations.

Note 2 | Acquisitions of operations

Acquisitions in 2020

Paradiset EMV AB

On 6 May, the remaining 49 percent of the shares and votes in Paradiset EMV AB were acquired, with a trademark license right to develop, manufacture, market and sell products that focus on sustainability and health under the Everyday by Paradiset brand. The purchase consideration amounted to SEK 51 thousand and was paid in cash. Through the acquisition, Midsona gained access to the Everyday by Paradiset brand, which constituted the most important asset in the company. At the time of acquisition, the company had 3 employees.

The business is currently in a product development phase and is expected to be able to launch and establish its first products among Swedish FMCG retailers in 2021.

The acquired business was consolidated into the Midsona Group from 6 May 2020, and is included in the Nordics operating segment in the segment reporting.

Effects of acquisitions

The acquired company's net assets on the acquisition date, SEK million	Fair value
Intangible fixed assets	10
Deferred tax assets	1
Other receivables	0
Cash and cash equivalents	0
Deferred tax liabilities	–2
Accounts payable	0
Other current liabilities	–1
Total	**8**
Fair value of previous holding	0
Negative consolidated goodwill	–8
Total	**0**

Transferred consideration, SEK million	Fair value
Cash on transfer of control	0
Total	**0**

The fair value of identified assets and liabilities of SEK 8 million was allocated to brand license rights of SEK 10 million and a deferred tax liability of SEK 2 million related to the identified intangible fixed asset. This entailed negative consolidated goodwill of SEK 8 million as a result of a low-price acquisition from a bankruptcy, where the pricing of the trademark rights was not market-based. The value of the negative consolidated goodwill corresponds to future expected cash flows from the trademark rights. The negative consolidated goodwill was reported as other operating income in the profit for the year for 2020.

A loss of SEK 8 million was reported following the revaluation of the former 49 percent holding in Paradiset EMV AB. The loss was reported as earnings from participations in joint ventures in the profit for the year for 2020.

Acquisition-related expenses amounted to SEK 382 thousand and were recognised as other operating expenses in profit for the year for 2020. The integration of the acquired operations was implemented during the year and did not entail any restructuring expenses.

The acquisition analysis that has been prepared has been approved.

System Frugt A/S

On October 7, Midsona acquired all of the shares in the Danish company System Frugt A/S with its head office in Tilst, Denmark. The company has three wholly owned subsidiaries with operations in Finland, Sweden and Norway. Midsona is significantly strengthening its position in plant-based foods in the Nordic region and through the acquisition is gaining access to the premium Earth Control brand. The total purchase consideration amounted to SEK 248 million (DKK 175.4 million), corresponding to SEK 297 million (DKK 210.0 million) on a debt-free basis, and was paid in cash. The acquisition was financed partly with new loans of SEK 200 million from the extended credit framework and partly with new loans within the previously agreed credit framework of SEK 48 million.

System Frugt holds a very strong position in healthfoods in Denmark. The company offers a large selection of dried fruits and nuts both under its own brand and as contract manufacturing. The operation is strongly impacted by seasonal variations. In the fourth quarter, sales were significantly higher than in the three first quarters, which was mainly due to increased sales of dried fruits and nuts prior to the Christmas holidays. Net sales amounted to SEK 566 million (DKK 399 million) and EBITDA, adjusted for the effects of IFRS 16, to SEK 35 million (24.8 million) in 2019. Applying IFRS 16, leasing fees on ROU assets amounted to SEK 13 million (DKK 8.9 million) for 2019. Sales are mainly made to customers in the Nordic market, and these operate primarily in FMCG retail. At the time of the acquisition, System Frugt had 113 full-time employees, most of whom were located at the production and warehouse facility at the company's headquarters in Tilst, Denmark.

The acquired business was consolidated into the Midsona Group as of 7 October 2020, and is included in the Nordics operating segment in the segment reporting. From the acquisition date until 31 December 2020, the acquired operations contributed SEK 203 million to consolidated net sales and SEK 22 million to consolidated EBITDA. If the acquisition had occurred on 1 January 2020, estimated consolidated net sales for the 2020 financial year would have been SEK 4,067 million and EBITDA SEK 413 million.

Effects of acquisitions

The acquired company's net assets on the acquisition date, SEK million	Fair value
Intangible fixed assets	173
Tangible assets	48
Deferred tax assets	20
Inventories	119
Accounts receivable	18
Other receivables	9
Prepaid expenses and accrued income	2
Cash and cash equivalents	5
Deferred tax liabilities	–38
Non-current interest-bearing liabilities	–20
Current interest-bearing liabilities	–58
Accounts payable	–111
Other current liabilities	–30
Accrued expenses and deferred income	–38
Total	**99**
Consolidated goodwill	149
Total	**248**

Transferred consideration, SEK million	Fair value
Cash on transfer	248
Total	**248**

The fair value of identified assets and liabilities of SEK 282 million was allocated to brands at SEK 155 million (DKK 109.7 million), customer contracts at SEK 16 million (DKK 11.2 million), deferred tax liabilities at SEK 38 million (DKK 26.6 million) and goodwill at SEK 149 million (DKK 105.2 million), after reduction of values in System Frugt. A brand with a fair value of SEK 150 million (DKK 106.4 million) was deemed to have an indefinite useful life and is not amortised, but is annually tested for impairment. It belongs to the category of strategic brands, which will play a significant future role for the Midsona Group's development in the Nordic market for healthfoods. The other brand with a fair value of SEK 5 million (DKK 3.3 million) was deemed to have a useful life of five years. Customer contracts were assessed as having a useful life of 8 years. The goodwill recognised is not expected to be tax deductible. It corresponds to the acquired company's market position in the Nordic market for healthfoods, the expertise and experience in the industry of its personnel, as well as expected future income and expenditure synergies. The acquisition is expected to generate synergies of SEK 34 million on an annual basis, achieving full effect as of late 2022. The fair value of accounts receivable amounted to SEK 18 million and was, in all material regards, fully settled at the end of the period.

Acquisition-related expenses amounted to SEK 5 million (DKK 3.8 million) and were recognised as other operating expenses in profit for the year for 2020. The integration of the acquired operations was begun during the fourth quarter and entailed restructuring expenses of SEK 12 million.

The prepared acquisition analysis is preliminary, because continued analyses are under way of the value of assets in the acquisition analysis.

Acquisitions in 2019

Eisblümerl Naturkost GmbH

On 4 July, all shares in the German company Eisblümerl Naturkost GmbH were acquired, with offices, warehousing and production facilities in Lauterhofen, Bavaria, Germany. The total purchase consideration amounted to SEK 120 million (EUR 11.3 million), where SEK 83 million (EUR 7.8 million) as paid in cash at takeover and SEK 37 million (EUR 3.5 million) constituted conditional purchase considerations that may be triggered based on earnings targets up to December 2021.

Through the acquisition, Midsona gained access to the Eisblümerl brand and a property with a modern integrated value chain with its own production. The company has a strong position in the German market for organic spreads and offers products under both its own brand and as contract manufacture.

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

Acquisition-related expenses amounted to SEK 1 million (EUR 0.1 million) and were recognised as other operating expenses in profit for the year for 2019. The integration of the acquired business was completed in 2020.

The acquisition analysis that has been prepared has been approved.

Ekko Gourmet AB

On 12 July, all shares were acquired in the Swedish company Ekko Gourmet AB with offices in Malmö. The total purchase consideration amounted to SEK 9 million, where SEK 6 million as paid in cash at takeover and SEK 3 million constituted conditional purchase considerations that may be triggered based on earnings targets up to December 2021.

Through the acquisition, Midsona gained access to the brand Ekko Gourmet, which has a strong position in the Swedish market in the niche of organic frozen meal products.

The acquired operations are consolidated into the Midsona Group effective from 12 July 2019, and from that date are included in the Nordics division, which is reported in the Nordics operating segment in segment reporting.

Acquisition-related expenses amounted to SEK 428 thousand and were recognised as other operating expenses in profit for the year for 2019. The integration of the acquired operations was completed during 2019 and did not entail any restructuring expenses.

The acquisition analysis that has been prepared has been approved.

Alimentation Santé SAS

On 1 October, all shares were acquired in the French company Alimentation Santé SAS with its head office in Lyon, France. The company had three wholly owned subsidiaries, one French and two Spanish, with operations in Saint Germain Laprade (France), Castellcir (Spain) and Jerez de la Frontera (Spain). The acquisition constitutes a strategically important platform for the continued European expansion. The total purchase consideration for the shares amounted to SEK 224 million (EUR 20.9 million). A shareholder loan of SEK 411 million (EUR 38.5 million) was also repaid at the time of the transaction. The total consideration transferred to the seller accordingly amounted to SEK 635 million (EUR 59.4 million). The acquisition was initially financed with a bridge financing of SEK 625 million, which was repaid in November after receiving proceeds for the implemented new share issue.

Alimentation Santé has a strong position in organic food in France and Spain. The company offers a large range of organic grain products and organic vegetable protein products under both its own brand and as contract manufacture.

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

Acquisition-related expenses amounted to SEK 13 million (EUR 1.2 million) and were recognised as other operating expenses in profit for the year for 2019. The integration of the acquired operations was completed during 2020 and did not entail any restructuring expenses.

The acquisition analysis that has been prepared has been approved.

Note 3 | Net sales by major income category

	Group		Parent Company	
SEK million	**2020**	**2019**	**2020**	**2019**
Sale of goods	3,697	3,062	–	–
Service assignments	4	13	–	–
Other income	8	6	59	47
Total	**3,709**	**3,081**	**59**	**47**

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

Note 4 | Operating segments

From 1 January 2020, the number of identified operating segments changed to comprise Nordics, North Europe (formerly Germany) and South Europe. The earlier operating segments Sweden, Norway, Denmark and Finland were aggregated to one operating segment under the name Nordics, as a consequence of the organisational change in the Nordic region with an integrated and centralised operational Nordic operation under common management.

NORDICS: The offering is comprised of products under proprietary brands, licensed brands and contract manufacturing in the categories of healthfoods, consumer health products and organic products for sales to pharmaceutical retail, FMCG, healthfood retailers and other specialist retailers, as well as actors in food service, mainly in the Nordic market.

NORTH EUROPE: The offering is comprised of products under proprietary brands and contract manufacturing in the category of organic products for sales to FMCG, healthfood retailers and other specialist retailers, as well as actors in food service and the food industry, mainly in the German, Austrian and Hungarian market.

SOUTH EUROPE: The offering is comprised of products under proprietary brands, licensed brands and contract manufacturing in the category of organic products for sales to FMCG, healthfood retailers and other specialist retailers, as well as actors in food service and the food industry, mainly in the French and Spanish market.

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

	Nordics		North Europe		South Europe		Group-wide functions		Group	
Operating segments, SEK million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Net sales, external	2,419	2,261	883	731	407	89	–	–	3,709	3,081
Net sales, intra-Group	9	8	16	14	1	–	-26	-22	–	–
Net sales	**2,428**	**2,269**	**899**	**745**	**408**	**89**	**-26**	**-22**	**3,709**	**3,081**
Operating expenses, external	-2,144	-2,015	-846	-711	-371	-77	-91	-108	-3,452	-2,911
Operating expenses, intra-Group	-50	-39	-10	-9	-4	-1	64	49	–	–
Operating expenses	**-2,194**	**-2,054**	**-856**	**-720**	**-375**	**-78**	**-27**	**-59**	**-3,452**	**-2,911**
Operating profit/loss	**234**	**215**	**43**	**25**	**33**	**11**	**-53**	**-81**	**257**	**170**
Financial items									-53	-54
Profit/loss before tax									**204**	**116**
Significant income (+) and expense (-) items reported in the income statement:										
Acquisition-related expenses	0	-1	–	-1	–	–	-5	-15	-5	-17
Acquisition-related revenues (negative consolidated goodwill)	8	–	–	–	–	–	–	–	8	–
Restructuring expenses, net	-21	-14	–	-1	–	–	-4	0	-25	-15
Assessed conditional purchase consideration	2	1	14	9	–	–	20	16	36	26
Intra-Group restructuring	–	28	–	–	–	–	–	-28	–	–
Significant non-cash items:										
Amortisation/Depreciation	-43	-42	-45	-43	-18	-4	-41	-25	-147	-114
Impairment losses on inventories	-12	-5	–	–	0	0	–	–	-12	-5
Impairment of accounts receivable	0	-1	-1	-1	-1	0	0	0	-2	-2
Segment assets	4,168	3,747	980	1,146	986	1,163	-1,092	-1,347	5,042	4,709
Unallocated assets									85	71
Total assets									**5,127**	**4,780**
Segment liabilities	1,203	1,078	316	340	313	460	-1,139	-1,267	693	611
Unallocated liabilities									2,121	1,847
Shareholders' equity									2,313	2,322
Total shareholders' equity and liabilities									**5,127**	**4,780**
Investments in intangible and tangible assets	60	0	8	13	8	5	7	23	83	41
Average number of employees	368	354	211	176	154	36	14	15	747	581
Number of employees as per the balance sheet date	458	350	212	203	150	153	14	15	834	721

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

Internal pricing policy

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

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

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

Information about major customers

In 2020, the Group's largest customer generated income totalling SEK 379 million (348). This income recognised in the Nordics operating segment.

Information on products or product groups

For information on net sales per product or groups of similar products, see Note 5 *Income* for product categories, page 113. However, income for product categories is not available for the comparison year 2019. The Group has concluded that the expense of producing such information for the comparison year cannot be considered commensurate with its usefulness.

Fixed assets for geographic areas[1]

	Group	
SEK million	**2020**	**2019**
Sweden	1,424	1,417
Norway	539	610
Finland	59	56
Denmark	697	353
Germany	650	712
France	476	508
Spain	81	88
Total	**3,926**	**3,744**

[1] Fixed assets by individually significant countries.

Note 5 | Income

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

	Nordics		North Europe		South Europe		Group-wide functions		Group	
Geographic areas[1], SEK million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Sweden	1,098	1,075	1	1	0	–	-1	-1	1,098	1,075
Rest of Europe	1,325	1,191	896	741	395	88	-25	-21	2,591	1,999
Other countries	5	3	2	3	13	1	–	–	20	7
Total	**2,428**	**2,269**	**899**	**745**	**408**	**89**	**-26**	**-22**	**3,709**	**3,081**

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

	Nordics		North Europe		South Europe		Group-wide functions		Group	
Sales channel, SEK million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Pharmacies	340	386	–	–	–	–	–	–	340	386
FMCG retailers	1,601	1,371	390	291	106	22	–	–	2,097	1,684
Food service	70	83	223	220	3	1	–	–	296	304
Healthfood retailers	168	194	246	194	225	60	–	–	639	448
Other specialist retailers	134	112	20	20	3	0	–	–	157	132
Others	106	115	4	6	70	6	–	–	180	127
Group-internal sales	9	8	16	14	1	–	-26	-22	–	–
Total	**2,428**	**2,269**	**899**	**745**	**408**	**89**	**-26**	**-22**	**3,709**	**3,081**

	Nordics		North Europe		South Europe		Group-wide functions		Group	
Product categories[1], SEK million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Organic products	834	–	899	–	407	–	-26	–	2,114	–
Healthfoods	838	–	–	–	–	–	–	–	838	–
Consumer health products	744	–	–	–	–	–	–	–	744	–
Services linked to product handling	12	–	0	–	1	–	0	–	13	–
Total	**2,428**	**–**	**899**	**–**	**408**	**–**	**-26**	**–**	**3,709**	**–**

[1] Income for product categories is not available for the comparison year 2019.

	Nordics		North Europe		South Europe		Group-wide functions		Group	
Brands, SEK million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Proprietary	1,717	1,535	540	488	319	70	-26	-22	2,550	2,071
Licensed	557	692	–	–	35	5	–	0	592	697
Contract manufacture	142	24	359	257	53	13	–	–	554	294
Services linked to product handling	12	18	0	0	1	1	0	0	13	19
Total	**2,428**	**2,269**	**899**	**745**	**408**	**89**	**-26**	**-22**	**3,709**	**3,081**

Note 6 | Other operating income

SEK million	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Capital gains on divestments of tangible fixed assets	0	0	–	–
Exchange rate gains relating to operations	2	2	0	0
Insurance compensation	0	2	–	–
Assessed conditional purchase consideration	36	26	–	–
Acquisition-related revenues (negative consolidated goodwill)	8	–	–	–
Other	6	7	0	0
Total	**52**	**37**	**0**	**0**

Note 7 | Other operating expenses

SEK million	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Capital gains on divestments of intangible assets	–	–	–	–
Capital loss on divestments of tangible assets	0	-3	–	–
Exchange rate losses relating to operations	0	-4	0	–
Acquisition-related expenses	-5	-17	–	-2
Other	-1	-1	0	-1
Total	**-6**	**-25**	**0**	**-3**

Note 8 | Operating expenses by expense category

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

SEK million	Group 2020	Group 2019
Expenses for goods and materials	-2,342	-1,979
Personnel expenses	-442	-382
Selling expenses	-204	-181
Marketing expenses	-76	-61
Rental and other property expenses	-35	-25
Purchase of services	-106	-81
Depreciation/amortisation	-147	-114
Impairment	-15	-7
Other direct and indirect expenses	-125	-93
Other operating expenses	-12	-25
Total	**-3,504**	**-2,948**

Note 9 | Auditors’ fees and reimbursements

SEK million	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Deloitte				
Audit assignment	-3	-3	-1	-1
Auditing tasks beyond the audit assignment	-1	-1	-1	0
Tax advice	0	0	0	0
Other assignments	-1	-1	0	-1
Total	**-5**	**-5**	**-2**	**-2**

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

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

Employees

Average number of employees by country	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Sweden	144	140	14	15
of whom women	*73*	*65*	*3*	*5*
Norway	55	68	–	–
Finland	29	26	–	–
Denmark	154	135	–	–
Germany	211	176	–	–
France	72	16	–	–
Spain	82	20	–	–
Total abroad	**603**	**441**	**–**	**–**
of whom women	*281*	*216*	*–*	*–*
Total	**747**	**581**	**14**	**15**
of whom women	*354*	*281*	*3*	*5*

Number of women in company management teams, %	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Boards of Directors	45	29	33	33
President and management team	42	41	33	33

Personnel expenses

Personnel expenses, SEK million	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Salaries and other remuneration				
Board of Directors, President and management team [1]	-69	-61	-10	-10
of which variable salary	*-6*	*-2*	*-1*	*-1*
of which severance pay	*–*	*-2*	*–*	*–*
Other employees	-256	-229	-8	-7
of which variable salary	*-3*	*-2*	*0*	*0*
of which severance pay	*-1*	*-2*	*–*	*–*
Total salaries and other remuneration	**-325**	**-290**	**-18**	**-17**
Pension expenses, defined contribution plans [2]				
Board of Directors, President and management team [1]	-8	-8	-3	-4
Other employees	-30	-19	-1	-1
Total pension expenses	**-38**	**-27**	**-4**	**-5**
Social security expenses				
Board of Directors, President and management team [1]	-15	-11	-4	-4
Other employees	-53	-43	-2	-1
Total social security expenses	**-68**	**-54**	**-6**	**-5**
Other personnel expenses				
Board of Directors, President and management team [1]	0	0	0	0
Other employees	-11	-11	0	-1
Total other personnel expenses	**-11**	**-11**	**0**	**-1**
Total personnel expenses	**-442**	**-382**	**-28**	**-28**

[1] With regard to the Group, “Board of Directors” refers to all boards of Group companies. Members of the Boards of subsidiaries consist of employees who do not receive Board fees for their services. With regard to the Group, “President” refers to all persons holding the position of President in any Group company. “Management team” includes all management teams in Group companies. An individual can have more than one Board assignment while being included in more than one management team within the Group. Collectively, the Boards of Directors, Presidents and management teams consist of 120 (96) individuals in the Group and 12 (12) individuals in the Parent Company.

[2] For more information on pension expenses, see Note 28 *Provisions for pensions*, page 125.

Remuneration of senior executives

Remuneration of members of the Board of the Parent Company

Definitions

Since the Annual General Meeting on 25 June 2020, the Board of Directors is comprised of Ola Erici (Chairman of the Board), Heli Arantola, Sandra Kottenauer, Henrik Stenqvist, Peter Wahlberg and Johan Wester.

Principles for remuneration of Board

The 2020 Annual General Meeting resolved that fees for 2020/2021 should be paid to the Chairman in the amount of SEK 550 thousand and to the other members of the Board who are not employees of the company in the amount of SEK 235 thousand each. SEK 50 thousand shall also be paid to the chair of the Audit Committee, SEK 30 thousand to every other Board member, who is on the Audit Committee, SEK 30 thousand to the Remuneration Committee chair and SEK 20 thousand to each Board member, who is on the Remuneration Committee. Authorised fees totalled SEK 1,905 thousand. Beyond this remuneration, members of the Board are not entitled to any other compensation other than for travel and lodging. Remuneration of members of the Board is prepared by the Nominating Committee and approved by the Annual General Meeting.

Board fees

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

Remuneration of Board members, SEK thousands	Parent Company 2020			
	Board fees	Fee Remuneration Committee	Fee Audit Committee	Total
Ola Erici (Chairman)	550	30	–	580
Heli Arantola	235	20	–	255
Sandra Kottenauer	235	–	–	235
Henrik Stenqvist	235	–	50	285
Peter Wahlberg	235	–	30	265
Johan Wester	235	20	30	285
Total	**1,725**	**70**	**110**	**1,905**

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

Remuneration of senior executives

Definitions

Senior executives are those who, together with the CEO Peter Åsberg, were included in Group Management during all or part of the year. These senior executives were Lennart Svensson, Ulrika Palm, Tobias Traneborn, Erk Schuchhardt and Marjolaine Cevoz-Goyat.

Guidelines for remunerations to senior executives

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

The 2020 Annual General Meeting approved the following guidelines for the remuneration of senior executives to apply until a need arises for significant changes in the guidelines, although not longer than to the 2024 Annual General Meeting. Senior executives are to be offered competitive remunerations in line with the market. Remuneration levels for individual executives are to be based on factors including position, competence, experience and performance. The remuneration consists of fixed salary, a possibility of variable remuneration in the form of bonus, insurance policies, pension benefits, severance pay and other benefits.

Fixed salary shall be based on the individual employee's position, expertise, experience and performance The fixed salary shall be subject to an annual review.

Variable remuneration shall be tied to predetermined and measurable criteria with the aim of promoting the company's long-term value creation, business strategy and sustainable long-term interests. The distribution between fixed salary and remuneration that is not determined in advance shall be in proportion to the executive's responsibility and authority. Variable remuneration shall be based on the fulfilment of individual targets that are set by the Board of Directors for the CEO and by the Remuneration Committee upon proposals by the CEO for other senior executives. Such targets can, for example, be linked to profit, sales, cash flow and the outcome in their own area of responsibility. The measurement period for the criteria linked to variable remuneration shall be one year.

The CEO will have the possibility of variable remuneration, which for a one-year period may not exceed 50 percent of the basic salary and others in Group Management, which for a one-year period may not exceed 30 percent of the basic salary.

The Board of Directors is responsible for the assessment regarding variable remuneration for the CEO. In terms of variable remuneration of other senior executives, the Remuneration Committee in consultation with the CEO is responsible for the assessment. The assessment of whether or not the company's financial targets have been achieved is to be based on the most recent annual report published by the company. In the annual evaluation, the Remuneration Committee, or where applicable the Board, can adjust the targets and the remuneration for both positive and negative extraordinary events, reorganisations and structural changes.

Pension benefits shall be defined-contribution benefits and normally entitle the individual to pension from the age of 65. For all senior executives, pension benefits can amount to a maximum of 25 percent of the pensionable salary.

All senior executives can be given the right to other benefits with the aim of contributing to facilitating the senior executive's possibilities of fulfilling his or her duties. Other benefits may, for example, be health insurance, life insurance medical expenses insurance and a company car and travel benefits. Such benefits are to be market-based and can total to a maximum of ten (10) percent of the fixed annual salary.

For employment conditions that are subject to rules other than Swedish, insofar as pension benefits and other benefits are concerned, necessary adjustments may be made to comply with such compulsory rules or local practice, whereby these guidelines' overall purpose shall be fulfilled.

Upon termination by the company, a period of notice of a maximum of 12 months applies. If the CEO's employment ends on the company's initiative, a severance pay of six (6) months' salary will be payable in addition to salary during the period of notice. Fixed salary during the period of notice and severance pay combined may not exceed an amount equivalent to the senior executive's fixed salary for 24 months.

Remuneration and other terms of employment for the President are prepared by the Remunerations Committee and approved by the Board of Directors. Remuneration and other terms of employment for other members of the management team are determined by the Remuneration Committee in consultation with the CEO. The Board of Directors is kept continuously up-to-date regarding remuneration levels for other senior executives.

The Board may decide to temporarily deviate from the guidelines in part or in whole if in an individual case special reason exists to do so and a deviation is necessary to provide for long-term interests, including sustainability, or to secure the company's financial strength. As stated above, the Remuneration Committee's tasks include preparing the Board's decisions in remuneration issues, which also include decisions on deviations from the guidelines.

Remuneration and other benefits

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

Remuneration and other benefits to the CEO and Group Management, SEK thousand	2020				
	Basic salary	Variable Remuneration	Other benefits	Pension expenses	Total
Peter Åsberg, CEO	4,045	2,007	153	1,407	7,612
Group Management (5 individuals)	9,742	1,942	436	2,191	14,311
Total	**13,787**	**3,949**	**589**	**3,598**	**21,923**
	2019				
Peter Åsberg, CEO	3,780	551	145	1,297	5,773
Group Management (8 individuals)	13,048	966	755	2,932	17,701
Total	**16,828**	**1,517**	**900**	**4,229**	**23,474**

Comments on the table

- For the 2020 financial year, variable remuneration amounting to SEK 2,007 thousand was paid to the CEO. The variable remuneration accounted for 50 percent of base salary.
- For the 2020 financial year, variable remuneration of SEK 1,942 thousand was paid to the other members of Group Management, which corresponded to 20 percent of base salary.
- For the 2019 financial year, variable remuneration amounting to SEK 551 thousand was paid to the CEO. The variable remuneration accounted for 15 percent of base salary.
- For the 2019 financial year, variable remuneration of SEK 966 thousand was paid to the other members of Group Management, which corresponded to 7 percent of base salary.
- Pension expenses refer to the expenses that affected profit for the year, excluding income tax.
- Other benefits primarily refer to company cars and telephones.

Share-related benefits

In December, senior executives subscribed for 213,180 Series B shares with support from warrants, which were issued in the scope of the warrant programme TO2017/2020. Of the 187,000 warrants transferred to senior executives, 187,000 warrants were exercises, whereby the company received SEK 10,659,000. Each warrant entitled the holder to 1.14 Series B shares at the subscription price of SEK 50.00, after translation according to the terms. The transaction was made on market terms. The shares have not yet been registered and the issue is noted as on-going at 31 December. The increase in the number of Series B shares will entail a dilution by 0.3 percent of the shares.

Accordingly, one option programme was outstanding at the end of the year, the TO2019/2022 series. In the TO2019/2022 series, 148,000 warrants were outstanding and can provide a maximum of 149,480 new Series B shares on full conversion. On the transaction date, the fair value per warrant was SEK 6.30. The transfer of the warrants took place at market terms based on a calculation according to the Black & Scholes model. The subscription price for the option programme was recalculated in light of the dividend paid and was calculated at SEK 50.20 (previously SEK 50.60).

Note 11 | Net financial items

	Group		Parent Company	
SEK million	**2020**	**2019**	**2020**	**2019**
Profit/loss from participations				
Dividends from subsidiaries[1]			153	217
Impairment of shares in subsidiaries			-49	-84
Profit/loss from participations in joint ventures	-8	-1		
Total	**-8**	**-1**	**104**	**133**
Financial income				
Interest income	0	0	0	0
Interest income, subsidiaries			28	24
Exchange rate gains	14	0	16	7
Other financial income	0	–	–	–
Total	**14**	**0**	**44**	**31**
Financial expenses				
Interest expenses	-34	-36	-25	-27
Interest expenses, subsidiaries			0	-1
Exchange rate losses	-18	-6	-40	-4
Other financial expenses	-7	-11	-4	-9
Total	**-59**	**-53**	**-69**	**-41**
Total financial items	**-53**	**-54**	**79**	**123**

[1] The dividends from subsidiaries of SEK 153 million (217), include SEK 19 million (96) in anticipated dividends.

Note 12 | Appropriations

	Parent Company	
SEK million	**2020**	**2019**
Group contributions received	41	32
Total	**41**	**32**

Note 13 | Taxes

	Group		Parent Company	
Recognised in profit for the year, SEK million	**2020**	**2019**	**2020**	**2019**
Current tax				
Current tax	-28	-24	–	–
Adjustment of tax relating to previous years	1	-2	–	–
	-27	**-26**	**–**	**–**
Deferred tax				
Deferred tax relating to temporary differences	10	11	0	0
Deferred tax resulting from changes in tax rates	2	4	–	–
Deferred tax income in tax loss carryforwards capitalised during the year	2	10	–	–
Deferred tax expense resulting from utilisation of previously capitalised tax loss carryforwards	-15	-17	–	–
Adjustment of deferred tax relating to previous years	–	-1	–	-1
	-1	**7**	**0**	**-1**
Total	**-28**	**-19**	**0**	**-1**

Current tax

	Group		Parent Company	
Reconciliation of tax, SEK million	**2020**	**2019**	**2020**	**2019**
Profit/loss before tax	**204**	**116**	**102**	**134**
Tax at the applicable tax rate for the Parent Company of 21.4 % (21.4)	-44	-25	-22	-29
Non-taxable dividends from subsidiaries	–	–	33	47
Non-deductible impairment of shares in subsidiaries	–	–	-10	-18
Other non-deductible expenses/ Other non-taxable income	12	5	0	0
Effect of other tax rates on foreign subsidiaries	-3	-1	–	–
Effect of changed tax rates	2	3	0	–
Increase in tax loss carryforwards without corresponding capitalisation of deferred tax	0	-1	–	–
Decrease / Increase in deductible temporary differences without corresponding capitalisation of deferred tax	4	2	–	–
Tax attributable to previous years	1	-2	-1	-1
Standard interest on tax allocation reserve	0	0	–	–
Total	**-28**	**-19**	**0**	**-1**
Reported effective tax rate, %	13.8	16.0	0.1	0.5

The applied corporate tax rate in Sweden was 21.4 percent. Foreign subsidiaries applied local tax rates. The reported effective tax rate was 13.8 percent (16.0) for the Group. The low effective tax rate was mainly attributable to income from estimated conditional purchase considerations from previous years' acquisitions and not corresponding to taxes in any legal entity and effects of a changed tax rate in France. The effective tax rate for the Parent Company was 0.1 percent (0.5) as a consequence of non-taxable dividends from subsidiaries.

Changed tax rates

In France, a decision was made to reduce the corporate tax rate from 28.0 percent to 26.5 percent as of 1 January 2021 and to reduce the corporate tax rate from 31.0 percent to 28.0 percent as of 1 January 2020. In line with these changes, deferred tax assets/liabilities were revalued in December 2020 and December 2019, respectively.

In 2018 in Sweden, a reduction was approved of the corporate tax rate from 22.0 percent to 20.6 percent in two steps, on 1 January 2019 to 21.4 percent and on 1 January 2021 to 20.6 percent. In line with these changes, deferred tax assets/liabilities were revalued in December 2018 and December 2020 based on anticipated outflows and the tax rate applicable at that time.

Deferred tax

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

Changes in deferred tax in temporary differences and tax loss carryforwards, SEK million	**Opening balance 1 Jan 2020**	**Other adjustments**	**Recognised in the income statement**	**Translation differences**	**Change through acquisition of operations**	**Closing balance 31 Dec 2020**	**Opening balance 1 Jan 2020**	**Recognised in the income statement**	**Closing balance 31 Dec 2020**
Deferred tax liability									
Intangible fixed assets	293	–	–9	–12	40	312	–	–	–
Tangible fixed assets	8	–	–2	0	–	6	–	–	–
Inventories	0	–	1	0	–	1	–	–	–
Provisions	0	–4	4	0	–	0	–	–	–
Untaxed reserves	20	–	3	–	–	23	–	–	–
Total deferred tax liability	**321**	**–4**	**–3**	**–12**	**40**	**342**	**–**	**–**	**–**
Deferred tax assets									
Intangible fixed assets	4	–	2	–1	7	12	–	–	–
Tangible fixed assets	1	–	0	0	5	6	0	0	0
Inventories	0	–	0	0	0	0	–	–	–
Provisions	1	–	6	0	2	9	–	–	–
Tax loss carryforwards	65	–	–12	–1	6	58	2	0	2
Total	**71**	**–**	**–4**	**–2**	**20**	**85**	**2**	**0**	**2**
Total net deferred tax liability	**250**	**–4**	**1**	**–10**	**20**	**257**	**–2**	**0**	**–2**

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

Temporary differences

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

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

Tax loss carryforwards

The total tax-loss carryforwards in the Group amounted to SEK 346 million (303) at 31 December 2020, of which SEK 271 million (296) was capitalised in the consolidated balance sheet. Capitalised tax-loss carryforwards decreased as a result of them being utilised against taxable profit, mainly in Sweden. The maturities of the tax loss carryforwards were essentially indefinite. There was a SEK 75 million tax loss carryforward at year-end, which was not capitalised in the consolidated balance sheet as there was uncertainty whether it could be offset against future taxable profit.

Note 14 | Earnings and dividend per share

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

	Group	
Earnings per share before and after dilution	**2020**	**2019**
Profit for the year, SEK million	176	97
Number of shares on balance sheet date, thousands	65,005	65,005
Average number of shares during the period, thousands	65,005	48,179
Average number of shares during the period, after dilution, thousands	65,364	48,179
Earnings per share, SEK	2.70	2.02
Earnings per share after dilution, SEK	2.69	2.02

The weighted average number of shares was 65,004,608 (48,178,588); the number was impacted by new share issues in 2019. For further information on the new share issues, please see Note 25 *Equity* on page 124. The number of outstanding registered shares was 65,004,608 (65,004,608) at year-end.

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

On the balance sheet date, the average price for Series B shares exceeded the subscription price for the warrants outstanding, and accordingly the earnings per share after full dilution were calculated.

Dividend

The Board of Directors proposes that a dividend be paid in an amount of SEK 1.25 per share (1.25) for 2020, equivalent to SEK 81,522,235 (81,255,760) including 213,180 unregistered Series B shares in an ongoing issue at year-end.

Note 15 | Intangible assets

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

	Group				Parent Company
SEK million	**Goodwill**	**Brands**	**Other intangible assets**	**Total**	**Other intangible assets**
Accumulated cost					
Opening balance 1 Jan 2020	1,966	1,206	216	3,388	65
Acquired through business combinations	147	155	41	343	–
Other acquisitions/investments	–	55	7	62	5
Sales/scrappings	-2	–	-3	-5	–
Reclassification	–	–	0	0	–
Translation difference for the year	-94	-35	-7	-136	–
Closing balance 31 Dec 2020	**2,017**	**1,381**	**254**	**3,652**	**70**
Accumulated amortisation					
Opening balance 1 Jan 2020	-156	-125	-49	-330	-8
Acquired through business combinations	–	–	-14	-14	–
Amortisation for the year	–	-21	-27	-48	-7
Sales/scrappings	2	–	3	5	–
Reclassification	0	–	0	0	–
Translation difference for the year	17	4	3	24	–
Closing balance 31 Dec 2020	**-137**	**-142**	**-84**	**-363**	**-15**
Carrying amount, 31 Dec 2020	**1,880**	**1,239**	**170**	**3,289**	**55**

The carrying amount for the item other intangible assets included SEK 111 million (108) for customer relations and customer contracts and SEK 58 million (59) for software.

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

Asset acquisition, trademark rights to Gainomax

On 1 September, Midsona acquired the asset of trademark rights to Gainomax, one of Sweden's most well-known brands in sports nutrition, offering products for exercise recovery and functional snacks, such as milk-based sports drinks and protein bars. The purchase consideration amounted to SEK 60 million, including acquisition-related expenses, with SEK 55 million being allocated for the brand and SEK 5 million being allocated for related brand profiled inventory. Acquired assets were financed with new loans of SEK 60 million within the agreed credit framework.

Acquired assets are consolidated into the Midsona Group as of 1 September 2020, and are included in the Nordics operating segment in the segment reporting. The Gainomax trademark rights are assessed to have a useful life of 20 years.

Borrowing expenses

No borrowing expenses are included in the cost of assets, either for 2020 or for 2019.

Amortisation

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

Amortisation for the year included in the income statement, SEK million	Group		Parent Company	
	2020	2019	2020	2019
Expenses for goods sold	0	0	–	–
Selling expenses	-38	-30	–	–
Administrative expenses	-10	-6	-7	-3
Total	**-48**	**-36**	**-7**	**-3**

For information on amortisation, see Note 1 *Accounting principles*, pages 102–109.

Change in identified cash generating units

From 1 January 2020, the number of identified cash generating units changed to comprise the Nordics, North Europe (formerly Germany) and South Europe. The earlier four cash generating units Sweden, Norway, Denmark and Finland were aggregated to one group of cash generating units under the name Nordics, as a consequence of the organisational change in the Nordic region with an integrated operational Nordic operation under common management. The follow-up and the internal governance of goodwill was changed in connection with the organisational change.

Impairment testing

Impairment requirements on goodwill were tested in the third quarter of 2020. This must be done once a year or as soon as changes indicate that an impairment requirement exists, such as in changed market conditions, decisions on divestment or business closures. The impairment testing is done for both goodwill and brands jointly by calculating the recoverable amount for the cash-generating units to which goodwill and brands are allocated, as the cash flows attributable to brands cannot be distinguished from other cash flows in the respective cash-generating unit.

Brands that are deemed to have an indefinite useful life originate from acquisitions. The assessment that the useful life is indefinite is based on a number of circumstances presented in Note 1 *Accounting principles*, pages 102–109.

Identified cash generating units match the Group's operating segments of the Nordics, North Europe and South Europe. Intangible assets with indeterminable useful lives are allocated to cash-generating units according to the following at year-end.

Intangible assets with indefinite useful lives per cash-generating unit, SEK million.	Discount rate before tax, %	2020	2019
Nordics	9.6 (9.1)		
Goodwill		1,366	1,277
Brand		821	685
North Europe	10.1 (9.4)		
Goodwill		217	225
Brand		116	121
South Europe	10.0 (9.5)		
Goodwill		297	308
Brand		105	109
Goodwill		**1,880**	**1,810**
Brand		**1,042**	**915**
Total		**2,922**	**2,725**

The recoverable amount was determined based on calculations of value in use. These calculations are based on internal forecasts in the business plan established by Group Management and approved by the Board for the next five years. Management's assessments were based on both historical experience and current information on the market trend. The assumptions regarding net sales growth, raw material price trend, discount rate and efficiency gains in the supply chain, sales and administration organisation as a result of steps taken constituted important variables for estimated value in use. Assumptions on growth of sales volumes were made at 2-4 percent and the growth rate applied is consistent in all material respects with the forecasts included in sector reports on future market growth. The effects of expansion investments are excluded when testing for impairment. After the forecast period, the cash flows were extrapolated with an assumed sustained growth of 2 percent (2), which is in line with the assessed sustained growth rate for the respective cash-generating unit. Both operating capital changes and investments were taken into account in the extrapolated cash flows. Estimated future cash flows according to such assessments accordingly constituted the basis for estimated values in use. In the present value calculation of the future cash flows, a discount rate was applied before tax between 9.6–10.1 percent (9.1-9.5) depending on the cash-generating unit. The discount rate differed somewhat between them as the risk profile was not deemed to be the same.

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

Impairment

No impairment was applied to intangible fixed assets in 2020 or 2019, neither in the Group nor the Parent Company. For information on impairment, see Note 1 *Accounting principles*, pages 102–109.

Note 16 | Tangible assets

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

SEK million	Group: Operating properties	Group: Plant and equipment	Group: Equipment, fixtures and fittings	Group: Leasing[1]	Group: Other tangible assets	Group: Total	Parent Company: Equipment, fixtures and fittings
Accumulated cost							
Opening balance 1 Jan 2020	186	412	155	357	31	1,141	8
Acquired through business combinations	–	60	12	33	18	123	–
Other acquisitions/investments	1	9	6	15	5	36	2
Sales/scrappings	–	0	-2	-19	–	-21	–
Reclassification	-6	18	0	0	-12	0	–
Translation difference for the year	-6	-19	-6	-16	0	-47	–
Closing balance 31 Dec 2020	**175**	**480**	**165**	**370**	**42**	**1,232**	**10**
Accumulated depreciation							
Opening balance 1 Jan 2020	-78	-226	-113	-130	-9	-556	-5
Acquired through business combinations	–	-49	-12	-2	-14	-77	–
Depreciation for the year	-8	-28	-10	-51	-2	-99	-2
Sales/scrappings	–	0	2	19	–	21	–
Reclassification	3	-3	0	0	0	0	–
Translation difference for the year	3	11	5	8	0	27	–
Closing balance 31 Dec 2020	**-80**	**-295**	**-128**	**-156**	**-25**	**-684**	**-7**
Carrying amount, 31 Dec 2020	**95**	**185**	**37**	**214**	**17**	**548**	**3**

[1] For more information on rights of use assets, see Note 17 *Leasing*, on page 121.

The item other tangible fixed assets was essentially comprised of improvements to property owned by another.

Borrowing expenses

No borrowing expenses are included in the cost of assets, either for 2020 or for 2019.

Depreciation

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

Depreciation for the year included in the income statement, SEK million	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Expenses for goods sold	-73	-55	–	–
Selling expenses	-6	-5	–	–
Administrative expenses	-20	-18	-2	-1
Total	**-99**	**-78**	**-2**	**-1**

For information on depreciation, see Note 1 *Accounting principles*, pages 102–109.

Impairment

No impairment was applied to tangible fixed assets in 2020 or 2019, neither in the Group nor the Parent Company. For information on impairment, see Note 1 *Accounting principles*, pages 102–109.

Note 17 | Leasing

Recognised on the balance sheet

The Group recognises a right of use (ROU) asset and a corresponding lease liability for all leases in which the Group is the lessee, except for short-term leases (leases with a lease term of no more than 12 months) and for leases where the underlying asset has a lesser value. The lease portfolio mainly comprises:

- office, factory and warehouse premises recognised in the asset class of operating properties,
- production equipment recognised in the asset class of *plant and machinery*, and
- forklifts, vehicles and IT-related equipment recognised in the asset class of *equipment, tools, fixtures and fittings*.

The most significant leases pertain to office, factory and warehouse premises.

ROU assets OB/CB per leasing class, SEK million	Group			
	Operating properties	Plant and machinery	Equipment, tools, fixtures and fittings	Total
Opening balance 1 Jan 2019	179	22	17	218
Acquired through business combinations	8	–	1	9
Other acquisitions/investments	35	–	10	45
Amortisation/depreciation for the year	-31	-5	-8	-44
Concluded contracts	-5	–	0	-5
Reclassification	–	0	0	0
Translation difference for the year	3	1	0	4
Closing balance 31 Dec 2019	**189**	**18**	**20**	**227**

ROU assets OB/CB per leasing class, SEK million	Group			
	Operating properties	Plant and machinery	Equipment, tools, fixtures and fittings	Total
Opening balance 1 Jan 2020	189	18	20	227
Acquired through business combinations	21	4	6	31
Other acquisitions/investments	4	0	13	17
Amortisation/depreciation for the year	-34	-5	-12	-51
Concluded contracts	0	–	0	0
Reclassification	–	0	0	0
Translation difference for the year	-7	-2	-1	-10
Closing balance 31 Dec 2020	**173**	**15**	**26**	**214**

The ROU assets are included on the line tangible assets in the balance sheet.

The lease liability is initially measured at the present value of the future lease fees, which have not been paid as of the beginning date for the leases.

Lease liabilities recognised in the balance sheet, SEK million	Group	
	2020	2019
Current liabilities	55	47
Non-current liabilities	159	179
Total	**214**	**226**

Lease liabilities are included on the lines non-current interest-bearing liabilities and current interest-bearing liabilities in the balance sheet.

Recognised in the income statement

Recognition of depreciation of assets with ROU instead of lease fees entailed a less positive impact on consolidated operating profit. The following expenses are recognised in the consolidated income statement for leasing.

Amounts recognised in the income statement, SEK million	Group	
	2020	2019
Depreciation of ROU assets	-50	-44
Interest expenses for lease liabilities	-5	-5
Expenses attributable to short-term leases and leases of a low value	-3	-7
Expenses attributable to variable lease fees	-2	-1

Obligations regarding short-term leases for 2020 were significantly lower compared with 2019 as the relief rule for short-term leases was applied at the transition.

The total cash flow for leased assets was SEK 58 million (60).

The future expected leasing payments were presented in the table with values that are not discounted.

Future lease payments, SEK million	Group	
	2020	2019
Due for payment within one year	60	50
Due for payment after more than one year but within two years	56	43
Due for payment after more than two years but within three years	36	39
Due for payment after more than three years but within four years	25	31
Due for payment after more than four years but within five years	20	24
Due for payment after more than five years	38	58
Total	**235**	**245**

Parent Company leasing expenses amounted to SEK 6 million (5) and future lease commitments amounted to SEK 18 million (21) at year-end. The most relevant leasing commitment for the Parent Company was premises rent for the head office in Malmö.

Qualitative disclosures

The lease portfolio for ROU assets contained 212 contracts (164) with an average remaining lease period of 46 months (26) at year-end. The majority of the contracts, 85 percent (83), were related to forklifts and company cars. In terms of amounts, the majority of the contracts, 81 percent (84), were attributable to office, warehouse and factory premises, however. In 2020, 15 contracts (3) were ended early. The majority of these contracts were company cars attributable to the sales organisation.

Leases contain no limitations in addition to collateral in the leased assets. The variable fees or potential residual value guarantees do not reach any material amounts. Insofar as the contracts are based on indexes, the lease fees in applicable cases are adjusted according to the rules in IFRS 16 and accordingly are taken into account in both ROU assets and lease liabilities at year-end.

There were no significant leases at year-end that were signed, but not commenced. Nor were there any significant sublets of ROU assets.

Note 18 | Participations in subsidiaries

	Corporate identity number	Domicile	Number of shares	Proportion of capital/ voting rights	Book value, SEK million
Alimentation Santé SAS	815,274,956	Lyon, France	50,000	100%	190
Celnat SAS	585,650,096	St-Germain-Laprade, France	–	100%	–
Anpartsselskabet Af 9 September 2010	33151705	Tilst, Denmark	665,100	100%	254
System Frugt A/S	13473498	Tilst, Denmark	–	100%	–
System Frugt Oy	2623432-3	Esbo, Finland	–	100%	–
Bioglan AS	970,968,660	Oslo, Norway	1,400	100%	433
Midsona Norge AS	979,473,559	Oslo, Norway	–	100%	–
System Frugt Norge AS	923,609,415	Oslo, Norway	–	100%	–
Bringwell AB in liquidation	556484-3232	Stockholm, Sweden	258,225,180	100%	–
Bringwell Sverige AB in liquidation	556518-6789	Falköping, Sweden	–	100%	–
Midsona Deutschland GmbH[1]	HRB 7603	Ascheberg, Germany	300,000	100%	351
Midsona Denmark A/S	31493994	Mariager, Denmark	6,000,000	100%	259
Midsona Finland Oy	1732881-1	Salo, Finland	16,000	100%	43
Midsona Sverige AB	559037-5951	Malmö, Sweden	15,937,684	100%	859
Ekko Gourmet AB	556795-7682	Malmö, Sweden	–	100%	–
ParadisetEMV AB	559208-5335	Malmö, Sweden	–	100%	–
System Frugt AB	556942-6587	Helsingborg, Sweden	–	100%	–
Trettiosjucorp AB	556480-0224	Malmö, Sweden	165,797	100%	–
Urtekram Sverige AB	556420-6646	Malmö, Sweden	2,000	100%	–
Vitalas AB	556572-5040	Malmö, Sweden	–	100%	–
Vegetalia SLU[2]	B59950097	Castellcir, Spain	3,494	100%	157
Total book value in the Parent Company					**2,546**

[1] On 1 January 2020, Eisblümerl Naturkost GmbH iwas merged with Midsona Deutschland GmbH.
[2] On 1 January 2020, Satoki SLU was merged with Vegetalia SLU.

	Parent Company	
SEK million	**2020**	**2019**
Accumulated cost		
Opening balance	3,756	3,536
Acquisitions of subsidiaries	411	236
Revaluation, purchase consideration	–20	–16
Shareholder contributions in subsidiaries	2	–
Closing balance	**4,149**	**3,756**
Accumulated impairment		
Opening balance	–1,554	–1,470
Impairment for the year on shares in subsidiaries	–49	–84
Closing balance	**–1,603**	**–1,554**
Book value	**2,546**	**2,202**

Impairment for the year on shares in subsidiaries is recognised in the income statement under "Profit from participations in subsidiaries".

Note 19 | Participations in joint ventures

On 10 October 2019, 25,500 shares were acquired, corresponding to 51 percent of the shares and votes in the company Paradiset EMV AB, corp. ID no. 559208-5335, with a trademark licence right to develop, manufacture, market and sell healthfoods that focus on sustainability and health under the brand Everyday by Paradiset. On 6 May 2020, the remaining 49 percent of the shares and votes in Paradiset EMV AB were acquired, see Note 2 *Acquisition of business* pages 110–111 for the acquisition analysis.

Paradiset EMV AB was reported as a joint arrangement in the form of a joint venture in accordance with the equity method in the financial statements until 6 May, when the controlling influence in the company was obtained. The previous holding in Paradiset EMV AB was valued at fair value based on the transaction in which the controlling influence was obtained. This revaluation resulted in a loss as the previously recognised book value of shares in joint ventures in the consolidated accounts exceeded fair value. The capital loss amounted to SEK 8 million and was reported as earnings from participations in joint ventures in the profit for the year for 2020.

	Group	
SEK million	**2020**	**2019**
Accumulated cost		
Opening balance	26	–
Acquisition of joint venture	–	25
Share in profits	–1	–1
Shareholders' contribution in joint venture	0	–
Revaluation of conditional purchase considerations	–17	2
Closing balance	**8**	**26**
Divestment fair value	–8	
Total	**–**	

Note 20 | Receivables from, and liabilities to, subsidiaries

SEK million	PARENT COMPANY	
	2020	2019
Fixed assets		
Interest-bearing receivables	1,097	1,149
Total	**1,097**	**1,149**
Current assets		
Interest-bearing receivables[1]	–	–
Other receivables	57	152
Total	**57**	**152**
Total	**1,154**	**1,301**
Non-current liabilities		
Interest-bearing liabilities	–	–
Total	**–**	**–**
Current liabilities		
Interest-bearing liabilities[1]	280	389
Other liabilities	1	1
Total	**281**	**390**
Total	**281**	**390**

[1] Interest-bearing receivables and liabilities refer to the consolidated accounts with internal interest.

Note 21 | Other non-current receivables and other receivables

SEK million	Group		Parent Company	
	2020	2019	2020	2019
Other non-current receivables that are fixed assets				
Deposits	3	3	–	–
Other financial assets	1	1	–	–
Total	**4**	**4**	**–**	**–**
Other receivables that are current assets				
Receivables, factoring[1]	18	–	–	–
Receivables from suppliers	18	14	–	–
Other receivables	8	4	5	6
Total	**44**	**18**	**5**	**6**

[1] Factoring assumed in business combination in October 2020. Concluded in March 2021.

Note 22 | Inventories

SEK million	Group	
	2020	2019
Raw materials and consumables	239	184
Products in process	9	10
Completed products and goods for resale	395	335
Total	**643**	**529**

In the consolidated income statement, impairment losses on inventories were included in the item cost of goods sold at a negative SEK 8 million and selling expenses in an amount of SEK 4 million (5). The increase was essentially attributable to the phase-out of both packaging material and finished products with out-of-date logotypes for Nordic organic brands.

Note 23 | Accounts receivable

Customers are primarily chains in the pharmacy, FMCG and healthfood retail trade and other specialist retailers, as well as actors in food service and the food industry. A large part of net sales, 63 percent (71), derive from sales to customers in the Nordic market. The Group's ten largest customers accounted for 43 percent (46) of net sales.

Sales are largely based on a framework agreement that specifies general delivery terms and discounts for a year at a time. Normally, assortment evaluations are performed a couple of times a year, in connection with which price levels can also be adjusted if there is evidence of this through, for example, large changes in commodity prices.

Accounts receivable, SEK million	Group	
	2020	2019
Accounts receivable, gross	292	292
Expected credit losses	–2	–2
Total	**290**	**290**

Age analysis, accounts receivable, SEK million	Group	
	2020	2019
Accounts receivable not past due	242	246
Past due 1-30 days	40	27
Past due 31-90 days	6	10
Past due > 91 days	2	7
Total	**290**	**290**

The average customer credit period was 34 days (40). The fair value of accounts receivable is consistent with the reported value.

The accounts receivable were included in a reserve for expected credit losses of SEK 2 million (2). Customer losses have historically been at a very low level over time. For information on customer credit risk, please see Note 31 *Financial risk management* on pages 126–128.

Note 24 | Prepaid expenses and accrued income

SEK million	Group		Parent Company	
	2020	2019	2020	2019
Prepaid rent	0	0	1	1
Prepaid insurance	2	1	1	1
Prepaid leasing expenses	0	0	0	0
Prepaid marketing expenses	0	0	–	–
Prepaid commission	0	1	–	–
Prepaid purchases of goods and services	12	15	4	4
Other prepaid expenses	4	9	1	5
Total	**18**	**26**	**7**	**11**

Note 25 | Shareholders' equity

Group

Share capital

Share capital consists of the Parent Company's share capital. See the Parent Company of this note.

Additional paid-up capital

Other capital consists of equity contributed by the owners.
Includes share premium reserves transferred to the statutory reserve at 31 December 2005. Provision to the share premium reserve from 1 January 2006 and forward, are also recognised as paid-up capital.

Reserves

Reserves consist of a translation reserve, which comprises all exchange rate differences arising on the translation of the financial statements of foreign operations that have prepared their financial statements in a currency other than that in which the consolidated financial statements are presented. This includes exchange differences on monetary items receivable from or payable to the foreign operations, for which settlement is neither planned nor likely in the foreseeable future.

Profit brought forward, including profit for the year

Profit brought forward/accumulated losses, including profit for the year consists of earned profits/accumulated losses in the Parent Company and its subsidiaries. Provisions to the statutory reserve, excluding transferred share premium reserves, were previously included in this item. Also included is the amount of reduction of share capital.

Parent Company

Restricted shareholders' equity

Share capital

At 31 December 2020, the number of registered shares amounted to 65,004,608, divided into 755,820 Series A shares and 64,248,788 Series B shares. Holders of shares are entitled to dividends as determined by the Annual General Meeting. A shareholding entitles voting rights at the Annual General Meeting of 10 votes for each series A share and one vote for each series B share. All shares convey equal rights to the Company's net assets and profits. The Articles of Association contain no restrictions on the transferability of shares. Upon written request from a holder of series A shares in the Company, conversion of specified series A shares to series B shares will be granted.

Change in number of shares, count	Series A shares	Series B shares	Total
Number of shares 1 Jan 2019	539,872	45,468,192	46,008,064
Redemption of warrants	–	423,800	423,800
New share issue	215,948	18,356,796	18,572,744
Number of shares 31 Dec 2019	**755,820**	**64,248,788**	**65,004,608**
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**
Unregistered shares on the balance sheet date	–	213,180	213,180
Number of shares 29 Jan 2021	**755,820**	**64,461,968**	**65,217,788**
Quota value per share, SEK			5.00
Share capital on the balance sheet date, SEK			325,023,085

No treasury shares were held by the Parent Company or its subsidiaries at year-end or during the financial year.

There were 213,180 unregistered Series B shares at year-end, all of which entitle to the dividend set by the 2021 Annual General Meeting; see the on-going issue of warrant programme TO2017/2019 below.

Statutory reserve

The statutory reserve consists of amounts that, prior to 1 January 2006, had been transferred to the share premium reserve when shares were issued at a premium, at an amount exceeding the quota value of the shares.

On-going issue of warrant programme, TO2017/2020

In December, senior executives subscribed for 213,180 Series B shares with support from warrants, which were issued in the scope of the warrant programme TO2017/2020. Of the 187,000 warrants transferred to senior executives, 187,000 warrants were exercises, whereby the company received SEK 10,659,000. Each warrant entitled the holder to 1.14 Series B shares at the subscription price of SEK 50.00, after translation according to the terms. However, the shares were not registered at year-end. The issue was completed on 29 January 2021 by 213,180 Series B shares being registered, whereby SEK 1 million was transferred to share capital and SEK 10 million was transferred to the share premium reserve. The increase in the number of Series B shares will entail a dilution by 0.3 percent of the shares.

Unrestricted shareholders' equity

Share premium reserve:

The item consists of amounts transferred to the share premium reserve as of 1 January 2006 when shares were issued at a premium, at an amount beyond the quota value of the shares.

Profit brought forward/accumulated losses

Profit brought forward consists of profit brought forward from the previous year in the Parent Company Amounts are also included from impairment of share capital in 2016 and from a transferred fair value fund in 2016 in accordance with IAS 21. Retained earnings, together with the share premium reserve and the profit total unrestricted equity available for distribution to shareholders.

Warrants

There was one outstanding stock option programme at year-end; see Note 10 *Employees, personnel expenses and senior executives' remuneration*, pages 114–116.

Proposed appropriation of profit or loss

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

Share premium reserve	SEK 1,109,031,537
Profit brought forward	SEK 514,905,586
Profit for the year	SEK 101,874,947
Total	**SEK 1,725,812,070**

The Board of Directors proposes that the unrestricted shareholders' equity in the Parent Company, amounting to SEK 1,725,812,070 be appropriated as follows:

Dividend, SEK 1.25 per share[1]	SEK 81,522,235
Carried forward	SEK 1,644,289,835
Total	**SEK 1,725,812,070**

[1] Calculated on the number of shares outstanding at 29 January 2021.

Note 26 | Liabilities to credit institutions

	Group		Parent Company	
Interest-bearing liabilities, SEK million	**2020**	**2019**	**2020**	**2019**
Non-current interest-bearing liabilities				
Bank loans	1,367	1,229	1,324	1,066
Lease liabilities	159	179	–	–
Total	**1,526**	**1,408**	**1,324**	**1,066**
Current interest-bearing liabilities				
Bank loans	198	71	98	55
Lease liabilities	55	47	–	–
Total	**253**	**118**	**98**	**55**
Total	**1,779**	**1,526**	**1,422**	**1,121**

In September 2019, Midsona AB entered a financing agreement for long-term loans and an overdraft facility with Danske Bank A/S and AB Svensk Exportkredit (publ). The facilities, which were both in SEK and EUR, totalled SEK 2,125 million, where SEK 625 million in bridge financing for business combinations was repaid in November 2019 after an implemented new share issue. As collateral for the facilities, the subsidiary shares are pledged, see Note 32 *Pledged assets and contingent liabilities* page 128. Financing with Danske Bank consists of an acquisition loan and a revolving credit, with a duration of three years and a possibility of two years' extension, and an overdraft facility with a duration on an annual basis and a possibility of extensions until September 2024. The financing agreement with Danske Bank was extended by one year in an initial step until September 2023. The financing with Svensk Exportkredit runs until September 2024. Two financial covenants are linked to the financing agreement, which must be met during the maturity of the contract.

On 5 October 2020, an agreement was reached supplementing an existing financing agreement with Danske Bank and Svensk Exportkredit with an extended credit limit of SEK 200 million to partly finance the acquisition of System Frugt A/S. Both of the acquisition loans, one in DKK from Danske Bank and one in SEK from Svensk Exportkredit, runs with a ten-year repayment plan and with an obligation of repayment by SEK 2.5 million on a quarterly basis beginning on 31 December 2020.

In connection with business combinations in 2018, investment and corporate loans were assumed in German banks. At the end of the year, they amounted to SEK 143 million (EUR 14 million). The loans essentially carry fixed interest over the duration.

The average interest on the Group's bank loans and overdrafts amounted to 1.7 percent (2.1) for 2020.

For lease liabilities attributable to contracts concerning properties, the interest component is an effect of the dissolution of discounting. For other lease liabilities, the contracts carry fixed or variable interest during the duration.

Credit terms interest-bearing liabilities, SEK million	Nominal amount	Utilised amount	Unutilised amount	Maturity
Bank loans				
Revolving credit, SEK	600	600	0	Sept 2019 – Sept 2024
Acquisition loan, SEK	306	306	0	Sept 2019 – Sept 2024
Acquisition loan, SEK	203	203	0	Sept 2019 – Sept 2024
Acquisition loan, EUR	127	127	0	Sept 2019 – Sept 2024
Acquisition loan, SEK	98	98	0	Oct 2020 – Sept 2024
Acquisition loan, DKK	93	93	0	Oct 2020– Sept 2024
Corporate loan, EUR[1]	50	50	0	May 2018 – April 2021
Corporate loan, EUR[1]	40	40	0	May 2018 – Dec 2021
Corporate loan, EUR[1]	46	46	0	May 2018 – Sept 2027
Investment loan, EUR[1]	5	5	0	May 2018 – Dec 2022
Investment loan, EUR	1	1	0	Feb 2020 – June 2023
Total	**1,569**	**1,569**	**0**	
FINANCING COST				
Capitalised transaction costs for bank loans		–4		
Total		**–4**		
OVERDRAFTS				
Overdrafts, SEK	150	0	150	Sept 2020 – Sept 2021
Total	**150**	**0**	**150**	
Total	**1,719**	**1,565**	**150**	

[1] Corporate and investment loans assumed in business combination in 2018.

Note 27 | Other non-current and current liabilities

SEK million	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Other non-current liabilities				
Conditional purchase consideration, acquisition of operations	23	75	11	31
Other liabilities	0	0	–	–
Total	**23**	**75**	**11**	**31**
Other current liabilities				
Finalised purchase consideration, acquisition of operations	–	35	–	35
Conditional purchase consideration, acquisition of operations	1	3	–	–
VAT liabilities	20	10	–	–
Settlement personnel taxes and fees	24	13	1	1
Other liabilities	14	24	3	–
Total	**59**	**85**	**4**	**36**

Finalised purchase consideration for acquisitions of operations pertained to a fixed payment for the comparison year for business combinations in 2018, which was paid out in January 2020. Non-current and current conditional purchase considerations related to acquisition of operations amounted to SEK 24 million (78). The change of the conditional purchase considerations during the year and anticipated disbursements of conditional purchase considerations are presented by the table below.

SEK million	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Conditional purchase considerations, acquisition of operations				
Opening balance	78	46	31	46
Supplemental conditional purchase considerations	–	57	–	–
Exchange-rate change	–1	1	0	0
Assessment conditional purchase considerations	–53	–26	–20	–15
Closing balance	**24**	**78**	**11**	**31**
Expected disbursement 2020	–	3	–	–
Expected disbursement 2021	1	37	0	15
Expected disbursement 2022	23	38	11	16
Total	**24**	**78**	**11**	**31**

Assessments of conditional purchase considerations were made during the year entailed reversal of SEK 54 million (26) partly as a result of profit targets for 2020 not being achieved and partly as a consequence of the joint venture Paradiset EMV AB being closed. Remaining conditional purchase considerations amounted to SEK 24 million (78) at the end of 2020 and was attributable to the business acquisitions of Davert GmbH (2018) by SEK 11 million (31) and Eisblümerl Naturkost GmbH (2019) by SEK 13 million (28). The comparative period also included the conditional purchase considerations for Ekko Gourmet AB (2019) of SEK 2 million and for the joint venture Paradiset EMV AB (2019) of SEK 17 million. Also refer to Note 34 *Valuation of financial assets and liabilities at fair value and category breakdown,* on pages 128–129 for a description of the valuation of conditional purchase considerations.

Note 28 | Provisions for pensions

Defined benefit pension plans

In Sweden, commitments for retirement pensions and family pensions for salaried employees are secured through an insurance plan with Alecta. According to statement UFR 10, from the Financial Reporting Board, this is a defined benefit plan that covers several employers. For the 2020 financial year, the Group does not have access to information making it possible to report this as a defined benefit plan. Pension in accordance with the ITP plan and secured through insurance with Alecta is consequently recognised as a defined contribution plan.

The year's fees for pension insurance secured through Alecta amounted to SEK 4 thousand (3) in the Group, and SEK 0 thousand (0) in the Parent Company. For the next reporting period, the charges expected for ITP 2 insurance with Alecta amount to SEK 4 million for the Group and SEK 0 million for the Parent Company.

Alecta's surplus may be distributed to policyholders and/or the beneficiaries. At the end of 2020, Alecta's surplus in the form of the collective funding ratio was 148 percent (148). The collective consolidation level consists of the market value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's actuarial assumptions, which do not comply with IAS 19.

Defined contribution pension plans

For employees in Sweden, the Group has defined contribution pension plans paid entirely by the Group companies. In other countries, there are defined contribution plans that are paid partly by the subsidiaries and that are partly covered by fees paid by the employees. Payments to these plans are ongoing, in accordance with the regulations for each of the plans.

	Group		Parent Company	
SEK million	**2020**	**2019**	**2020**	**2019**
Expenses for defined contribution plans[1]	-38	-27	-4	-5

[1] The ITP plan funded in Alecta is included as an expense of SEK 4 million (3) for the Group and SEK 0 million (0) for the Parent Company.

Note 29 | Other provisions

	Group	
SEK million	**2020**	**2019**
Provisions that are non-current		
Restructuring programme	1	2
Other provisions	14	15
Total	**15**	**17**
Provisions that are current		
Restructuring programme	21	4
Total	**21**	**4**
Total	**36**	**21**
Restructuring programme		
Carrying amount at beginning of period	6	5
Provisions made during the year	25	15
Amounts utilised during the year	-9	-14
Total	**22**	**6**
Other provisions		
Carrying amount at beginning of period	15	–
Provisions assumed upon acquisition	–	13
Provisions made during the year	0	2
Amounts utilised during the year	-1	0
Total	**14**	**15**
Total provisions		
Carrying amount at beginning of period	21	5
Provisions assumed upon acquisition	–	13
Provisions made during the year	25	17
Amounts utilised during the year	-10	-14
Total	**36**	**21**

Restructuring programme

Restructuring programmes were essentially related to a reorganisation of administrative, warehousing and commercial functions in the Nordic region, as well as integration costs attributable to acquired business.

Other provisions

Other provisions mainly pertain to guarantee commitments and subsidies for investment projects.

Note 30 | Accrued expenses and deferred Income

	Group		Parent Company	
SEK million	**2020**	**2019**	**2020**	**2019**
Accrued expenses for goods	16	12	–	–
Accrued personnel expenses	76	54	8	7
Accrued marketing and sales costs	17	16	–	–
Accrued customer bonus expenses	27	23	–	–
Accrued expenses, new share issue	–	8	–	8
Other accrued expenses	34	27	2	3
Total	**170**	**140**	**10**	**18**

Note 31 | Financial risk management

The Group's activities expose it to a variety of financial risks. These financial risks are primarily comprised of financing, liquidity, currency, interest rate and credit risk.

The financial risk work is governed at an overall level by the Board, which sets financial policy and ensures that it is followed. At an operational level, the financial risk work is governed by Group Management. It is the finance function in the Parent Company that has the operational responsibility for financial risk management. It handles and governs financial risk exposure, ensures that the right financing is in place through loans and credit facilities, and manages the liquidity in line with the set financial policy.

Financing risk

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

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

In September 2019, Midsona AB entered a financing agreement regarding long-term loans and overdraft facilities with Danske Bank A/S and AB Svensk Exportkredit (publ) totalling SEK 2,125 million, where SEK 625 million in bridge financing for business combinations was repaid in November 2020 after a completed new share issue. On October 5, an agreement was reached supplementing an existing financing agreement with Danske Bank and Svensk Exportkredit with an extended credit limit to partly finance the acquisition of System Frugt A/S. For more information on utilised loans, maturity periods and available credit facilities, see Note 26 *Liabilities to credit institutions*, pages 124–125.

At the end of the year, the average remaining maturity on confirmed loan commitments was 24 months (31). For a description of the Group's lease liabilities, refer to Note 17 *Leasing*, on page 121 and for a description of the Group's other financial liabilities, refer to Note 27 *Other non-current and current liabilities*, on page 125.

The table below presents the undiscounted cash flows that come from the Group's liabilities in the form of financial instruments, including principal and interest payments, based on the contracted remaining durations at year-end.

	0-6 months		7-12 months	
Nominal amounts, SEK million	**2020**	**2019**	**2020**	**2019**
Bank loans	116	45	105	52
Lease liabilities	30	25	30	25
Accounts payable	405	288	–	–
Other liabilities	4	3	2	–
Total	**555**	**361**	**137**	**77**

	1-5 years		5 years <	
Nominal amounts, SEK million	**2020**	**2019**	**2020**	**2019**
Bank loans	1,407	1,290	12	23
Lease liabilities	136	137	38	58
Accounts payable	–	–	–	–
Other liabilities	23	75	–	–
Total	**1,566**	**1,502**	**50**	**81**

Current accounts payable are countered by a positive cash flow from accounts receivable. The loans' maturity is handled through available liquidity, unutilised credit facilities and refinancing.

Liquidity risk

Liquidity risk means the risk that the Group cannot meet its payment obligations as a consequence of inadequate access to cash and cash equivalents.

In order to control and plan the Group's cash requirements, the finance function uses liquidity forecasts that the Group's subsidiaries report in on a monthly basis for the ensuing six months.

The Group's liquidity reserve, that is, the sum of unutilised credit facilities, cash and cash equivalents, shall, at any given time, exceed the Group's total loan maturities for the ensuing six months according to the current finance policy. The liquidity reserve amounted to SEK 345 million (523) at the end of the year and was allocated to cash and cash equivalents of SEK 195 million (173) and the unutilised part of the overdraft facility of SEK 150 million (150). For the 2019 comparison year, an unutilised component of other credits was included in an amount of SEK 200 million. Loan maturity, including principal and interest, to credit institutions, over the next six months amounts to SEK 116 million (45). Liquidity was strong considering the maturity structure for external loans, the size of cash and cash equivalents and available credit facilities at year-end.

Currency risk

Currency risk refers to the risk that changes in exchange rates affect the Group's income statement, balance sheet and/or cash flows negatively.

Currency risks arise in part from the operational and financial transactions that are conducted in currencies other than the functional currency (transaction exposure) and in part by the currency exposure that occurs in the translation of foreign subsidiaries' net assets to the Parent Company's functional currency (translation exposure).

Transaction exposure

The Group's sales of goods are conducted primarily in the currencies SEK, NOK, DKK and EUR, while purchase of goods is made primarily in EUR and USD. The net exposure in EUR is significant depending on the purchases exceeding the sales, which however is dampened by a positive net exposure in DKK, which tracks the EUR.

The finance function in the Parent Company makes monthly assessments of future currency exposure based on cash flow forecasts reported in. Estimated net flows for 2021 in the four currencies with the greatest net exposure are shown in the table.

	Group	
Amounts are in millions in each currency[3]	2020[1]	2019[2]
EUR	-68	-59
DKK	373	100
NOK	222	169
USD	-44	-20

[1] Transaction exposure is based on estimated net flows for the ensuing 12 months, i.e. for 2021.
[2] Transaction exposure is based on estimated net flows for the ensuing 12 months, i.e. for 2020.
[3] A positive net flow means that the flow in each currency exceeds outflow and a negative net flow means that the outflow in each currency exceeds inflow.

In line with applicable policy, forecast currency exposure is not hedged. Instead, such currency risks shall be managed in the respective supplier and customer agreement through currency clauses. With the aim of reducing the earnings impact of changed exchange rates, Midsona works continuously with price adjustments to customers and suppliers based on the exchange rate development primarily tied to EUR. At the end of 2020, there were outstanding forward contracts that were assumed in the acquisition of System Frugt. The forward contracts mature in 2021.

An isolated shift in exchange rates against the SEK by +/– 5 percentage points for the four currencies with the largest estimated net flows is calculated to have an effect on profit before tax of +/– SEK 18 million (25).

Translation exposure

The Parent Company has holdings in foreign subsidiaries, whose net assets are exposed to currency translation risk upon consolidation. This exposure can affect the Group's comprehensive income and capital structure. The exposure is normally handled through matching of assets and liabilities in the same currency, e.g. through borrowing in foreign currencies that are exposed.

Interest rate risk

Interest rate risk refers to the impact on profits of a change in interest rates. How quickly a change in interest rates affects profits depends on the periods of fixed interest on credit and investments. Since the Group is a net borrower and does not invest funds in listed instruments, it is primarily the Group's liabilities to credit institutions that are affected by changes in interest rates.

The guideline is that the average period of fixed interest for interest-bearing liabilities to credit institutions should be three months. The average period of fixed interest for the Parent Company's interest-bearing liabilities to credit institutions was three months (3) at the end of the year. The interest on the facilities taken over in connection with the business combination in 2018 is fixed over the term.

A change in interest rates of +/– 1 percentage point causes an impact of +/– 16 million (13) calculated in debt to credit institutions of SEK 1,565 million (1,300) at year-end if the entire loan portfolio were to mature with a variable interest rate. The majority of the Group's lease liabilities are attributable to leases for properties. In these agreements, the interest component is an effect of the dissolution of discounting. Interest changes entail no changes in the cash flows for these agreements. Other leases carry fixed or variable interest over the lease term. For the agreements that carry variable interest, future cash flows are affected by changes to the variable interest rate. An interest rate change of +/– 1 percentage point for the part of the lease liability that carries variable interest is deemed to entail an immaterial earnings effect for the Group.

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

The average interest on the Group's bank loans and overdrafts amounted to 1.7 percent (2.1) for 2020.

Credit risk

There is a risk that the counterparties that the Group has cash and cash equivalents, financial investments or entered derivatives with cannot fulfil their obligations, a so-called financial credit risk. There is also a risk that customers cannot fulfil their payment commitments, a so-called customer credit risk.

Financial credit risk

How surplus liquidity is to be placed is set in policy. The Group is a net borrower and surplus liquidity shall be used to reduce loans from credit institutions. The subsidiaries shall place their surplus liquidity in bank accounts belonging to Group account systems or in bank accounts approved by the Group finance function. The Group's counterparties in financial transactions are credit institutions with good credit ratings.

The financial credit risk for cash and cash equivalents in bank account amounted to SEK 195 million (173) at year-end. Cash and cash equivalents are covered by the general model for impairments. For cash and cash equivalents, the exception is applied for low credit risk.

Customer credit risk

Customer credit risk is managed on an on-going basis by each Group company through credit checks and internal credit limits for each customer. Bank guarantees or other sureties are required for customers with low creditworthiness or insufficient credit history.

The Group's accounts receivable are covered by the simplified model for impairments. The expected credit losses for accounts receivable are estimated using a matrix, which is based on earlier events, current circumstances and forecasts of future financial circumstances. A loss provision is recognised in the simplified model for the accounts receivable expected remaining maturity period. The Group's credit exposure is presented by the following table:

Number of days in interval	Default probability, %	Expectation adjustments, %	Future default probability, %	Recognised accounts receivable gross, SEK million	Expected credit losses, SEK million	Recognised accounts receivable net, SEK million
Not past due	0.30	0.00	0.30	243	–1	242
1–30	1.00	0.30	1.30	40	–1	39
31–60	2.00	2.25	4.25	4	0	4
61–90	3.50	3.25	6.75	2	0	2
>91	5.50	5.00	10.50	3	0	3
Total				**292**	**–2**	**290**

The customer credit risk was elevated related to food service customers as a result of the coronavirus pandemic and the changed consumption pattern in society. This entailed a somewhat higher uncertainty regarding these customers' payment capacity. Sales to Food service customers account for slightly less than 10 percent of the total sales.

Capital management

The Group's objective with its capital management is to safeguard the Group's capacity to continue its operations to generate reasonable returns for shareholders and benefit for other stakeholders. The target is to pay a dividend of >30 percent of profit for the year over time. For 2020, the Board of Directors proposes a dividend equivalent to 46.4 (83.6) percent of profit for the year.

The Group reviews its capital structure based on a ratio of net debt/EBITDA corresponding to a multiple of 3-4. The target, which has been set to define a reasonable risk level in the Group, links borrowing to the capacity for earnings. At the end of the financial year, the ratio between net debt and EBITDA on a rolling 12-month basis was a multiple of 3.9 (4.8) and the ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 4.2 (4.4).

Note 32 | Pledged assets and contingent liabilities

	Group		Parent Company	
SEK million	**2020**	**2019**	**2020**	**2019**
Pledged assets				
Blocked bank balances	17	2	–	–
Shares in subsidiaries	–	–	1,741	1,551
Net assets in subsidiaries	2,292	1,941	–	–
Others	282	245	–	–
Total	**2,591**	**2,188**	**1,741**	**1,551**
Contingent liabilities				
Guarantees, external	11	10	0	1
General guarantee for subsidiaries	–	–	1	1
Parent Company guarantees	–	–	1	1
Total	**11**	**10**	**2**	**3**

Shares in subsidiaries have been pledged as collateral for overdrafts and bank loans. Liabilities to credit institutions are shown in Note 26 *Liabilities to credit institutions*, pages 124–125. Net assets in subsidiaries pertain to shares in subsidiaries that are stated at amounts equivalent to the consolidated net assets.

Note 33 | Closely-related parties

Related party relations

The Parent Company has a close relationship with its subsidiaries; see Note 18 *Participations in subsidiaries*, on page 122.

Related party transactions

For the Parent Company, SEK 59 million (47), equivalent to 100 percent (100) of sales for the period and SEK 1 million (0), corresponding to 2 percent (1) of purchases for the period pertained to subsidiaries within the Group. Sales to subsidiaries pertained mainly to administrative services, while purchases from subsidiaries mainly pertained to consultancy services and other reimbursements for expenses. All pricing is conducted on market terms.

The Parent Company has receivables from, and liabilities to, subsidiaries, see Note 20 *Receivables from, and liabilities, to subsidiaries*, page 123.

Related persons or companies

Salaries and remuneration of the Board and other senior executives are detailed in Note 10 *Employees, personnel expenses and senior executives' remuneration*, pages 114–116.

In December, senior executives subscribed for Series B shares with support from warrants, which were issued in the scope of the warrant programme TO2017/2020. For more information, please see Note 25 *Equity* on page 124.

Beyond the aforementioned transactions, there have been no loans, purchases or sales involving members of the Board or senior executives.

Note 34 | Assessment of financial assets and liabilities at fair value and categorisation

Fair value

The carrying amount on accounts receivable, other receivables, cash and cash equivalents and other liabilities constitutes a reasonable approximation of fair value.

	Group 2020			
Fair value and carrying amount in the balance sheet, SEK million	**Measured at amortised cost**	**At fair value through profit or loss[1]**	**Total carrying amount**	**Fair value**
Non-current receivables	4	–	4	4
Accounts receivable	290	–	290	290
Other receivables	44	–	44	44
Cash and cash equivalents	195	–	195	195
Total	**533**	**–**	**533**	**533**
Non-current interest-bearing liabilities	1,526	–	1,526	1,526
Other non-current liabilities	0	23	23	23
Current interest-bearing liabilities	253	–	253	253
Accounts payable	405	–	405	405
Other current liabilities	53	6	59	59
Total	**2,237**	**29**	**2,266**	**2,266**

[1] Other non-current and current liabilities measured at fair value via profit or loss consist of derivative instruments of SEK 5 million and conditional purchase considerations of SEK 24 million.

Fair value and carrying amount in the balance sheet, SEK million	Group 2019			
	Measured at amortised cost	At fair value through profit or loss[1]	Total carrying amount	Fair value
Non-current receivables	4	–	4	4
Accounts receivable	290	–	290	290
Other receivables	18	–	18	18
Cash and cash equivalents	173	–	173	173
Total	**485**	**–**	**485**	**485**
Non-current interest-bearing liabilities	1,408	–	1,408	1,408
Other non-current liabilities	0	75	75	75
Current interest-bearing liabilities	118	–	118	118
Accounts payable	288	–	288	288
Other current liabilities	81	4	85	85
Total	**1,895**	**79**	**1,974**	**1,974**

[1] Other non-current liabilities measured at fair value via profit or loss consist of derivative instruments of SEK 1 million and conditional purchase considerations of SEK 78 million.

Fair value and carrying amount in the balance sheet, SEK million	Parent Company 2020			
	Measured at amortised cost	At fair value through profit or loss[1]	Total carrying amount	Fair value
Other receivables	5	–	5	5
Total	**5**	**–**	**5**	**5**
Liabilities to credit institutions	1,422	–	1,422	1,422
Other non-current liabilities	–	11	11	11
Accounts payable	7	–	7	7
Other current liabilities	4	–	4	4
Total	**1,433**	**11**	**1,444**	**1,444**

[1] Other non-current liabilities measured at fair value via profit or loss consist of conditional purchase considerations of SEK 11 million.

Fair value and carrying amount in the balance sheet, SEK million	Parent Company 2019			
	Measured at amortised cost	At fair value through profit or loss[1]	Total carrying amount	Fair value
Other receivables	6	–	6	6
Total	**6**	**–**	**6**	**6**
Liabilities to credit institutions	1,121	–	1,121	1,121
Other non-current liabilities	–	31	31	31
Accounts payable	6	–	6	6
Other current liabilities	36	–	36	36
Total	**1,163**	**31**	**1,194**	**1,194**

[1] Other non-current liabilities measured at fair value via profit or loss consist of conditional purchase considerations of SEK 31 million.

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

The Group holds financial instruments in the form of currency swaps and currency options that are 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.

The Group holds supplementary purchase considerations, which are 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 supplementary purchase considerations is calculated by discounting the present value of the expected cash flows with an adjusted discount rate. Expected cash flows are determined based on likely scenarios for future gross profit, amounts that will be payable in the event of respective outcomes and the probability of the respective outcome. The fair value of the supplementary purchase considerations can change if the underlying assumptions for valuation change.

Netting agreements and similar agreements

The Group has no net reported balance sheet items. For derivative counterparties, there are ISDA agreements, which mean that derivative items can be reported net under certain conditions. The Group holds financial instruments that are covered by legally enforceable master netting agreements or similar agreements. Recognised financial liabilities attributable to derivative instruments amounted to SEK 5 million (1).

Calculation of fair value

Fair value of interest bearing liabilities is calculated based on future cash flows of principal and interest discounted at the current market rate on the balance sheet date. The majority of interest-bearing liabilities carry variable interest. There are no significant differences between fair value and the carrying amounts. For a maturity analysis, see Note 31 *Financial risk management*, pages 126–128.

Note 35 | Significant estimates and assesments

In preparing the financial statements, management makes estimates and judgements that affect the amounts of assets, liabilities, income and expenses. The estimates and assumptions that involve a risk of significant adjustments to the carrying amounts of assets and liabilities within the next financial year and critical judgements in applying the Group's accounting policies discussed below. Reported estimates regarded as reasonable under the circumstances.

Valuation of brands

The carrying value of brands is contingent upon the future profitability of the products connected to the brands, and the value is tested annually. If it has not been possible to impairment for an individual brand the recoverable amount has been calculated on the cash-generating unit to which the trademarks are allocated. Several assumptions about future conditions and parameter estimates are made in the calculation of cash-generating units' recoverable amounts for the assessment of possible needs for impairment of goodwill and brands with indefinite useful lives. Management believes that no reasonable changes in key assumptions will lead to the total estimated recoverable amount of each cash-generating unit will be lower than their total carrying amount.

During the year, one significant business combination was carried out. In establishing the acquisition analysis, acquired brands were deemed to amount to SEK 155 million, of which SEK 150 million was deemed to have an indefinite useful life and was not subject to amortisation, but annual impairment testing. The brand with an indefinite useful life was deemed to belong to the category of strategic brands, which will play a significant future role for the Midsona Group's development in the Nordic market for plant-based foods in the healthfoods category. The other brand with a fair value of SEK 5 million was deemed to have a useful life of five years.

The carrying amount for the brands amounted to SEK 1,239 million (1,081) at year-end, of which SEK 1,042 million (915) is with an indefinite useful life. For further information, please see Note 15 *Intangible assets*, pages 118–119.

Valuation of goodwill

The carrying value of goodwill is contingent upon the future profitability of the cash-generating unit to which the goodwill is allocated and the value is tested annually. Several assumptions about future conditions and parameter estimates are made in the calculation of cash-generating units' recoverable amounts for the assessment of possible needs for impairment of goodwill and brands with indeterminate useful lives. Management believes that no reasonable changes in key assumptions will lead to the total estimated recoverable amount of each cash-generating unit will be lower than their total carrying amount.

The prepared acquisition analysis for the business combination implemented during the year resulted in a goodwill of SEK 149 million attributable to future income and expense synergies.

The carrying amount of goodwill amounted to SEK 1,880 million (1,810) at the end of the year. For further information, please see Note 15 *Intangible assets*, pages 118–119.

Valuation of taxes

To determine the current tax liabilities and current tax assets, as well as provisions for deferred tax liabilities and deferred tax assets, management is required to make assumptions, particularly in the valuation of deferred tax assets. This process includes the tax outcome being assessed in each country in which the Group operates. The process includes assessing the actual current tax exposure and assessing the temporary differences that arise as a consequence of certain assets and liabilities being valued differently in the accounts as compared to income tax returns. Management must also assess the likelihood that deferred tax assets will be recovered from future taxable income.

In establishing preparing the acquisition analysis for business combinations implemented during the year, it was determined that deferred tax assets amount to SEK 21 million and deferred tax liabilities to SEK 40 million.

The total tax-loss carryforwards in the Group amounted to SEK 346 million (303) at 31 December 2020, of which SEK 271 million (296) was capitalised in the consolidated balance sheet. There was a SEK 75 million tax loss carryforward at year-end, which was not capitalised in the consolidated balance sheet as there was uncertainty whether it could be offset against future taxable profit.

Management believes that, given the Group's current and future structure, the opportunities to utilise capitalised tax loss carryforwards is well founded. The carrying amount of deferred tax assets amounted to SEK 85 million (71) at the end of the period while the carrying amount of deferred tax liabilities was SEK 342 million (321). For further information, see Note 13 *Taxes*, pages 116–117.

Note 36 | Supplementary disclosures to cash flow statements

	Group		Parent Company	
SEK million	**2020**	**2019**	**2020**	**2019**
Interest paid				
Interest received	0	0	28	13
Interest paid	-34	-36	-24	-28
Adjustment for non-cash items				
Dividend	–	–	-29	-122
Depreciation/amortisation	147	114	9	4
Impairment	14	7	49	85
Unrealised exchange rate differences	7	17	30	10
Capital gain on sale of fixed assets	6	1	–	–
Pension provisions	0	0	–	–
Other provisions and items not included in cash flow	-19	-15	3	2
Total	**155**	**124**	**62**	**-21**
Acquisitions of companies or operations				
Intangible fixed assets	183	198	–	–
Tangible fixed assets	48	155	–	–
Financial assets	–	0	255	236
Deferred tax assets	21	2	–	–
Inventories	119	73	–	–
Trade and other receivables	29	59	–	–
Cash and cash equivalents	5	65	–	–
Deferred tax liabilities	-40	-64	–	–
Non-current interest-bearing liabilities	-20	-35	–	–
Other non-current liabilities	–	-13	–	–
Current interest-bearing liabilities	-58	-7	–	–
Accounts payable and other liabilities	-180	-61	–	–
Net assets and liabilities	**107**	**372**	**255**	**236**
Negative consolidated goodwill	-8	–	–	–
Consolidated goodwill	149	392	–	–
Purchase consideration	**-248**	**-764**	**-255**	**-236**
Less: Purchase consideration recognised as liability	–	40	–	1
Purchase consideration paid	**-248**	**-724**	**-255**	**-235**
Less: Cash and equivalents in acquired operations	5	65	–	–
Effect on cash and cash equivalents from acquisitions during the year	**-243**	**-659**	**-255**	**-235**
Payment of additional purchase consideration related to prior years' acquisitions	-35	–	-35	–
Effect on cash and equivalents of acquisitions	**-278**	**-659**	**-290**	**-235**

Cash and cash equivalents

Cash and cash equivalents in both the Group and the Parent Company consist solely of cash and bank balances. Consequently, there are no current investments equivalent to cash and cash equivalents.

Changes in liabilities whose cash flow is reported in the financing activities

Liabilities attributable to financing activities consist of non-current interest-bearing liabilities and current interest-bearing liabilities for the Group. For the Parent Company, liabilities are attributable to financing activities involving non-current liabilities to credit institutions, current liabilities to credit institutions, non-current interest-bearing liabilities to subsidiaries and current interest-bearing liabilities to subsidiaries.

			Changes affecting cash flow	Changes not affecting cash flow					Group
Compilation of liabilities attributable to financial cash flows, SEK million 2020	**At beginning of year**	**Changed accounting principle, IFRS 16**	**Financial cash flows**	**New leases**	**Terminated leases**	**Acquired through acquisition of operations**	**Exchange-rate change**	**Reclassification**	**At year-end**
Non-current liabilities to credit institutions	1,229	–	245	–	–		-17	-90	1,367
Lease liabilities	179	–	-50	14	–	20	-4	–	159
Non-current interest-bearing liabilities	**1,408**	**–**	**195**	**14**	**–**	**20**	**-21**	**–**	**1,526**
Current liabilities to credit institutions	71	–	-6	–	–	46	-3	90	198
Lease liabilities	47	–	0	3	-5	12	-2	–	55
Current interest-bearing liabilities	**118**	**–**	**-6**	**3**	**-5**	**58**	**-5**	**–**	**253**
Total	**1,526**	**–**	**189**	**17**	**-5**	**78**	**-26**	**–**	**1,779**

			Changes affecting cash flow	Changes not affecting cash flow					Group
Compilation of liabilities attributable to financial cash flows, SEK million 2019	**At beginning of year**	**Changed accounting principle, IFRS 16**	**Financial cash flows**	**New leases**	**Terminated leases**	**Acquired through acquisition of operations**	**Exchange-rate change**	**Reclassification**	**At year-end**
Non-current liabilities to credit institutions	1,107	–	93	–	–	27	2	–	1,229
Lease liabilities	17	159	-42	35	–	7	3	–	179
Non-current interest-bearing liabilities	**1,124**	**159**	**51**	**35**	**–**	**34**	**5**	**–**	**1,408**
Current liabilities to credit institutions	88	–	-24	–	–	6	1	–	71
Lease liabilities	5	38	-5	10	-3	2	0	–	47
Current interest-bearing liabilities	**93**	**38**	**-29**	**10**	**-3**	**8**	**1**	**–**	**118**
Total	**1,217**	**197**	**22**	**45**	**-3**	**42**	**6**	**–**	**1,526**

		Changes affecting cash flow	Changes not affecting cash flow		Parent Company
Compilation of liabilities attributable to financial cash flows, SEK million 2020	**At beginning of year**	**Financial cash flows**	**Exchange-rate change**	**Reclassification**	**At year-end**
Non-current liabilities to credit institutions	1,066	271	-13	–	1,324
Non-current liabilities to subsidiaries	–	–	–	–	–
Non-current interest-bearing liabilities	**1,066**	**271**	**-13**	**–**	**1,324**
Current liabilities to credit institutions	55	44	-1	–	98
Current liabilities to subsidiaries	389	-109	0	–	280
Current interest-bearing liabilities	**444**	**-65**	**-1**	**–**	**378**
Total	**1,510**	**206**	**-14**	**–**	**1,702**

		Changes affecting cash flow	Changes not affecting cash flow		Parent Company
Compilation of liabilities attributable to financial cash flows, SEK million 2019	**At beginning of year**	**Financial cash flows**	**Exchange-rate change**	**Reclassification**	**At year-end**
Non-current liabilities to credit institutions	953	113	0	–	1,066
Non-current liabilities to subsidiaries	113	–	–	-113	–
Non-current interest-bearing liabilities	**1,066**	**113**	**0**	**-113**	**1,066**
Current liabilities to credit institutions	77	-22	0	–	55
Current liabilities to subsidiaries	245	144	0	–	389
Current interest-bearing liabilities	**322**	**122**	**0**	**–**	**444**
Total	**1,388**	**235**	**0**	**-113**	**1,510**

Note 37 | Events after the balance sheet date

Change in prioritised brands

Midsona works with prioritised brands, all with great potential for growth. It was decided to replace the Eskimo-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. Eskimo-3 and Naturdiet will continue to be developed within the Group. After the change, our prioritised brands comprise Urtekram, Friggs, Earth Control, Davert, Kung Markatta, Helios, Celnat, Happy Bio and Vegetalia.

Judgment from the Patent and Market Court (PMC)

On 18 January 2021, a judgment from the PMC was pronounced regarding Urtekram's marketing of skin and haircare products in the Swedish market, which was marketed as organic on the Internet and in social media. The question was raised as to whether or not parts of it were misleading for the consumer. Midsona has a positive view of the judgment, which includes a clarification of the question, and in the respects that can be deemed to be necessary will adjust its communication to be even clearer towards its customers. Midsona also looks forward to the rest of the market's actors complying with the ruling from the PMC in terms of marketing of skin and haircare products as organic.

Kung Markatta – Sweden's Greenest Brand

In February 2021, the brand Kung Markatta won the award Sweden's Greenest Brand 2020 in the category of food producing companies. The investigation was carried out by the trademark agency Differ and looks at how the Swedish people view issues concerning sustainability and brands.

Note 38 | Information about the Parent Company

Midsona AB (publ), corporate identity number 556241-5322, is a Swedish limited company domiciled in Malmö. The visiting address for the head office is Dockplatsen 16 in Malmö and the postal address is PO Box 210 09, SE-200 21 Malmö, Sweden. The company's shares are listed on the Nasdaq Stockholm, Mid Cap list.

The consolidated financial accounts for 2020 comprise the Parent Company and its subsidiaries; jointly referred to as Group.

Board of Directors' statement of assurance

The Board of Directors and the CEO certify that the consolidated and annual accounts have been prepared in accordance with the international accounting standards referred to in the European Parliament and Council Regulation (EC) No 1606/2002 of 19 July 2002 on the application of international accounting standards and generally accepted accounting principles and give a true and fair view of the financial position and results of the Group and the Parent Company. The Directors' Report for the Group and Parent Company gives a true and fair view of the Group and Parent Company's financial position and results and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Malmö, 7 April 2021

Ola Erici
Chairman of the Board

Heli Arantola
Board member

Sandra Kottenauer
Board member

Henrik Stenqvist
Board member

Peter Wahlberg
Board member

Johan Wester
Board member

Peter Åsberg
President and CEO

The annual and consolidated accounts were, as stated above, approved for issue by the Board of Directors on 7 April 2021. The consolidated income statement, statement of comprehensive income and balance sheet, and the Parent Company's income statement, statement of comprehensive income and balance sheet will be submitted for approval at the Annual General Meeting on 5 May 2021.

Our audit report was submitted on 7 April 2021.
Deloitte AB

Per-Arne Pettersson
Authorised Public Accountant

Audit Report

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

Report on the annual report and consolidated accounts

Statements

We have conducted an audit of the annual report and consolidated financial accounts for Midsona AB (publ) for the financial year 1 January 2020– 31 December 2020. The Company's annual and consolidated accounts are included on pages 92–133 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our statements do not cover the Sustainability Report on pages 42–75 and the Corporate Governance Report on pages 137–141. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the Annual General Meeting adopt the income statement and balance sheet for the Parent Company and the Group.

Our statements in this report on the annual and consolidated accounts are consistent with the content of the supplementary report that has been submitted to the Parent Company Audit Committee in accordance with Article 11 of the Auditors Regulation (537/2014/EU).

Basis for statements

We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Our liability under these standards is described in the section Responsibility of the auditor. We are independent of the Company and the Group in accordance with generally accepted auditing practices in Sweden and have otherwise fulfilled our ethical responsibilities under these requirements. This entails that, based on our best knowledge and conviction, no prohibited services referred to in Article 5.1 of the Audit Regulation (537/2014/EU) have been provided to the audited company or, where applicable, its Parent Company or its controlled companies in the EU.

We believe that the audit evidence we have gathered is sufficient and appropriate as a basis for our statements.

Particularly important areas

Particularly important areas of the audit are the areas that, in our professional judgement were the most significant for the audit of the financial statements for the current period. These areas were treated within the framework of the audit of, and in our standpoint regarding, the financial statements as a whole, although we do not make separate statements on these areas.

Acquisitions and identification of surplus values

Description of risk

- In 2020, Midsona completed the acquisition of the System Frugt A/S for a total purchase consideration of SEK 248 million.
- The reporting of acquisitions entails significant estimates and assessments being made by management to determine the fair value of the acquired assets and liabilities and allocating these to the appropriate cash-generating units.

For further information please refer to the Group's accounting policies in Note 1 on pages 102–109, Note 35 on significant estimates and assesment on pages 129–130, Note 15 on intangible assets on pages 118–119 and in Note 2 of the acquisition on pages 110–111 in the Annual Report.

Our audit procedures

- Review of acquisition calculations including the Group's assumptions and assessments in the valuation of acquired assets and liabilities with the aid of accounting experts
- We have examined the accuracy and completeness of the relevant notes to the financial statements.

Valuation of goodwill and trademarks with indefinite useful lives

Description of risk

- In its balance sheet as per 31 December 2020, Midsona reported goodwill of SEK 1,880 million (1,810) and trademarks with indefinite useful lives for SEK 1,042 million (915). These pertain to surplus values arising in connection with acquisitions.
- The value of the reported assets is dependent on future profitability and viability of the cash-generating unit that the assets relate to and is tested at least annually. Impairment trial based on several assumptions including future cash flows, discount rate and growth.
- Inaccurate estimates and assumptions may have a significant impact on the Group's earnings and financial position.

For further information, please refer to the Group's accounting policies in Note 1 on pages 102–109, Note 35 on significant estimates and assesments on pages 129–130 and Note 15 on intangible assets on pages 118–119 in the Annual Report.

Our audit procedures

- We have reviewed and assessed Midsona's procedures for impairment testing of the relevant cash-generating units to ensure that the reported values of the assets are defensible and that the assumptions are reasonable, that the routines are consistently applied and that there is integrity in the estimates made.
- We have examined the accuracy and completeness of the relevant notes to the financial statements.

Information other than annual report and consolidated accounts

The other information consists of the remuneration report and pages 3–41, 77–91, 136 and 144–155 in this document, which also includes information other than the annual report and consolidated accounts. The Board and the CEO are responsible for this other information.

Our statement regarding the annual and consolidated accounts does not include this information, and we make no statement of assurance regarding this other information.

In connection with our audit of the financial statements, it is our responsibility to read the information identified above and determine whether there are any significant inconsistencies with the financial statements. In this review, we also take into account the knowledge that we otherwise have obtained during the audit as well as assess whether the information in general seems to contain significant errors.

If, based on the work we have done regarding this information, we conclude that the this other information contains any material misstatements, we are obliged to report this. We have nothing to report in this regard.

Responsibility of the Board of Directors and the CEO

The Board and the CEO are responsible for the financial statements are prepared and give a true and fair view in accordance with the Annual Accounts Act and with regard to the consolidated financial statements in accordance with IFRS as adopted by the EU. The Board and the CEO are also responsible for such internal control as they deem necessary for the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual and consolidated accounts, the Board and CEO are responsible for the assessment of the ability of the company and the Group to continue operations. They state, as applicable, regarding circumstances that may affect the ability to continue operations and to use the assumption of continued operation. The assumption of continued operation is not applied if the Board and the CEO intend to liquidate the Company, to cease trading, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditors' responsibility

Our goal is to achieve a reasonable level of assurance about whether the annual report and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to submit an audit report containing our statements. Reasonable assurance is a high degree of assurance, but is no guarantee that an audit performed in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement if available. Errors can occur due to fraud or error, and is considered to be material if they, individually or together reasonably be expected to influence the economic decisions of users taken with basis in the financial statements.

A further description of our responsibilities in the auditing of the annual report and consolidated accounts is available on the Swedish Inspectorate of Auditors' website: *www.revisorsinspektionen.se/revisornsansvar*. This description forms part of the audit report.

Of the areas that are communicated with the Board, we establish which of these areas have been the most significance for the audit of the financial statements, including the most important assessed risks of material misstatement, and therefore constitute the audit, particularly for important areas. We describe these areas in the Audit Report unless legislation or other regulations prevent disclosure.

Report on other requirements in accordance with laws and regulations

Statements

In addition to our audit of the annual and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Midsona AB (publ) for the financial year 1 January 2020 to 31 December 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the Annual General Meeting that the company's profit appropriate in accordance with the proposal presented in the statutory administration report (Board of Directors' Report) and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for statements

We have conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibility according to this is described in the section Responsibility of the auditor. We are independent of the Company and the Group in accordance with generally accepted auditing practices in Sweden and have otherwise fulfilled our ethical responsibilities under these requirements.

We believe that the audit evidence we have gathered is sufficient and appropriate as a basis for our statements.

Responsibility of the Board of Directors and the CEO

The Board of Directors have the responsibility for the proposal to allocations regarding the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements of the company and the type of Group activity, scope and risks placed on the size of the Parent Company and the Group's equity and the company's consolidation requirements, liquidity and position in general.

The Board is responsible for the organisation and management of its affairs. This includes regular assessment of the company's and the Group's financial position, to ensure that the company's organisation is designed so that accounting, cash management and financial affairs are controlled in a satisfactory manner. The CEO is responsible for the ongoing management of the Board's guidelines and instructions, including taking the measures necessary for the Company's accounting to be performed in accordance with law and for asset management to be conducted in a prudent manner.

Responsibility of the auditor

Our responsibility regarding the audit of the administration, and therefore our opinion, is to obtain audit evidence to a reasonable degree of certainty to determine whether any Board member or the CEO:

- before taking any action or been guilty of any omission, which could give rise to significant liability to the company, or
- in any way, acted in contravention of the Companies Act or the Articles of Association.

Our goal regarding the audit of the proposed appropriation of the profit or loss, and therefore our statement on this, is to determine with a reasonable degree of assurance whether a proposal is in accordance with the Companies Act.

Reasonable assurance is a high degree of assurance, but no guarantee that an audit is performed in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that may cause significant liability to the Company, or that the proposed appropriation of the profit or loss is not is consistent with the Companies Act.

A further description of our responsibilities in the auditing of the management is available on the Swedish Inspectorate of Auditors' website: *www.revisorsinspektionen.se/revisornsansvar*. This description forms part of the audit report.

Deloitte AB was appointed Midsona AB's auditor by the General Meeting on 29 April 2014 and has since been the company's auditor.

Malmö, 7 April 2021
Deloitte AB

Per-Arne Pettersson
Authorised Public Accountant

Expansion in Europe continues – now with major focus on organic growth

2020 was an extraordinary and challenging year for the entire world. The Board of Directors wants to express its gratitude to all of the employees in Midsona, who did a fantastic job and succeeded in maintaining a strong business despite the challenges.

Over the past few years, Midsona has expanded strongly in Europe. Our 2019 acquisition of the French company Alimentation Santé developed really well. And I am proud that in 2020 we also succeeded in acquiring the Danish System Frugt, one of the Nordic region's leading companies in healthy snacks that, among others, have the brand Earth Control. Our successful expansion will continue and in the short term perspective, we are primarily looking at add-on acquisitions. However, we do not rule out new platform acquisitions when such opportunities arise.

Midsona's rapid expansion in Europe has also meant that the share receives attention with a greater interest from foreign institutional actors. We are now seen as a leading European company in our industry, which is incredibly exciting.

Focus 2021: organic growth and sustainability

Focus for the Board of Directors in 2021 is organic growth, among other things through a strong communication to consumers and by cross-fertilizing the product portfolio across the geographic markets. The Board of Directors is involved in this work and has approved a strengthened marketing budget for 2021, which is intended to lead to an even clearer European profiling of our leading brands.

I also want to highlight the Board's focus on the sustainability work. Midsona works sustainably through our plant-based and healthy products. In recent years, the company has also worked hard to develop systems and processes to create a sustainable operation. In the past year, this gave us a first place in Sustainability in the FMCG category in a comparative ranking done by the periodicals Dagens Industri and Aktuell Hållbarhet.

An important part of the Board work is the annual evaluation of the Group's long-term strategy together with company management. In 2020, it was decided in this process to increase the investments to develop Midsona into a leading player in plant-based meat alternatives, which are growing strongly worldwide. To achieve this, it was decided to make a major investment in production and product development at our plant in Northern Spain.

Two new members on the Board

As I wrote already last year, Midsona has a very committed Board of Directors. At the same time, we have to ensure that its expertise continuously reflects the company's challenges. It was therefore pleasing that we were able to welcome two new Board members in 2020: Sandra Kottenauer, with a past in Procter & Gamble, and Heli Arantola, with broad experience of strategy issues and supply chain. This will primarily strengthen the Board in European brand strategy, supply chain and internal processes.

Just like at most workplaces during the year, the Board work was primarily done digitally or in hybrid solutions as some members met physically and others digitally. Both technology and processes have gradually been developed and this is a way that we will continue working in 2021 and on. Partly because the circumstances compel us and partly because the meetings often become more time efficient.

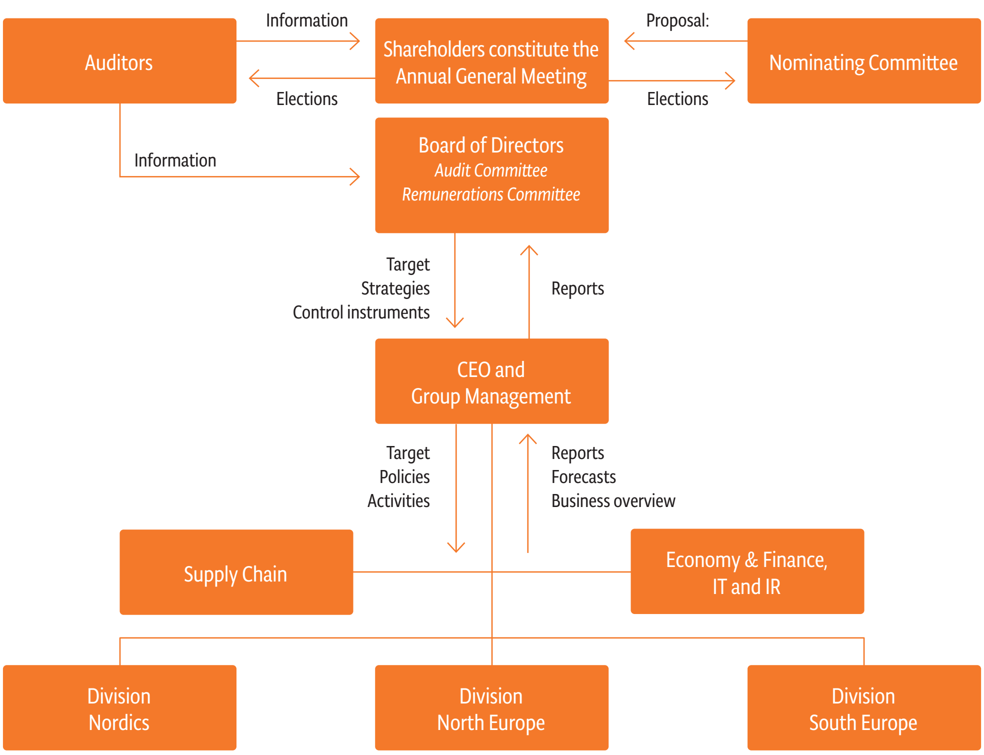
During the year, we shifted to a new digital system for the annual Board evaluation and I can confirm that it continues to show strong results. The work in the Board functions very well with an open, unpretentious, focused and decision-oriented working climate.

Malmö, April 2021

Ola Erici
Chairman

Corporate Governance Report

Midsona AB (publ) (below "Midsona") is a Swedish public company listed on the Nasdaq Stockholm, Mid Cap list. Midsona applies the Swedish Code of Corporate Governance and hereby presents its Corporate Governance Report for 2020. During the year, the Group had two outstanding warrant programmes directed at senior executives, TO2017/2020 and TO2019/2022. In 2020, for both of the warrant programmes, Midsona deviated from rule 9.7 in the Code that sets a vesting period of at least three years for incentive programmes based on warrants, which are directed at senior executives. The issued programmes have a slightly shorter vesting period than three years, which the Board found suitable. The report has been prepared by the Company's Board of Directors and the Company's auditor has issued an opinion.



Control instruments

The external governance instruments forming the framework of Midsona's corporate governance include:

- legislation
- Nasdaq Stockholm's Rules for Issuers
- Swedish Code of Corporate Governance

Midsona also has a number of internal governance instruments, including:

- Articles of Association
- Midsona's Code of Conduct
- formal work plan and instructions for the Board, committees, CEO and financial reporting to the Board
- internal governance documents, such as policy documents, procedures and instructions

Copies of Midsona's Articles of Association and Code of Conduct are available for download at *www.midsona.com.*

Annual General Meeting

Midsona's Annual General Meeting is highest decision-making body at which shareholders exercise their voting rights.

The General Meeting (annual ordinary or extraordinary) makes decisions regarding amendments to the Articles of Association, and at the Annual General Meeting, which is the annual ordinary General Meeting, shareholders make decisions on matters like the approval of the income statement and balance sheet, the appropriation of earnings, the discharge of the Board and CEO from liability, the election of Board members, the Chairman of the Board and audit firm, and approval of remuneration of the Board and the audit firm. The Annual General Meeting also decides about principles for the appointment of the Nominating Committee and work, as well as guidelines for remuneration of the CEO and other senior executives. Information on shareholders' right to request that matters be considered by the Annual General Meeting is published at *www.midsona.com*. Normally, the Annual General Meeting takes place in April or May. Following the meeting, decisions made at the Annual General Meeting are published in a press release. The minutes of the Meeting are published at *www.midsona.com.*

Shareholder

For information on shareholders, please see page 78 and *www.midsona.com*.

Annual General Meeting 2020

The 2020 Annual General Meeting was held on 25 June 2020 in Malmö. At the Meeting, 45 shareholders were present in person or by proxy, representing 57.2 percent of the number of votes represented at the Meeting.

The Annual General Meeting approved the Board's proposal to authorise the Board to decide to issue new shares on one or more occasions prior to the next Annual General Meeting, with or without deviating from existing shareholders' preferential rights. Issue shall be able to take place against cash payment, payment in kind, offset or with terms. The number of shares that can be issued with the support of this authorisation shall be limited to 20 percent of the number of shares of each class of shares outstanding at the time of convening the Annual General Meeting.

The minutes of the 2020 Annual General Meeting are available at *www.midsona.com*.

Annual General Meeting 2021

The 2021 Annual General Meeting will take place on 5 May 2021 in Malmö, as was announced in a press release on 1 October 2020. The complete announcement of the 2021 Annual General Meeting, including information about registration for participation at the Meeting was published in a press release on 30 March 2021 and is available at www.midsona.com.

Nominating Committee

The Nominating Committee represents the company's shareholders and nominates the chair of the Annual General Meeting, Board members, Chairman of the Board, audit firm and remuneration of them. A resolution was passed at the 2020 Annual General Meeting regarding Instructions for the Nominating Committee's work.

Nominating Committee for the 2021 Annual General Meeting

The 2020 Annual General Meeting resolved to task the Chairman of the Board with contacting representatives of the company's three largest shareholders at the end of August 2020 to ask them to appoint one member each to the Committee.

Name/Representing, %	Percentage of votes 31 Aug 2020	Percentage of votes 28 Dec 2020
Henrik Munthe/Stena Adactum AB	28.0	28.0
Ulrik Grönvall/Swedbank Robur Fonder	4.7	4.7
Claes Murander/Lannebo Fonder	3.4	3.4
Total	**36.1**	**36.1**

In preparation for the 2021 Annual General Meeting, the Nominating Committee held two minuted meetings prior to the publication of the notice of the Annual General Meeting and members have also maintained ongoing contacts. The Nominating Committee has interviewed three board members and received a presentation of Midsona's operations by the CEO. The Nominating Committee has addressed the issues it is required to consider in accordance with the decisions of the Annual General Meeting and in accordance with the Swedish Code of Corporate Governance. Among other matters, the Committee has discussed and considered the extent to which the current Board of Directors meets the demands imposed on a listed company and otherwise as a consequence of the company's operations. In addition, the Nominating Committee has discussed the Board's gender distribution, size, competence, experience and diversity, as well as how well the Board functions, taking into account aspects including the outcome of the Board's own assessment of its work. The election of auditors and remuneration of Board Members and auditors have also been discussed. The Nominating Committee has received information from the Audit Committee on the work of the auditors. The Nominating Committee applied Midsona's Board's diversity policy and Rule 4.1 of the Swedish Code of Corporate Governance in preparing its proposal for the election of Board Members.

The convener of the Nominating Committee has been the Chairman of the Board, Ola Erici, who is also a member of the Nominating Committee. The composition of the Committee was published in a press release 1 October 2020 and at *www.midsona.com*. Shareholders have been offered the opportunity to submit proposals to the Nominating Committee. Information on how shareholders can submit proposals to the Committee is provided at *www.midsona.com*.

The Nominating Committee's proposal, and reasoned opinion, is published in connection with the announcement of the 2021 Annual General Meeting at the latest.

Members do not receive any fees or remuneration for their work on the Committee.

Proposal to the 2021 Annual General Meeting

The Nominating Committee has resolved to propose the following to the 2021 Annual General Meeting:

- Re-election of Board members Ola Erici, Heli Arantola, Sandra Kottenauer, Henrik Stenqvist, Peter Wahlberg and Johan Wester.
- Re-election of Ola Erici as Chairman of the Board.
- Re-election of Deloitte AB as audit firm.
- The Chairman of the Board's remuneration is proposed to be increased from SEK 550,000 to SEK 575,000.
- The Board members' remuneration is proposed to be increased from SEK 235,000 to SEK 250,000.
- The remuneration of the Audit Committee chair is proposed to be increased from SEK 50,000 to SEK 60,000.
- The remuneration of the Audit Committee members is proposed to be increased from SEK 30,000 to SEK 35,000.
- The remuneration of the Remuneration Committee chair is proposed to be increased from SEK 30,000 to SEK 40,000.
- The remuneration of the Remuneration Committee members is proposed to be increased from SEK 20,000 to SEK 25,000.

The Nominating Committee's complete proposals are included in the announcement of the Annual General Meeting.

The Nominating Committee considers that the expertise that exists in the proposed Board meets the company's current needs well.

Board of Directors

Work and responsibilities of the Board

The Board of Directors is the highest management body beneath the Annual General Meeting and is responsible for the organisation and management of the Company's affairs. It shall primarily engage in more overarching and long-term issues that are of substantial significance for the Group's future focus.

The work of the Board follows written rules governing its practices and responsibilities, the division of work between the Board and its committees, as well as the role of the Chairman. Also regulated is the framework for the Board meetings, including their convening, agenda and minutes, as well as how the Board is to be supplied with comprehensive information for its work. The Board has also decided on the introduction of general policies for the operations and other central governance documents for the regulation of responsibilities, guidelines, procedures, values and targets.

The work of the Board is normally cyclical in nature. At the beginning of the year, the year-end and annual reports are addressed, as are the matters to be presented at the Annual General Meeting. After the summer, the Group's long-term strategic plan and focus are addressed. At the end of the year, the budget for the coming year is addressed. Each quarter, financial reporting is reviewed and the interim reports are approved for publication. In connection with the Annual General Meeting, an inaugural Board meeting is held, at which Committee members and signatories are determined, among other things.

According to the Articles of Association, the Board of Directors shall consist of at least three members and not more than nine and that no deputies

Work of the Board in 2020

Report of the Audit Committee
Board assessment report
Approval of budget for 2021
Approval of the acquisition of System Frugt A/S
Reporting on the sustainability work
Approval of expansion investment production plant, Spain

Report of the Remunerations Committee
Report of the Audit Committee
Proposed appropriation of profit
Updating business plan
Decision on measures due to the coronavirus pandemic
Matters for consideration by the 2020 Annual General Meeting

Report of the Audit Committee
Strategy issues
A decision on the expansion in the production unit
Reporting on the sustainability work

Decision on postponed Annual General Meeting
Approval of brand acquisition

shall be appointed. Members of the Board are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting. There are no rules about how long a member may serve on the Board.

Composition of the Board in 2020

At the 2020 Annual General Meeting, the following six Board members were elected: Ola Erici (Chairman of the Board), Heli Arantola, Sandra Kottenauer, Henrik Stenqvist, Peter Wahlberg and Johan Wester. Board composition complies with the Swedish Code of Corporate Governance with regard to its independence in relation to both the company and its management and major shareholders. The gender distribution is two women and four men, which corresponds to a percentage of women of just over 33 percent. For information regarding the Board members' independence, other assignments and shareholdings in the company, see pages 144–145 or Midsona's website *www.midsona.com*.

The CEO and the CFO, who is also the Board's secretary, both participate in Board meetings. When necessary, other officials participate in Board meetings to report on particular matters.

Work of the Board in 2020

In 2020, the Board held 14 meetings (13). For information on members' attendance, please see pages 144–145.

The Board regularly reviews the strategic issues affecting the Group's operations and general direction. The year's work has largely been focused on follow-ups of the impact of the coronavirus pandemic on the company and measures to protect the company's staff and operations, follow-ups of the previous year's acquisitions, the acquisitions of System Frugt A/S and the brand Gainomax, the expansion of the production unit in Castellcir, structure and growth issues and the sustainability strategy and strategic plan.

Board meetings follow a pre-approved agenda, to which specific issues will be added as necessary. The agenda, together with documentation for each of its items, is distributed to all Board Members approximately one week before the meeting. Each Board meeting commences with the minutes of the previous meeting and a review of any open matters. The CEO then provides an account of the Group's sales, earnings and business situation, including important external factors. Normally, the CFO then accounts for the Group's financial position in greater detail, together with any necessary analyses, reports are made regarding outstanding questions from earlier Board meetings, and plans and proposals are presented. All divisions present their operations at Board meetings according to a predetermined plan. In addition to the information provided in connection with Board meetings, the CEO distributes a monthly report to Board members. Minutes are kept for all Board meetings and sent to members for approval. One Board meeting is normally held every year at one of the Group's facilities.

Chairman of the Board

The Chairman organises and directs the work of the Board, represents the Company on ownership issues and is responsible for evaluating the Board's work. The Chairman is also responsible for the on-going dialogue with the CEO regarding operations and for the Board's fulfilment of its duties.

Evaluation of the Board's work

The Chairman of the Board is responsible for evaluating the Board's work, including the assessment of individual Board members' performance in accordance with an established digital process. The evaluation is reported to the Nominating Committee and forms the part of the basis for the Committee's proposals to the AGM regarding the composition of the Board and its fees.

Board committees

The Board has appointed an Audit Committee and a Remuneration Committee. The members of the committees and their chairpersons are appointed at the inaugural Board meeting for one year at a time. The work of the committees is mainly of a preparatory and advisory nature, although the Board may, in individual cases, delegate the right to determine specific issues to the committees. The matters addressed at committee meetings are minuted and reported to the Board at the next Board meeting.

Audit Committee

The Audit Committee's main task is to oversee the financial reporting and ensure that the adopted principles for financial reporting, internal controls, internal audit and risk assessment are adhered to and applied. Its mission is to support the Nominating Committee with proposals for the election of audit firm and audit fees.

In 2020, the Audit Committee consisted of Henrik Stenqvist (chairman), Peter Wahlberg and Johan Wester. The Committee met three times (three) in 2020. For information on members' attendance, please see pages 144–145. The CEO and the CFO, who is also the Nominating Committee's secretary, and the principal auditor responsible participate in the Committee's meetings.

Remunerations Committee

The Remunerations Committee's main task is to prepare business for decision by the Board relating to terms of remuneration and employment for the CEO and other senior executives on the basis of principles established by the Annual General Meeting. It is also tasked with proposing guidelines for remuneration of the CEO and other senior executives, and with monitoring and evaluating the objectives and principles for variable compensation.

In 2020, the Remuneration Committee consisted of Ola Erici (chairman), Heli Arantola and Johan Wester. The Committee met three times (twice) in 2020. For information on members' attendance, please see pages 144–145.

Group structure

* Max Bokander took office on 1 January 2021 and replaced Lennart Svensson who left the position as CFO.

CEO and Group Management

The President of the Company, who is also the CEO of the Group, is appointed by the Board of Directors. Peter Åsberg is the CEO and is responsible for on-going management in accordance with the Board's guidelines and instructions. In consultation with the Chairman of the Board, the CEO prepares the information the Board needs to conduct its work, presents matters and proposals for decisions and keeps the Board informed of the Company's development. The CEO leads the work of Group Management and makes decisions in consultation with other members of Group Management. In addition to the CEO, Group Management includes the Chief Financial Officer, Division Director Nordics, Division Director North Europe, Division Director South Europe and Director Operations.

In 2020, the Group Management three eight times in physical meetings (seven). During the year, due to the on-going pandemic, Group Management has instead met via reconciliation meetings once a week using digital platforms. Meetings focus primarily on the Group's strategic and operational development and reviewing performance. Operations are organised into three divisions.

For further information about Group Management, please see page 146–147 and *www.midsona.com*.

Instructions for the CEO

The Board adopts written instructions for the work of the President that, among other things, clarify responsibilities for day-to-day management, the division of duties between the Board and the CEO, as well cooperation with, and the information to, the Board.

Evaluation of the CEO

The Board continuously evaluates the CEO's work and expertise. The evaluation is made once a year without his presence.

Guidelines for remunerations to senior executives

For information on the guidelines for remuneration of senior executives adopted by the 2020 Annual General Meeting and the Board's proposed guidelines for remuneration of senior executives for the 2021 Annual General Meeting, please see pages 146–147 and *www.midsona.com*.

Regulations regarding share trading

Board members, the CEO and other senior executives registered as executives may trade in Midsona shares in accordance with applicable legislation and regulations. Beyond these, there are no specific internal regulations.

Insider information

Midsona is covered by the stipulations in the EU Market Abuse Regulation No 596/2014 (MAR) that sets requirements on how insider information is handled and the manner in which Midsona is obliged to keep a so-called log book.

Midsona uses the digital tool InsiderLog to ensure the handling of insider information. Only authorised individuals in Midsona have access to the tool.

External auditor

Deloitte AB, with authorised public accountant Per-Arne Pettersson as the principal auditor responsible, was elected by the 2020 Annual General Meeting for a period of one year. Deloitte AB was appointed Midsona AB's auditor by the 2014 Annual General Meeting and has since been the company's auditor. For information on fees and remuneration of audit firms, please see Note 9 *Fees and remuneration of auditors* on page 114.

Audit assignment

The audit assignment includes an audit of the annual and consolidated financial statements. An audit is also performed of the proposal for appropriation of the Company's profit or loss and the administration by the Board of Directors and the CEO. Statements are also issued regarding the Corporate Governance Report and the Sustainability Report. Statutory reviews are also conducted of the interim reports for the periods 1 January to 30 September and for the period 1 January to 31 December within the framework of the audit assignment.

The principal auditor responsible participates in Audit Committee meetings and reports in an on-going manner to the Chairman of the Audit Committee as necessary. The Board meets with the principal auditor responsible in connection with its handling of the year-end report. The principal auditor responsible participates at the Annual General Meeting, outlining there the audit and presenting the Audit Report.

Additional information

At *www.midsona.com*, there are an overview of the company's application of the Swedish Code of Corporate Governance, the Articles of Association, the Code of Conduct, information from previous Annual General Meetings and previous Corporate Governance Reports.

Information on the laws and practices of Swedish corporate governance can be found at the Swedish Corporate Governance Board (www.bolagsstyrning.se), Nasdaq Stockholm (www.nasdaqomxnordic.com) and the Swedish Financial Supervisory Authority (www.fi.se).

Internal control of financial reporting

The report on internal control of financial reporting has been prepared by the Board of Directors in accordance with the Swedish Code of Corporate Governance and the guidelines issued by the Confederation of Swedish Enterprise and FAR. It describes how internal control is organised to manage and minimise the risk of errors in financial reporting.

Internal control

Within the company, the following targets have been set with regard to internal control.

- It shall ensure compliance with the framework of applicable laws, regulations, rules and standards to which we are subject.
- It shall ensure that financial reporting is reliable and provides shareholders, the Board of Directors, management and other stakeholders adequate information on which to assess performance and development.
- It shall ensure that business operations are appropriately organised and conducted in such a manner that risks are continuously assessed, managed and minimised to meet financial and operational targets. On-going efforts to meet these targets involves a process building on a framework for internal control in which there is a particularly crucial interplay between control activities and the development of an effective control environment whereby responsibilities are assumed within the organisation.

The description of how internal controls are organised is limited to the internal control of financial reporting and follows a framework developed by "The Committee of Sponsoring Organisations of the Treadway Commission" (COSO).

The framework consists of five components: control environment, risk assessment, control activities, information and communication, and review.

Control environment

The control environment forms the basis for the internal control of financial reporting. An important part of the control environment is that decision-making paths, authorisations and responsibilities are clearly defined and communicated between different parts of the organisation and that control documents in the form of policies, procedures, instructions and manuals are in place. Consequently, an important part of the Board's work is to develop and approve a number of basic policies, guidelines and frameworks. These include the Board's formal work plan, the instructions to the CEO, regulations regarding investments, a financial policy and an insider policy. The purpose of these documents is to establish a basis for good internal control. The Board also works to ensure that the organisational structure provides clear roles, responsibilities and processes, facilitating effective management of operational risks and enabling the achievement of targets.

As part of the responsibility structure, each month, the Board evaluates business performance and results through an appropriate package of reports containing income statements and balance sheets, analyses of key performance indicators, comments regarding the business situation of each operation and, on a quarterly basis, also forecasts for future periods. As part of efforts to strengthen the internal control, policies, regulations and procedures are in place that provide a clear picture of the economic situation. These are living documents that are updated regularly and adapted to changes in the operations. In addition to this there are procedures and instructions that provide guidance in the day-to-day work of the organisation.

Risk assessment

An on-going process is underway to map the Group's risks. In this process, a number of income statement and balance sheet items are identified where the risk of errors in financial reports is elevated. The Company makes continuous efforts to strengthen controls around these risks.

Control activities

The Group's control structure is designed to manage risks that the Board deems relevant in the internal control of financial reporting. The purpose of control activities is to detect, prevent and correct errors and inconsistencies in reporting. Control activities include, for example, processes and procedures for the making of important decisions, earnings analyses and other analytical follow-ups, reconciliations, stock-taking procedures and controls in IT systems.

Information and communication

The company's governing documents, including policies, procedures and manuals/instructions are continuously updated and communicated through the appropriate channels, primarily via e-mail, internal meetings and the intranet.

Follow-up

The Board continuously evaluates the information provided by the Audit Committee, Group management and the external auditor. The CEO and CFO hold frequent briefings with each of the division managers regarding the business situation, performance, financial position and forecasts. In addition, the accounting and finance function at the Group level maintains close cooperation with finance managers and controllers at the division and company level with regard to reporting and closing the accounts. Follow-up and feedback on any problems arising in the internal controls form a central component in the internal control processes.

Financial reporting

Financial data are reported monthly from all reporting units, in accordance with standardised reporting procedures as documented in the Group's accounting manual. This reporting forms the basis of the Group's consolidated financial reporting. The consolidation, which is performed in the Group's common systems, culminates in complete income statements and balance sheets for each company and for the Group as a whole. Reported financial data are stored in a central database from which it is retrieved for analysis and review at the Group, division and company levels.

Assessment of the need for a special review function

The Group currently has no separate review function (internal audit). In light of the existing process for self-assessment and objective testing by an independent party, the view is taken that there is currently no need for a special review function to perform effective monitoring of internal control.

Operational improvements in 2020

Activities to improve internal control of the operations are a part of the continuous work, including the accounting and finance function, financial follow-up and the various business systems are continually evaluated.

For the Group as a whole, the internal control work in 2020 was affected by the pandemic with greater focus on customer payments and slow movement in inventory.

The Nordics division has a business system for all units since 2019. In 2020, an in-depth audit of the business system was done. The audit confirmed that we have a well-functioning system even if it resulted in small number of improvement proposals. These will be prioritised in the system development work in 2021. As part of streamlining and improving the internal control environment for the division, the financial reporting for Norway and Finland was moved to the division's "shared service centre" in Sweden in 2020. In October 2020, the Danish company System Frugt A/S was acquired. In the Nordics division, the integration of systems, routines, etc. for the division's accounting and finance function will be prioritised in 2021.

To further strengthen the internal control in the South Europe division, the accounting and finance function was strengthened with a dedicated accounting manager in 2020.

Auditor's report on the Corporate Governance Report

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

Assignment and responsibilities

The Board of Directors is responsible for the Corporate Governance Report for 1 January 2020 – 31 December 2020 on pages 137-141 and for it being prepared in accordance with the Annual Accounts Act.

Review focus and scope

Our review has been conducted in accordance with FAR's statement RevU 16 Auditor's review of the corporate governance report. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our statements.

Statement

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, Section 6, second paragraph, Items 2-6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph of the same Act are consistent with the financial statements and are in accordance with the Annual Accounts Act.

Malmö, 7 April 2021
Deloitte AB

Per-Arne Pettersson
Authorised Public Accountant

Remuneration report

Introduction

This report describes how the guidelines for remuneration of senior executives in Midsona AB, adopted by the 2020 Annual General Meeting, were applied in 2020. The report also contains about remuneration of the CEO and a summary of the company's outstanding share-based incentive programmes. The report has been prepared in accordance with the Swedish Companies Act and the Swedish Corporate Governance Board *Rules on remuneration of senior executives and on incentive programmes*.

Further information on remuneration of senior executives is in Note 10 *Employees, personnel expenses and senior executives' remuneration*, pages 114–116, in the Annual Report 2020. Information on the Remuneration Committee's work in 2020 is in the Corporate Governance Report, pages 137–141, in the Annual Report 2020.

Board fees are not covered by this report. Such fees are decided on annually by the Annual General Meeting and presented in Note 10 *Employees, personnel expenses and senior executives' remuneration*, pages 114–116, and in the Corporate Governance Report, pages 137–141, in the Annual Report 2020.

Significant events

The CEO summarises the company's overall results in his statement *Comment by the CEO*, pages 6–7, in the Annual Report 2020. There are also other significant events summarised in the Administration Report's section on significant events and impact from the coronavirus pandemic on page 93.

Guidelines for remunerations to senior executives

Midsona has a clear strategy for driving profitable growth and creating shareholder value. A successful implementation of the business strategy and safeguarding long-term interests, including sustainability, presupposes that employees with the right qualifications can be recruited, retained and motivated. This requires a competitive remuneration to be able to be offered to senior executives in the country where he or she is employed. The remuneration guidelines mean that senior executives can be offered competitive overall compensation. For more information on the strategy, please see the website *www.midsona.com*.

The terms of remuneration shall emphasise rewards after performance and vary in relation to the individual's performance and the Group's results. The total remuneration of senior executives shall be market based and may consist of the following components: fixed salary, variable remuneration, pension benefits and other benefits. The variable remuneration is to be linked to financial or non-financial criteria. They can be comprised of individually adapted quantitative or qualitative goals. The criteria are to be formulated so that they promote the business strategy and long-term interest, including sustainability, through a clear connection to the business strategy or promote the executive's long-term development.

Guidelines for remuneration of senior executives are in Note 10 *Employees, personnel expenses and senior executives' remuneration*, pages 114–116, in the Annual Report 2020. The applicable remuneration guidelines adopted by the 2020 Annual General Meeting were followed during the year. No deviations from the guidelines were made and no deviations have been made from the decision-making process, which according to the guidelines shall be applied to determine the remuneration. The auditor's opinion on compliance with the guidelines is available on the website *www.midsona.com*. No remuneration has been reclaimed. In addition to the remuneration covered by the remuneration guidelines, Annual General Meetings have resolved to introduce long-term incentive programmes.

Total remuneration of the CEO, Peter Åsberg, earned in 2020 (SEK thousand unless otherwise stated)					
Basic salary[1]	Other benefits[2]	Variable remuneration[3,4]	Pension costs[5]	Total remuneration	Percentage fixed/variable remuneration, %
4,045	153	2,007	1,407	7,612	73.6/26.4

Total remuneration of the CEO, Peter Åsberg, earned in 2019 (SEK thousand unless otherwise stated)					
Basic salary[1]	Other benefits[2]	Variable remuneration[3,4]	Pension costs[5]	Total remuneration	Percentage fixed/variable remuneration, %
3,780	145	551	1,297	5,773	90.5/9.5

[1] Includes holiday pay and salary deduction for company car.
[2] Includes benefits, such as medical benefit and mileage allowance.
[3] The variable remuneration is for one year at a time.
[4] The variable remuneration is paid out the year after vesting.
[5] The pension is defined-contribution with a premium of 25 percent of the pensionable salary.

Share-based payment

There are no outstanding share-based incentive programmes according to IFRS 2 *Share-based Payment*, where senior executives are allocated options or the like free of charge.

There was one outstanding warrant programme, TO2019/2022, at the end of 2020. In December 2019, a total of 148,000 warrants were transferred to senior executives in the TO2019/2022 series, the third and final part of the warrant programme that was decided on in 2017. The CEO acquired 60,000 warrants while the other senior executives subscribed for a total of 88,000 warrants. Each warrant entitles the holder to subscribe for one Series B share in Midsona. The period during which the warrants may be exercised will be from 1 August 2022 to 20 December 2022. The subscription price was SEK 50.80. The transfer of the warrants took place at market terms in December 2019 based on a calculation according to the so-called Black & Scholes model done by PWC AB, which is to be considered independent in relation to the company. On the transaction date, the fair value per warrant was SEK 6.30.

In December 2020, senior executives subscribed for 213,180 Series B shares, with support of 187,000 warrants in the TO2017/2020 series, of which the CEO subscribed for 68,400 Series B shares, with support of 60,000 warrants. Each warrant entitled the holder to 1.14 Series B shares at the subscription price of SEK 50.

Further information on long-term incentive programmes, where senior executives were offered to buy warrants at market-based terms, is in Note 10 *Employees, personnel expenses and senior executives' remuneration*, pages 114–116, in the Annual Report 2020.

Application of performance criteria

The performance criteria for the CEO's variable remuneration have been chosen to realise the company's strategy and to encourage actions that are in its long-term interest. In the selection of performance criteria, the strategic goals and short- and long-term business priorities for 2020 were taken into account. The non-financial performance criteria also contribute to the adaptation to sustainability and the company's values.

The CEO's, Peter Åsberg's, performance for variable remuneration earned in 2020

Criteria attributable to the remuneration component	Relative weighting of performance criteria	1) Measured performance 2) Actual allocation / remuneration outcome
EBITDA, before items affecting comparability, SEK million	60 percent	1) 82 percent 2) SEK 1,107 thousand
Organisation and sustainability development	20 percent	1) 100 percent 2) SEK 450 thousand
Creating growth opportunities	20 percent	1) 100 percent 2) SEK 450 thousand

The CEO's, Peter Åsberg's, performance for variable remuneration earned in 2019[1]

Criteria attributable to the remuneration component	Relative weighting of performance criteria	1) Measured performance 2) Actual allocation / remuneration outcome
EBITDA, before items affecting comparability, SEK million	60 percent	1) 0 percent 2) SEK 0 thousand
Net sales development	20 percent	1) 25 percent 2) SEK 92 thousand
Creating growth opportunities	20 percent	1) 100 percent 2) SEK 370 thousand

[1] In addition, SEK 89 thousand was earned in a loyalty bonus in 2019 linked to the warrant programme TO2016/2019, which was converted to Series B shares in September 2019.

Comparative information regarding changes in remuneration and the company's earnings

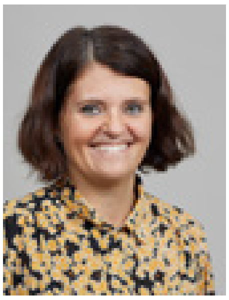
Remuneration and company's earnings[1]

	Change 2016/2015		Change 2017/2016		Change 2018/2017		Change 2019/2018		Change 2020/2019		2020
Remuneration of the CEO, SEK thousand	150	3.2%	632	13.2%	1,026	18.9%	–670	–10.4%	1,839	31.9%	7,612
Consolidated EBITDA, before items affecting comparability, SEK million	47	54.0%	56	41.8%	51	26.8%	49	20.3%	100	34.5%	390
Average remuneration based on the number of full-time equivalent employees in Midsona AB[2], SEK thousand	34	5.3%	97	14.0%	–151	–19.2%	60	9.5%	100	14.5%	795

[1] Includes remuneration earned in the respective year.
[2] Members of Group Management are excluded.

Board of Directors






	Ola Erici	Heli Arantola	Sandra Kottenauer	Henrik Stenqvist
Born	1960	1969	1972	1967
Position on the Board/attendance	Chairman – 14/14	Member – 8/8	Member – 8/8	Member – 14/14
Elected, year	2012	2020	2020	2017
Position	Industrial advisor	President, Leipurin Abp	Chief Marketing and Product Officer Non Food, Manor AG, Switzerland	CFO Sobi
Previous experience	CEO of Ferrosan and Skånemejerier and several executive positions in the Tetra Laval Group and Gambro	Executive Vice President Categories & Concepts, Head of Strategy in HK Scan Oyj, Senior Vice President Fazer Group and President of Fazer Mills BU	Various positions in Procter & Gamble Europe, including as Global Brand Director	CFO Recipharm and Meda AB and management positions within the AstraZeneca Group. Board Member of MedCap AB
Training program	MSc Economics, Stockholm School of Economics and École des Hautes Etudes Commerciales in Paris	MSc, Economic Sciences, Helsinki School of Economics, and Doctor of Science, Economic Sciences, Hanken School of Economics	MSc, Marketing & International Business, Stockholm School of Economics	MBA, Linköping University
Other assignments	Chairman of the Board of Geveko AB and Dynasafe AB. Board member of, among others, Solix Group AB, Haarslev A/S and Tresu A/S.	Board member of Tobii AB and S-Banken Abp	–	–
Dependent on the Company and its shareholders	No	No	No	No
Own shareholdings and those of closely-related parties, 2020[2]	99,415 Series B shares (own and closely-related parties)	0	0	28,059 Series B shares
Own shareholdings and those of closely-related parties, 2019	99,415 Series B shares (own and closely-related parties), 100,000 call options[3]	–	–	28,059 Series B shares
Audit Committee/attendance				Chairman – 3/3
Remunerations Committee/attendance	Chairman – 2/2	Member – 2/2		
Remuneration 2020[5]	Directors' fees 550,000, Committee fees 30,000, Total 580,000	Directors' fees 235,000 Committee fees 20,000 Total 255,000	Board fees 235,000 Total 235,000	Directors' fees 235,000 Committee fees 50,000 Total 285,000

[1] Johan Wester conducts assignments on behalf of Stena Adactum AB.
[2] Shareholding as at 28 February 2021. For updated shareholding, please see *www.midsona.com/Bolagsstyrning*.
[3] The main owner Stena Adactum AB issued, in November 2016, 100,000 call options with their own holding in Midsona shares as guarantee. Midsona is not a party to the transaction and the future redemption of the warrants will not affect Midsona's financial position and earnings.
[4] Board members Birgitta Stymne-Göransson and Kirsten Ægidius withdrew at the 2020 Annual General Meeting
[5] Remuneration of the Board of Directors for the period June 2020 to May 2021. Remuneration of Board members elected by the 2020 Annual General Meeting following a proposal from the Nominating Committee.
For more information, see Note 10 *Employees, personnel expenses and senior executives' remuneration*, pages 114–116.


Peter Wahlberg	Johan Wester
1962	1966
Member – 14/14	Member – 14/14
2015	2009
Self-employed	Senior Vice President Stena Adactum AB
Stockbroker Penser Fondkommission and Matteus Fondkommission	CEO of Mediatec Group, partner at Arthur D. Little and member of the Boards of Ballingslöv International AB and Personec Oy
Economics studies at Lund University	Graduate engineer, Chalmers Institute of Technology
Chairman of the Board of Wallhouse AB. Member of the Boards of Hestermus, AB Nolefo, Wahlbergs Drycker AB, Data Doc Holding AB and Pudelqvist.	Chairman of the Board of S-Invest and Captum Group AB. Member of the Boards of Stena Renewable, S&L Access Systems AB and Beijer Electronics
No	Yes[1]
3,237,885 Series B shares (related parties and through the company), of which 1,665,719 is via endow-ment insurance.	78,045 Series B shares (personal holding and through related parties)
3,237,885 Series B shares (related parties and through the company), of which 1,665,719 is via endow-ment insurance.	78,045 Series B shares (personal holding and through related parties)
Member – 3/3	Member – 3/3
	Member – 2/2
Board fees 235,000 Committee fees 30,000 Total 265,000	Board fees 235,000 Committee fees 50,000 Total 285,000

Auditor

Per-Arne Pettersson.
Authorised Public Accountant with Deloitte AB and member of FAR.

Birgitta Stymne Göransson[4]
9,900 Series B shares

Kirsten Ægidius[4]
11,900 Series B shares

Group Management

			
Peter Åsberg	**Max Bokander**	**Tobias Traneborn**	**Ulrika Palm**

	Peter Åsberg	Max Bokander	Tobias Traneborn	Ulrika Palm
Born	1966	1973	1975	1973
Employed	2007	2021	2017	2016
In current position	2007	2021	2017	2018
Position	President and CEO	CFO	Director Operations	Division Director Nordics
previous positions:	President of Cloetta Fazer, Sverige. Various positions at Procter & Gamble and Coca-Cola	VP Finance and Business Control at the Trelleborg Group and senior positions at ST-Ericsson, Skanska and Tetra Pak.	Positions as Chief Operating Officer at CDON.COM, Operations Manager at HKC and as Logistics Manager at both Lantmännen Cerealia and Kjell & Company	CEO Lager 157, Director of Marketing and Innovation for Lantmännen Cerealia and various positions at Procter & Gamble, Wella and Unilever.
Training program	MSc Economics, Lund University	MSc Economics, Lund University	BSc Engineering, University of Borås	MSc Economics, Gothenburg School of Economics
Own shareholdings and those of closely-related parties, 2020	571,434 (personal holding and through related parties) and 60,000 warrants (2019/2022)	3,000 Series B shares	8,468 Series B shares and 16,000 warrants (2019/2022)	10,000 Series B shares and 18,000 warrants (2019/2022)
Own shareholdings and those of closely-related parties, 2019	533,534 Series B shares, 60,000 warrants (2017/2020) and 60,000 warrants (2019/2022)		20,000 Series B shares, 15,000 warrants (2017/2020) and 16,000 warrants (2019/2022)	12,000 warrants (2017/2020) and 18,000 warrants (2019/2022)

[1] Shareholding as at 28 February 2021. For updated shareholding, please see *www.midsona.com/Bolagsstyrning*.
[2] Lennart Svensson resigned his position as CFO at Midsona in January 2021

Principles for remuneration

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

The 2020 Annual General Meeting approved the following guidelines for the remuneration of senior executives to apply until a need arises for significant changes in the guidelines, although not longer than to the 2024 Annual General Meeting. Senior executives are to be offered competitive remunerations in line with the market. Remuneration levels for individual executives are to be based on factors including position, competence, experience and performance. The remuneration consists of fixed salary, a possibility of variable remuneration in the form of bonus, insurance policies, pension benefits, severance pay and other benefits.

Fixed salary shall be based on the individual employee's position, expertise, experience and performance The fixed salary shall be subject to an annual review.

Variable remuneration shall be tied to predetermined and measurable criteria with the aim of promoting the company's long-term value creation, business strategy and sustainable long-term interests. The distribution between fixed salary and remuneration that is not determined in advance shall be in proportion to the executive's responsibility and authority. Variable remuneration shall be based on the fulfilment of individual targets that are set by the Board of Directors for the CEO and by the Remuneration Committee upon proposals by the CEO for other senior executives. Such targets can, for example, be linked to profit, sales, cash flow and the outcome in their own area of responsibility. The measurement period for the criteria linked to variable remuneration shall be one year.

The CEO will have the possibility of variable remuneration, which for a one-year period may not exceed 50 percent of the basic salary and others in Group Management, which for a one-year period may not exceed 30 percent of the basic salary.

The Board of Directors is responsible for the assessment regarding variable remuneration for the CEO. In terms of variable remuneration of other senior executives, the Remuneration Committee in consultation with the CEO is responsible for the assessment. The assessment of whether or not the company's financial targets have been achieved is to be based on the most recent annual report published by the company. In the annual evaluation, the Remuneration Committee, or where applicable the Board, can adjust the

Erk Schuchhardt	Marjolaine Cevoz Goyat
1969	1975
2013	2010
2018	2019
Division Director North Europe	Division Director South Europe
Senior positions in Weleda Germany, Weleda North America and Weleda Argentina	Former marketing manager at the Panzani Group and brand manager at Procter & Gamble
Master degree from London School of Economics	Master degree from École des hautes études commerciale, Paris
18,000 warrants (2019/2022)	18,000 warrants (2019/2022)
18,000 warrants (2019/2022)	18,000 warrants (2019/2022)

Remuneration and other benefits to Group Management, 2020

Group Management (6 individuals)[1]	SEK thousand
Basic salary	13,787
Variable remuneration	3,949
Other benefits	589
Pension expenses	3,598
Total	**21,923**

[1] Group Management comprises those who, together with the CEO Peter Åsberg, were included in Group Management during all or part of the year. These senior executives were Lennart Svensson, Ulrika Palm, Tobias Traneborn, Erk Schuchhardt and Marjolaine Cevoz-Goyat. For more information on remuneration and other benefits to Group Management, see Note 10 Employees, personnel expenses and senior executives' remuneration, pages 114–116.

Lennart Svensson[2]
66,037 Series B shares and 18,000 warrants (2019/2022) (January 2021)

targets and the remuneration for both positive and negative extraordinary events, reorganisations and structural changes.

Pension benefits shall be defined-contribution benefits and normally entitle the individual to pension from the age of 65. For all senior executives, pension benefits can amount to a maximum of 25 percent of the pensionable salary.

All senior executives can be given the right to other benefits with the aim of contributing to facilitating the senior executive's possibilities of fulfilling his or her duties. Other benefits may, for example, be health insurance, life insurance medical expenses insurance and a company car and travel benefits. Such benefits are to be market-based and can total to a maximum of ten (10) percent of the fixed annual salary.

For employment conditions that are subject to rules other than Swedish, insofar as pension benefits and other benefits are concerned, necessary adjustments may be made to comply with such compulsory rules or local practice, whereby these guidelines' overall purpose shall be fulfilled.

Upon termination by the company, a period of notice of a maximum of 12 months applies. If the CEO's employment ends on the company's initiative, a severance pay of six (6) months' salary will be payable in addition to salary during the period of notice. Fixed salary during the period of notice and severance pay combined may not exceed an amount equivalent to the senior executive's fixed salary for 24 months.

Remuneration and other terms of employment for the President are prepared by the Remunerations Committee and approved by the Board of Directors. Remuneration and other terms of employment for other members of the management team are determined by the Remuneration Committee in consultation with the CEO. The Board of Directors is kept continuously up-to-date regarding remuneration levels for other senior executives.

The Board may decide to temporarily deviate from the guidelines in part or in whole if in an individual case special reason exists to do so and a deviation is necessary to provide for long-term interests, including sustainability, or to secure the company's financial strength. As stated above, the Remuneration Committee's tasks include preparing the Board's decisions in remuneration issues, which also include decisions on deviations from the guidelines.

For the 2020 financial year, variable remuneration amounting to SEK 2,007 thousand was paid to the CEO. The variable remuneration accounted for 50 percent of base salary. For the 2020 financial year, variable remuneration of SEK 1,942 thousand was paid to the other members of Group Management, which corresponded to 20 percent of base salary.

Five-year overview

Excerpts from income statements

SEK million	2020	2019	2018	2017	2016
Net sales	3,709	3,081	2,852	2,146	1,744
Expenses for goods sold	–2,672	–2,178	–1,980	–1,435	–1,127
Gross profit	**1,037**	**903**	**872**	**711**	**617**
Selling expenses	–542	–505	–473	–393	–377
Administrative expenses	–284	–240	–212	–179	–149
Other operating income	52	37	7	3	5
Other operating expenses	–6	–25	–16	–8	–14
Operating profit/loss	**257**	**170**	**178**	**134**	**82**
Profit/loss from participations in joint ventures	–8	–1	–	–	–
Financial income	14	0	16	0	1
Financial expenses	–59	–53	–31	–22	–25
Profit/loss before tax	**204**	**116**	**163**	**112**	**58**
Tax	–28	–19	–34	–28	–13
Profit/loss for the year	**176**	**97**	**129**	**84**	**45**
Depreciation/amortisation and impairment					
Depreciation/amortisation and impairment included in operating income	147	114	52	35	25
EBITDA	**404**	**284**	**230**	**169**	**107**
Items affecting comparability					
Items affecting comparability included in operating profit	–14	6	11	21	27
Operating profit, before items affecting comparability	**243**	**176**	**189**	**155**	**109**
Items affecting comparability and depreciation/amortisation and impairment					
Items affecting comparability and depreciation/amortisation and impairment included in operating profit	133	120	63	56	52
EBITDA, before items affecting comparability	**390**	**290**	**241**	**190**	**134**
Pro forma adjustment and acquisition-related restructuring and transaction expenses					
Pro forma adjustment and acquisition-related restructuring and transaction expenses affecting EBITDA	–30	21	24	11	63
Adjusted EBITDA	**374**	**305**	**254**	**180**	**170**

Excerpts from balance sheets

SEK million	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016
Intangible fixed assets	3,289	3,058	2,466	2,129	1,940
Other fixed assets	637	686	332	160	139
Inventories	643	529	482	272	244
Other current assets	363	334	318	242	232
Cash and cash equivalents	195	173	101	54	65
Total assets	**5,127**	**4,780**	**3,699**	**2,857**	**2,620**
Shareholders' equity	2,313	2,322	1,630	1,550	1,349
Non-current interest-bearing liabilities	1,526	1,408	1,124	665	696
Other non-current liabilities	380	413	354	226	211
Current interest-bearing liabilities	253	118	93	41	31
Other current liabilities	655	519	498	375	333
Total shareholders' equity and liabilities	**5,127**	**4,780**	**3,699**	**2,857**	**2,620**

Excerpts from cash flow statements

SEK million	2020	2019	2018	2017	2016
Cash flow from operating activities before changes in working capital	319	221	182	146	103
Changes in working capital	–36	–23	30	6	–34
Cash flow from operating activities	**283**	**198**	**212**	**152**	**69**
Cash flow from investing activities	–369	–712	–357	–91	–848
Cash flow after investing activities	**–86**	**–514**	**–145**	**61**	**–779**
Cash flow from financing activities	117	589	189	–69	778
Cash flow for the year	**31**	**75**	**44**	**–8**	**–1**
Cash and cash equivalents at beginning of year	173	101	54	65	61
Exchange-rate difference in cash and cash equivalents	–9	–3	3	–3	5
Cash and cash equivalents at end of year	**195**	**173**	**101**	**54**	**65**

Key figures [1,2,3]

		2020	2019	2018	2017	2016
Income and expense						
Net sales growth	%	20.4	8.0	32.9	23.1	48.6
Organic change, net sales	%	3.9	-6.1	3.0	-4.2	-3.8
Selling expenses/net sales	%	14.6	16.4	16.6	18.3	21.6
Administrative expenses/net sales	%	7.7	7.8	7.4	8.3	8.5
Margin						
Gross margin	%	28.0	29.3	30.6	33.1	35.4
Gross margin, before items affecting comparability	%	28.1	29.5	30.6	33.1	35.5
EBITDA margin	%	10.9	9.2	8.1	7.9	6.1
EBITDA-Margin, before items affecting comparability	%	10.5	9.4	8.5	8.9	7.7
Operating margin	%	6.9	5.5	6.2	6.2	4.7
Operating margin, before items affecting comparability	%	6.6	5.7	6.6	7.2	6.3
Profit margin	%	5.5	3.8	5.7	5.2	3.3
Capital						
Average capital employed	SEK million	3,970	3,348	2,552	2,166	1,636
Return on capital employed	%	6.6	5.0	7.6	6.2	5.1
Return on shareholders' equity	%	7.6	4.9	8.1	5.8	4.0
Equity/assets ratio	%	45.1	48.6	44.1	54.3	51.5
Liquidity						
Net debt	SEK million	1,584	1,353	1,116	652	662
Net debt/EBITDA	multiple	3.9	4.8	4.9	3.9	6.2
Net debt / Adjusted EBITDA	multiple	4.2	4.4	4.4	3.6	3.9
Net debt/equity ratio	multiple	0.7	0.6	0.7	0.4	0.5
Interest coverage ratio	multiple	7.0	4.2	7.3	7.2	4.6
Cash flow						
Cash flow from current operations	SEK million	283	198	212	152	69
Free cash flow	SEK million	252	155	176	125	51
Employees						
Average number of employees	number	747	581	473	353	308
Number of employees at end of year	number	834	721	525	384	322
Shares and market capitalisation						
Average number of shares during the year	thousand	65,005	48,179	46,008	44,141	31,547
Number of shares at end of year	thousand	65,005	65,005	46,008	46,008	42,646
Market capitalisation	SEK million	5,057	3,212	2,834	2,691	1,876
Number of unregistered shares at end of year[5]	thousand	213	–	–	–	–
Per share data						
Profit attributable to Parent Company shareholders	SEK	2.70	2.02	2.80	1.91	1.42
Shareholders' equity	SEK	35.58	35.72	35.43	33.69	31.63
Cash flow from operating activities	SEK	4.35	4.11	4.61	3.44	2.19
Free cash flow	SEK	3.88	3.22	3.83	2.83	1.62
Share price on balance sheet date (Series B shares)	SEK	77.80	49.40	61.60	58.50	44.00
Dividend[4]	SEK	1.25	1.25	1.25	1.25	1.10
Yield	%	1.61	2.5	2.0	2.1	2.5
Pay-out ratio[6]	%	46.4	83.6	45.1	68.2	104.5
P/E ratio	multiple	28.8	24.5	22.0	30.6	30.9

[1] Midsona presents certain financial measures in the Year-end report that are not defined under IFRS. For definitions and reconciliation to IFRS, see pages 150–153.
[2] The figures for 2016 have not been recalculated for effects on sales and operating expenses in connection with conversion to IFRS 15.
[3] The figures for 2016-2018 have not been restated for effects in the income statement in connection with conversion to IFRS 16.
[4] Dividend for 2020 relates to the proposal by the Board of Directors.
[5] Registered on 29 January 2021 and subject to dividend decided on at the 2021 Annual General Meeting.
[6] Adjusted for unregistered shares at year-end.

Definitions

Midsona presents certain financial measures in the Year-end report that are not defined under IFRS. Midsona considers these measures to provide useful supplemental information to investors and the company's management as they facilitate the evaluation of the company's performance. Because not all companies calculate financial measures in the same way, these are not always comparable to the measures used by other companies. Accordingly, these financial measures should not be considered a substitute for measurements as defined under IFRS. The table below presents measures not defined under IFRS, unless otherwise stated. The purpose of each measure is presented in italics.

Return on Equity Profit for the year in relation to average shareholders' equity. *For assessing the Company's ability to reach an industry-rate reasonable level of return on the total capital of the owners made available.*

Return on capital employed Profit before tax plus financial expenses in relation to average capital employed *For assessing the Company's ability to reach an industry-rate reasonable level of return on the total capital of the owners and lenders made available.*

Gross margin Gross profit in relation to net sales. *Relevant for assessing the company's ability to reach an industry-rate level of profitability.*

Market capitalisation Number of shares at year-end multiplied by the price quoted for Series B share on the balance sheet date. *To assess the company's market value.*

Yield Dividend in relation to the price quoted for series B share on the balance sheet date. *Yield is one central financial measure for determining the share of earnings for the year that the company distributes to its shareholders.*

EBITDA Operating income before depreciation/amortisation and impairment of tangible and intangible assets. *EBITDA is a key performance measure for assessing the earnings trend of the Company over time.*

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

EBITDA margin EBITDA in relation to net sales. *EBITDA margin is a key figure for assessing the company's ability to reach a level of profitability by segment as well as one of the company's financial goal of an EBITDA margin in excess of 12 percent is met.*

Shareholders' equity per share Shareholders' equity divided by the number of shares outstanding at the end of the year. *Is a measurement that measures the company's net asset value per share and allows assessment if the company increases shareholder wealth over time.*

Free cash flow Cash flow from operating activities less cash flow from investing activities, excluding acquisitions/sales of operations, acquisitions/sales of trademarks and product rights, as well as expansion investments. *Is a measure of the company's underlying cash flow.*

Free cash flow per share Free cash flow in relation to the average number of shares. *Is a measure of the company's underlying cash flow per share.*

Average number of shares Average number of shares outstanding during the year. *Financial measure defined under IFRS.*

Adjusted EBITDA EBITDA, rolling 12 months pro forma, excluding acquisition-related restructuring and transaction expenses *Is a relevant measure to increase the comparability of EBITDA over time.*

Items affecting comparability Significant items that are presented separately due to their size or frequency, such as restructuring costs and acquisition-related costs. *This is a measure of operating items not normally included in the Company's operating activities. Relevant for assessing the company's operating profit growth eliminated for those non-recurring operating items.*

Customer credit period Accounts receivable adjusted for VAT in relation to net sales. *Is a relevant measure to assess how quickly the Company gets paid by its customers.*

Net sales growth Net sales for the year less the preceding year's net sales in relation to the preceding year's net sales. *Net sales growth is a key to determine whether the Company's growth strategy and the fulfilment of one of the Company's financial target of an average growth of at least 15 percent of the time met.*

Net debt Interest-bearing provisions and liabilities at the end of the year less cash and cash equivalents. *Net debt is a measure that the Company regards as relevant to creditors and credit rating agencies.*

Net debt/EBITDA Net debt in relation to EBITDA. *Net debt/EBITDA is a figure that Midsona regards as relevant to investors who want to assess the Company's opportunities to implement strategic investments, to meet its financial obligations, and to meet one of its financial targets of net debt/EBITDA of a multiple of 3–4.*

Net debt/Adjusted EBITDA Net debt in relation to Adjusted EBITDA. *Net debt/Adjusted EBITDA is a figure that Midsona regards as relevant to investors who want to assess the Company's opportunities to implement strategic investments, to meet its financial obligations, and to meet one of its financial targets of net debt/EBITDA of a multiple of 3–4. This key figures increase the comparability of Net debt/EBITDA over time.*

Net debt/equity ratio Net debt in relation to shareholders' equity. *Net debt/equity ratio is a key figure for assessing a company's capital structure.*

Organic change, net sales Net change in sales between years adjusted for translation effects on consolidation and for changes in the Group structure *Organic change, net sales is a key figure determining whether the company's growth strategy is met, adjusted for currency effects on consolidation as well as acquisitions and divestments of operations.*

P/E ratio Share price on the balance sheet date in relation to earnings per share. *Is a key figure that is considered relevant to assess whether the company's stock is worth buying or not.*

Earnings per share Profit for the year in relation to the average number of shares. *Financial measure defined under IFRS.*

Interest coverage ratio Profit before tax plus interest expenses in relation to interest expenses. *Interest coverage is relevant for assessing the Company's ability to execute strategic investments and assess the Company's ability to meet its financial commitments.*

Working capital Non-interest-bearing current assets less non-current non-interest-bearing liabilities. *Working capital is a key performance indicator for assessing the company's ability to meet short-term capital.*

Operating margin Operating profit in relation to net sales. *The operating margin is relevant for assessing the company's ability to reach an industry-based level of profitability.*

Equity/assets ratio Shareholders' equity at the end of the year in relation to total assets. *The equity/assets ratio shows the proportion of the balance sheet total represented by shareholders' equity and has been included to gain a view of the company's capital structure.*

Structural changes Changes in net sales due to changes in the Group structure. *Structural changes measure how changes in the Group structure contribute to changes in net sales.*

Capital employed Total assets less non-interest-bearing liabilities and deferred tax liabilities. *Capital employed is a measure of the total capital that the company borrows from its shareholders, who usually receive compensation in the form of dividends, or that it borrows from credit institutions, who receive compensation in the form of interest.*

Pay-out ratio Proposed/approved dividend in relation to net income. *Pay-out ratio is relevant for assessing whether the company meets one of its financial objectives of having a long-term pay-out ratio exceeding 30 percent.*

Profit margin Profit before tax in relation to net sales. *Profit margin is relevant for assessing the company's ability to reach an industry-based level of profitability.*

IFRS reconciliations, Group

EBITDA

Operating profit before amortisation/depreciation and impairment of tangible and intangible assets.[1]

SEK million	2020	2019	2018	2017	2016
Operating profit/loss	**257**	**170**	**178**	**134**	**82**
Amortisation of intangible assets	48	36	31	24	16
Depreciation of tangible assets	99	78	21	11	9
EBITDA	**404**	**284**	**230**	**169**	**107**
Item affecting comparability[2,3]	-14	6	11	21	27
EBITDA, before items affecting comparability	**390**	**290**	**241**	**190**	**134**
Net sales	3,709	3,081	2,852	2,146	1,744
EBITDA-margin, before items affecting comparability	**10.5%**	**9.4%**	**8.5%**	**8.9%**	**7.7%**

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

[2] Specification of items affecting comparability

SEK million	2020	2019	2018	2017	2016
Restructuring costs	25	15	2	16	20
Acquisition-related costs	5	17	10	5	7
Assessed conditional purchase consideration	-36	-26	-1	–	–
Acquisition-related revenues (negative consolidated goodwill)	-8	–	–	–	–
Total	**-14**	**6**	**11**	**21**	**27**

[3] Corresponding line in the consolidated income statement

SEK million	2020	2019	2018	2017	2016
Expenses for goods sold	5	7	2	–	2
Selling expenses	5	5	-1	4	5
Administrative expenses	15	2	1	12	11
Other operating income	-44	-26	-1	–	–
Other operating expenses	5	18	10	5	9
Total	**-14**	**6**	**11**	**21**	**27**

Adjusted EBITDA

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

SEK million	2020	2019	2018	2017	2016
EBITDA	**404**	**284**	**230**	**169**	**107**
Acquisition-related restructuring expenses	–	–	1	16	20
Acquisition-related transaction expenses	-39	-11	9	5	6
Pro forma adjustment	9	32	14	-10	37
Adjusted EBITDA	**374**	**305**	**254**	**180**	**170**

Net liabilities

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

SEK million	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016
Non-current interest-bearing liabilities	1,526	1,408	1124	665	696
Current interest-bearing liabilities	253	118	93	41	31
Cash and cash equivalents[1]	-195	-173	-101	-54	-65
Net liabilities	**1,584**	**1,353**	**1,116**	**652**	**662**

[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	2020	2019	2018	2017	2016
Shareholders' equity and liabilities	**5,127**	**4,780**	**3,699**	**2,857**	**2,620**
Other non-current liabilities	-38	-92	-83	-5	-4
Deferred tax liabilities	-342	-321	-271	-221	-207
Accounts payable	-405	-288	-357	-220	-212
Other current liabilities	-80	-91	-33	-50	-38
Accrued expenses and deferred income	-170	-140	-108	-105	-83
Capital employed	**4,092**	**3,848**	**2,847**	**2,256**	**2,076**
Capital employed at the beginning of the period	3,848	2,847	2,256	2,076	1,196
Average capital employed	**3,970**	**3,348**	**2,552**	**2,166**	**1,636**

Return on capital employed

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

SEK million	2020	2019	2018	2017	2016
Profit/loss before tax	204	116	163	112	58
Financial expenses	59	54	31	22	25
Profit before taxes, excluding financial expenses	263	170	194	134	83
Average capital employed	3,970	3,348	2,552	2,166	1,636
Return on capital employed, %	6.6	5.1	7.6	6.2	5.1

Average shareholder's equity

Total shareholder's equity at the end of the period plus total shareholder's equity at the beginning of the period divided by 2.

SEK million	2020	2019	2018	2017	2016
Shareholders' equity	2,313	2,322	1,630	1,550	1,349
Shareholders' equity at the beginning of the period	2,322	1,630	1,550	1,349	877
Average shareholder's equity	2,318	1,976	1,590	1,450	1,113

Return on shareholders' equity

Profit for the period in relation to average shareholder's equity.

SEK million	2020	2019	2018	2017	2016
Profit/loss for the year	176	97	129	84	45
Average shareholder's equity	2,318	1,976	1,590	1,450	1,113
Return on equity, %	7.6	4.9	8.1	5.8	4.0

Free cash flow

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

SEK million	2020	2019	2018	2017	2016
Cash flow from operating activities	283	198	212	152	69
Cash flow from investing activities	-369	-712	-357	-91	-848
Acquisitions of companies or operations	278	659	295	64	800
Expansion investment in a new production line	–	2	26	–	–
Acquisition of joint venture	–	8	–	–	–
Acquisitions of brands and product rights	60	–	–	–	30
Free cash flow	252	155	176	125	51

Organic change, net sales

Change in net sales between years adjusted for translation effects on consolidation and for changes in the Group structure.

SEK million	2020	2019	2018	2017	2016
Net sales	3,709	3,081	2,852	2,146	1,744
Net sales compared with the corresponding period in the preceding year	-3,081	-2,852	-2,146	-1,744	-1,174
Net sales, change	628	229	706	402	570
Structural changes	-574	-355	-557	-457	-619
Exchange rate changes	65	-48	-85	-18	5
Organic change	119	-174	64	-73	-44
Organic change, %	3.9%	-6.1%	3.0%	-4.2%	-3.8%
Structural changes, %	18.6%	12.4%	26.0%	26.2%	52.7%
Exchange rate changes, %	-2.1%	1.7%	4.0%	1.0%	-0.4%

EBITDA, before items affecting comparability and adjusted for the IFRS 16 effect

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

SEK million	2020	2019	2018	2017	2016
EBITDA, before items affecting comparability	390	290	241	190	134
Leasing fees on ROU assets with application of IFRS 16	-50	-44	–	–	–
EBITDA, before items affecting comparability and adjusted for the IFRS 16 effect	340	246	241	190	134

Glossary

BSCI (Business Social Compliance Initiative) A member-driven corporate initiative for responsible supply chains.

DLF Trade association for companies that sell convenience goods to retailers, restaurants and institutional catering in Sweden.

Organic products Products grown without pesticides or chemical fertilisers. Those seeking to sell products as organic within the EU must comply with the EU regulations for organic production.

GFSI (Global Food Safety Initiative A corporate initiative for auditing, comparing and recognising voluntary certification programmes for food safety.

Global Compact UN initiative combining companies and community institutions with some ten principles on the environment and society.

Green Deal The EU plan to become the world's first climate neutral continent before 2050 through some 50 action programmes that affect different parts of the European economy.

Sustainable development (sustainability) Development that meets today's needs without jeopardizing future generations' ability to satisfy their needs.

Healthfoods Food that may be good for our health and our well-being.

Consumer health Various product categories consisting of healthy nutritional supplements that contribute to good health and well-being, such as natural and herbal medicines, dietary supplements and supplement-like medical aids.

Contract manufacturing Entails that a company engages another company to help with the production. This may involve everything from not having expertise in a special field to wanting help with the entire production line. Sometimes called subcontracting work.

Nutritional supplements These are classified as foods and serve as supplements to normal foodstuffs. They may contain vitamins and minerals or other nutrients such as omega-3.

Licensed brands Other companies' products that are sold by Midsona.

Pharmaceutical According to the law, pharmaceuticals are all substances allegedly able to detect, prevent, treat or cure disease or disease symptoms.

Minerals The body comprises some 20 different minerals. They make up about 4 percent of bodyweight. Minerals are needed in small amounts but are vital because our bodies cannot produce them.

Omega-3 A number of polyunsaturated and beneficial fatty acids are referred to as omega-3. They are essential fatty acids, meaning the body cannot produce them itself and must instead obtain them through diet. The longer polyunsaturated fatty acids EPA and DHA from fish and fish oil in particular have been found to have additional health-beneficial effects.

Seitan A gluten-based food used as a base in various vegetarian meat replacement products.

Science Based Target Initiative A collaboration between the UN Global Compact, WRI, the World Wide Fund and the Carbon Disclosure Project. The initiative provides support to companies to set climate targets in line with certain scientific models. To be able to set a Science Based Target, the company needs to go through its entire greenhouse gas emissions throughout the value chain.

Sports nutrition Nutritional and dietary supplements that cater to athletes.

Taxonomy Joint classification system for environmentally sustainable investments and financial products, part of the EU's Green Deal. Originally used within botany and zoology.

Tempeh Natural vegetarian product used in food preparation. Made by cooked beans, usually soy beans, undergoes a fermentation process.

Tofu Fresh cheese-like product made of soy beans with neutral flavour, which means that it can be used in ice cream and vegetarian meat alternatives, to name a few. Often used by vegans and the lactose intolerant.

Dry goods Semi-durable goods such as preserves, spices, cereal flakes, flour and nuts. They have in common a long shelf life.

Vegetarian Refraining from food from the animal kingdom. The reasons for choosing vegetarian food vary, for example for environmental or health reasons, for ethical or religious reasons, or simply because people prefer vegetarian foods.

Veganism Taking a position against the use of animals in any form. Accordingly, vegans refrain completely from animal products including all kinds of meat and foods produced by animals, such as milk, cheese, eggs and honey. Vegans also refrain from using animals in, for example, fashion and furnishings.

Vitamins Vitamins are organic substances. Their effect and appearance varies. Common to all of them is that they must be supplied from outside the body. Vitamins are needed in very small amounts but are vital because our bodies cannot produce them. Deficiencies may lead cause disease.

Plant-based diet In a plant-based diet, preferably 2/3 is comprised of plant-based food. Animal products normally do not need to be excluded entirely, but rather the proportions change.

Greenhouse gases The gases in the Earth's atmosphere that capture thermal radiation and thereby contribute to the greenhouse effect. The most important of these are water vapour (H_2O), carbon dioxide (CO_2), nitrous oxide (N_2O), methane (CH_4) and ozone (O_3).

Sales channels

Pharmaceutical retail Parties conducting retail trade of medicines and other special pharmaceutical preparations and those conducting wholesale operations specialised in sales to parties conducting retail trade of medicines and other special pharmaceutical preparations.

FMCG retail Parties conducting retail trade of a wide range of household products. The term refers to hypermarkets, supermarkets, discount shops, online shops, after-hours supermarkets and convenience stores.

Food service Actors that prepare finished meals, such as restaurants, catering, food industry, hospitals, schools and other institutions, as well as wholesalers that provide such actors with products.

Healthfood retailers Retailers specialised in health and personal care, or only organically certified products and those conducting wholesale operations specialised in sales to retailers specialised in health and personal care or organically certified products.

Other specialist retailers Actors conducting other specialist retailing. This channel includes sports and leisure shops, health clubs, perfume shops, baby shops, clothing shops and bakeries.

Other sales channels Those who trade in ways other than those that can be classified under the other sales channels.

Denna rapport finns även på svenska på www.midsona.com från slutet på April 2021. The English version is a translation from Swedish. In case of discrepancy, the Swedish version shall prevail.

The Annual Report is available in English and Swedish versions. In case of any discrepancies between the Swedish and English versions, the Swedish version is considered the official version. This Annual Report was published on the Company's website (www.midsona.com) on 7 April 2021. Printed copies are sent to shareholders and other stakeholders on request.
This report contains forward-looking statements. Although Midsona's management believes this information is reasonable, no assurance can be given that these expectations will prove correct. Actual future outcomes may vary from those indicated in the forward-looking information due, among other things, to changes in economic, market and competitive conditions, changes in the regulatory environment and other political measures, fluctuations in exchange rates and other factors.

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