Midsona

Annual And Sustainability Report 2022

midsona

The image of strong brands – with a passion for the natural and sustainable

Midsona's strategy is to build leading positions in selected product categories, which are based on strong brands in health and well-being. To get there, Midsona works continuously to develop its brands and bring in new ones at the right time, addressing existing and new trends even more effectively. This strategy has contributed to Midsona's leading position in the Nordic region, and the objective now is to adopt a similar approach to become a leader in Europe.

The vision of helping people achieve a healthier life is the driving force behind Midsona's extensive sustainability work. In 2022, Midsona continued to deepen its sustainability work, focusing on delivering on the Group's ambitious objectives in six focus areas.

Midsona's broad portfolio includes strong brands such as Friggs, Urtekram, Kung Markatta, Helios, Davert, Happy Bio, Celnat, Vegetalia and Earth Control.

Contents

Annual Report and consolidated accounts

The Annual Report and consolidated accounts are included on pages 132–169 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 previous 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

Midsona's Annual General Meeting will be held on 4 May 2023 at 3.00 p.m. at High Court, Malmöhusvägen 1, SE-211 18 Malmö, Sweden. The registration of voting rights will commence at 2.00 p.m. and will be closed when the Meeting commences. For more information, see the separate notice convening the Annual General Meeting.

Participation and registration

Pursuant to section 11 of Midsona's Articles of Association, the Board of Directors has determined that shareholders may exercise their voting rights at the Annual General Meeting by postal ballot. Shareholders may accordingly choose to exercise their voting rights at the Meeting by participating in person, via a proxy or by postal ballot.

Anyone wishing to exercise their voting rights at the meeting must:

- be entered in the share register maintained by Euroclear Sweden AB ("Euroclear") as of 25 April 2023; and
- notify the Company of their intention to attend the Meeting to in accordance with the instructions in the full notice convening the Meeting no later than 27 April 2023.

Shareholders whose shares are nominee-registered through a bank or other nominee, who hold their shares in a custodial account for example, must – in addition to registering – request that the shares be temporarily re-registered in their own name so that the shareholder is listed in the share register maintained by Euroclear as of the record date of 25 April 2023. Such registration may be temporary (so-called voting rights registration) and requested from the trustee in accordance with the trustee's routines, and in advance by an amount of time determined by the trustee. Registration of voting rights requested by shareholders sufficiently in advance that registration has been made by the nominee no later than 27 April 2023 will be taken into account in the production of the share register.

Dividend

The Board of Directors proposes that the 2023 Annual General Meeting resolve that no dividend be paid for the 2022 financial year.

Framework for sustainability accounting

Statutory Sustainability Report

Midsona's statutory Sustainability Report has been prepared in accordance with the Annual Accounts Act and is included as part of the Annual Report on pages 32–117.

GeneralBusiness model

Environmental issues
Policy
Risks
Target and relevant data

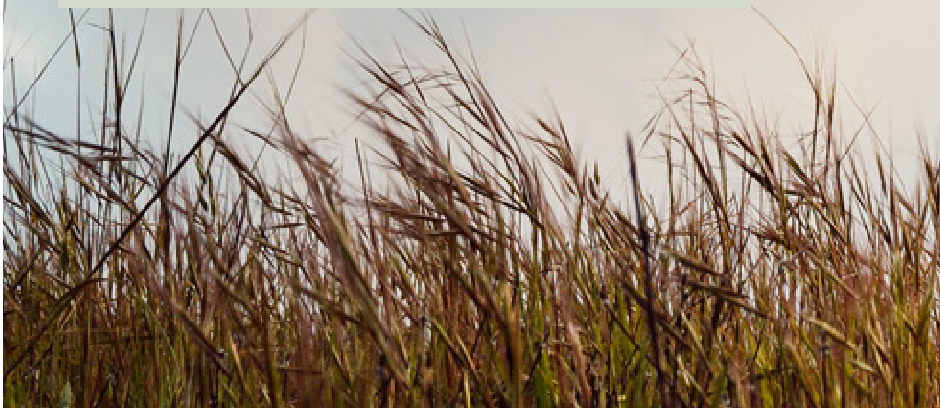
Social conditions and personnel-related matters
Policy
Risks
Target and relevant data

Respect for human rights
Policy
Risks
Target and relevant data

Combating corruption
Policy
Risks
Target and relevant data

Diversity on the Board of Directors
The Board of Directors' Diversity Policy

Additional frameworks for Midsona's sustainability reporting are based on the UN Agenda 2030, the Global Reporting Initiative (GRI), the Task Force on Climate-Related Financial Disclosures (TCFD) and the Carbon Disclosure Project (CDP). In addition to this, both work and reporting take place in accordance with the UN Global Compact, which includes the UN Declaration of Human Rights, the UN Convention against Corruption, the ILO's core conventions and the Rio Declaration. Midsona's sustainability work is also described in the Code of Conduct, Supplier Code of Conduct and Sustainability Policy.



Significant events in 2022

- **Midsona was again acknowledged by the CDP.** It was the second consecutive year in which Midsona received an A- rating from the CDP, placing Midsona among the best reporting companies globally in terms of climate strategies. Learn more on page 25.
- **Award.** Alongside two other companies, Midsona won the 2022 Symbios award, which recognises Swedish companies that successfully combine responsible behaviour with profitable growth.
- **Midsona entered into an agreement with Spain's largest grocery chain**. An agreement was signed to supply plant-based meat alternatives to Spanish grocery chain Mercadona. The agreement is estimated to generate annual net sales of about SEK 30–40 million and the goods are produced in Spain.
- **Change in Board of Directors and Group Management**. Patrik Andersson was appointed as the new Chairman of the Board. Patrik has more than 30 years of experience of senior positions in the food and consumer goods segments. Anders Svensson, former CEO of ICA Sweden, was appointed as a new Board Member at the same time. Ola Erici and Peter Wahlberg stepped down from the Board of Directors.Tora Molander, Director Legal, became a member of Group Management.
- **Decision regarding restructuring programme**. Midsona adopted a restructuring programme as a measure to strengthen competitiveness. The ambition is to lower the cost base by SEK 60 million on an annual basis, through structural changes including personnel cutbacks.
- **New share issue implemented**. Midsona's Board of Directors decided, supported by the Annual General Meeting's subsequent approval, to increase the Company's share capital by about SEK 600 million before issue costs, through a share issue with preferential rights for existing shareholders. The purpose of the new share issue was to repay loans from credit institutions to lower the net debt/equity ratio and thereby strengthen the financial position, fostering a long-term sustainable capital structure and increasing financial flexibility.
- **Uncertain external environment impacted operations**. Midsona has no direct customer or supplier exposure in Ukraine, Russia or Belarus. The war in Ukraine, on the other hand, has had indirect negative consequences for the Group through higher prices for finished goods, raw materials, inputs and energy, leading in turn to price increases in selected categories and brands being announced for customers. Midsona monitored developments and worked pro-actively to prevent possible shortages of certain raw materials and inputs, as well as any transport that might occur.

The stock exchange's most sustainable daily goods companies

HÅLLBARA BOLAG 2022

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AKTUELL HÅLLBARHET EKONOMIHÖGSKOLAN, LUNDS UNIVERSITET DAGENS INDUSTRI

During the year, Midsona was presented an award as the stock exchange's most sustainable company in the groceries category, and taking third place among all categories in the annual Sustainable Company rankings for 2022. The rankings were prepared by Lund University, Dagens industri (Swedish business newspaper) and Aktuell Hållbarhet (Swedish sustainability website), which reviewed a total of 131 Swedish listed companies' sustainability work, focusing on risk and governance.

Midsona was named Supplier Engagement Leader by the CDP.

CDP SUPPLIER ENGAGEMENT LEADER 2022

Midsona ranks among the top 8 percent of the 18,700 companies that responded to the CDP's annual climate survey, in which the companies are assessed for supplier engagement on climate change.

Net sales

SEK 3,899 million

(3,773)

Free cash flow

SEK 180 million

(–94)

EBITDA, before items affecting comparability

SEK 191 million

(313)

Operating profit, before items affecting comparability

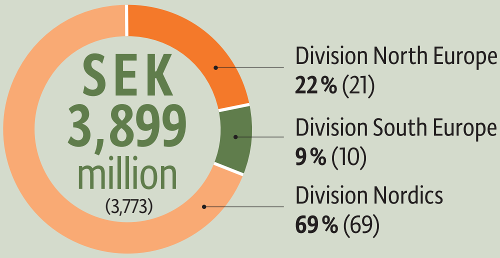
SEK 30 million

(157)

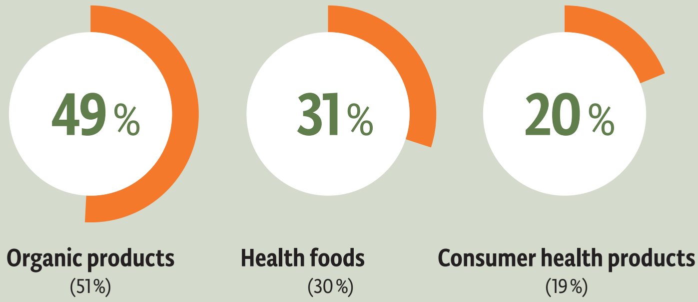
This is Midsona

We help people achieve a healthier life.

Total sales



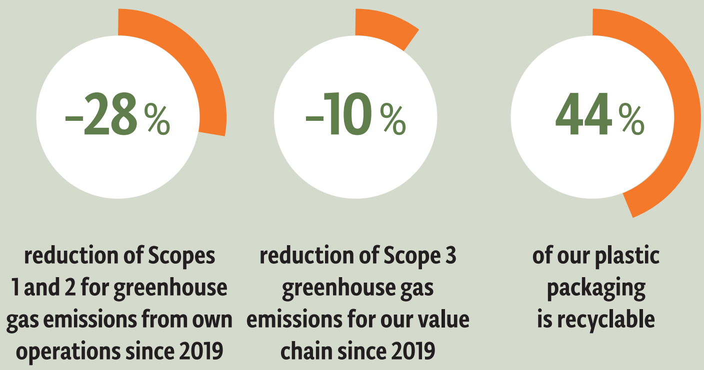
Our product categories



Clear objectives produce results

Midsona's work continues to accelerate the reduction of its operations' climate impact with the goal of achieving net-zero emissions by 2045.

Some of the milestones in the sustainability work in 2022 were:



▶ Read more about the Group's sustainability targets on page 11.

Sustainability in focus

Midsona's strategy and business idea builds on a passion for healthy, natural and sustainable food, which makes sustainability an integrated part of our business. Midsona invests considerable resources in sustainability work and have been working extensively for several years, both internally (to motivate employees to good health) and externally.

In 2022, Midsona, alongside two other companies, won the year's Symbios award, which recognises Swedish companies that successfully combine responsible behaviour with profitable growth. During the year, Midsona again received the recognition of the CDP. It was the second consecutive year in a row that Midsona received an A- rating from the CDP, placing Midsona among the best reporting companies globally in terms of climate strategies.

Healthy food for people and our planet

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

PLANT-BASED
NATURAL AND ORGANIC
HEALTHY

Our strong brands

Challenging market conditions affected the result

At the end of 2021, it was confirmed that Midsona had been negatively affected by impaired harvests, as well as transport and delivery disruptions as a consequence of Covid-19, which led to shortages of certain raw materials and contributed to increased costs. At the start of 2022, Russia's invasion of Ukraine reinforced the negative consequences for Midsona and contributed to continued high cost pressure. Over the year, macroeconomic factors such as increased inflationary pressure have also contributed to higher costs for both finished goods, raw materials, inputs, energy and transport, as well as a weakening of the SEK against both the EUR and USD, in which Midsona purchases most of its raw materials and finished goods. Overall, the development of the market and unfavourable external factors have had a considerable negative effect on the Group's profit during the year.

Midsona managed identified challenges well and took measures to maintain momentum in the organisation and safeguard deliveries as far as possible. By driving profitability-enhancing measures and introducing price increases on most goods, Midsona has been able to offset the trend to some extent.

Continued strong interest in healthy products

Several turbulent external events and high inflationary pressure pervaded 2022, although the year was also distinguished by considerable underlying interest in healthy and sustainable food. And we see several positive signs that 2023 could be a more favourable year.

Towards the end of 2021, many of the world's harvests failed, just as we were also seeing emerging cost inflation. In the first quarter of 2022, Russia's war of aggression against Ukraine commenced. Historically, both Russia and Ukraine are major exporters of several raw materials for the food industry and the war has therefore had a huge impact on the global food supply. Prices for many of our raw materials rose rapidly and substantially. Increased energy prices and sizeable currency fluctuations impacted us negatively.

Still favourable demand at lower price points

In general, we can see that consumers' interest in healthy choices remained intact over the year, although at lower price points. There was favourable growth in private label, where prices are slightly lower, at the same time as demand for our licensed brands, which are often somewhat more expensive, weakened somewhat. Over the year, the consumer trend clearly evolved towards cheaper alternatives, which was neutral for our own conventional brands which developed satisfactorily. Sales in our organic portfolio were, however, affected negatively by consumers increased price sensitivity.

To make our organic brands more relevant to consumers, we worked on branding and communications projects ahead of 2023. We are convinced that organic products are the way of the future and we will fill them with positive new health- and sustainability values. Continued climate changes and natural disasters mean that organic products are at least as relevant as previously.

Price increases and savings to fully offset cost increases

We countered the exceptional cost inflation through repeated price increases in all product categories. The price increases are expected to achieve their full impact in early 2023 and were generally well received, with cost inflation and its causes being well known.

Over the year we launched cost saving programmes for a total of about SEK 60 million on an annual basis. We have cut our administrative personnel by about 10 percent and replaced more expensive temporary staff with our own staff at our production units. Thanks to the savings and price increases we achieved, we gradually stabilised our net profit in the second half of the year. We have also worked on strengthening the cash flow, primarily by reducing our inventories. This proved successful and even towards the end of 2022, we were showing strong cash flow. This work will continue in 2023.

With regard to the continued cost trend for input goods, we saw some stabilisation in prices towards the end of the year and that many raw materials prices in the world market decreased, a trend that even persisted in the beginning of 2023. In addition, transports and energy costs decreased somewhat at the same time as the currency headwind eased off.

Rewarded sustainability work

Our sustainability work is continuing at a high pace and, in 2022, Midsona won the Symbiosutmärkelsen award, which recognises Swedish company that combine responsibility with profitable growth. Over the year, our climate strategy and leadership again drew the attention of the CDP global non-profit environmental initiative. For the second consecutive year, we received an A- rating, which places Midsona among the best reporting listed companies in the world in terms of climate strategies.

We were also listed on the prestigious CDP Supplier Engagement Leader-board. The companies with the highest ratings are celebrated as Supplier Engagement Leaders (SEL) for their commitment throughout the supply chain.

We also received recognition for being the stock exchange's most sustainable company in the groceries category and took third place overall in the annual Sustainable Company rankings for 2022.

Future prospects

Our basic strategy of developing strong brands in health and sustainability stands firm, and our stable sales show that interest in healthy foods remains high. Right now, we are focusing on our existing operations to re-build our underlying profitability. We are monitoring the cost trend for raw materials, transports and energy carefully and are adjusting our prices continuously. Our balance sheet is now stronger thanks to the new share issue implemented in late 2022, which affords us good opportunities to take an aggressive stance and to act on the stronger market trends.

Although considerable uncertainty remained in the run-up to 2023 I am highly optimistic and take the view that we will see a gradual improvement over the year.

Malmö, Sweden, April 2023

Peter Åsberg
President and CEO

Our mission and vision

Mission

We help people and the planet live healthier and more sustainable lives.

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

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 observed that the trend having occurred in the Nordic region, with a fragmented market rapidly being consolidated, can now be seen 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.

Five reasons to own Midsona's shares

Midsona is a leader in the Nordic region in organic food, health foods and consumer health, with a vision of becoming one of the leaders in Europe. As a shareholder in Midsona, you gain exposure to an industry undergoing transformation where Midsona's portfolio of attractive brands is strategically well-positioned for the future. Investing in Midsona means you are investing in healthy food for people and for our planet.

1

Growing markets driven by global trends

Midsona's markets are attractive and growing more than the overall grocery 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.

2

A clear mission permeates the Group's work

Midsona has a clear mission to help people achieve a healthier life with consideration for the environment. This pervades everything Midsona does – from the use of sustainable raw materials, to production and all the way home to the consumer.

3

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. In the rest of Europe, the markets are judged to be ready for consolidation.

4

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 attractive 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.

5

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.

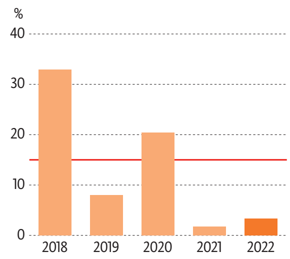
Financial targets

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

Target: On average more than 15 percent annually
Outcome: 3.3%

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).

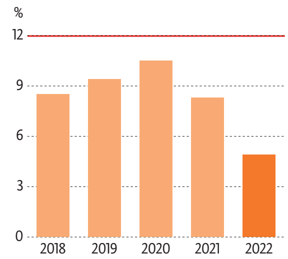


EBITDA-margin,

before items affecting comparability

Target: more than 12 %
Outcome: 4.9%

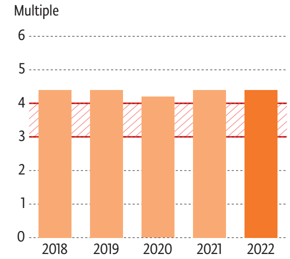
The level has been set to generate the scope and conditions for developing the operations in the long term and for providing a stable return. As a focused brand company, Midsona achieves economies of scale in all functions, from purchasing to sales, which will strengthen the operating margin. In addition,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



Net debt/Adjusted EBITDA

Target: a multiple of 3-4
Outcome: a multiple of 4.4

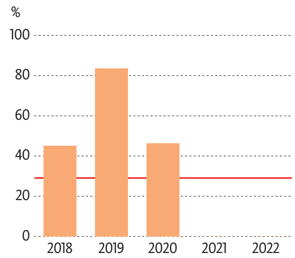
The target links borrowing to earnings capacity and shall define a reasonable level of risk. The target is to be achieved through active investments and a clear focus on operating cash flow.



Dividend

Target: at least 30 percent of profit after tax
Outcome: The Board of Directors proposes that no dividend be paid for the 2022 financial year

The level has been set to generate the scope and conditions for developing the operations in the long term and for providing 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.



Sustainability targets

Midsona's sustainability targets are based on the Group's strategy and business concept of offering healthy and sustainable products. The sustainability targets help Midsona to reduce the foremost identified sustainability risks and to increase its focus on the foremost opportunities. In 2022, Midsona continued to make progress. For the status of Midsona's target fulfilment, see pages 38–39 of the Sustainability Report.

Sustainable brands

Plant-based/vegetarian range

Target 2030: 100 %
Outcome 2022: 88 %
Outcome priority brands 2022: 98 %

Recyclable plastic packaging

Target 2025: 100 %
Outcome 2022: 44 %

Healthy work environment

No occupational injuries

Target: 0 instances
Outcome 2022: 38 instances

Gender distribution among management positions

Target: 50/50
Outcome 2022: 47 % women/53 % men

Responsible sourcing

Classified suppliers in accordance with sustainable guidelines

Target 2025: 100 %
Outcome 2022: 44 %

Trademarks free from palm oil

Target 2025: 100 %
Outcome 2022: 99.9 %

Safe products

Risk-classified suppliers in accordance with safe products

Target 2025: 100 %
Outcome 2022: 44 %

Certification of own production units

Target 2025: 100 %
Outcome 2022: 100 %

Efficient resource use

Reduced emissions in accordance with Science Based Targets

Target 2034: –38 %
Outcome, total, 2022: –11 %
Outcome, Scopes 1+2, 2022: –28 %

Target 2045: Net-Zero
Outcome, total, 2022: 114,867 tCO_2e
Outcome, Scopes 1+2, 2022: 3,417 tCO_2e

Reduce consumption and introduce renewable energy

Target renewable, 2028: 100 %
Outcome 2022: 41 %
Outcome reduced: +13 %

Recycled waste and re-use of food waste

Target waste, 2025: 90 %
Outcome 2022: 78 %

Target food waste, 2025: 100 %
Outcome 2022: 78 %

Reduced water consumption per tonne produced

Target Spain, 2023: –20 %
Outcome 2022: –3,5 %

Target 2030: –10 %
Outcome 2022: +2 %

Fossil-free transports

Introduction of fossil-free transports in line with customers' expectations and goals/Reduced emissions per tonne produced

Target Nordics, 2025: 100 %
Outcome 2022: –53 %

Target Europe, 2030: 100 %
Outcome 2022: –42 %

Trends and driving forces

Midsona's sales are driven by three strong trends

1 Concern for the environment

Climate issues and environmental awareness are increasingly prioritised by consumers. By actively choosing food products with as little environmental impact as possible, from farm to fork, good conditions are fostered for a successful sustainable transition in society. This influences more consumers to become flexitarians, requiring the food industry to be even clearer about its sustainability work.

2 Health and well-being

A healthier everyday life is a high priority among many consumers. Healthy foods are part of consumers' approaches to increasing their well-being and improving their health. This is an underlying trend and is contributing to the continued increase in demand for healthy foods and supplements.

3 Need for security in everyday life

Global and household economic concerns cause consumers to seek security in everyday life and in their purchasing choices. As a result, private label continues to increase in popularity. At the same time, brand security and familiarity remains a driving force, influencing consumers to still be prepared to pay a premium for healthy and sustainable foods.

A greater focus on additional aspects of sustainability

A more sustainable food sector is crucial to achieving the global climate goals. According to research, a third of households' climate impact derives from food with most of the emissions deriving from the consumption of animal food products, such as meat, fish, eggs and dairy products[1]. At the same time, global consumption of pulses, fruits and vegetables will have to double over the upcoming years if it is to be possible to supply the world population with foods in 2050[2].

There are clear indications that consumers are today well aware that their dietary and food choices affect the climate. In Midsona's markets, consumers are increasingly making active choices to reduce their climate impact by, for example, reducing their intake of meat. According to Axfood's Vegobarometer from 2021, the proportion of vegetarians and vegans is approaching 9 percent in Sweden[3]. The proportion of "flexitarians" is at 30 percent – an increase by 11 percentage points since 2015. The shift towards less meat and more vegetarian is equally evident in all of Midsona's markets. As a result, demand for vegetarian and vegan alternatives is increasing steadily and forecasts estimate that the category will grow by 17.5 percent by 2027[4]. This is in line with Midsona's climate-related risk- and opportunity analysis, as well as with the strategy of strengthening the offering in the plant-based category going forward.

Another trend in Midsona's markets is for consumers to impose higher demands on the industry to work on even more issues of sustainability – and more urgent ones. This means that a food product must contain and communicate several positive traits to be perceived as sustainable. An indication of the trend is that consumers have a clearer view on issues of sustainability and consider them increasingly relevant. Organic foods are an example where consumers demand that overall sustainability messages be broken down into several beneficial traits. Interest in organic certifications is decreasing somewhat among consumers. Instead, demand is increasing for food products that are produced locally, protect animal welfare, contribute to biodiversity and are pesticide-free[5]. These are properties associated almost exclusively with the organic category. To maintain growth in all markets, Midsona therefore perceives a need to continue explaining all of the positive traits of the Company's organic products for consumers and customers. The Group is also working to expand the proportion of sustainable packaging and increase transparency regarding the nutritional content of its products.

The connection between sustainable consumption and organic production is made clear by the European Commission, which has presented a comprehensive ecological action plan for the EU. The European Green Deal presented by the European Commission includes a target for 25 percent of the EU's total farmland should be used for organic farming by 2030.

Awareness of products' health benefits is increasing

Nutritious food and physical activity are fundamental to good health and increased well-being. For example, it is scientifically proven that physical activity in combination with healthy eating habits can prevent ill health in the form of various lifestyle diseases[6]. As awareness of the benefits of healthy food increases, increasing numbers of consumers in Midsona's markets are demanding nutritious and fibre-rich raw materials such as cereals, legumes and vegetables. Plant-based alternatives to animal-based food are a positive measure with which consumers can further vary and broaden their diet. Forecasts show that foods benefiting healthand sustainability are expected to constitute 25 percent of the total food market in 2026[7]. In line with Midsona's risk and opportunity analysis, this is an important opportunity for Midsona in the short, medium and long term alike. All of these factors generate favourable conditions for several of Midsona's brands to grow in the long term.

Following the easing of the pandemic restrictions, the pharmacy market is seeing increased sales[8], as seasonal infections are back among the population. The desire to nurture one's health is also contributing to continued demand for nutritional supplements.

The quest for security leads to more informed purchasing

The global economy faces challenges in the upcoming years, as a consequence of the pandemic, the war in Ukraine, rising inflation and electricity shortages. All of these events are contributing to uncertainty in the global market, in turn affecting price formation for goods and services[9]. As a result, households' purchasing power is decreasing, resulting in increasingly price-conscious consumers. This entails households adjusting their purchasing priorities[10],trade in non-durable goods, for example, which refers to goods such as shoes, clothes and electronics[11] experiences declining sales over the year. The trend in the grocery trade in Midsona's markets was also affected by consumers' shifting priorities. One example is that the demand for cheaper food products contributed to the increase in sales of private label, that is, stores' own brands, in all of Midsona's markets. The result is that the stores' own brands now account for about 24 percent[12]. For Midsona, which is a third-party manufacturer for a selection of the store chains' own brands, this sales trend contributed to increased stability over the year.

At the same time, security and familiarity continue to have a major impact on how consumers choose their brands. For example, 44 percent of Spanish consumers place great importance on the familiarity of brands when considering a purchase[13]. Although increased price awareness leads to consumers making more decisions in-store, security and familiarity contribute to consumers being willing to pay a premium for certain types of goods and brands. In total, 66 percent of consumers are prepared to pay more for organic pantry items, such as snacks, spices and grains. At the same time, 61 percent make an active choice to eat healthy, despite budgets being more strained[14]. The desire to turn to healthy, sustainable and well-known brands is an indication that Midsona's range is still in demand in both the short and long term. This is also reflected by developments in all of Midsona's markets, as the Group's relatively stable sales contribute to the Company losing less than the market in general.

Sources:

[1] www.naturskyddsforeningen.se/faktablad/mat-klimat-och-miljo-sa-paverkar-maten-klimatet
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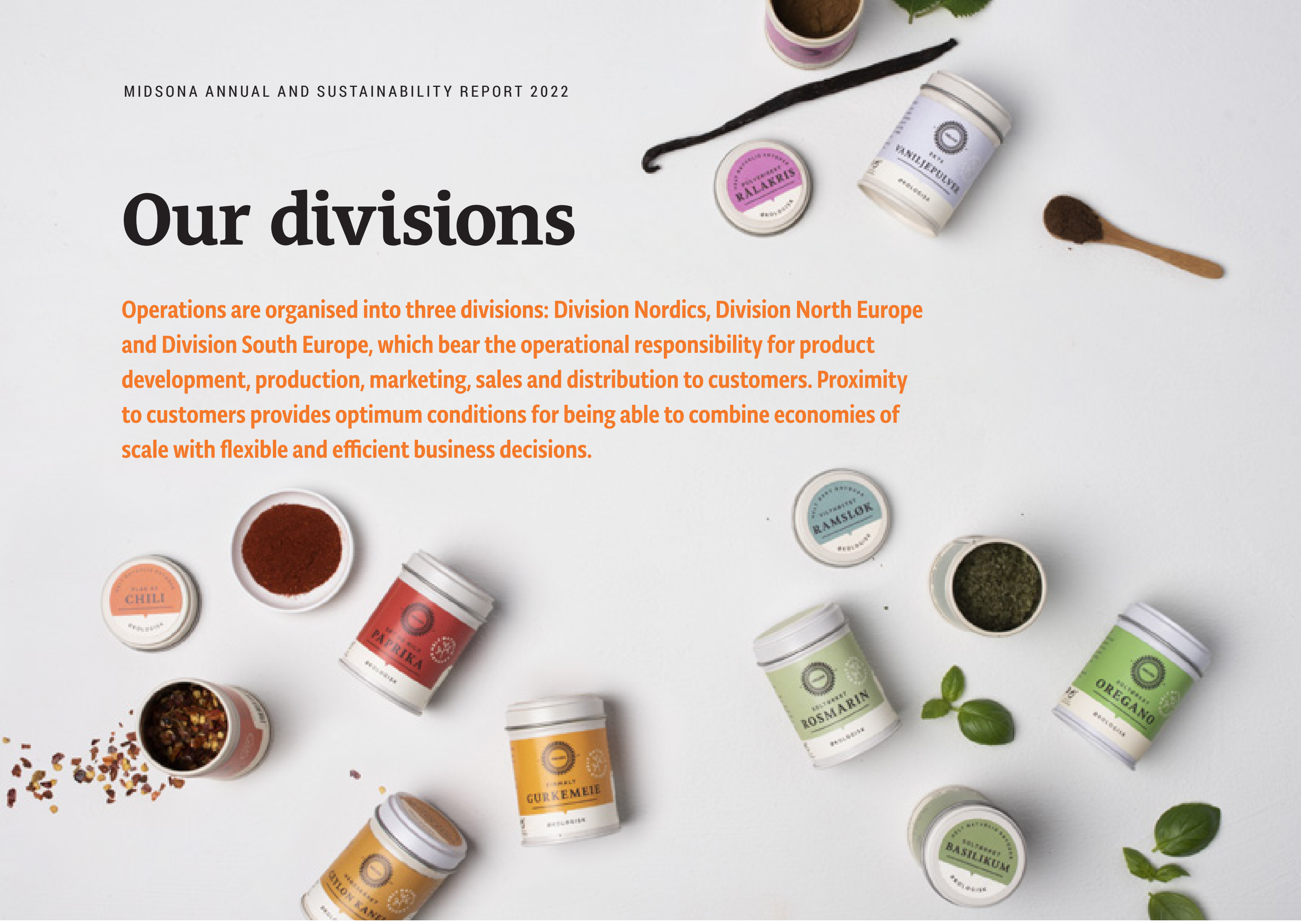
[11] https://www.scb.se/pressmeddelande/detaljhandeln-fortsatter-nedat/
[12,13,14] Midsona and McKinsey



Our divisions

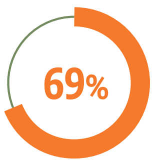
Operations are organised into three divisions: Division Nordics, Division North Europe and Division South Europe, which bear the operational responsibility for product development, production, marketing, sales and distribution to customers. Proximity to customers provides optimum conditions for being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

Division Nordics

Brands: Friggs, Urtekam, Kung Markatta, Earth Control, Gainomax, Helios

Markets: Sweden, Denmark, Norway, Finland

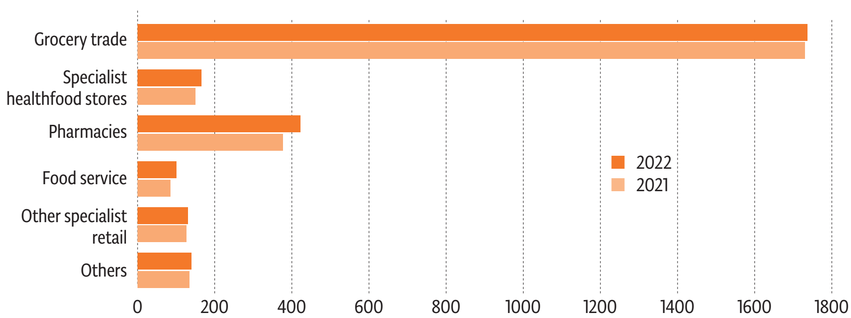
Percentage of consolidated net sales



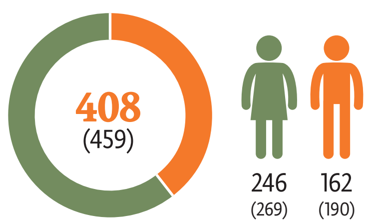
Key figures	2022	2021
Net sales	2,702	2,611
Net sales growth	3.5%	7.5%
EBITDA, before items affecting comparability	216	263
Depreciation/amortisation and impairment	–52	–53
Operating profit, before items affecting comparability	164	210
Items affecting comparability included in operating profit	6	3
Operating profit	158	207
Operating margin	5.8%	7.9%

Introduction of renewable energy in 2022:**44%**
(Target 2028: 100%)

Sales channels (SEK million)



Gender distribution



Division North Europe

Brands: Davert

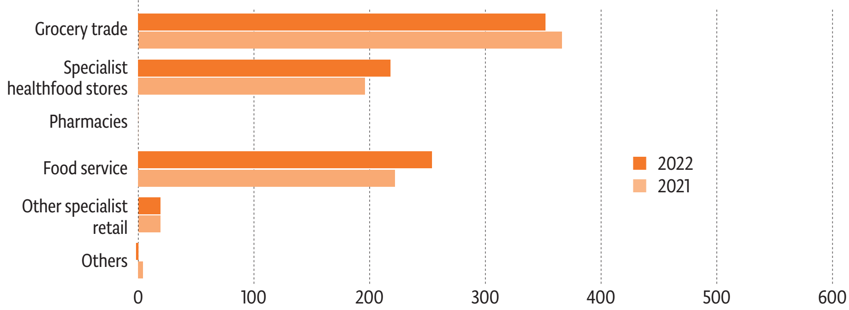
Markets: Germany

Percentage of consolidated net sales

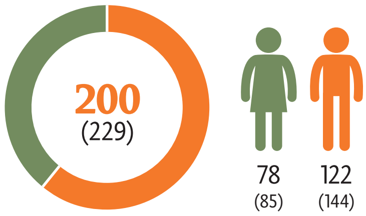
Key figures	2022	2021
Net sales	860	831
Net sales growth	3.5%	-7.6%
EBITDA, before items affecting comparability	16	50
Depreciation/amortisation and impairment	-97	-43
Operating profit, before items affecting comparability	-27	7
Items affecting comparability included in operating profit	62	-10
Operating profit	-89	17
Operating margin	-10.3%	2.0%

Introduction of renewable energy in 2022: **33%**
(Target 2028: 100%)

Sales channels (SEK million)



Gender distribution

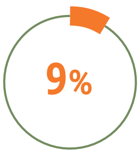


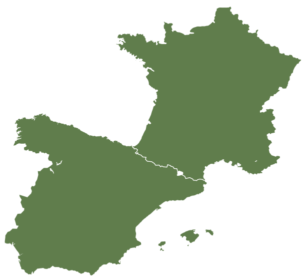
Division South Europe

Brands: Happy Bio, Celnat and Vegetalia

Markets: France, Spain

Percentage of consolidated net sales

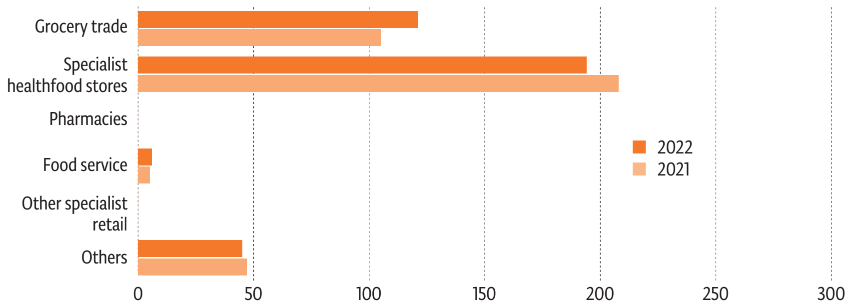




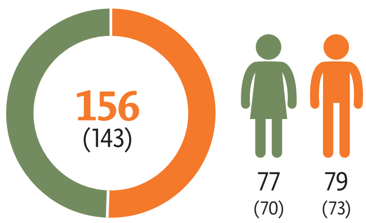
Key figures	2022	2021
Net sales	374	369
Net sales growth	1.4%	-9.8%
EBITDA, before items affecting comparability	-16	26
Depreciation/amortisation and impairment	-22	-23
Operating profit, before items affecting comparability	-38	7
Items affecting comparability included in operating profit	2	5
Operating profit	-40	2
Operating margin	-10.7%	0.5%

Introduction of renewable energy in 2022: **31%**
(Target 2028: 100%)

Sales channels (SEK million)



Gender distribution



Our strategy

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

Midsona's strategy is based on four components:

Leading brands in attractive categories

We develop, produce and market strong brands in health and well-being in our principal markets in the Nordics, 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.

▶ **Read more about the brands on page 18**

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.

▶ **Read more about the value chain on page 22**

Healthy for people and sustainable for the environment

We produce and offer sustainable products with the aim of helping people live a healthier life with a lower environmental impact. To reach its set goals, Midsona works in a structured manner, following a sustainability strategy based on six identified areas of operations. These are areas that the Group is considered most able to influence in minimising the climate footprint of the value chain, contributing to sustainable consumption.

▶ **Read more about the objectives on page 24**

Selective acquisitions

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.

▶ **Read more about the acquisition strategy on page 26**

Leading brands in attractive 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.

In 2022, among other things, Midsona:

- **Made an investment in the production facility in Castellcir, Spain,** to strengthen the operations in plant-based meat-alternatives.
- **Invested in a new production line for beauty products** at the Danish factory in Mariager.
- **Commenced the re-branding of the French brand Celnat** to strengthen its position in stores and among target groups.
- **Continued to work on building up a Nordic category organisation** focused on increasing customer value.
- **Integrated the Finnish company Vitality** with a focus on strengthening the category consumer health products in the Nordic region and, above all, in Finland.

The current geographical markets are Sweden, Denmark, Norway, Finland, Germany, France and Spain. The plan 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, the Group has introduced additional brands in Division North Europe (Germany) and Division Nordics (Denmark and Finland) through strategic supplementary acquisitions. Midsona strives for the Group's brands to hold position number one or two in their categories and to be in the right channels, meaning where the Group has the best knowledge and where there are opportunities for strong growth.

Re-prioritising in troubled times

At the beginning of 2022, Midsona's plan was to expand further through broad product launches of well-known brands in the Nordics. However, the war in Ukraine, inflation and shortages of raw materials in Europe contributed to Midsona having to re-prioritise in the Nordic operations over the year. Instead of wider launches to strengthen the product categories, Midsona shifted its focus to making sure that demand was met for the Group's best-selling products in existing markets. The strategy of optimising already established brands and products within each product category permeated all of the principal markets.

By optimising the range and streamlining the organisation, Midsona continued to generate added value for customers and consumers. This also contributed to Midsona's relatively stable sales in all markets. The consumer health products category, for example, maintained a strong position and Friggs continued to deliver double-digit growth in Finland, Denmark and Norway. Another example of an area where sales have developed well in the Nordic market is sports nutrition.

Continued focus on strengthening the product categories

Despite re-prioritisations, activities initiated previously continued, aimed at strengthening Midsona's product categories. Midsona's strategic realignment of the sales organisation for Sweden and the Nordic countries made further progress, from focusing on individual brands to developing entire product categories alongside customers. Finnish company Vitality integrated well into the Group during the year, focused on strengthening the consumer health products category in the Nordic region and particularly Finland. Consequently, the Finnish organisation is poised for further market growth in 2023.

Within the framework of Midsona's risk and opportunity analysis, organic and plant-based products have been clearly identified as areas with favourable opportunities going forward. Previous and new investments at the Castellcir production facility in Spain are present new business opportunities in plant-based meat alternatives, thereby strengthening the organic products category. In addition to a couple of major investments, Midsona is working more intensively in all principal markets to meet consumers' and customers' expectations of a clearer framing of the Group's sustainability work. This entails, for example, highlighting all positive traits offered by Midsona's brands in terms of sustainability – such as consumers' opportunities to buy organic and plant-based alternatives with low CO_2 emissions that are produced and handled in an economically, socially and environmentally responsible way.

Strong brands meeting consumer needs

By continuously developing Midsona's brands, the Group strives to meet existing and new trends in the market. In this way, Midsona achieves a leading position. Brands are developed by continuously evaluating the categories and reviewing the product range, by being innovative with exciting new flavours, healthy and sustainable ingredients, as well as creative and environmentally friendly packaging solutions. An example is the brand Happy Bio's launch of new plant-based products to meet increased demand for healthy and sustainable food products. During the year, the Friggs brand also launched new products in the Swedish market. One launch was of maize cakes flavoured with sesame seeds and sea salt in response to Swedish consumers' enthusiasm for Asian culinary influences in everyday life.

Another part of the work to develop the brands is about strategic and effective marketing towards customers and consumers. Most of the marketing in 2022 involved further developing digital channels and social media to reach existing and new customer groups. Happy Bio established a presence on the TikTok platform, for example, and succeeded in inspiring new target groups with short videos showing easy-to-make recipes. In addition to an increased digital presence, Midsona's brands worked with several other channels over the year, strengthening their relevance to customers and consumers. Midsona has met with customers in the Nordic market to further explain the Group's sustainability work. In France, the Celnat brand is being re-branded, with an updated logo and new packaging helping make the products more visible in stores.

Midsona's strategic goal is for the Group's brands to hold the top or second-to-top position in their markets. This creates opportunities for increased exposure in stores, making it even easier for consumers to choose more products of the same brand. Through the brands Kung Markatta, Urtekram, Davert and Helios, Midsona holds leading positions in the organic market in all of the Nordic markets and Germany. The work ahead entails continuing to inform customers and consumers about the tremendous health and sustainability benefits of organic products. In this way, Midsona can maintain a leading position in the organic products category. At the same time, the initiative continues in the brands offering plant-based alternatives – the segment expected to grow fastest in Europe in the next few years.

Our strong brands

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

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 grocery trade in the healthfoods category.

Urtekram

Urtekram is a brand in organic food and vegan beauty products. This broad range of products is sold primarily through grocery traders. Urtekram offers a wide range of dried fruits, nuts, oils, spices, fruit cream, muesli, rice and pasta. Urtekram offers several series of hair and body care products with contemporary fragrances, as well as vegan face care products. The constantly expanding range is sold for export to some 30 countries.

Davert

Davert is an organic food brand 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.

Kung Markatta

Kung Markatta is a Swedish brand in organic foods. 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 super-markets.

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 and is part of the health-foods product category. The product range is mainly available through Grocery trades. 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 hold a leading position in the Swedish market.

Vegetalia

Spanish organic brand in production of vegetable protein including fresh plant-based products. Midsona is investing in its own production to develop new plant-based products, where the Vegetalia brand will play an important role in the future.

Celnat

Celnat is a pioneer in organic and plant-based products in France since the 1970s. It is a well-established actor in production of roasted grain and cereals in its own production unit. The products are primarily sold mainly in special stores for organic products and in supermarkets.

Helios

A well-known 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 in 1969 as Norway's first organic brand in food. Today, Helios' products are in grocers throughout Norway.

Cost-effective value chain

Midsona works continuously to adapt and streamline the organisation and to continue the full integration of the acquired companies into the European value chain. Over the year, Midsona's increasingly coordinated purchasing strategy and production structure were challenged by the uncertainty and volatility of the market. Midsona is focusing on a number of areas to pro-actively counter increased costs and to strengthen production and logistics flows in its own operations.

In 2022 we have:

- **Worked on optimising the value chain** to achieve time and cost efficiencies
- **Increased the degree of joint purchasing** across divisional boundaries
- **Set up a new process of cost review** in an inflationary economy
- **Completed the investment at the production facility** in Castellcir
- **Invested in a new production line** for the Mariager facility
- **Worked with continuous streamlining** of inventory management and optimisation.

The foundation of the value chain is solid

Midsona's value chain predominantly comprises three building blocks resting on several essential elements, that generate value for Midsona as a company.

- The first building block, Sourcing Excellence, is about purchasing the right raw materials and products at the best possible price.
- The other building block is Operational Excellence, which is Midsona's operational umbrella to drive improvement work in the production and warehouse structure. This means cost efficiency and flexibility by staffing and managing Midsona's production facilities as cost-effectively and flexibly as possible.
- The third building block, Sales and Operations Planning entails ensuring that Midsona can deliver what customers demand and, at the same time, conduct a cost-effective inventory rotation of the products.

The challenging environment put the value chain to the test

Based on the well-proven structure of the Nordic value chain, Midsona has in recent years built up a European infrastructure with a number of specialised facilities. This entails, in particular, that Midsona is working in a coordinated way with its production and distribution networks across national borders and that a more flexible warehousing structure is in place, applying our Group-wide purchasing processes. In recent years, generating increased synergies in the Group's own operations, by broadening and improving the offering, has been met by a number of challenges.

When the pandemic began in 2020, the demand from many customers changed and imbalances arose in relation to earlier consumption patterns. In the wake of the pandemic, the war in Ukraine commenced in 2022, strongly driving up prices of raw materials such as wheat, maize and rapeseed, as well as production input goods, such as fertiliser, packaging and so forth. As a consequence of the conflict, an energy crisis emerged in Europe, driving up cost increases further up in the value chain. Strongly increased purchasing prices and energy costs make it of the utmost importance to continuously assess suppliers and ensure that the Group's own production structure maintains superior quality and cost efficiency. An improved structure in the value chain and more harmonised production activities helped us to parry negative impacts on the operations.

At the same time, a larger share of proprietary production has entailed increased costs for purchasing raw materials, shipping and packaging due to external events. Midsona has therefore focused on identifying cost increases and actively countering them by, for example, finding raw materials of equivalent quality at a lower price or compensating with price increases. Increased costs in our own production have largely been associated with raw materials for food products, while health food products have not been affected to the same extent. Brands produced by third-party manufacturers, such as Friggs, have aided stability by better resisting price increases.

Towards the end of the year, Midsona observed a shift with shipping costs declining, indicating that market imbalances were starting to correct themselves in correlation with decreasing demand. In the long term, this may be the beginning of a new situation for the food and health food segment – one that will require adjustment and a capacity for initiative based on the new conditions.

Investments

Although Midsona has been more restrictive with new investments, it has continued to invest according to plan at the Spanish production facility in Castellcir, where an additional investment has been involving the factory's water supply, ensuring more efficient treatment of the waste water. Midsona also invested in a new tube line for beauty products at the factory in Mariager, Denmark, which was the largest individual investment made during the year.

To secure its own delivery capacity, Midsona has built up a larger inventory, where the appropriate level is a trade-off between a large amount of capital being tied up and achieving reliability of delivery and shorter lead times to customers. The focus for Midsona, now and going forward, is to free up capital and streamline the capital tied up in the operations.

Midsona's European production structure

Healthy and sustainable for people and the planet

Fundamentally, Midsona's business is based on a passion for healthy food and the desire to drive a change agenda with the goal of influencing people's eating habits in the direction of healthier and more sustainable options. This helps people live a healthier life, which also benefits the environment. Midsona's customers and consumers impose strict demands on sustainable products. There is a strong connection between customers' and consumers' interest in plant-based organic products and sustainability – and Midsona seeks to continue developing this.

In 2022, among other things, Midsona:

- **Analysed and published a Carbon Transition Plan (CTP)**, a climate strategy to ensure a favourable transition in line with the 1.5°C target of the Paris Agreement.
- **Committed to setting an ambitious SBTi-approved Net-Zero target by 2045,** based on the SBTi's new Net-Zero standard. This means that Midsona has committed to the SBTi in line with best practice.
- **Appointed Supplier Engagement Leader by the CDP** global environmental initiative, a decision based on data from Midsona's CDP report for 2021.
- **Worked with a clear focus on ESG and sustainability governance** throughout the Group.
- **Analysed and further improved the Group's KPIs.**

Health and sustainability in focus

Fundamentally, Midsona's business is based on a passion for healthy food and the desire to drive a change agenda with the goal of influencing people's eating habits in the direction of healthier and more sustainable options. Midsona's mission is to offer products that help people live a healthier life, both for the sake of their own health, as well as for the good of the environment. Midsona's customers and consumers impose strict demands on sustainable products. There is a strong connection between customers' and consumers' interest in plant-based organic products and sustainability.

According to the UN, the climate represents the greatest threat to humanity in modern times. Midsona considers the climate as its most important area and the sustainability efforts conducted are linked closely to the UN's global goals for sustainable development. Midsona has previously analysed the UN's goals and mapped out how Midsona can best contribute to Agenda 2030. Midsona has chosen to prioritise the goals that are most essential based on the business and where the Group can make the greatest difference.

Midsona follows a sustainability strategy based on six overall focus areas, all of which comprise a number of specific objectives. The Group's sustainability strategy and targets are described in detail in the Sustainability Report on page 35.

Midsona's focus areas for its sustainability work are:

- Sustainable brands
- Healthy work environment
- Responsible sourcing
- Safe products
- Efficient resource use
- Efficient transports

Reporting environmental impacts through the CDP

As of 2021, Midsona reports its environmental impact through the CDP, which is a global non-profit organisation that runs the world's leading environmental information platform. More than 680 financial institutions and 280 purchasing organisations requested environmental data from companies via CDP, and more than 18,700 companies responded to questions asked by the CDP in 2022. By reporting the Group's environmental impact through the CDP, Midsona is well prepared to respond to the increasing demand for environmental transparency imposed by financial institutions, customers and decision makers.

The goal is to achieve net-zero emissions

The CDP report helps Midsona to identify and manage environmental risks and to drive a climate change agenda in accordance with the UN's global goals. In the CDP report for 2022, Midsona explained its leadership and strategy for addressing climate change, climate impacts and environmental activities, including climate-related scenario analyses and a Carbon Transition Plan in line with the Paris Agreement's 1.5°C target for achieving science-based targets.

As another important step in strengthening Midsona's climate work in line with the UN's goals, during 2022, Midsona committed to setting an ambitious SBTi-approved target of achieving net-zero emissions by 2045 based on the SBTi's new Net-Zero standard launched in October 2021. Read more about Midsona's work to achieve its objectives in the Sustainability Report.

Midsona receives recognition for its sustainability work

Midsona has again received an A- climate rating from CDP

For the second consecutive year, Midsona received an A- rating from the CDP, a global non-profit organisation that runs the world's leading environmental information platform. This means that Midsona ranks among the best 8 percent of reporting listed companies in the world in terms of climate strategy.

Honourable mention for supplier engagement from the CDP

In February 2022, the global environmental initiative CDP named Midsona as a Supplier Engagement Leader for the Group's commitment to the entire supply chain, which is based on information from the Group's CDP report for 2021. The appointment means that Midsona belongs to the best reporting companies globally regarding climate change strategy and leadership.

The stock exchange's most sustainable daily goods companies

During the year, Midsona received an award as the stock exchange's most sustainable company in the groceries category, and taking third place overall in the annual Sustainable Company rankings for 2022. The rankings were prepared by Lund University, Dagens industri (Swedish business newspaper) and Aktuell Hållbarhet (Swedish sustainability website), which reviewed a total of 131 Swedish listed companies' sustainability work between May and August 2022, focusing on risk and governance.

The survey comprises two parts, a study and analysis of the companies' annual and sustainability reports and websites, as well as an extensive survey. Midsona shared first place with Essity in the grocery category and third place with Essity, Trelleborg and Swedbank in the overall ranking in all categories.

Midsona received the Symbiosis award for responsible enterprise

Alongside two other companies, Midsona won the 2022 Symbios award, which recognises Swedish companies that successfully combine responsible behaviour with profitable growth. The selection for Symbiosis rests on an extensive analysis process that initially encompassed more than a million Swedish companies, with the winners being determined by a reputable jury.

Nasdaq ESG Transparency Partner

For the second year in a row, Midsona has been awarded the "Nasdaq ESG Transparency Partner" certification, by contributing extensive sustainability data to Nasdaq. The sustainability data help Nasdaq build its ESG database, which is available to investors and other stakeholders seeking to make sustainable investments. The certification can be used freely to signal Midsona's ESG commitment and high degree of transparency towards both current and future investors.

Kung Markatta remains highly rated among Swedish consumers

Kung Markatta was ranked eighth out of 152 brands in the survey regarding Sweden's greenest brand. In the food producer category, Kung Markatta takes fifth place. The award is presented annually by the strategy consultancy Differ. Swedish consumers' assessments are behind the award.

Selective acquisitions

Acquisitions are a fundamental part of Midsona's business strategy, in recent years contributing to a consolidation of the market in the Nordic region, primarily through the acquisition of the brands Urtekram, Kung Markatta and Earth Control. Based on a strong position in the Nordics, the ambition is to build a stronger presence in Europe.

In 2022, among other things, Midsona:

- **Integrated the Finnish company Vitality,** which was acquired in 2021. Vitality's broad product portfolio in consumer health and organic foods strengthens Midsona's position in Finland.
- **Continued to identify and conduct a dialogue with new acquisition candidates**. Due to the current market situation in Europe, Midsona is currently on hold before taking action. Midsona is monitoring the market and has made the assessment that the conditions for new acquisitions will favourable when European market conditions stabilise.

Midsona's growth journey has been enabled by a combination of existing brands and an aggressive strategy to acquire companies and strong brands in the Nordic region, which has, in recent years, been extended to encompass the rest of Europe. The strategy of growth through acquisition has entailed building a strategic base, geographically or in a particular category through a platform acquisition, and, based on that, to build an increased presence in the area or category through supplementary acquisitions. In accordance with that principle, Midsona has been able to grow over the years, as reflected recently by the acquisitions in France and Spain in 2019, Denmark in 2020 and Finland in 2021. In 2022, the Group focused on strengthening its existing operations and not on growing through acquisitions, although this remains an essential part of Midsona's long-term strategy.

Strong basis for expansion when market conditions improve

The acquisition strategy and ambition to continue consolidating a fragmented market still holds, with the ambition of further expanding into Europe. The plan to build on the platform acquisitions in Germany, France and Spain has yet to be implemented, with the exception of the supplementary acquisition of Eisblümerl in Germany, which was integrated into Midsona Germany in 2019.

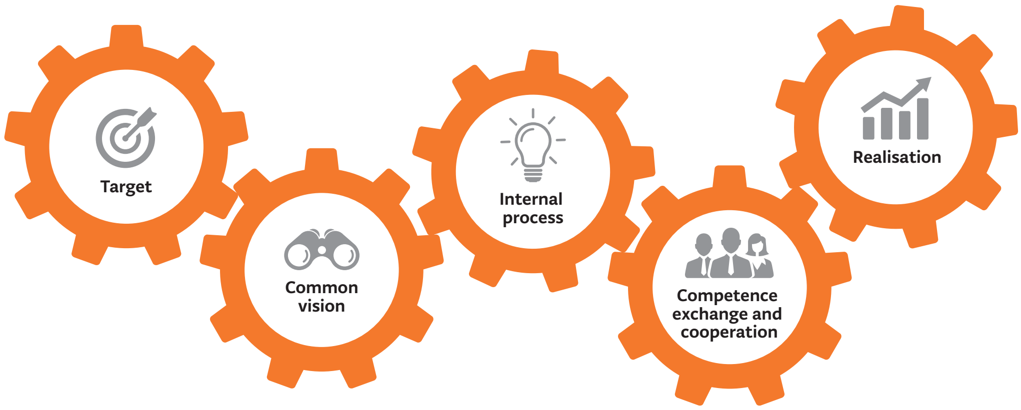
The slowdown in the expansion is due to several factors. Midsona's earlier major platform acquisitions were necessary to expand. The major synergy effects are achieved in pace with additional acquisitions being implemented, which could not be achieved to the degree sought by Midsona. One reason for this was the onset of the pandemic in early 2020, which required much of the operations' focus to handle the Company's core business, which entailed safeguarding a functioning distribution chain out to the consumer and ensuring that staff stayed healthy.

In Europe, healthy and sustainable food companies are attractive from an acquisition perspective, preferably with an organic orientation. For Midsona, the most attractive companies that maintained favourable profitability during the pandemic years of 2020 and 2021 were, according to Midsona, valued too highly. When the war in Ukraine began in 2022, it caused major cost increases for many industries, impacting the food the food sector in particular. The management of the war's indirect effects on the operations has greatly affected Midsona's profits and earning capacity in the near term. Fundamentally, favourable conditions prevail for further acquisitions in the long term, as reflected in the constant requests from companies regarding buy-outs or partnerships. Midsona works actively with measures in line with the market's expectations, which involve implementing necessary price increases, applying stimuli to boost growth and implementing cost savings.

Future prospects

In the long term, as the market and geopolitical situation in Europe stabilises, Midsona believes that acquisition opportunities will improve. When the market conditions improve, opportunities also open to acquire companies at reasonable valuation levels.

In the short term perspective, Midsona's successful expansion is primarily expected to continue through add-on acquisitions. Platform acquisitions are also possible from a longer-term perspective if the right opportunity arises. Provided that the conditions develop well and that Midsona delivers according to plan, the Group's focus will be on strengthening its position beyond the Nordic region and above all in the Group's core European markets of France, Germany and Spain.



Clear acquisition and integration model

Having completed some 20 acquisitions in recent years, Midsona has a clear acquisition and integration model. 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 updated and evaluated on an ongoing basis. 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.

Shares and shareholders

Midsona's shares were listed on the Stockholm Stock Exchange in 1999. Series A and Series B shares are listed on the Nasdaq Stockholm Small Cap list in the daily goods sector under the tickers MSON A and MSON B.

Number of shares and share capital

At the end of the period, the total number of shares was 145,428,080 (72,714,040), divided between 596,640 Series A shares (298,320) and 144,831,440 Series B shares (72,415,720). The number of votes at the end of the period was 150,797,840 votes (75,398,920).

A series A share entitles the holder to ten votes and a Series B share entitles the holder to one vote at all general meetings. All shares convey equal rights to the Company's net assets and profits.

At the end of the year, the share capital amounted to SEK 727,140,400. Capital development is reported on *www.midsona.com/Investerare/Midsonaaktien*.

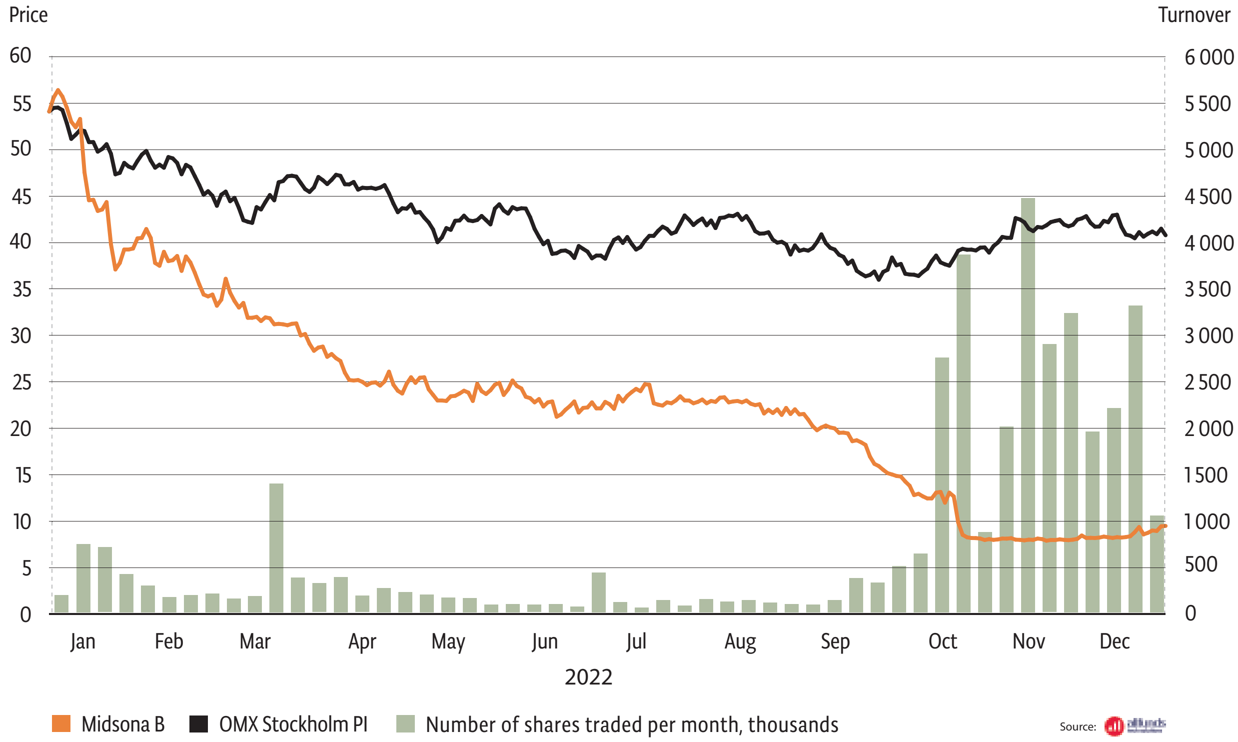
New share issue

On 25 October, following the approval of an Extraordinary General Meeting on 24 November, Midsona's Board of Directors resolved to issue 298,320 new Series A shares and 72,415,720 Series B shares with preferential rights for existing shareholders. The new issue in December of 298,320 Series A shares and 72,415,720 Series B shares, with preferential rights for existing shareholders, showed that 277,448 Series B shares, corresponding to approximately 93.0 percent of the Series A shares offered, as well as 38,770,076 Series B shares, corresponding to approximately 53.5 percent of the Series B shares offered were subscribed with the support of subscription rights. In addition, 20,872 Series A shares, corresponding to around 7.0 percent of the Series A shares offered, as well as 225,475 Series B shares, corresponding to around 0.3 percent of the Series B shares offered, were subscribed for without the support of subscription rights. The remaining 33,420,169 Series B shares, corresponding to approximately 46.2 percent of the Series B shares offered, were assigned to Stena Adactum AB as the issue underwriter. The new shares were registered with the Swedish Companies Registration Office in December 2022 and registered in the share register maintained by Euroclear Sweden in January 2023.

Share turnover and bid price

During the period January–December 2022, 39,119,152 shares (21,760,304) were traded. The highest price paid for Series B shares was SEK 56.60 (90.90), and the lowest was SEK 7.88 (45.45). On 30 December, the most recent price paid for the share was SEK 9.50 (54.10). The total value of trade in Series B shares was SEK 558 million (1,474). The average daily turnover for both Series A shares and Series B shares combined was 154,717 shares (86,073), corresponding to SEK 3,602,138 (5,850,907).

Share price trend, January 2022–December 2022




MAXOSOL
MIVI
TOTAL
ESKIO-3
PURE
OMEGA-3
ESKIO-3
VEGAN ALGAE
OMEGA-3
Earth Control
NEW!
PAPAYA
Green Apple
gainomax
BCAA
FRIGGS
MAJS
KAKOR
TACO
SWEBAR
SESAM
OLJA
DAVERT
BIO
URTEKRAM
Fruit Muesli
Gluten Free
ORGANIC
Happy Bio
SUPER MUESLI
FRUITS ROUGES
& CHIA
essentiels
MIX SALADE
AGAVE-
SIRUP

Over 2022, the price paid for the Series B share decreased from SEK 54.10 to SEK 9.50, equivalent to a decrease of 82.4 percent (30.5). The stock market as a whole, as indicated by the OMX Stockholm PI (OMXSPI), decreased by about 25.2 percent (increased: 35.0).

Warrants programme

At the end of the period, there were three registered warrants programmes addressing senior executives. These were as follows: (i) TO2021/2024 which can provide a maximum of 260,000 new Series B shares on full conversion, (ii) TO2022/2025 which can provide a maximum of 260,000 new Series B shares on full conversion and (iii) TO2023/2026 which can provide a maximum of 260,000 new Series B shares on full conversion.

For more information on the option programmes outstanding, see Note 10 *Employees, personnel expenses and remuneration to senior executives, on* pages 151–153.

Ownership

The largest owner in Midsona AB (public) was Stena Adactum AB which, as of 30 December 2022, held Series A shares and Series B shares corresponding 20.4 percent of the capital and 20.5 percent of the votes. No other shareholder held 10 percent or more of the total number of shares as of 30 December 2022. The ten largest shareholders in Midsona AB (publ) are detailed in the current shareholder list, as of 30 December 2022. It should be noted that the new shares added through the issue had not been entered into the share register kept by Euroclear Sweden as of 30 December 2022. With, among other things, the new shares having been entered in the share register, the ten largest owners in Midsona AB (publ), are evident from the current list of shareholders as of 16 January 2023.

As of 30 December 2022, the ten largest owners accounted for 73.5 percent (64.8) of the capital and 72.6 percent (63.7) of the votes.

For information on the holdings of members of Group Management, see pages 180–181 and for information on the holdings of Board Members see pages 178–179. Neither Midsona AB (publ) nor its subsidiaries held any treasury shares at the end of 2022.

Of the total number of shares, foreign shareholders accounted for 13.7 percent of the capital and 13.5 percent of the votes. Of the Swedish shareholders, legal entities held 71.9 percent of the capital and 71.2 percent of votes, while physical persons held 14.4 percent of the capital and 15.3 percent of the vote.

The total number of shareholders (including nominee-registered) was 10,980, which was an increase of 5 on the previous year. The distribution of shareholdings

Ten largest shareholder groups as of 30 December 2022

	Number of shares	Share of capital, %	Share of votes, %
DDB, SWEDEN BRANCH OFFICE, H-WAREHOUSE	33,645,644	31.65	30.99
STENA ADACTUM AB	21,577,001	20.36	20.54
Swedbank Robur Funds	4,470,000	4.20	4.09
IBKR FINANCIAL SERVICES AG, WSIMY	3,532,482	3.32	3.23
AVANZA PENSION	3,463,424	3.27	3.29
AP3	3,087,288	2.90	2.83
Nordea Investment Funds	2,238,605	2.10	2.05
MÜHLRAD, RALPH	2,206,265	2.07	2.02
NORDANLAND AB	2,000,000	1.88	1.83
NORDE BANK ABP, NORWEGIAN BRANCH OFFICE	1,846,268	1.74	1.69
Total	**78,066,977**	**73.49**	**72.56**

Source: Euroclear Sweden AB

Ten largest shareholder groups as of 16 January 2023

	Number of shares	Share of capital, %	Share of votes, %
STENA ADACTUM AB	69,994,562	48.13	46.90
DNB BANK ASA, SEC LENDING	6,752,465	4.64	4.52
AP3	6,174,576	4.25	4.14
Nordea Investment Funds	4,477,210	3.08	3.00
Swedbank Robur Funds	4,220,000	2.90	2.83
AVANZA PENSION	4,163,222	2.88	2.95
IBKR FINANCIAL SERVICES AG, WSIMY	3,532,482	2.43	2.37
MÜHLRAD, RALPH	2,702,000	1.86	1.81
STATE STREET BANK AND TRUST CO, W9	2,017,163	1.39	1.35
NORDANLAND AB	2,000,000	1.38	1.34
Total	**106,033,680**	**72.94**	**71.21**

Source: Euroclear Sweden AB

within various intervals is shown in the current shareholder list as of 30 December 2022.

Dividends and dividend policy

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 no dividend be paid for 2022.

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 CEO and CFO via live audio casts/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 2022 Annual Report will be published as a PDF on Midsona's website by 7 April and the printed report will be available from Midsona's headquarters in Malmö by 20 April. Printed copies of the Annual Report will be sent to shareholders on request.

Analysts and other monitoring

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

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

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 2023

Interim report, January-March	27 April
Annual General Meeting in Malmö	4 May
Interim report, January-June	20 July
Interim report, January-September	26 October
Year-end Report 2023	February 2024

Distribution of shares in intervals, 30 December 2022

No. of shares	No. of shareholders	No. Series A shares	No. Series B shares	Holdings (%)	Votes (%)	Market capitalisation (SEK thousands)
1 – 500	8,555	48,742	885,722	0.8	1.26	8,999
501 – 1,000	899	22,499	664,867	0.6	0.8	658,600
1,001 – 5,000	1,062	35,632	2,351,439	2.2	2.4	22,766
5,001 – 10,000	170	24,782	1,223,604	1.1	1.3	11,922
10,001 – 15,000	69	6,791	889,796	0.8	0.8	853,500
15,001 – 20,000	39	16,963	694,024	0.6	0.7	679,700
20,001 –	186	163,783	99,351,912	93.5	92.4	945,809
Total	**10,980**	**319,192**	**106,061,364**	**100.00**	**100.00**	**1,011,413**

Source: Euroclear Sweden AB

Key figures per share

		2022	2021	2020	2019	2018
Profit attributable to Parent Company shareholders	SEK	–6.73	1.31	2.70	2.02	2.80
Shareholders' equity	SEK	21.19	39.54	35.58	35.72	35.43
Cash flow from operating activities	SEK	2.73	–0.94	4.35	4.11	4.61
Free cash flow	SEK	2.42	–1.39	3.88	3.22	3.83
Share price on balance sheet date (Series B shares)	SEK	9.50	54.10	77.80	49.40	61.60
Dividend[1]	SEK	–	–	1.25	1.25	1.25
Yield	%	–	–	1.6	2.5	2.0
Pay-out ratio	%	–	–	46.4	83.6	45.1
P/E ratio	Multiple	Neg.	41.2	28.8	24.5	22.0

[1] Dividend for 2022 refers to the proposal by the Board of Directors.

Sustainability Report

Contents


gainomax
BCAA

Contributing to a more sustainable food industry

2022 was another year of extreme weather that manifested globally in multiple ways with everything from floods to droughts and record-high temperatures. Climate change will continue to greatly affect many companies and their supply chains, particularly in the food industry. As a company with a European market and production in several countries, we have a responsibility to act to secure a sustainable world. By measuring environmental impact, risks and opportunities as a company, we can all contribute to address the challenges we face and prepare for the future.

Last year's climate conference (COP26) was referred to as the most important of the decade, and the last chance for humanity to change course. At the recent COP27 conference, stronger global effort, support for developing countries as well as food and energy featured as one of the main topics when the world's leaders met to discuss changes in the climate. At the same time, consumers are setting ever-higher demands on the food industry to combat climate change by developing alternatives with a smaller climate footprint.

This, again, reaffirms that the food industry continues to have an important role to play. Although shouldering this responsibility can be challenging, it entails, above all, tremendous opportunities for Midsona. As a European group within the food industry, our products are enjoyed each day by many people and our efforts therefore have a very real effect on lives and communities. We have a responsibility to do everything we can to contribute to the transition to a net-zero economy by 2050, and one of several ways of doing this is by inspiring and influencing people to live a healthier life. We do this by developing and offering plant-based or vegetarian food products with good nutritional value and with as small a climate footprint as possible.

Our long-term target is to achieve net-zero emissions by 2045 and, to support this, our strategy has been adapted to several significant global recommendations, including: UN Agenda 2030, the GHG protocol, SBTi, TCFD and CDP. Six development areas drive our sustainability work, where each area has clearly identified goals and measurable targets that we report on yearly.

Over the year, we received a number of awards for our sustainability work, serving to confirm that our hard work is paying off. We are reducing our own emissions and those of our value chain – the total amount of waste decreases, the proportion of recyclable packaging materials increases, and much more. All initiatives enable us to improve in all six areas of development.

Midsona's objective is to be at the forefront when it comes to contributing to a more sustainable food industry, and this is a continuous process of improvement. As our climate work progresses, we are also acutely aware of the changing legal landscape around sustainability reporting. Society, customers, and investors are rightfully demanding more information about sustainability, which puts pressure on us to be more precise and transparent about our work. These changing tides in sustainability reporting can be noticed in this year's report, where we have devoted a separate section to presenting our sustainability data.

Siv Kjersti Rodal
Director Sustainability Group, CSO

Sustainability strategy and targets

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

Through our sustainability strategy, we seek to ensure that Midsona holds a leading position with regard to sustainability work in our industry. We achieve this by maintaining control of our sustainability risks and opportunities, conducting scenario analyses and corresponding risk management. To support this, we have a shared organisation and efficient process established with good knowledge of our stakeholders' needs and demands.

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 builds on our mission to help people live a healthier life by producing and marketing food that is healthy, both for people and the environment. 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 sustainability, as well as of the central role that the consumption of food plays in our daily well-being.
- Cooperating with our suppliers through the value chain and requiring them to act sustainably.

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's Global goals for sustainable development (the UN's SDGs), which are shown in the model and for which further reading is available in our framework for SDGs, which is described on pages 40–43.

Development areas

The development areas have been chosen based on what is most relevant to us as a company in our industry and to our stakeholders. Together, they represent where we see that we can most effectively influence social, environmental and economic development, as well as generating value for our stakeholders, as described on the following pages.

Target for 2025 and in the longer term

Midsona pursues a sustainability agenda with ambitious targets which is constantly evolving according to global development. Midsona's sustainability targets are a result of our work to identify and analyse our material areas, with the highest risks in mind, and all have been valued in the short, medium and long term (>10 years). Based on our SDG mapping, UNs call for action, risk and opportunity analysis and materiality analysis, we have developed a set of SMART targets (Specific, Measurable, Achievable, Relevant, and Time-Bound) in the most relevant areas for Midsona today.

The targets make it easier for us to measure our progress and it facilitates the management of our greatest and most material sustainability risks and opportunities. In 2022 we have also committed to the SBTi for our net-zero emissions target to ensure that it is scientifically based and approved by a third party.

Midsona's Climate Change Strategy

According to the UN and the latest climate summits, COP26 and 27, the latest science shows that more needs to be done to avoid the worst effects of climate change while ensuring a thriving, sustainable economy. According to the UN, climate change is the greatest challenge we face in modern times and extensive global cooperation from all sides is needed to address this.

Midsona has adopted a Climate Change Strategy, which has been anchored with both the Board and Group Management, with the purpose of taking the necessary steps against climate change. In line with our commitment to the international co-operative body, the SBTi (Science Based Targets initiative), we have set ambitious and scientifically-based emission near term targets that have also been approved by the SBTi. The SBTi's approval thereby confirms that Midsona's targets agree with the levels

Sustainable brands

Target 2025
100 %
recyclable plastic packaging on own brands

Target 2030
100 %
plant-based or vegetarian assortment

Healthy work environment

Target
Healthy workplaces that foster healthy employees without work-related injuries

50/50
gender distribution in management positions

Responsible sourcing

Target 2025
100 %
Classified strategic supplier in accordance with guidelines for sustainable procurement

Target 2025
100 %
our own brands free from palm oil

Safe products

Target 2025
100 %
risk-classified suppliers and annual risk-based audits

Target
100 %
certification of own production units, in accordance with international standards

Efficient resource use

Target 2025
90 %
waste recycling[2]

100 %
reused food waste[2]

Target 2028
100 %
renewable energy[2]

Target 2030
10 %
reduced water use[2,3]

Target 2034
38 %
reduced emissions in accordance with Scopes 1, 2 and 3[1]

Target 2045
Net-Zero

Efficient transports

Target 2030
100 %
fossil-free transport contracted by Midsona[4]

[1] Science Based Targets, 2019 as base year.
[2] Own operations.
[3] Per tonne produced. The Spanish operations aim to reduce by 20 percent per tonne.
[4] For the Nordic division, 100% domestic prior to 2025.

required to achieve the targets in the Paris agreement. Midsona's near term targets represent our first steps towards achieving net-zero emissions. As a further significant step to strengthen Midsona's climate work in line with the UN, we have now also committed to setting an ambitious SBTi-approved Net-Zero target based on the SBTi's new Net-Zero standard which was launched in October 2021.

As part of our work to base our climate measures on the latest climate science, we report our greenhouse gas emissions based on the Greenhouse Gas Protocol (GHG). We have accordingly set up reduction targets for our emissions – direct, indirect and from our value chain – in accordance with Scopes 1, 2 and 3 by 38 percent by 2034 with 2019 as the base year. Our ambition is to drive Midsona's climate work in line with the Paris Agreement, the EU's goals, and the Swedish Government's goals and long-term climate strategy of achieving net-zero emissions by 2045. Midsona's strategy include a transition plan that aligns with the 1.5°C target in the Paris agreement. We have assessed the measures necessary to accelerate the reduction of Midsona's climate impact to being able to set up a long-term "Low-carbon Transition Plan" for the Company. Read more about our climate goals in the section on efficient resource use on page 65. As a natural extension of our work with climate accounts and the SBTi, an annual report will be compiled from 2021 onwards to the CDP to assess our sustainability and climate-related reporting and risk management.

In addition to this, we have also chosen to implement the TCFD's recommendations, among other things to examine the flexibility of Midsona's business model and strategy, where we consider different climate-related scenarios over several time horizons to inform our strategy. Read more about Midsona's work with scenario analyses in the risk section on pages 128-130. In Midsona's CDP report, there is a special focus on climate risks and opportunities that Midsona has identified. Additional sustainability risks are presented in the risk section in this report on pages 120–127.

A detailed description of Midsona's climate-related risks is also described in Chapter C2 of our CDP report.

The purpose of our targets

Although we have set ambitious, long-term targets for Midsona's sustainability work, to be able to conduct the work in an efficient manner, we have also set short-term intermediate targets that we adjust annually. The technical development around sustainable packaging and recyclability means, for example, that our targets for waste management and recyclable plastic must be updated regularly in line with recent progress.

Another area that is developing rapidly is the science of what constitutes sustainable fuel, as well as hauliers' attitudes towards fossil-free fuel. In addition to this, the EU's ongoing work with its "Green Deal" and its action plan for a sustainable economy with taxonomy and upcoming regulations such as CSRD and HRDD are shaping the future definition of what is considered sustainable and of the reporting requirements.

Mapping in accordance with taxonomy

As the EU's taxonomy develops, its significance and criteria for the food industry will be clarified. The EU Taxonomy Regulation (EU 2020/852) is the European Commission's classification system for sustainable economic activities. Through a common classification system for sustainable finance, the Taxonomy Regulation facilitates the identification and comparison of environmentally sustainable investments. Large companies that must report in accordance with the EU Non-Financial Reporting Directive (NFRD) shall report in accordance with the taxonomy regulation, for the parts of the operations that are covered. In 2022, Midsona assessed the economic activities relevant to Midsona and prepared for taxonomy compliance and reporting, see Midsona's reporting in accordance with the EU sustainable investment taxonomy on pages 98–99.

GRI and preparation for compliance with the Corporate Sustainability Reporting Directive (CSRD)

In 2021, Midsona was chosen to develop its sustainability reports with inspiration from GRI Standards, where data has been reported with reference to relevant topics of that framework. The GRI recently published a new version of the reporting framework – GRI Universal Standards – that will come into effect from 2022 and onwards (GRI 2021). At the same time, a new EU directive was added with requirements for mandatory reporting from 2024/25, further honing the requirements for the Company's sustainability reporting. According to GRI, GRI 2021 is a requirement for fiscal year 2022 for the companies applying the GRI standard. Midsona applies the GRI Standards in this report for the period 1 January 2022 to 31 December 2022, with certain deviations. In 2023, we will fill the discrepancies alongside work to coordinate our reporting with the CSRD. Midsona reports climate data in accordance with the Greenhouse Gas Protocol Corporate Standard and the Corporate Value Chain (Scope 3) Standard. This will include, for example, a new materiality analysis intended to comply with the Corporate Sustainability Reporting Directive (CSRD).

[1] COP26, 2021 United Nations climate change conference, 31 October – 12 November, 2021, Glasgow.
[2] **Human in the climate crisis**, UN, 02.08. 2021, https://www.un.org/press/en/2021/sc14445.doc.htm
https://www.un.org/en/exhibits/exhibits-site-search?query=climate
[3] Call for action, UN Climate Change Partnerships 2021-2022, 9 April 2021, Capacity Development Initiatives, News). Science shows we need to cut emissions in half by 2030 and transition to a fully net-zero economy by 2050 (Ref: CDP, Aug 2021, Global Director Corporations and Supply Chains, CDP)
[4] the SBTi is a collaboration between CDP, the UN Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). Its emission reduction target is based on what the latest climate science considers necessary to prevent the worst effects of climate change. Read more about scientific goals at http://sciencebasedtargets.org/.

Target and outcome

For in-depth information on goals and outcomes, see the description of goals on pages 44–76 and sustainability data from page 79.

Plant-based and vegetarian assortment

We influence people's lifestyles: *Be a pioneer in low-carbon, plant-based and healthy products.*

Target 2030	Outcome 2022
100 %	88 %

Recyclable plastic packaging

We contribute to circularity: *With our packaging strategy, we increase the proportion of packaging that can be turned into recycled materials.*

Target 2025	Outcome 2022
100 %	44 %*

* Of total packaging materials, the proportion that is recyclable is 50 percent.

No occupational injuries

We affect our employees' health and safety: *Promote good health and preventing injuries among our employees.*

Target	Outcome 2022
0 cases	38 cases*

Gender distribution among management positions

We recognise the importance of equal gender distribution: *As a responsible company, we work in line with the UN's sustainability goals for increased gender equality, with equal rights and salaries among our managerial positions.*

Target	Outcome 2022**
50/50	47/53 %***

* From serious to less serious injuries. Mostly minor injuries, such as back pain and minor scrapes.
** Women/Men.
*** Includes all Group level managers for Midsona AB, including those who are members of Group Management and all members of the division level management group.

Classified suppliers in accordance with sustainable guidelines

We take responsibility for our supply chain: *We are expected to maintain control and transparency over our suppliers and supply chain.*

Target 2025	Outcome 2022
100 %	44 %*

Trademarks free from palm oil

We contribute to biodiversity: *We are expected to encourage a more sustainable supply chain and raw materials.*

Target 2025	Outcome 2022
100 %	99,9 %**

* 82 percent in Division Nordics where Kodiak has been applied. 0 percent in Division South Europe, although Kodiak will commence application here in 2023. 62 percent in Division North Europe applying systems other than Kodiak. Suppliers yet to be managed in Kodiak are assessed in accordance with current legislation and the respective certification requirements.
** Percentage of purchased tonnes.

Risk-classified suppliers in accordance with safe products

Product safety in the supply chain: *Product safety must be ensured throughout our complex supply chain.*

Target 2025	Outcome 2022
100 %	44 %*

Certification of own production unit**

We protect public health and safety: *We contribute to the availability of healthy, safe and sustainable food and products in an increasingly complex world.*

Target	Outcome 2022
100 %	100 %

* 82 percent in Division Nordics where Kodiak has been applied. 0 percent in Division South Europe, although Kodiak will commence application here in 2023. 62 percent in Division North Europe applying systems other than Kodiak. Suppliers yet to be managed in Kodiak are assessed in accordance with current legislation and the respective certification requirements.
** Exceptions for minor production units, where we secure a quality system in accordance with international requirements for safe production.

Reduced emissions in accordance with Science Based Targets for Scopes 1, 2 and 3 and Net-Zero

We contribute to counteracting climate change: *Reduce our emissions in accordance with the SBTi and achieve a rapid transition to a net-zero economy.*

Target 2034*	Outcome 2022
–38 %	–11 %*
Target 2045	**Outcome 2022**
Net-Zero	114,867 tCO_2e

Reduce consumption and introduce renewable energy

We work with efficient and renewable energy: *In line with our climate change strategy, we are securing increased energy efficiency and a low-carbon energy supply*

Target renewable, 2028	Outcome renewable 2022
100 %	41 %**
	Outcome reduced
	+13 %**

* Compared with 2019 as base year.
** Increased energy consumption and a lower increase in the share of renewable energy than expected is largely due to the expansion of production in Castellcir and the acquisition of Jakobstad.

Recycled waste and re-use of food waste

Our contribution to a circular economy: *Return materials to the product cycle when they have reached the end of their life cycle.*

Target waste 2025	Outcome 2022
90 %	78 %
Target food waste 2025	**Outcome 2022**
100 %	78 %

Reduced water consumption in intensity per tonne produced

We take responsibility for our water consumption:*Minimise our water consumption, particularly in drier countries in southern Europe.*

Target Spain 2023*	Outcome 2022
–20 %	–3,5 %
Target 2030* 2022	**Outcome 2022**
–10 %	+2 %

* Reduction in water consumption per tonne produced since 2020 as the base year. Compared with 2021, the outcome for Spain is a 20-percent reduction and the outcome for Europe is a 1-percent reduction.

Fossil-free transport*

We adapt our transports: *Our climate strategy sets the direction for fossil-free transport in line with our largest customers' expectations and targets.*

Target Europe 2030	Outcome 2022
100 %	–42 %**
Target Nordic region 2025* **	**Outcome 2022**
100 %	–53 %**

* Contracted directly by Midsona.
** Shown as reduced emission intensity per tonne produced compared with 2019. We have chosen to measure the transport target with reduced emission intensity as of today, as this directly reflects the extent of fossil-free fuel in the form of data on reduced greenhouse gas emissions.
*** Self-contracted domestic.

Sustainability governance

This is how we control our economic, social and environmental impact.

Midsona's view of sustainability

Midsona's mission is to help people live a healthier life, which we do by offering sustainable, plant-based and organic products. In this way, we also contribute to a sustainable life. 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, as well as social conditions of our employees and the society around us.

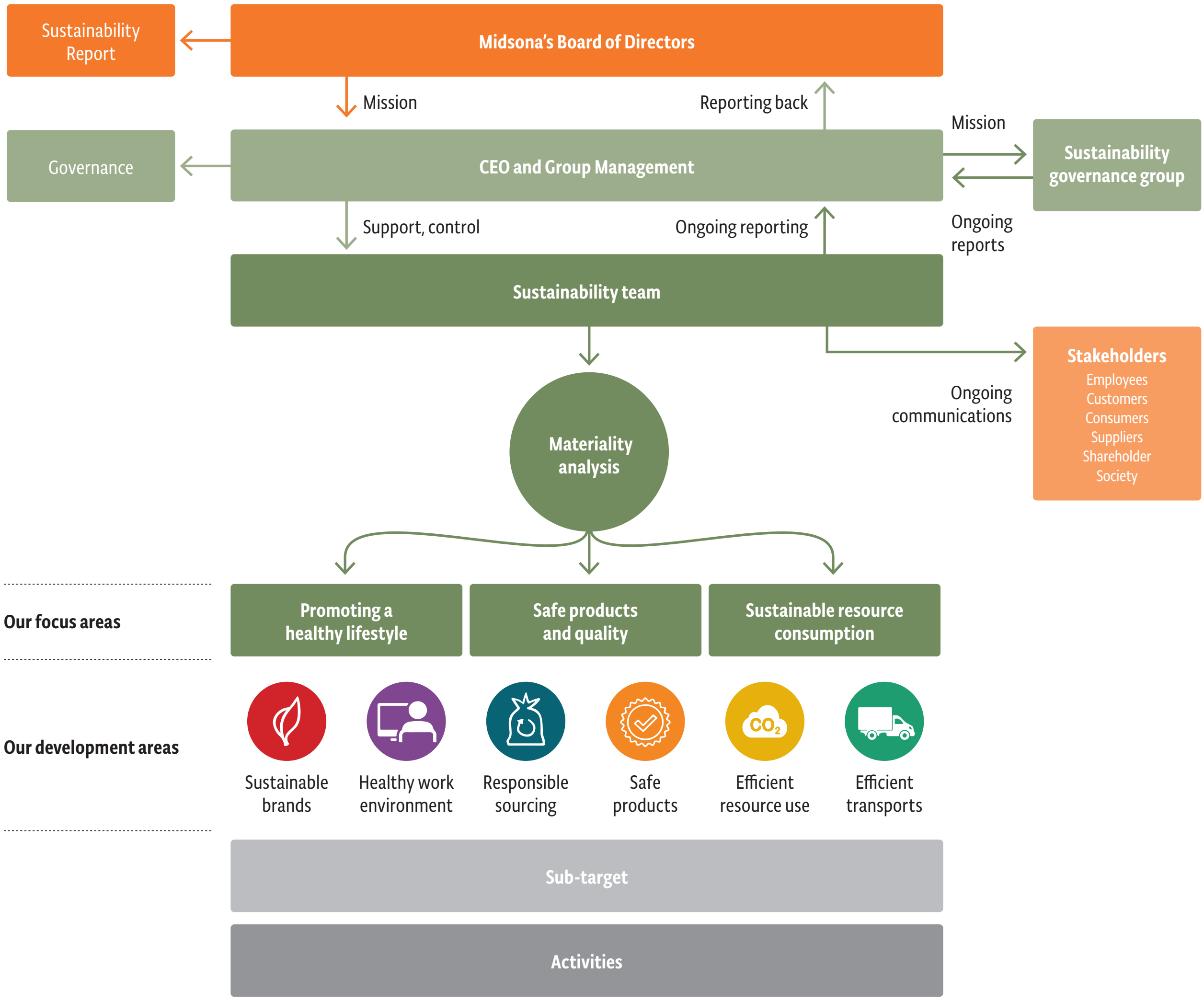
At Midsona, sustainability and profitability coincide. This means that our sustainability work and the targets we set must be an integral and transparent part of our operations, with sustainability risks being managed in the same way as other risks in the Company.

How our sustainability work is managed

In general, Midsona's sustainability management addresses our handling of social and environmental issues, risks and opportunities, as well as how we act to minimise our negative impact. Based on this, we set meaningful targets, with efforts being supported by dedicated leadership, attention to changes in society and consideration for the expectations of our stakeholders. Closely linked to this is our commitment to local communities, the health of our employees and our ambition to be a company that is managed responsibly.

Midsona's Board is responsible for the Group applying a realistic agenda for sustainable development. The CEO bears the overall responsibility for sustainability-related issues and is a member of the Company's Sustainability Steering Group and regularly reports the Group's decisions to the Board of Directors. The sustainability Management Group, which is led by the Company's CSO, holds quarterly sustainability forums where the sustainability strategy is established and the sustainability work is discussed in terms of strategy, targets, projects, activities and progress. In addition to the CEO and CSO, the group comprises Director Operations, Director Legal, Executive Assistant and the Company's Division Director Nordics. The CSO is tasked with setting out the Group's sustainability strategy with strategic measures and long-term targets, ensuring that we base our efforts on the best global frameworks and secure annual sustainability data by preparing and issuing a Sustainability Report. The CSO shall also ensure good sustainability management so that the Group's decisions are implemented in a cross-functional Sustainability Group

Midsona's sustainability governance model



comprising representatives of the Group's three divisions. Specific line organisations in the Group's divisions are responsible for implementing targets, sub-targets, projects, activities and reporting in connection with the sustainability work, and for integrating these into the day-to-day activities. The work is reported on quarterly directly to the relevant Division Director, who together with the division's Sustainability Manager is responsible for their division's results.

To support the work, Midsona's management builds on a clear division of responsibilities in which all roles and their respective duties are detailed. In addition, clear KPIs and incentives are applied in the handling and implementation of target-related matters established in the day-to-day operations.

To find out more about Midsona's sustainability management and how the Board of Directors and management are included, read our CDP report by following this link: *https://www.midsona.com/hallbarhet/midsonas-hallbarhetsmal/hallbarhetsrapportercdp-rapporter*

Sustainability reporting platforms

Midsona's framework for sustainability reporting is presented on page 2. Midsona uses different reporting platforms in its operational activities to both develop and measure activities in relation to set targets, to conduct annual assessments and to compare improvements over time in accordance with global development. This enables us to systematically monitor results and progress and safeguards focus on the most important areas, which is a prerequisite to being able to maintain a superior qualitative and quantitative level in our reporting. Our sustainability metrics are systematically reported to illustrate the annual trend. The metrics are closely related to the GRI (Global Reporting Initiative) and we report in accordance with the GHG (Green House Gas Protocol), Scopes 1, 2 and 3, to further improve our climate and sustainability reporting, which is also achieved through an annual CDP report, which also includes the TCFD recommendations. Over time, we are also working to be able to report fully in accordance with CSRD.

In addition to this, environmental and climate perspective are also included in the self-assessment that our suppliers perform in the Kodiak portal (our supplier assessment system) and in the assessment survey for external validation that we perform when auditing suppliers.

Conditions for operating Midsona healthily and sustainably

Midsona's most important steering document is the Group's Code of Conduct. Among other matters, the Code explains that the individual employee, the Board of Directors and other actors connected to the Midsona name must act responsibly, with integrity, loyalty and respect for other people. It is always included in the on-boarding of new employees and is regularly communicated to existing employees through our intranet.

To maintain a functioning internal governance environment, the Board adopted a number of steering documents that serve as guides for the operations. The documents are updated regularly and new ones are added in step with new ambitions, targets, and requirements from authorities and other stakeholders. Midsona's Sustainability Policy forms the foundation of the Group's sustainability work. In 2021, an important document was added to the Policy to help improve governance with regard to sustainable raw material production, biodiversity, GMOs, palm oil, fish oil, use of paper and animal welfare. These are stated in the Sustainability Policy and its accompanying documents, which are available via the following link: *https://www.midsona.com/en*

Today, we have a well-functioning control system to ensure that Midsona 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 and by appointing individuals as responsible for ensure that procedures for training and follow-up are in place for each document.

Health and human rights

Since 2011, Midsona has been affiliated to the UN Global Compact, thereby supporting the UN's 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 and we expect our suppliers and other partners to have the same priorities. In 2022, we have also improved our work with Human rights further by securing requirements for HRDD in accordance with the OECD and corresponding laws. 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. We have also investigated and are updating policies and guidelines to ensure that all existing company documents and corporate culture are aligned with requirements from OECD's HRDD. This includes guidelines for requirements for own employees, business partners, suppliers and business relationships.

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

Ethics, integrity and combating corruption

We seek to operate Midsona in a healthy and sustainable way. That is why we are careful to always act in accordance with our values and to always counteract all forms of corruption and irregularities.

Midsona's Whistle-blower 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 or through HR in the first instance. For cases where this is not possible, the whistle-blower service handles cases anonymously.

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

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

How we work for the environment and the climate

Midsona is working to mitigate its negative environmental impact and to switch over to an environmentally sustainable society. We have well-documented and established procedures for product development, production and transport alike.

Our climate impact is our greatest risk and is therefore an area on which we place particular emphasis. To integrate and optimise our sustainability and climate-related reporting, risk management and activities, we implement the TCFD's recommendations (Task Force on Climate-related Financial Disclosures) and compile an annual CDP report. We strengthen our work on climate related risks and opportunities regularly in accordance with these recommendations. To find out more about how Midsona manages and conducts its climate work, read our CDP report via the following link:
https://www.midsona.com/globalassets/midsona/sustainability/midsona-ab-cdp-report-2022.pdf

In addition to the use of the TCFD and CDP recommendations for climate-related measures, our environmental work is regulated by the policy documents: Code of Conduct, Supplier Code of Conduct, Supplier Self Assessment, Sustainability Policy, Travel Policy, Procedures for Sustainable Governance, Sustainability in Midsona's Daily Operations, Instructions for the Selection of Sustainable Raw Materials, Chemical Controls and our brands' innovation templates.

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

Stakeholder dialogue and materiality analysis

Midsona has developed a communications plan to ensure that we have a functioning stakeholder dialogue and that we continuously follow up with and inform our stakeholders. The plan is included as part of Midsona's Communications Policy.

Midsona communicates with its stakeholders in many different ways over the year. The dialogues help us understand the stakeholders' needs and expectations and also provide input for continuous improvements. They also provide us with important data on how we can manage our impact and the areas we should focus our measures and reporting efforts on to derive most benefit.

In Sustainability data on page 77, we report on how we generate value for our most important stakeholders.

Based on the stakeholder dialogues, we have defined our most material sustainability issues using a matrix based on the following two aspects:

- The importance of our economic, social and environmental impact
- Issues that our stakeholders consider most important for Midsona

In the matrix, all sustainability issues are assessed in terms of low, medium and high impact. Additional aspects included in our materiality analysis also address who is responsible for the impact, whether the impact is internal or external and whether we can contribute to positive change.

The foremost sustainability issues with the greatest impact are in line with our most significant risks:

- Climate
- Energy
- Transport
- Waste management in our operations, food waste and handling of packaging
- Social (Human rights) and environmental impact in value chain (Suppliers and supply chain)
- Biodiversity and production of raw materials
- Product and food safety
- Water consumption

Sustainable brands

The foundation of Midsona's business rests on responding to strong trends around the growing interest for health and well-being. These two areas also agree well with consumers' wishes to select more sustainable options, with people increasingly avoiding animal products, unnecessary additives, and products with poor nutritional content. Midsona's focus on plant-based and organic products benefits from these trends, and the Group's passion lies in influencing people in their choices and helping them choose healthier and more sustainable alternatives in their everyday lives. The strategy also builds on strong growth with strong brands in prioritised categories.

Our work with sustainable brands contributes to eight of the global goals for sustainable development.

Plant-based and vegetarian foods

Target 2030
100 %
plant-based or vegetarian assortment

Our objective

Demand for plant-based alternative foods has risen steadily in recent years. The segment is expected to continue growing, creating major market advantages for Midsona to develop new products meeting the needs of consumers and customers. Midsona seeks to offer options with a low climate footprint, where the aspect of sustainability is included from crop to finished product. As early as in 2020, the Group reached 99-percent plant-based[1] or vegetarian in the range of priority brands. The Group is now striving towards the objective that all brands should only offer plant-based or vegetarian[2] products by 2030.

How Midsona will achieve its objective

- Mapping of product range and determination of metrics in relation to the requirements set for plantbased and vegetarian.
- Mapping of market opportunities and their economic significance and set commercial actions to promote plant-based.
- Mapping potential new acquisitions to ensure that they are in line with our objectives.
- Investing in technology and capacity for the Group's own production of plantbased foods.
- Collaborating with suppliers and third-party manufacturers for plantbased alternatives.
- Innovation and product design that promotes plantbased products.

Progress in 2022

- Strengthened portfolio of plant-based (vegan) products in our consumer health range through Vitality and Oy acquisition in October 2021 with over 100 new vegan products.
- Production of plant-based meat alternatives at Midsona's Spanish plant increased by 8 percent. At the facility, Midsona develops and manufactures third-generation low-carbon plant-based alternatives, including chicken-, fish- and meat-like products. Over the year reported here, an estimated 10,749 tonnes of CO_2e emissions were avoided per functional unit, compared with reference products. To read more, please see Midsona's CDP-report for 2022.
- A selection of our own brands with plant-based innovations in 2022: The Naturdiet Drinkmix product is now plant-based, having previously contained milk protein. Launch of nine new plant-based meat alternative products under the brand DAVERT. The products are made from pea and bean protein.
- Midsona received the "Best Bio" Award for the two plant-based DAVERT-products Veggie Chunks and Basmati Rice. The award was presented by Schrot & Korn, a prominent consumer magazine within German organic retail.

This is where we are today

- In 2022, the percentage of plant-based and vegetarian products in the complete product range totalled 88 percent (91).
- In 2022, the proportion of purely plant-based products in the complete product range totalled 82 percent (83).
- In 2022, the proportion of plant-based and vegetarian products among priority brands totalled 98 percent (99).
- In 2022, the proportion of purely plant-based products among priority brands totalled 91 percent (95).
- See also (Scope 3) greenhouse gas emissions in tonnes of CO_2-equivalents for purchased goods and services in the appendix.

GRI 305-3

Read more in the section on Sustainability data on page 79.

[1] Plant-based: A product in which nothing derives from an animal (meat or dairy, e.g. eggs, dairy products, honey). Note: Without counting the source of additives.
[2] Vegetarian: Product may contain eggs and dairy products, but not products from dead animals (poultry, fish, shellfish, meat, e.g. fish oil, gelatine, collagen). *Note:* Without counting the source of additives.

Organic and other certifications

Our objective

The UN's sustainability goals 14 and 15 and the UN Convention on Biological Diversity[1] both point to the importance of preserving biodiversity. Never has it been more pressing to work to preserve the richness of species, which are a condition for existence on our planet.

Midsona strives both to increase its sales of plant-based foods and to have a wide range of products that in various ways contribute positively to the environment and biodiversity, while at the same time having a positive effect on people including their human rights. A key factor in this work is to exercise control over our value chain and establish sufficient transparency that allow us to promote sustainable sourcing of raw materials. Our intention is to produce or purchase quantities that as far as possible come from EU-certified suppliers. Our suppliers should operate according to organic farming methods, produce and market organic products (EU) 2018/848, as well as use other product certifications with a positive environmental or social impact[2] such as KRAV, Vegan, ECOCERT, FoS, Fairtrade and Demeter.

In recent years, Midsona has focused on organically-certified and plant-based products. Today, we are the largest supplier of organic food within the Nordic region, where we help people live healthier lives through our organic brands and high-quality plant-based products. You can read more about how we work with certified raw materials in the chapter "Responsible purchasing" on page 54.

How Midsona will achieve its objective

- Map and measure the range based on our product and raw material certifications.
- Map the availability of certified products and raw materials in the market and the financial significance of the purchase of high classification certified raw materials.
- Set commercial actions to promote organic- and other certified products.
- Increase capacity and own production of organically-certified and other certifications.
- Collaborate with third-party manufacturers for increased raw material and product certification.
- Invest in innovations to ensure organic growth and an increased product portfolio with environmental or social certifications.

Progress in 2022

- Strengthened position for organic plant-based in Germany and in the Nordic market. In Sweden, Midsona has strengthened its focus on public sector and schools as well as launched the new store concept "Kungsprogrammet", to promote plant-based and organic food through in-store demonstrations.
- In Germany, for the brand Davert, Midsona has launched a big marketing campaign for plant-based products as well as initiated a collaboration with Veggienale – Consumer Fair for plant-based and vegetarian products.
- The organic brands Kung Markatta and Urtekram sponsored the "Årets EKOinsats" (Eco-Initiative of the Year) award at the Swedish retail gala.
- Friends of the Sea (FoS) remained a highlighted certification on all Eskio-3 products.
- Strengthened portfolio of certified products through the acquisition of Vitality and Oy: Makrobios – two Friend of the Sea-certified (FoS) Omega-3 products introduced as part of Midsona's portfolio. The Finnish "key-flag" symbol (highlighting locally produced products) is being rolled out for 40 new products within six brands (Makrobios, Bertil's, Membrasin, Karpalact, Viviscal, Prostasin).
- An increased number of products under the Davert brand have been Fairtrade-certified and labelled.
- To maintain Urtekram Beauty's position as a vegan and ECOCERT-certified brand, all items newly introduced under the brand in 2022 were, like the rest of the portfolio, certified in accordance with Cosmos Organic Standard.

This is where we are today

- Midsona's sales of organic products currently account for 49 percent (51) of the Group's own brand sales. Of these sales, 5 percent comprises our organic beauty brand Urtekram Beauty which is certified in accordance with ECOCERT Cosmos and Vegan Society's Trademark.

Read more in the section on Sustainability data on page 80.

GRI 304-2

[1] https://www.un.org/en/observances/biological-diversity-day
[2] Definition of impact: Effect the organisation has or could have on the economy, environment, and people, including on their human rights, which in turn can indicate its contribution (negative or positive) to sustainable development.
Note: Impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, and reversible or irreversible (see also GRI 1: Foundation 2021).

Sustainable packaging

Our objective

Packaging plays an important role for our ability to reduce our environmental impact. Our overall goal is to follow existing recycling opportunities without sacrificing the durability of our products.

Demands for circular alternatives are increasing among consumers, customers and decision-makers. Our Climate Transition Plan for reaching the 1.5 degree target also requires increased circularity for all of our packaging materials. That means 100-percent recyclable packaging and 100-percent recycled packaging, regardless of material type. Midsona's packaging strategy is an important way of meeting these requirements while contributing to the EU's strategy for a circular economy. Our strategy meets the requirements to:

- Ensure that greenhouse gas emissions from packaging are reduced as much as possible
- Increase the use of recycled and recyclable materials in our packaging
- Choose FSC-certified paper raw materials or similar to ensure sustainable forestry
- Reduce packaging material consumption
- Apply labelling with instructions for recycling and reduced food waste
- Follow the development of future requirements for sustainability labelling, climate footprint, and emissions accounting

Midsona works in accordance with the Packaging and Newspaper Collection (FTI) model for circularity[1] and always adheres to current requirements for recycling in the markets in which we operate, where we aim to be at the forefront. With our innovations and product range processes, we have the opportunity to build a greater demand for recycled packaging materials, while also promoting increased levels of sorting and collection of plastic waste that can, in turn, be reused. The pace of innovation is high and with the guidance of clear goals, governance, and reporting we ensure that the handling of packaging-related issues forms a part of the day-to-day operations.

Progress in 2022

- Together with a pharmacy chain in Sweden, Midsona removed the plastic tray and shrink wrap on products such as Movo, Frigg's multivitamins, Membrasin, and Maxosol, significantly reducing the amount of plastic.
- Organic brand Kung Markatta initiated a partnership with recycling app Bower to encourage consumers to recycle more and to be mindful of waste and sustainability.
- Reduction of plastic foil in warehousing and transport, saving 9 tonnes annually at the Mariager facility.
- Midsona eliminated the Movo brand's need for distribution packaging. Instead, the products are now packed directly onto half pallets. This has resulted in expected plastics savings of 646 kg annually, carton board savings of 2,342 kg, and additional transport savings.

This is where we are today

- In 2022, 60 percent (42) of packaging material purchased for Midsona's own production derived from recycled or FSC-certified input material. This represents an increase of 18 percentage points compared with the previous year.
- In 2022, 11 percent (8) of plastic packaging purchased for Midsona's own production derived from re-use of other materials. This is plastic made from sugar cane waste and therefore a plant-based plastic. This represents an increase by 3 percentage points compared with the previous year.
- In 2022, the proportion of product packaging with recycling instructions on labels was 35 percent (40).

See also (Scope 3) emissions of greenhouse gases in tonnes of CO_2e for purchased packaging material in the Sustainability data appendix on page 90.

Read more in the section on Sustainability data on page 81.

GRI 301-2 | GRI 304-2 | GRI 305-3

[1] FTI, About recycling circular, 2021: https://www.ftiab.se/download/18.3dd705c0179af8d14863f1/1623913076791/FTI%20Circular%202021.pdf

Recyclable plastic packaging

Target 2025
100%
recyclable plastic packaging on own brands

Our objective

Midsona has committed itself to the Swedish Plastics Initiative (Plastinitiativet)[1], a commitment involving the entire Group. We place considerable focus on recyclable plastic materials and their colouring and printing to facilitate the recycling process.

By using recyclable packaging, the greenhouse gas emissions associated with the final processing of sold products (Scope 3) may be reduced. This is also likely to provide a competitive advantage, as taxes on non-recyclable plastic packaging are expected to increase as a result of new laws and regulations.

How Midsona will achieve its objective

- Mapping and measuring points for packaging in relation to recycling requirements and the financial significance of a dedicated budget (read more in the appendix on page 82).
- Updating technology and increasing capacity for own production with recyclable packaging solutions.
- Collaborating with thirdparty manufacturers to find recyclable packaging solutions.
- Mapping potential new acquisitions to ensure that they are in line with our targets for recyclable packaging.
- Investing in innovation and product design to achieve the target of 100-percent recyclable plastic by 2025.

Progress in 2022

- Sustainable packaging project initiated at Midsona's production facilities in Mariager and Tilst in Denmark, with the aim of replacing non-recyclable plastic with sustainable recyclable foil for over 100 units from the prioritised brands Kung Markatta, Urtekram and Helios. As an example, a successful test was performed on the main food line at Mariager, switching from non-recyclable plastic to recyclable plastic. This is expected to have a major effect on our share of recyclable plastic in our priority brands Kung Markatta, Urtekram and Helios. The roll-out of the project is planned for 2023, with full implementation expected in 2025.
- Continuously working on reducing plastic in product packaging and minimising material use and air in packaging. The Helios Crisp bread project, for example, aims to decrease plastic packaging by 30 percent and to make packages resealable to minimise food waste and reduce transport.
- Project planned for 2023 to exchange all bottles for the brand Urtekram Beauty from only recycled to both recycled and recyclable plastic with RPET to improve circularity. At the same time, it will reduce the consumption of plastics by 9 tones.
- The installation of a new tube filler machine in our cosmetics production unit has cut expenses for waste and reduced the amount of waste product by almost 100 percent compared with the old machine.
- A large part of the products in our biggest brand Friggs will include recyclable plastics in 2023/2024. From 2023, Midsona will have a recyclable solution for all Friggs rolls of flavoured (maize/lentil/rice) cakes. For Friggs mini-cakes in bags, we are still working with our suppliers to find a recyclable solution for the remainder of Friggs packaging.
- By switching to a thinner plastic film, the consumption of plastics in Tilst was reduced by 7.1 tonnes.

This is where we are today

- In 2022, the proportion of recyclable packaging materials totalled 50 percent (46), including plastics and all types of materials, an increase of 4 percentage points compared with the previous year.
- In 2022, the proportion of recyclable plastic packaging material totalled 44 percent (32), an increase of 12 percentage points compared with the previous year.
- In 2022, the share of recyclable plastic packaging material totalled 47 percent (48) in Division Nordics, a decrease of 1 percentage point compared with the previous year, driven by the acquisition of Jakobstad.
- In 2022, the share of recyclable plastic packaging material totalled 67 percent (43) in Division North Europe, an increase of 24 percentage points compared with the previous year, driven by improved data quality this year.
- In 2022, the proportion of recyclable plastic packaging material totalled 20 percent (6) in Division South Europe, an increase of 14 percentage points compared with the previous year, driven by improved data quality for the year at hand.
- In the appendix, see also (Scope 3) greenhouse gas emissions in tons of CO_2 equivalents for final processing of sold products, including emissions from our packaging at the final stage.

GRI 301-1 | GRI 305-3 | GRI 306-1 | GRI 306-2 | GRI 306-4

Read more in the section on Sustainability data on pages 82–83.

[1] https://www.dlf.se/plastinitiativet-2025


Earth Control
Natural
HAZELNUTS
DELICATE & CREAMY
Earth Control
Natural
ALMONDS
CRUNCHY & SWEET

Healthy and sustainable work environment

We believe that a healthy and sustainable work environment is a prerequisite for a healthy life. Midsona shall be a company that cares for people and the planet, where human rights and decent working conditions are a matter of course. This applies to our own organisation, our business partners and all of the other business relationships in our value chain. Therefore, we strive to create a healthy, sustainable, safe and equal workplace that offers a balance between work life and private life. At the same time, we must ensure that the value chain upholds the requirements for human rights and social conditions.

To implement universal social sustainability principles and ensure best practice, Midsona is committed to UN Global Compact. We are following the OECD's guideline to due diligence assessments for responsible business, which provides a thorough introduction on how due diligence assessments are conducted in line with the OECD's guidelines for multinational companies. Midsona's Code of Conduct (CoC) is based on the UN Global Compact initiative and OECD and includes the areas of business ethics and anti-corruption, labour law in accordance with ILO and human rights. From 2022, we have initiated the implementation of due diligence processes and transparency with more comprehensive assessment of actual and potential negative social impacts. This also includes negative impacts on local communities, better control of biodiversity, incidents of forced, compulsory and child labour, as well as suppliers where the right to freedom of association and collective bargaining may be at risk.

Since our own companies and operations, as well as our business partners, are based in the EU and are governed by EU regulations, the likelihood of human rights violations in this area is relatively low. Combined with our existing internal procedures based on the CoC, human rights violations for own employees should not be our focus area for prevention and mitigation strategies and activities. Yet, given our complex value chain the risk of negative impact arising from human rights violations is greater. You can read more about how we work with human rights due diligence (HRDD) in the "Governance" section on page 40, and how we address this in the supply chain in the "Responsible sourcing" section on page 54, as well as on Midsona's homepage *http://www.midsona.com/en/sustainability/human-rights*.

Gender equality and diversity form a natural part of our business and sustainable workplace – with no place for harassment, discrimination, or other abusive treatment. In line with Midsona's mission to help everyone enjoy a healthier life, the Group values the dynamic environment created by a diverse workplace. It creates a work culture where new ideas, different perspectives and working methods may flourish.

Our work to develop a healthy and sustainable work environment supports six of the global goals for sustainable development.

Promote a safe and healthy workplace

Healthy work environment
Healthy workplaces that foster healthy employees without work-related injuries

Our objective

Midsona must be a safe and healthy workplace with no avoidable work-related injuries. We seek to be an employer that fosters a healthy life for our employees, at work as well as at home. In the aftermath of the Corona pandemic, we have adapted and improved our measures to reduce health and safety risks. To provide favourable conditions for our employees to work from home, Midsona has invested in improved technical equipment, digitalisation and improved technical support.

How Midsona will achieve its objective

- Ensuring best practice measurements for work-related injuries and illnesses.
- Mapping, measuring and following up concrete numerical data to define, promote, and follow up a healthy workplace according to best practice, that is, working hours and overtime, flexibility in the workplace, and home office opportunities.
- Committees for health, environment, and safety exist at all facilities, with regular meetings and followups of the work environment. Site specific reports on preventative measures are continuously updated. Employees receive regular and relevant training on health and safety in the workplace.
- Individually tailored protective clothing is available to all employees.
- Ongoing employee surveys to develop and assure the work environment.
- Supporting health promotion measures and encourages physical activity. For example, through collaboration with gyms, using facilities that facilitate bicycle commuting, encouraging walk-and-talk meetings.
- Develop the range of healthy food and drink for our employees.

Progress in 2022

- GAP analysis performed for all Midsona social data to identify gaps and opportunities for improvement. The results will help in the forthcoming work to align data according to new EU sustainability reporting standards as part of the upcoming Corporate Sustainability Reporting Directive (CSRD).
- Improvement of data collection processes to ensure best practice measurements for work-related injuries and illnesses according to LTIFR standard.
- To gain control of overtime practices, in 2023 we want to look at numerical data for overtime reporting for employees in production where such tools are not already available. We also want to look at the method of overtime reporting for office employees.
- As part of "back-to-office after Covid", all of Midsona's offices have been characterised by more flexible solutions for home offices. As an example, Midsona Finland established a Remote-work Policy to encourage employees to plan their work time in a more flexible way including extra insurance for employees to cover remote-work safety.
- Focus on employee well-being by improved new or refurbished offices for Division South headquarters and in Norway. In Finland, all workstations have been checked by health care specialist to secure healthy working at the Company's offices.
- Health and safety evaluation in Denmark, including both production units and resulting in the implementation of a new H&S organisation covering all sites and business units belonging to Midsona Denmark. Improved tracking of work-related injuries and improved common written routines and procedures with regular training for safety at all production sites and offices. Introduction of performance board at production level in Denmark, where accidents and near misses are discussed and actions identified.
- To promote health, we have various actions in several countries to improve physical activity among our employees as different run, walk and bike challenges. As an example, bike challenges in Germany corresponding to an emissions reduction close to 1 tCO_2e. As part of follow-up on the survey conducted in 2021, we are continuing to focus on mental health in Germany.

This is where we are today

- In 2022, 38 workplace injuries (33) were reported, an increase of 5 compared with 2021.
- In 2022, sick leave was 6.0 percent (5.7 in 2021), an increase of 0.3 percentage points compared with 2021.
- The figures for 2022 include a new production unit in Jakobstad. This means that Midsona has a total of eight production units, which explains the increase as occupational injuries have historically occurred more in factories and warehouses rather than in offices. In addition, Division South Europe has a relatively high proportion of industrial workers where the risk of occupational injuries is highest.
- This year we have collected a new data point, LTIFR: Lost Time Injury Frequency Rate. This is calculated in terms of accidents per 1 million working hours and is a useful KPI for Midsona, which has experienced an increased number of workplace injuries having acquired additional production facilities. In 2022, the LTIFR was 21.

GRI 403-2	GRI 403-3	GRI 403-4	GRI 403-5
GRI 403-6	GRI 403-7	GRI 403-9	GRI 403-10

Read more in the section on Sustainability data on pages 83–84.

Commitment, education and leadership

Our objective

Committed and inspired employees are the key to creating a healthy work environment and to achieving our targets. We seek to develop an open, knowledgeable, efficient and performance-oriented corporate culture with low thresholds for interaction. We see the value in maintaining and continuously developing employees' different skills and in encouraging and supporting personal and professional development through various training initiatives.

At the same time, no organisation can function without reliable leadership, and we strive to build a beneficial and efficient leadership culture with clear governance. Our leaders should be a source of inspiration and enthusiasm in their respective teams.

Midsona wants to create a strong sustainable corporate culture permeated by our common core values: Caring, Reliability, Motivation and Pride. This is a long-term process that is meant to generate positive effects in terms of creativity, innovation, passion and motivation.

How Midsona will achieve its objective

- **Pride and passion:** Inspire a sense of pride and confidence among employees for taking part in an important global transition to safeguard a sustainable future. Continue developing Midsona's Sustainability Agenda to ensure that the strategy follows best practice, is aligned with UN policy and the latest science and is continuously shared with employees. Furthermore, share success stories about the Company's sustainability work to nurture and promote sustainability in the daily operations.
- **Reliability:** Set out a credible Sustainability Transition Plan and make it publicly available to employees and other stakeholders. This is to ensure transparency and to assure employees and data users that Midsona is aligning with long-term goals and that its business model will remain relevant in a net-zero carbon economy. Read more about the Transition Plan in the Sustainability Governance section on page 40.
- **Progress:** Trust and progress require concrete and documentable results that are reported regularly and are based on verified quality data aligned with global standards and frameworks so that stakeholders can monitor progress. Reporting third-party verified climate data is not only a vital step in explaining and managing the Company's environmental impact, it also assures the accuracy of data and builds a strong reputation. Independent verification of environmental data can result in cost savings and a competitive advantage for our organisation.
- **Motivation:** Ensure good implementation and performance management of our sustainability agenda and targets with clear leadership and governance principles, regulating responsibilities, tasks, and obligations. Ensure best practice measures, templates, tools, and measurements for governance.
- **Training:** Ensure best practice actions for training. Develop leadership talents and employees' skills with internal lectures, courses, seminars, and webinars, and collaborate with students and academia.
- **Caring:** Carry out regular employee surveys. Midsona's system comprises a series of surveys with different aims, such as determining employee satisfaction or assessing mental wellness. Moreover, provide employees with a whistleblower system and other platforms through which they can anonymously share ideas, feedback, and complaints.

Progress in 2022

- During 2022, the Board of Directors' commitment to Midsona's sustainability and climate work was strengthened by appointing a member with specific skills in climate-related matters.
- Midsona committed to the SBTi to set an ambitious net-zero emissions target in line with the 1.5°C objective.
- A process was initiated to follow-up on new global frameworks to secure biodiversity and HRDD by 2030.
- Establishment of a comprehensive transition plan for a more sustainable future including a Climate Transition Plan that includes strategy adaptation, an action plan, quantification and reporting. The plans have been adopted by Midsona's Sustainability Committee and the Board of Directors. In 2023, Midsona's shareholders will vote on the contents and achievements of the Climate Transition Plan at the Annual General Meeting.
- Further improvements in climate data, as part of Midsona's CDP reporting for 2022. By reporting to CDP, Midsona is scored on its integration of climate-related issues into the Company's business strategy, financial planning and performance.
- Climate data regarding Scopes 1 and 2, as well as one category in Scope 3, has been verified by third-party auditors for the 2022 financial year.
- In 2022, a comprehensive internal project was initiated for the improved implementation and performance management of Midsona's sustainability targets.
- We have conducted various internal and external courses and training programmes at several facilities.
  As an example, we instituted leadership training programmes in Denmark and an academy for all employees in Finland, with a focus on themes such as company values, well-being, stress and time management. In Germany, we launched the Sustainability Academy, a sustainability training programme focusing on developing employee skills in integrating sustainability into their day-to-day work. In 2023, we will launch a new, specially focused academy for improved performance management of all divisions' targets.

This is where we are today

- With Midsona's new commitments regarding the climate, biodiversity and human rights for 2022, Midsona's strategy and sustainability agenda is in line with best practice, building on global and UN standards to be able to continue fostering "best in class".
- In late 2022, Midsona's management system, as well as its opportunities for more efficient implementation and performance, were significantly improved through implementation and performance projects.
- During 2022, we pursued initiatives adapted to all four of our corporate core values.
- Percentage of full-time employees receiving regular performance and career development interviews in 2022: 91 percent (79).
- All employees are given opportunities to learn and improve their English skills.

GRI 403-4 | GRI 403-6 | GRI 404-1 | GRI 404-2 | GRI 404-3

Corporate culture with diversity, inclusion and equality

Target
50/50
gender distribution in management positions

Our objective

Midsona strives to create an equal and inclusive work environment characterised by diversity. We seek a balanced age and gender distribution at all levels in the Company with equal conditions and opportunities available to all employees. Harassment, discrimination, and other abusive treatment will never be accepted. The Group has a relatively even gender distribution and works actively to achieve a 50/50 gender representation in senior management positions.

How Midsona will achieve its objective

- Improve and ensure best practice measurements for gender balance, including type of contracts, basic salary and remuneration.
- Safeguard best practice measurements for discrimination.
- During recruitment or promotion, potential and current employees are assessed only on the basis of their expertise and development opportunities.
- Offer working conditions suited to all employees, with flexible working days, the option to work from home and the option of part-time work. These are expanded to also include senior positions.
- Take measures to improve gender representation, drive integration and inclusion.
- Shape a transparent culture and encourage intercultural dialogue.
- Promote team-building, as well as formal and informal corporate events.
- Systematised and transparent internal communication via the intranet, which measures interaction and is regularly evaluated.

Progress in 2022

- GAP analysis performed for all social data within Midsona to identify gaps and opportunities for improvement. A need to follow up on reporting regarding gender balance was identified.
- Improvement of the data collection process to ensure best practice measurements for gender balance in contract types, that is, numerical data for full-time or part-time, permanent or temporary employment by gender.
- Improvement of data collection process to ensure best practice measurements for gender balance in basic salary and remuneration, that is, the distribution of women and men at Board and Management level, as well as among all employees.
- Midsona Denmark initiated a collaboration with "Dansk Flygtningehjælp" on integrating Ukrainian refugees into Danish society.

This is where we are today

- An even gender balance among managers encompasses all Group level managers for Midsona AB and all members of the division level management teams: 14/16, which means a distribution of 47 percent women and 53 percent men.
- **Gender distribution in the Company's Board of Directors:** 2/5, which means a distribution of 29 percent women and 71 percent men.
- **Gender distribution in Group Management:** 3/4, which means a distribution of 43 percent women and 57 percent men.
- **Total gender distribution among Group-level managers, including members of Group Management:** 4/4, which means a distribution of 50 percent women and 50 percent men.
- **Gender distribution within the organisation:** 52 percent women, 48 percent men.
- No cases of discrimination were reported in 2022.
- No cases of corruption were reported in 2022.
- All employees have access to Midsona's intranet.
- Ongoing newsletters and CEOs' letters to all employees within the Group.

Read more in the section on Sustainability data on page 85.

GRI 401-1	GRI 401-2	GRI 405-1
GRI 406-1	GRI 205-1	GRI 205-3

Responsible sourcing

To be able to deliver safe and responsibly produced products, our first step must be to purchase responsibly produced raw materials. Responsible sourcing is one of our largest areas of influence regarding sustainability, and we seek to always work with sustainable suppliers and promote healthy and safe working conditions fully respecting human right throughout our supply chains.

In collaboration with our suppliers, Midsona works to ensure that everyone in our supply chain lives up to our requirements and conducts their operations sustainably. By maintaining close, long-term relationships built on mutual trust, we have a solid internal system for reviewing our suppliers' efforts and have opportunities to perform recurring supplier checks, visits, and partnerships. In addition, we also work closely with third-party actors and various certifications as an additional guarantor of the products and raw materials we purchase.

Midsona always strives to develop its supply chain to ensure that purchased raw materials are responsibly produced from an environmental, social, and economic standpoint. Our close links and commitment to agriculture add value for Midsona, its customers and suppliers, as well as for farmers.

Our work with responsible purchasing contributes to 11 of the global goals for sustainable development.

Human rights and social conditions in our value chains

Our objective

Human rights have never been as relevant in the sustainability agenda as today. On 23 February 2022, the European Commission adopted a proposal for a directive on due diligence for corporate sustainability. The purpose of this directive is to promote sustainable and responsible corporate work and to anchor human rights and environmental considerations in the companies' operations and corporate governance. The new rules will ensure that companies address negative impacts of their actions, including in their value chains inside and outside Europe[1]. Some countries have already adopted laws in this area which are harmonised with the UN's and the OECD's guidance on human rights and responsible action[2,3,4]. We have identified our extensive and complex global supply chains as a potential risk for negative effects in terms of human rights, social criteria and the environment. Food systems are fragmented, for example, and embody major disparities in socio-economic development and living conditions. For this reason, we feel that measures are needed to prevent and mitigate risks in our global supply chains, and to primarily address the potentially negative effects. Midsona's process for compliance with the OECD's Human Rights Due Diligence (HRDD) is described below, as well as in the "Healthy work environment" chapter on page 50 and in the "Governance" chapter on page 40.

How Midsona will achieve its objective

Midsona aims to implement a due diligence process with supportive measures according to the following:

- Confirm areas of responsibility with the Board of Directors, senior management and the rest of the organisation and establish the necessary policy commitments for the Company's guidelines and governance systems to be aligned with the UN's and OECD's HRDD.
- A risk supervisor has been appointed for the supply chains and reports the risks regularly to the Sustainability Committee.
- Conduct mapping: To fulfil the requirements for due diligence assessments, the units need more than an overview of conditions within their own operations, but also an overview of all of their supply chains and other business relationships.
- A process is established to identify and assess the risks to human and labour rights in line with the OECD's HRDD and locally applicable laws. The risk classification shall be based on external, credible and generally accepted factors and globally recognised indices.
- Act on risks and implement a mitigation plan (risk mitigation/risk management).
- As well as tracking and reviewing the results, conduct an annual review of the actual risk identification and management system.
- Communicate findings publicly. As there exists an obligation to provide information to anyone who requests it, the operations must therefore be able to accept written requests for information, allocate responsibility for processing requests, and respond to inquiries (in some countries promptly).
- Coordinate with suppliers and other partners to ensure a response.

Progress in 2022

- Assured oversight for the Board of Directors and senior management on human rights matters by introducing HRDD as new area of materiality for the Board of Directors. See more under "Sustainability governance" on page 40 and under Governance in Chapter C1 of the 2022 CDP report.
- Investigated and updated the Group's existing policies and guidelines to ensure that existing company documents and the existing corporate culture are aligned with the requirements of the OECD's HRDD.
- New policies and guidelines for how operations should be conducted work with human rights and decent working conditions are updated when necessary and according to the OECD's HRDD. This means adopting a new HRDD policy with new clauses regarding contracts and agreements.
- Mapped relevant HRDD areas for the divisions where these are already required today. Conducted a risk analysis and risk scenario regarding the scale of the risk of violations of basic human rights, decent working conditions, labour laws and environmental protection in the various parts of the operations internally, in the supply chains and towards others with whom we have business relationships.
- Based on this risk analysis, Midsona has begun to prioritise the areas where both the risk and the impact are greatest, and continued our work with due diligence assessments in these areas.
- Group supervisors and relevant contact persons have been appointed for countries where the regulation already applies. These are responsible for the ongoing handling of information on demand. See contact information at: *https://www.midsona.com/en/sustainability/human-rights.*
- Communicated the results publicly on Midsona's website at: *http://www.midsona.com/en/sustainability/human-rights.*

This is where we are today

- In 2022, Midsona assured compliance with this regulation in the relevant countries. Midsona is also preparing for this at the Group level and for all EU countries in preparation for when this will apply throughout the EU.
- As of July 2022, Midsona meets the requirements of the Norwegian Transparency Act. The following information is available at: *https://www.midsona.com/en/sustainability/human-rights*

The above is consistent with the OECD's Company Guidelines and Governance Systems, as described on page 42.

GRI 414-1	GRI 414-2	GRI 407-1
GRI 408-1	GRI 409-1	

Read more on pages 40–43.

[1] https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en.
[2] OECD Due diligence guidance for responsible business conduct: https://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf
[3] OECD Guidelines for Multinational Enterprises 2011 EDITION: https://www.oecd.org/daf/inv/mne/48004323.pdf
[4] https://ecfr.eu/article/law-and-global-order-eu-legislation-on-human-rights-due-diligence

Sustainable raw materials

Target 2025
100%
our own brands free from palm oil

Our objective

Sustainable raw materials are crucial in offering sustainable products, while the supply of raw materials always poses a risk from several perspectives. Never in human history has biodiversity been as threatened as it is today[1]. Even so, prudent agriculture, forestry and fishing have significant potential to mitigate the effects.

By concentrating on plant-based, sustainable raw materials and products, Midsona wants to contribute to sustainable agriculture, forestry, and fishing. We are also working on expanding our third-party-certified products, as described on page 80. Choosing certified raw materials fosters sustainable management of forests, land, and marine resources. This, in turn, helps to secure the future access to Midsona's high-risk raw materials that depend on climate and biodiversity, such as palm oil, fish oil, rice, maize, soy, packaging materials, and paper.

For this reason, the Group has adopted a position on the following issues:

Organic Midsona strives towards a production with the least possible environmental impact. To support this, we follow an approach based on a set of strict guidelines and principles compiled and certified in accordance with the EU regulations for organic farming, production, and marketing of organic products (EU) 2018/848. Organic farming comprises agricultural methods for producing food using natural substances and processes. Given the responsible use of energy and natural resources, the conservation of biodiversity, the use of more fertile soils and better water quality, it often has a limited environmental impact. Moreover, the rules for organic farming encourage better animal welfare as farmers are obliged to meet the needs of their livestock. The EU regulations on organic farming set a clear framework for organic production throughout the EU.[2]

Genetically modified organisms Midsona's products shall not contain raw materials from genetically modified crops (GMOs). We do not accept products listed in the European Commission's register of genetically modified organisms or products that are marked with the text "This product contains genetically modified organisms", 1829/2003 and 1830/2003. The raw materials we use where a high risk of genetically modified (GM) materials exists are soy, maize, rapeseed and rice.

Roundtable on Sustainable Palm Oil (RSPO) The protection of rainforests and indigenous peoples is essential, and measures must be taken against deforestation and the extinction of habitats. Midsona should avoid palm oil or, when no alternatives are available, ensure quality and safety and only use RSPO-certified palm oil. By 2025, all of Midsona's own brand products are to be 100 percent free from palm oil.

Friends Of the Sea (FOS) for fish oil Sustainable fishing methods and sustainability certifications are necessary and urgent in ensuring the sustainable use of the oceans and marine resources. Midsona shall ensure that the fish oil in its products derives solely from sustainable fishing.

Forest Stewardship Council (FSC) for sustainable paper use Midsona shall contribute to the environmentally friendly and socially responsible use of forests. The Group may only buy FSC-certified paper products, alternatively PEFC-labelled.

Plant-based raw materials and animal welfare Plant-based products are an important step for a low-carbon society. Animals are to be treated well and protected from unnecessary suffering and disease. Midsona shall market and supply plant-based products as a responsible alternative to animal products and shall never market products that have been tested on animals.

How Midsona will achieve its objective

To assure appropriate handling of raw materials subject to risks, Midsona has developed a new Group-wide set of instructions "Midsona's guidelines regarding GMOs, palm oil, fish oil, paper use and animal welfare". This forms part of Midsona's Sustainability Policy and is a plan to protect biodiversity concerning fisheries, forestry, and agricultural production along the value chain. It includes the following actions:

- Regular risk analysis. Identify raw material risks and opportunities in risk areas such as climate change, deforestation, water stress, biodiversity and animal protection based both on our external impact and how Midsona's financial situation may develop in the future (double perspective).
- Systematic, integrated risk controls as part of the innovation process and the quality assurance system.
- Mapping and rating of risk factors by our suppliers through the Supplier Self Assessment (SSA) in Midsona's supplier portal Kodiak.
- Ensure that our suppliers sign and apply Midsona's Supplier Code of Conduct (SCOC).
- If validation is required, documentation or a sample analysis plan is requested.
- Include requirements for FSC labelled paper and packaging materials in our Procurement Policy.
- Promote and make available plantbased foods as a responsible alternative to animal products.
- Be involved in relevant networks and organisations.

Progress in 2022

Retained position for:

- 100% of our purchased material are GMO-free
- 100% of our purchased fish oil as raw material in our own production is FoS-certified.
- 100% organic- and vegan-certified raw materials for our cosmetic production (Urtekram Beauty).

This is where we are today

- 100 percent of our palm oil is RSPO-certified. 99.9 percent of the range is free from palm oil (99.9 percent in 2021).
- < 89 percent (90) of our purchased raw materials for all in-house production are organically-certified.

Read more in the section on Sustainability data on pages 86–87.

GRI 304-2 | GRI 305-3 (GHG Scope 3) | GRI 308-2

[1] https://www.un.org/en/observances/biological-diversity-day
[2] https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming/organics-glance_en

Supplier and supply chain control

Target 2025
100 %
risk classified strategic supplier in accordance with guidelines for sustainable procurement

Our objective

For Midsona, it is important to maintain close relationships with our suppliers. In this way, we can ensure that we work with suppliers who are sustainable or who demonstrate strong development potential, which also allows us to secure the future availability of sustainable resources, to protect the environment and biodiversity, as well as human rights. Our goals in this regard are:

- By 2025, 100 percent of our strategic suppliers shall be risk classified in accordance with sustainable procurement.
- 100 percent of suppliers must have signed Midsona's Supplier Code of Conduct.

Through local purchasing and proximity to our factories, Midsona can maintain control and transparency with regard to production and the supply chain. In the minds of consumers, local production is often associated with superior and consistent quality and consumer demand for locally grown products is steadily rising.

To reduce the risks in the supply chain, we are also purchasing proportions of raw materials directly from suppliers in the country of origin, which works to reduce complexity in the supply chain while increasing control and transparency. This allows us to build strong partnerships and to drive change in agriculture, both in terms of working conditions and the cultivation of our products.

Today, Midsona's Division Nordics is screening its direct suppliers for actual or potential negative environmental or social impact in Kodiak, meanwhile Division North Europe established a number of manual procedures for the value chain, applying Sedex's risk indicators. The Group's work with HRDD in 2022, as well as the upcoming new CSDD regulation, address the need for a more comprehensive assessment of actual and potential negative environmental and social impacts in the supply chain and of the measures taken. This also includes negative impacts on local communities, or incidents of forced or compulsory labour, incidents of child labour, suppliers in which the right to freedom of association and collective bargaining may be at risk as well as better control for biodiversity. Today, all new direct suppliers with direct business relationship in Midsona shall be screened using social and environmental criteria, but there is still a need to also control further down along the supply chain.

How Midsona will achieve its objective

- Midsona screens its direct suppliers for actual or potential negative environmental or social impacts. To achieve our ambition, we apply a meticulous supplier management system encompassing the following:
  - A Supplier Code of Conduct that helps us set higher standards and ensures that we work with responsible suppliers.
  - A quality and sustainability risk assessment system that risk-rates and monitors suppliers on aspects such as fulfilment of criteria regarding sustainability certification, quality and product safety, geographical risk in accordance with globally known accredited standards (as example BSCI or Sedex), economic, social, and environmental impact, human rights, business ethics, anticorruption and health and safety.
  - Where Kodiak is not used, this is covered by the requirements in the food safety certifications, such as IFS-certification. In Germany this is covered by the processes implemented as part of the comprehensive sustainability management system certification We Care.
- Implement due diligence process and transparency with more comprehensive assessment of actual and potential negative environmental and social impacts in the hole supply chain further down the value chain than our direct suppliers and actions taken (indirect business relationship). This also includes negative impacts on local communities, or incidents of forced or compulsory labour, incidents of child labour, suppliers where freedom of association and collective bargaining may be at risk, as well as better control of biodiversity.
- A network of strategic suppliers in which we work together long-term to support the transition to sustainable production.
- By supporting local suppliers[1], Midsona can indirectly attract further investment in the local economy, as well as ensuring increased control and transparency and reducing transport needs.

Progress in 2022

- 82 percent of Nordic direct suppliers are risk-classified in accordance with sustainability guidelines for actual or potential negative environmental or social impact in our Supplier evaluation system Kodak. 62 percent of the supplier audits conducted in Division Nordics included quality and ESG.
- In the Nordics, Midsona introduced a new campaign in the autumn of 2022 to distribute supplier self-assessments to new suppliers. All new suppliers are obliged to sign Midsona's Supplier Code of Conduct.
- In 2022, Midsona conducted the pilot phase of second-party sustainability audits within Division North Europe. Five supplier ESG audits conducted in two different countries, on field and on factory level, and four supplier quality audits performed.
- In 2022, Midsona extended the portion of the supply chain covered by social standards and our Code of Conduct in Division North Europe.
- In the supplier evaluation system Kodiak, Division South Europe's suppliers are being implemented as regards risk assessment of quality and ESG in the supply chain. This process will be completed in 2023. Until then, the supplier control for Division South Europe is covered by the requirements in the IFS-certification.
- Midsona's Division North Europe and Division Nordics (for HRDD) are performing due diligence processes and risk analyses in the supply chain further down the value chain than our direct suppliers (indirect business relationships) adapted in terms of product origin, supplier country and industry, applying SEDEX's globally well-reputed, validated and credible set of indicators.

This is where we are today

- In 2022, 44 percent (32) of suppliers were risk assessed and classified in Kodiak or via other methods, an increase of 12 percentage points on the previous year. The still low percentage is due to the fact that Division South Europe, which has not yet put Kodiak into service, is counted as zero in our figures. However, this division has a relatively large number of suppliers at 400 compared with a total of 992 in Midsona as a whole, and therefore accounts for 40 percent of our suppliers. As we count the numbers of these providers as zero for this measure, this has a significant impact on our data.

  Currently, the South Europe Division conducts assessments in its own systems that are not included in our figures, but will adopt Kodiak during 2023.
- 49 (51) percent, meaning that 483 out of 992 (501 out of 992) suppliers have signed and apply the Code of Conduct.
- 12 supplier audits (compared with ten in 2021) were performed by the Midsona Group in 2022.
- 60 percent (48) local purchasing within the EU. Origin of purchase, of which
  - 60 percent (48) of purchased raw materials were of EU origin.
  - 97 percent (91) of finished products were purchased within the EU, meaning that finished products are purchased from suppliers within the EU.
- 64 percent (58) of raw materials were purchased directly from the countries of origin.
- The factory in St. Germain-Laprade in France sources 100 percent of its organic raw materials – cereals and legumes – from within the same country.
- In Division South Europe, 100 percent of the soy purchased originates in France (covered by EU rules on GMOs).

The objective is that all of Midsona's suppliers shall be risk classified with regard to quality and the requirements for safe products. Read more on pages 87-88.

GRI 204-1	GRI 308-1	GRI 308-2
GRI 414-1	GRI 414-2	

Read more in the section on Sustainability data on pages 86–88.

[1] Midsona's geographical definition of "local suppliers" is: Proportion of purchased raw materials within the EU and total purchases of finished products within the EU.

Commitment in the supply chain

Our objective

Midsona strives to be a long-term strategic partner to its suppliers and a reliable player supporting sustainable societal and environmental development in our supply chain and the agricultural communities where we operate. We have a strategy to engage as large a part of our value chain as possible to reduce our impact and improve the environmental and social challenges with a significant contribution. To meet the goals of the Paris Agreement, a broad set of mitigation strategies will be needed to reduce emissions from purchased goods and services both from suppliers and FLAG. Our ambition is to combine our purchasing of strategic raw materials with the promotion of biodiversity, environmentally friendly agriculture, and social commitment. Doing so provides improved economic sustainability, and thereby greater shared added value.

How Midsona will achieve its objective

- Analyse risks and measure the impact of our supply chain on the society and the environment.
- Establish science-based Supplier Engagement Targets to reach as broad as possible of our suppliers with significant total share and value.
- Establish forest, land and agriculture science-based targets (FLAG SBTs) for significant reduction of climate emission in the value chain according to the SBTi's new FLAG (Forest, Land and Agriculture) Guidance from 2023[1].
- Collaborate and maintain a close dialogue with strategic suppliers and build long-term relationships for better agriculture and community involvement based on environmental and social best practice principles.
- Build networks and involve stakeholders throughout the supply chain.
- Create a high degree of transparency and communicate about our efforts in the supply chain to create value for stakeholders as investors, customers, and consumers.
- Close collaboration with customers with the same objective.

Progress in 2022

- Establishment of a new climate-related supplier engagement strategy. The strategy is to engage with 70 percent of our suppliers to set their own science-based emission reduction targets aligned with the 1.5°C by 2027 objective. The rationale for this supplier engagement target is to reduce emissions from our most significant Scope 3 category, Purchased goods and services.
- As part of our net-zero commitment, we have undertaken to and are in process of setting FLAG (Forest, Land and Agriculture) SBTs based on the new FLAG[2] guidance from 2023. The rationale is to reduce emission from our most significant Scope 3 category, Purchased goods and services, by reducing emissions in the land sector.
- Based on our HRDD risk analysis, we are considering measures to counteract the risk of human rights violations in the value chain.
- Midsona has continued its involvement in ongoing projects and further expanded its engagement in some projects with other partners as case studies in our supply chain. We collaborate with a number of certification organisations together with key suppliers on community involvement projects to reduce the environmental impact. Project Kotwa, for example, is working for sustainable rice production in India and for Fairtrade and Demeter-certified raw materials, while the Celnat fund helps organic farmers and the Ibis Rice Project in Cambodia works to protect biological diversity. Celnat fond protect the cultivation of cereals in France, for protection of biodiversity, rural landscapes and agricultural structures, seeds and crops, water supply and to reduce climate impact.

This is where we are today

- **Supplier engagement target:** In progress as part of our net-zero commitment and project 23/24.
- **FLAG target:** In progress as part of the net-zero commitment and project 23/24.
- **Project Kotwa:** 0.2 percent of purchased raw material in the Division North Europe.
  - Initiated a trainee research project – "Climate friendly rice cultivation and its impact on humans and nature in a smallholder farmers community project in India" – as part of Midsona's community sourcing project in Kotwa. The project is a joint trainee programme between Midsona's Division North Europe, the supplier, an NGO and the federal ministry of economic cooperation and development. Two trainees have spent three months in Germany and three months in India.
  - We launched Impact Project Kotwa, which is further developing SRI (System of Rice Intensification, a climate friendly rice cultivation technique) and the handing out of solar torches to farmers to avoid harm by wild animals. It also involves the adoption and maintenance of a school, distribution of menstrual hygiene products, training and encouragement, use of water filters, and investments in infrastructure and irrigation systems.
- **Project Cambodia:** 1.1 percent of purchased raw material in Division North Europe.
  - We have strengthened cooperation with the Ibis Rice Project in Cambodia for growing rice in a way that promotes local wildlife and protect biodiversity in agriculture in vulnerable areas. 1,500 farmers are involved in a national nature reserve of 500,000 hectares.

Read more about our community projects on our website.
Read about how we donate food to various organisations to avoid food waste in the section Efficient use of resources on page 70.

GRI 304-2	GRI 308-2	GRI 413-1
GRI 413-2	GRI 414-2	

[1] Reducing emissions in the land sector is feasible through reduced land-use change, reduced agricultural emissions, and reduced emissions via demand shifts. In addition, mitigation in the land sector also requires accounting for GHG reductions (enhancing sinks) due to the potential for forests and soils to store carbon. GHG removals can be achieved by restoring natural ecosystems, improving forest management practices, and enhancing soil carbon sequestration. Companies setting ambitious science-based targets on FLAG emissions can send a strong signal to increase the level of ambition of local, regional and national policies.
[2] The forest, land and agriculture (FLAG) sector, also known in the scientific community as the agriculture, forest, and other land use (AFOLU) – or the land sector (https://sciencebasedtargets.org/resources/files/FLAG-Guidance-Public-Consultation.pdf)

Food Service and community involvement

Our objective

As an intermediate target for health and plant-based, we want to inspire and make it easier for more people to eat plant-based and healthy food. Through our investment in Food Service, we have several rewarding collaborations that foster good conditions for this. Midsona Food Service delivers sustainable meal solutions, ingredients and plant-based recipe inspiration to the public sector, schools, and organisations. Together, we can contribute to sustainable change for the environment, health, and social impact. For example, Midsona has helped schools and students take a further step forward towards a more sustainable food culture. By working for sustainable school kitchens, we want to provide support all the way, from understanding the meaning and cultivation of plant-based food, climate calculation of recipes and menus, to providing recipe inspiration and holding workshops on plant-based foods.

Progress in 2022

- In Sweden, Midsona repeated the much appreciated "Keep it sustainable" food service, a theme week for high schools and high school students in Sweden. Through films, students learned to adopt a more sustainable approach to food.
- Midsona supports several awards that promote a sustainable food culture. We are partners in White Guide Junior and the competition School Dish of the Year in Sweden, Eco-chef of the Year in Denmark and Climate Chef of the Year in Finland.
- An Earth Control campaign that is performed in collaboration with the World Wide Fund for Nature (WWF).
- Support given to Ukrainian refugees by donating almost 4,000 kg of food and hygiene products to humanitarian aid organisation Malteser International.

This is where we are today

- In 2022, we funded meals through food donations to 25 schools, meaning that students in Berlin received certified rice with their school dinners.
- In France, we support the operation of urban vegetable gardens adjacent to schools.

Climate-related engagement strategy with our customers

Type and details of engagement: DLF Sweden is a trade association for companies that produce or import goods for resale to the grocery trade and food service markets in Sweden. DLF fosters collaboration between Midsona and our customers (retailers), where we work together to reduce emissions from, for example, transport and packaging via DLF's initiatives. Most of our emissions occur outside of our direct operations. More than 90 percent of our Scope 3 emissions come from e.g. purchased products, transport and packaging.

Accordingly, we work with our value chain, including the supply chain and our customers, to drive best practices and ameliorate climate-related issues (see our Climate Transition Plan). Midsona's Division Director Nordics is a member of the DLF's board, committee, working group, and development programme for partnerships to reduce negative climate impacts from transport and product and services. These are formal campaigns and calls for partnerships as well as informal opportunities to reduce negative impacts.

Read more about how we donate food to various organisations to avoid food waste in the section Efficient use of resources on page 70.

GRI 413-1

Safe products and quality

Midsona follows strict quality requirements in all processes to minimise the risk of defects, product recalls or product liability claims. All suppliers must meet our requirements for product safety and any complaints are registered at an early stage in our quality assurance system, allowing proactive measures to be taken.

Midsona's quality and product safety work is governed by our quality and safety management system, which is based on current legislation, demands from customers and authorities, as well as on industry guidelines. Internal policies, as well as a clear structure and division of responsibilities, ensure that Midsona delivers safe and legal products. Employees with regulatory and quality expertise continuously assess suppliers, raw materials, finished products and labelling. During the year, all newly launched products were evaluated by Midsona. Our quality management systems include clear action plans for products that do not meet our quality requirements, as well as clear procedures for traceability and recalls.

Midsona's quality and food safety management system is based on risk analyses in accordance with HACCP (Hazard Analysis of Critical Control Point) and evaluations involve regular internal audits, or self-inspections, as well as third party audits.

Our work for safe, highquality products contributes to four of the UN's global goals.

Risk assessment of suppliers

Target 2025
100 %
risk-classified suppliers and annual risk-based audits

Our objective

Midsona prioritises responsible sourcing at all levels. An important part of this is the risk assessment of suppliers, which is performed annually based on a number of identified critical criteria that must be met. The objective is for 100 percent of Midsona's suppliers to be risk classified in accordance with the requirements for safe products and quality by 2025.

How Midsona will achieve its objective

- By mapping according to our quality and sustainability risk assessment system, Kodiak, Midsona's suppliers are classified as low, medium, or high risk with regard to the extent to which they meet criteria for quality and product safety, geographical risk in accordance with BSCI, economic and environmental impact, business ethics, anti-corruption and health and safety. In addition to risk assessment, we perform additional physical, digital, or written riskbased audits of suppliers for whom we have identified risks. This creates a constructive dialogue and the opportunity to improve important processes, where we together with the supplier may close gaps and remove deviations with the purpose of meeting Midsona's quality requirements.

This is where we are today

- For the Group, the percentage of suppliers evaluated in the Kodiak system or suppliers who are risk classified based on other methods at Midsona increased to 44 percent (32), including Division Nordics and Division North Europe. Division South Europe will start classifying its suppliers in Kodiak during 2023. This delays the results of the total share because Division South Europe has some 400 suppliers out of a total of 992. The figures are based on the number of suppliers assessed based on the Midsona Group's set requirements and standards in Kodiak and do not include suppliers that are risk-classified based on other standards. However, outstanding suppliers are assessed according to current international standards and the relevant certification requirements.
- The proportion of risk-classified suppliers in accordance with the requirements on quality and safe products assessed in Kodiak was 82 percent (75) in 2022, in Division Nordics where Kodiak was applied. The proportion increased despite the addition of new suppliers through the acquisition in Jakobstad in Division Nordic.
- In 2022, we performed 12 risk-based audits and worked on the necessary corrective measures with suppliers.
- In 2022, we had no incidents of non-compliance with product and marketing information resulting in fines or penalties, 12 (15) incidents regarding product safety, labelling and marketing information that led to various corrections, and we conducted a total of 2 (7) recalls and 9 (16) withdrawals in the Group.

Midsona's work with these targets is described in greater detail in the chapter on Responsible purchasing on pages 86–88.

GRI 308-1	GRI 308-2
GRI 414-1	GRI 414-2

Certifications of Midsona's quality management system

Target from 2021
100 %
certification of Midsona's own production units in accordance with international standards

Our objective

100 percent of Midsona's own production units are to be certified in accordance with international standards:

- Food: GFSI recognised (Global Food Safety Initiative)
- 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.

How Midsona will achieve its objective

- Midsona will secure the target through annual third-party certifications and a risk-based survey of strategic acquisitions.

Progress in 2022

- 100 percent of Midsona's own production units in Division Nordics are certified. During 2022, Division Nordics switched from BRC to FSSC 2200 in Tilst, Denmark to have the same certification for all sites in the Nordics.
- IFS certification renewed in Division South Europe and Division North Europe, as well as best in class performance of QA management systems in Ascheberg, Germany.

This is where we are today

- In 2022, the proportion of Midsona's own production units of a relevant size that has been certified was 100 percent. This represents the same numbers as 2021 an increase of 20 percent compared with 2020.

GRI 416-1 | GRI 416-2

Effective resource use

Resource efficiency is a necessity, both for Midsona's operations and the environment. By applying a clear roadmap for reducing greenhouse gas emissions and contributing to a low-carbon economy, we seek through our climate change strategy to minimise the impact of our operations, value chain and products on the climate and environment.

Our work involves ongoing measures of adaptation, by which we promote more efficient use of energy, water, and waste in our own business operations and for our suppliers. Applicable environmental legislation, policies, global frameworks, and partnerships for a sustainable future must form the basis for improving and advancing our efforts.

Our work for efficient use of resources supports nine of the global goals for sustainable development.

Science Based Targets and net zero target approved by the SBTi

Target 2022
Midsona's
Net-Zero
target for 2024 approved by the SBTi

Our objective

Midsona has previously had its Science Based Targets approved by the Science Based Targets initiative (SBTi)[1]. Science Based Targets are emission reduction targets deemed necessary by the latest climate science to prevent the worst effects of climate change. According to the UN, the SBTi and the latest science, climate change is the greatest threat ever faced by modern man and more needs to be done – and faster – to avoid the worst effects of climate change and to ensure a thriving, sustainable economy[1, 2]. There is a urgent call to action from a global coalition of UN agencies, business and industry leaders, mobilising companies to set science-based net-zero targets in line with a 1.5°C warmer world. Midsona's ambition is to be "best in class", which means that we as part of our climate change strategy seek to follow best practice for climate change in line with the 1.5°C temperature target. As a further significant step to strengthen Midsona's climate work in line with the UN, in July 2022, Midsona committed to setting an ambitious SBTi-approved net-zero target by 2045 based on the SBTi's new Net-Zero Standard, which was launched in October 2021. Best practice is getting a Net-Zero target approved by the SBTi. Read more about Midsona's commitment on the SBTi homepage[3].

How Midsona will achieve its objective

Project plan and timeline to submit and get the approval from the SBTi for Net-Zero target before July 2024. Net-Zero target includes for Midsona:

- Further strengthening our near-term science-based targets to an ambition of 1.5°C for the next 5–10 years.
- Engage suppliers in the value chain to reduce their emissions.
- Explore new requirements from the SBTi to set science-based targets that include land-based emission reductions from FLAG (Forest, Land and Agriculture). While FLAG targets cover forests, land and agriculture, Midsona's non-FLAG targets cover all other fossil-based emissions (that is, our existing SBTs). The SBTi's FLAG Guidance provides the world's first standard approach for companies in land-intensive sectors, such as the food industry, to set land-based targets and the guidance enables companies to reduce the 22 percent of global greenhouse gas emissions from agriculture, forestry and other land use.
- Reduce emissions in accordance with all "Scopes" by 90 percent by 2045.
- CO_2-offsetting beyond our own value chain is encouraged.
- Neutralise residual emissions.

Progress in 2022

- Established a project plan and time-line for the submission and approval from the SBTi for Net-Zero target before July 2024.
- Process initiated to upgrade our near-term target from well below 2°C to an ambition of 1.5°C for the next 5–10 years.
- New climate-related supplier engagement strategy has been established, working to engage and incentivise our suppliers and change their behaviour. We will set the supplier engagement target and start engaging suppliers in 2023/2024 as well as studying the new SBTi requirements and including the FLAG target in our net-zero emissions target. Read more under commitment in the supply chain on page 60.
- We are progressing on improving our climate data (GHG) for purchased goods and services to cover more than 90 percent in accordance with the SBTi requirements.
- We now carbon offset beyond our own value chain, which is encouraged as an intermediate solution before we are able to reduce and neutralise emissions. Currently, we carbon offset for our two prioritised brands, Kung Markatta and Helios, as part of Scope 3 purchased goods and services, as well as for Scopes 1 and 2 for our production site in Ascheberg.

This is where we are today

- Midsona's climate change strategy and ambitious commitment to setting an ambitious SBTi-approved Net-Zero target by 2045 based on the SBTi's new Net-Zero Standard complies with best practice.

Read more on our website www.midsona.com/hallbarhet

GRI 305-1 | GRI 305-2 | GRI 305-3 | GRI 305-4 | GRI 305-5

[1] Science Based Target Initiative (SBTi) defines and promotes best practice in emissions reductions and net-zero targets in line with climate science and drives ambitious climate action in the private sector by enabling organisations to set science-based emissions reduction targets. The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The SBTi is the lead partner of the Business Ambition for 1.5°C campaign – an urgent call to action from a global coalition of UN agencies, business and industry leaders, mobilising companies to set net-zero science-based targets in line with a 1.5°C future: https://sciencebasedtargets.org/business-ambition-for-1-5c.
[2] COP 26, 2021 and COP 27 2022: https://unfccc.int/cop27
[3] https://sciencebasedtargets.org/companies-taking-action

Greenhouse gas emissions

Science Based Target 2034

38%

reduced emissions in accordance with Scopes 1, 2 and 3

Target 2045

Net-Zero

Our objective

Midsona's SBTi-approved near-term emissions targets (SBTs for 2034) cover all relevant areas in Scope 1 and 2 and the following categories under Scope 3: "Purchased goods and services", "Fuel and energy", "Waste generated in the operations", "Final processing of products sold", "Business travel", and "Downstream and upstream transport". As an important step in our work to reduce greenhouse gas emissions, the ambition is to reach net-zero emissions by 2045, with the goal of having this approved by the SBTi by 2024 (see the section on Science-based targets).

How Midsona will achieve its objective

- Develop a long-term science-based Climate Transition Plan (CTP) aligned with our overall business strategy and the 1.5°C temperature target adopted by the UN and the SBTi (see more about Midsona's transition planning on pages 36–37 and 129).
- Continuous strategy development and planning to reduce greenhouse gas emissions both in our own operations and in the value chain.
- Assessment of measures necessary to accelerate emission reductions.
- Mapping of how Midsona can offset unavoidable emissions.
- Annual reporting and transparency regarding the measures implemented.
- Regularly update of our TCFD climate-related risks and opportunities analysis and our scenario analysis over different time horizons to examining the flexibility of Midsona's business model and strategy with future climate change to be used for the Company's strategic and financial planning.

Progress in 2022

- Midsona's climate change strategy includes a Climate Transition Plan that aligns with the 1.5° C temperature target. It involves an "action plan", which includes analyses of the internal emission reduction initiatives, and the external societal developments that will lead Midsona toward a set emission reduction target to achieve the 1.5°C temperature target. This analysis includes linear transition and assumptions with yearly organic growth.
- Our TCFD analysis for both transition risks (current and emerging regulations, legal, technological, market-related and reputational) as well as physical risks (acute, chronic) and opportunities is updated regularly to inform our forward strategy and financial planning. This includes 2- and 4-degree scenario analysis, which is a combination of quantitative and qualitative scenario analysis. We have disclosed these results in our annual CDP reports, as well as on page 121 where this is applied to corporate risks.
- We report annually to the CDP (Climate Disclosure Project) on climate strategy, leadership, measures and performance. The CDP drives a climate change agenda in line with the latest UN science and global developments with new progress demands annually. These are used as guidelines for Midsona's climate change agenda (read more on page 52 in the Healthy work environment section).
- We have taken several initiatives to reduce our Scope 3 emissions. We have, for example, reduced emissions from transports, reduced waste, we are transitioning to recyclable packaging and to recycled materials or to using materials from renewable sources (read more details on the initiatives under Relevant targets, as well as in Midsona's climate change report, CDP, C4.3b and C5.5a).
- For Scopes 1 and 2, we are in the process of replacing our fossil fuel fleet in the Nordics, reducing our energy consumption overall and transitioning to renewable energy sources (read more under Energy on page 72). For chemical processes in Ascheberg, we are implementing a new programme for the CO_2 pressure chamber which could significantly reduce the need of CO_2 in the process. This accounts for 45 percent of all Scope 1 emissions.
- Regarding the main supplier of rice to Ascheberg, we are measuring the CO_2 footprint at farm level for three different types of basmati rice cultivation. Additionally, we are funding the implementation of climate friendly agriculture methods (SRI) for rice through our Kotwa project.

This is where we are today

- In 2022, Midsona's total greenhouse gas emissions for Scopes 1 and 2 were a total of 3,417 tCO_2e (3,861), a reduction by 28 percent compared with the base year. This is driven by a reduction in stationary combustion and consumption of chemical process gases in Division North Europe. Through improved follow-up with technical tools, as well as increased awareness among employees, the use of CO_2-gas in production in Ascheberg decreased by 47 percent from 2021, and by 65 percent from 2020.
- Midsona's total Scope 3 greenhouse gas emissions were 111,427 tCO_2e (123,707) in 2022, a reduction by 10 percent compared with the base year. The largest reduction in Scope 3 comes from purchased goods and services, final processing of sold products (packaging from us) and upstream transport and distribution. Purchased packaging material also decreased substantially from 2020.
- A Scientific Low Carbon Transition Plan (for the transition to low CO_2e emissions) has been adopted, leading us ahead in our work to reduce greenhouse gas emissions in 2023.

The Group's work to reduce emissions can also be read in the sections dealing with the following climate-related targets:

- 100 percent renewable energy in all operations owned by Midsona by 2028, in accordance with Scopes 1+2.
- 100 percent of Midsona's own consumer plastic packaging in accordance with Scope 3.
- 100 percent plant-based or vegetarian range by 2030, in accordance with Scope 3.
- 90 percent of Midsona's waste at its own facilities shall be recycled, in accordance with Scope 3.
- 100 percent recycled food waste, in accordance with Scope 3.
- 100 percent fossil-free freight transport by 2030, in accordance with Scope 3.

Read more in the section on Sustainability data on page 89.
Read our complete CDP greenhouse gas report at https://www.midsona.com/en/sustainability/sustainability-targets/sustainability-reports

GRI 305-1 | GRI 305-2 | GRI 305-3 | GRI 305-4 | GRI 305-5

About waste

Developing our recycling capacity is a key component in mitigating Midsona's overall climate footprint. It plays a central role in our low-carbon product portfolio, which represents a competitive advantage and is essential in our ability to remain relevant in a low-carbon economy and society.

Waste arising from production, storage, and packaging account for a significant part of Midsona's climate impact and we have been working for a long time to increase recyclability, both of our packaging and through sorting of waste at our facilities.

Midsona's material areas:

A circular business model: The more that is recovered or recycled, the less resources need to be extracted. Midsona strives to maintain the value of products, materials, and resources for as long as possible by reintroducing them into the product cycle once they have reached the end of their service life.

Recyclability in the value chain: Midsona's packaging strategy is aligned with the European Commission's strategy for a circular economy. Read more on pages 47–48.

Recycled waste from our own facilities

Target 2025
90 %
Recycling of waste generated in our own operations

Our objective

Midsona works actively to reduce waste, as demonstrated by our high degree of sorting, recycling and re-use of waste in both production and storage. Our ambition is that our offices should be completely green, which in turn also helps to drive awareness and increase the level of waste reduction and re-use.

How Midsona will achieve its objective

- Mapping and determining metrics for waste generated in our own operations, waste management and sorting and recycling requirements.
- Improved mapping of waste for new facilities.
- Mapping of economic significance.
- Increase sorting fractions and updating equipment in our own production units, warehouses, and offices to be able to increase the sorting rate.
- Collaboration for sustainable waste management with specialists, authorities, and other actors.
- Reduce, re-use, and recycle as much waste as possible.
- Strategy for an effective value chain within Europe will make material use more efficient and reduce total waste.

Progress in 2022

- In Denmark, new recycling requirements and procedures for waste management and sorting have been established.
- A new method for waste reduction has been put into usein Denmark. Either the prices of goods with short expiry dates are reduced or the goods are donated.
- Read more about food waste on page 70.

This is where we are today

- In 2022, Midsona's recycling rate remained unchanged at 78 percent compared with 2021.
- In 2022, Midsona's total waste decreased to 1,957 tonnes (from 2,142 tonnes compared with 2021), a reduction of 9 percent driven by continuing efforts to reduce our waste.
- In 2022, Midsona's waste intensity decreased to 28 kg/tonne from 30 kg/tonne in 2021. This represents an increase of 7 percent per tonne produced.

Read more in the section on Sustainability data on page 92.

GRI 305-3 | GRI 306-1 | GRI 306-2 | GRI 306-3 | GRI 306-4

Reduce food waste

Target 2025
100%
re-used food waste

Our objective

According to the UN, the number of people suffering from hunger has slowly increased since 2014. At the same time, many tonnes of edible food are lost every day. Globally, some 14 percent of the food produced is lost between harvest and retail, and an estimated 17 percent of total global food production is wasted.[1]

Midsona's goal is to reduce unnecessary food waste and increase the re-use of the inevitable food waste. This is in line with both the UN's Agenda 2030 and the Swedish government's milestones for food waste.

How Midsona will achieve its objective

- Mapping and determining metrics for our handling of food waste.
- Extending durability through smart packaging, quality assurance processes and labelling.
- Updating sorting options to be able to reduce food waste and spillage at our own production units, warehouses, and offices.
- Recycling as much food waste as possible, including as biogas, manure, animal feed and compost.
- Sampling or selling goods with short expiry dates at reduced prices or donating them.
- Collaborating with various actors for meaningful handling of food waste.
- Innovation and product design to find synergies among ingredients and goods, in production and ultimately with the consumer. Our innovation process also takes product design and labelling into account.

Progress in 2022

- To reduce food waste in multiple channels, we donate large quantities of products with short expiration dates or sell them at reduced prices. In Sweden, for example, Midsona donates products with short best-before dates to Stockholms Stadsmission (a charity that feeds, clothes and houses disadvantaged people in the Stockholm urban area).
- In Sweden, an increasing number of packages are being updated with "Best before, often good after". We are also encouraging the reduction of food waste in our own channels.
- In Denmark, several task forces have been established to minimise food waste going forward. Ambitious targets have also been set for 2023 to reduce the quantity of discarded raw materials, finished goods and packaging materials by 40 percent. Our planning of sales and operations efforts has also been improved for 2023 to establish better service levels and reduce food waste. Our Vendor Management Inventory has also been improved to reduce the amount of material discarded.
- In Division North Europe, a re-worked product (mixed nut spread) using waste ingredients from the production of nut spread has been launched to reduce food waste in production.
- In Division North Europe, oil residue from production and product development is now being collected by a disposal company that purifies it for re-use in other functions.
- Leftovers from the process of cleaning chickpeas are now being re-used at Division North Europe by grinding them to be sold as a new product. A new food service product consisting 100 percent of food waste has been launched – chickpea flour.

This is where we are today

- In 2022, Midsona's re-use of food waste decreased to 78 percent (99.8). The reason for this is a sharp decrease in total food waste in France, which hasled to a smaller amount of recycled food waste.
- In 2022, Midsona donated a total of 17 tonnes (37) of food to charity – a 54-percent reduction compared with 2021.
- In 2022, 40 percent (42) of Midsona's products were labelled "Best before, often good after".

Packaging design extends shelf life and reduces food waste.
Learn more on page 47.
Read more in the section on Sustainability data on pages 92–93.

GRI 303-1 | GRI 305-3 | GRI 306-1 | GRI 306-2 | GRI 306-4

[1] https://www.un.org/en/observances/end-food-waste-day

Water consumption

Target 2030
10%
reduced water consumption per tonne produced. 20 percent in Spanish operations

Our objective

Water is a resource that has become increasingly critical and important to protect. It is our responsibility to keep water consumption in production to a minimum in the countries where we operate, especially in drier and warmer countries in southern Europe. Midsona's operations use fresh water, both for products and in the production processes. To date, Midsona's facilities have had a relatively low water consumption and the Group operates mainly in countries with good access to fresh water. Midsona's modernised production facility in Spain has a higher level of water consumption, and is located where the risk of drought is relatively higher. Despite the fact that improvements at our Spanish facility can ultimately contribute most to reducing our total water consumption, all units are expected to contribute.

How Midsona will achieve its objective

- Mapping and determining metrics for our total of water consumption (read more under Sustainability data on page 93) and re-use of waste water.
- Updating technology at our own production units in Spain to reduce water use and to set a dedicated budget for target fulfilment in Spain.
- Re-using water and collaborating with specialists and authorities to operate a safe production when using recycled water.
- Using our own water sources, such as our own wells and collection of rainwater.
- Water consumption shall be unambiguously reduced, both in production and end-products.

Progress in 2022

- In Denmark, water from the water-cooling process is being re-used and practices are in place to save water during the cleaning process.
- A new system is in place at Division South Europe to re-use water from the autoclave. A new water treatment plant has also been installed.

This is where we are today

- In 2022, Midsona's water consumption amounted to 63,184 m^3 (64,924), which is a reduction by 3 percent compared with the previous year. The water intensity per tonne produced decreased to 0.91 m^3 in 2022 (0.92, 2021), representing a reduction by 1 percent.
- 73 percent (69) of the Group's water consumption in 2022 occurred at the production unit in Castellcir, Spain. In 2022, water consumption in Spain increased to 46,007 m^3 (44,812), an increase of 3 percent, while water intensity fell by 20 percent between 2021 and 2022.
- Compared with the base year of 2020, Spain reduced its water consumption per tonne produced by 3.5 percent, while the Group increased by 2 percent.

Read more in the section on Sustainability data on pages 93.

GRI 303-1 | GRI 303-2 | GRI 303-3 | GRI 303-4 | GRI 303-5

Energy

Target 2028
100 %
renewable energy

Direct energy
100 %
fossil-free stationary combustion[1]
fossil-free mobile combustion[2]

Indirect energy
100 %
renewable district heating (steam and cooling)
of the electricity purchased must be renewable

Our objective

Midsona has worked with energy efficiency for a long time. Our ambition is that all proprietary operations shall use 100 percent renewable energy and for consumption to be kept to a minimum. In addition, we target reducing our total energy consumption by re-using energy, discontinuing energy-intensive products and processes and identifying the most energy-efficient office, warehousing, and production solutions possible. Besides purchasing renewable wind and hydro-power, solar energy is also generated by Midsona's own solar panel installations. Part of Midsona's energy targets involve the conversion of the car fleet to fossil-free alternatives and is thus part of both the energy target and our Scope 1 climate target. By 2028, Midsona will have replaced all company or benefit cars with fossil-free alternatives.

How Midsona will achieve its objective

Midsona's strategy for energy consumption comprises the following steps:

- Mapping and determining energy consumption metrics in accordance with the GHG protocol guidelines.
- Improving energy management: Introduce more efficient energy management and operating systems in production and storage based on EMS (energy management system) principles, that is, routines, responsible, equipment (Digital Monitoring), and follow ups.
- Measures are being taken including cost simulation and budgeting for energy efficiency, energy reducing efforts, efforts to mitigate energy losses during closing hours and investments in renewable energy. Always included: Reducing measures.
- Maintaining a strong focus on electrification for all categories relevant to the target. Within the low carbon world, electrification is the key to energy going forward.
- Changing to renewable or fossil-free energy, such as wind power, hydro-power and solar energy. If these are not available, switching to nuclear power should be considered. Nuclear energy is fossil free, and despite it not being considered renewable it is nonetheless considered as low carbon energy.
- Monitor technological developments in fossil-free alternatives and update in pace with development.
- Strategic investments to increase the proportion of selfproduced, renewable energy.
- Strategy for an efficient value chain within Europe, with coordinated production and inventory, helping reduce energy consumption in our own operations.
- Using green, environmentally adapted buildings for our offices.
- Gradually switching to fossil-free transport in pace with rapid development. The key to a world with low CO_2 emissions lies in transitioning to 100-percent electric cars – which, for Midsona, means before 2028. As a first step, we must choose fuels based on sustainable fuel hierarchy in descending order: Electric, hydrogen, biofuel, hybrid, fossil fuel. Hybrid cars account for only 30 percent electric and 70 percent fossil fuel and serve only as a preliminary solution where other alternatives are not available.
- Available charging-infrastructure, such as charging stations for electric cars, should be investigated. Opportunities have also been identified for converting vehicles to fossil-free fuels meeting the Group's requirements for personal transport. Innovative companies are also in progress developing electric cars that may ultimately charge while being driven, thus eliminating the challenges of charging and charging stations. Therefore, we must constantly follow developments.
- This lays the foundation for a new, clear Group car policy aligned with the 1.5°C temperature target.

Progress in 2022

- Based on both the ongoing global energy crisis and our energy target, in 2022 we prioritised working to target energy-reducing and energy efficiency measures at all of our sites. Although an internal action plan to reduce energy consumption has been implemented, the results will first be shown in 2023.
- At Division North Europe, an on-site energy audit was conducted by external consultants to review energy consumption and assess ideas for possible reduction measures and to gather new ideas on reducing consumption. An energy management and control system was established and consolidated at Division North Europe, focusing on the Ascheberg facility.
- In 2023, Midsona is planning various measures, such as purchasing biogas for its two locations in Denmark, Onsild and Tilst, discontinuing the use of gas entirely for production at Mariager, studying opportunities for heat recovery from our roasting process and re-using surplus heat from production. District heating in Tilst accounts for 8 percent of CO_2e from the total energy consumption.
- Facilities that did not yet have LED only, such as Ascheberg in Germany, switched to LED in 2022. This having been done, all lighting in the Group's production facilities is now LED.
- In France, opportunities to increase in-house production of renewable energy are being studied. This would be in line with our largest facility in Germany (Ascheberg), which already has significant in-house production of solar energy. In Norway, our third-party warehouse has also installed solar panels 2022.
- At Division South Europe, we are mapping possible changes in the energy sources in the electricity suppliers' energy mix (from non-renewable and fossil-based sources to low-carbon and renewable sources or nuclear power). Electricity consumption in Division South Europe accounts for 24 percent of all CO_2e from energy in total.
- In Denmark, Midsona has switched to fossil-free oil for the cooling process and to fossil-free gas for production. In 2023, we will also start to change fuels for stationary combustion in Division North Europe and Division South Europe. In both divisions, we plan to change our use of natural gas in production as well as LPG in South. Use of natural gas in Division North Europe stands for 15.7 percent of CO2e from energy total. Natural gas and LPG in the production in south stands for 25 percent of energy total.
- As a first step for transition to low carbon fuel for company cars, a new conversion procedure for company cars has been introduced in Sweden, Finland, and Germany, where cars are gradually being replaced by hybrid or electric cars. This work has been in progress since mid-2020 and will continue to be implemented as car leases expire. In Denmark, Midsona is currently developing similar policies to be implemented during 2023.
- In Sweden, Midsona's company car fleet now comprises 50 percent hybrid cars, and in 2023 we will follow up on this work in Division Nordics and work on the transition to electric cars or other low carbon solutions based on our sustainable fuel hierarchy. Fuel for company cars accounts for 12.8 percent of CO_2e from total energy.
- At the production facilities in Ascheberg, Tilst and Mariager, electric charging stations have also been installed for electric cars.

This is where we are today

- In 2022, Midsona's total energy consumption, including direct and indirect energy, increased by 13 percent compared with the base year of 2019.
- The total share of renewable energy in 2022, including direct and indirect energy, has risen to 41 percent from 34 percent (42) in the base year of 2019.
- In 2022, Midsona's consumption of direct energy increased by 18 percent compared with the base year of 2019.
- In 2022, Midsona's consumption of indirect energy increased by 8 percent compared with the base year of 2019, with 61 percent (66, 2021/ 58, 2019) coming from renewable energy.
- In 2022, 64 percent of electricity consumption came from renewable sources (70, 2021/ 61, 2019).
- In 2022, 71 percent of district heating and cooling came from renewable sources (63, 2021/ 59, 2019).
- In 2022, Midsona produced 558 MWh (403) of its own solar energy, an increase of 38 percent (8) from last year due to an operational disruption in Denmark in 2021.
- In 2022, energy consumption increased by 36 percent compared with the base year – as mobile combustion in company cars. At the same time, greenhouse gas emissions from company cars increased by 35 percent. This is driven by increased travel between sites following the relaxation of pandemic restrictions, despite our striving to phase out fossil-fuel cars and transition to electric or hybrid as company cars are replaced. There is therefore some urgency to replace all company cars with purely electric cars, focusing on Division Nordics, which has the largest car fleet.

Read more in the section on Sustainability data on pages 94–95.

GRI 302-1	GRI 302-4
GRI 305-1	GRI 305-2

[1] Includes heat or energy in buildings and production processes.

Efficient transports

Transport is a priority sustainability issue for Midsona and one of our largest sources of climate emissions after purchased goods and services. As we operate in a European market with production in several countries, we have as a consequence been working actively to reduce our environmental footprint by, for example:

- Streamlining transport.
- Coordinating purchasing within the Group and prioritising local suppliers.
- Streamlining packaging formats to reduce transport.
- Phase out air transport as far as possible and explore new opportunities for diversified fuels.

Our work for efficient transports contributes to seven of the global goals for sustainable development.

Fossil-free transports

Target 2025
100 %
fossil-free self-contracted domestic goods transports in Division Nordics

Target 2030
100 %
fossil-free goods transports contracted by Midsona within Europe

Our objective

The distribution of Midsona's products is outside the direct operations of our organisation. Apart from a small part in Division South Europe, all of our distribution operations are outsourced to third-party transport providers and are therefore included in our climate impact across the value chain (Scope 3) and are therefore included in our climate target.

Read more about what this entails in the Sustainability data section on pages 95–96.

As a member company of DLF, Midsona is affiliated with Transport Initiative 2025 in Sweden[1], and has the ambition of being at the forefront with regard to the requirements imposed by the initiative.

How Midsona will achieve its objective

- Mapping and determining metrics for all our transports, as well as mapping of economic significance with a dedicated budget.
- Transitioning from fossil fuelled trucks to fossil-free solutions or low-emission transports, such as by rail or ship (less CO_2e per transported volume, that is, reduced emissions per tonne transported). We must choose fuel based on the sustainable fuel hierarchy in descending order: electric, hydrogen, biofuel, rail and ships, hybrid, fossil fuel. The key is the electrification of all types of transport.
- Switching to fossil-free transport in pace with the fast-running development.
- Reducing measures need to always be included. Find all possible transport reducing measures, both on consumer units and packaging materials in warehouse and transport.
- Optimising our European value chain with increased coordination of transport flows with distribution networks across national borders to reduce transport.
- Including transport efficiency in the assessment of product design in the innovation process.
- Cooperating with suppliers and customer to reduce common transport.
- Offsetting of transport agreements if there is no other alternative.

To achieve this objective, the Group continuously maps new opportunities and sustainability developments among transport suppliers. One challenge is that there are currently few good fossil-free transport solutions, but this is about to turn around as there are many actors working on this, especially in the Nordics. At the same time, the pandemic has shown us that intermodal solutions, such as ship and rail, are advantageous in the sense that they are stable and reliable, both in terms of CO_2e efficiency and goods supply, even during turbulent periods. Midsona is therefore striving to further increase the share of rail transport. Today, it is also a challenge to obtain good quality data on fuel types. We have consequently chosen to measure the transport target in terms of emissions per day as this directly reflects the extent of fossil-free fuel in the form of data on reduced climate emissions.

Progress in 2022

- At Midsona Nordic, intermodal[1] solutions by rail have been chosen for the transportation of goods from Midsona's own factory in Spain to the Nordic countries. This involves approximately 2,200 pallets per year, which is expected to grow. Transports go by rail from Spain to Helsingborg, where goods are divided for delivery to Sweden, Denmark, and Norway.
- The flow of goods from Italy to Denmark has been transferred to an intermodal solution to reduce emissions per tonne transported by the equivalent of 3,500 pallets/year.[2]
- By assembling goods for delivery to Swedish customers into one warehouse, transports are consolidated and reduced overall. This shift accounts for 1,750 fewer deliveries per year.
- By increasing the pallet height for Belgian corn cakes from six to seven layers per pallet, Midsona Sweden was able to reduce the number of pallets by 17 percent, meaning a reduction by about 75 train wagons annually.

This is where we are today

- The emission intensity from transports decreased by 5 percent in 2022 compared with 2021 (27 percent in 2021 compared with 2020).
- The emission intensity from Nordic transports decreased by 11 percent in 2022 compared with 2021 (42 percent in 2021 compared with 2020).
- Compared with the base year of 2019, the emission intensity decreased by 42 percent for the Group and by 53 percent for the Division Nordics.
- In Division Nordics, which has the Group's largest share of transports, much work is being done to transition transports from trucks to climate-efficient transports, such as rail and ship, as reflected by the decline in climate emission intensity in 2022.

Read more in the section on Sustainability data on pages 95–96.

GRI 305-3

[1] https://www.dlf.se/transportinitiativet-2025/?allow-cookie=1
[2] Intermodal transport means that two or more modes of transport are part of a transport chain. The goods are loaded onto a load carrier that can be used both by car, ship and track, for example a container.

Business travel

Our objective

Midsona is striving to reduce the amount of business travel. Although this brings both costs savings and efficiency gains, above all it reduces the Group's Scope 3 environmental impact in the value chain and aligns with our climate goal. For Midsona's employees, prioritising online meetings is nothing new and the number of online meetings has increased every year. This meant that our employees were well-equipped for the challenges posed by the pandemic when the possibility of physical meetings was significantly limited during 2020 and 2021.

How Midsona will achieve its objective

- Requiring improvement of data and better mapping of all our journeys.
- Measuring and analysing travel statistics annually, as well as emissions and the environmental impacts in connection with business travel.
- Require, through the Group's business travel procedures, that all employees consider digital alternatives to meetings requiring traditional travel.

Progress in 2022

- Midsona Nordic has switched to a new travelling agency that allows a better tracking of CO_2 emissions on flights and our journeys. A general decline in air travel is occurring, with physical meetings being replaced by virtual meetings.
- Division North Europe has been working on a business agreement with German rail operator "Deutsche Bahn" to facilitate bookings and accounting and to encourage green mobility.

This is where we are today

- Total emissions from business trips in the Midsona Group were 221 tCO_2e 2022 (142) driven by relaxed pandemic restrictions, representing a 56-percent increase from 2021, but still a 37-percent reduction from 2019 (60 percent from 2021). In 2022, we also measured business trips made by private car, which increases our mapping of emissions. Emissions from travel by rail and air and hotel stays have increased by 35 percent from 2021 to 2022 (8 percent from 2020 to 2021). The total distance travelled by rail in 2022 was 107,859 km (45,837).
- The trend shows clearly how the Covid-19 pandemic restricted travel opportunities within the Midsona Group, and the increase in 2022 was in line with our expectations.

GRI 305-3

Read more in the section on Sustainability data on page 97.

[1] Intermodal transport means that two or more modes of transport are part of a transport chain. The goods are loaded onto a load carrier that can be used both by car, ship and track, for example a container.
[2] https://www.dlf.se/transportinitiativet-2025/?allow-cookie=1

Stakeholder dialogue and materiality analysis

Midsona has developed a communications plan to ensure that we have a functioning stakeholder dialogue and that we continuously follow up with and inform our stakeholders. The plan is included as part of Midsona's Communications Policy.

How Midsona creates value for our key stakeholders:

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 efforts on their customers' behalf, such as by developing sustainable packaging that affects several aspects, including quality, storage and transport possibilities.	Personal meetings, discussions with quality managers at our customers' sites, customer conferences, industry initiatives, trade fairs.
Consumers	Accurate product information, labelling and certifications assuring social or environmental conditions, helping the consumer obtain sustainable and healthy products. Anyone who chooses our products shall know that they are, at the same time, contributing to favourable conditions in areas including climate, biodiversity, human rights, labour law, business ethics and animal husbandry.	Consumer surveys, traditional customer contacts, social media, influencers.
Suppliers	Through the Group's Supplier Code of Conduct that the suppliers must sign and the self-assessment they must do on Midsona's portal for supplier evaluation, Midsona has gained more opportunities to clarify for the suppliers our expectations on their work based on quality assurance and sustainability perspectives. Our climate-related target for supplier engagement, as well as our due diligence in the supply chain will require an even closer dialogue with suppliers going forward and a much greater degree of transparency. The aim is to ensure the right deliveries and sustainable development for all parties throughout the value chain.	Supplier Code of Conduct, supplier portal, audits, personal meetings and an ongoing dialogue in connection with purchasing negotiations, for example.
Shareholders including investors	Through credible sustainability work, the image of Midsona is shown as a reliable company that is an industry leader in sustainability with raw materials and products that are more durable, safer and of good quality, which leads to better business opportunities.	Investor reports such as CDP reports, Annual Reports, financial reports, Annual General Meetings, investor meetings, share savings meetings, rankings/recognitions, 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. For example, by joining various initiatives and non-governmental organisations, comply with government regulations, and use international global frameworks.	*Globally:* Climate goals in accordance with, and approved by, the Science Based Target initiative. Annual reports to the UN Global Compact. Annual reporting to the CDP (Carbon Disclosure Project), which together with mapping and analysing climate risks in accordance with the TCFD's recommendations ensures best practice in climate reporting. *Locally:* Various community involvement and sponsorship. Follow-up and reporting to industry organisations such as DLF, as well as local certifications, such as Germany's We-Care certification (Sustainability Management System) and Finnish WWF Green Office certification.

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

They also provide us with important data on how we can manage our impact and the areas we should focus our measures and reporting efforts on to derive most benefit.


FRIGGS
MAJS
KAKOR
Ost

Sustainability data

Midsona's sustainability work builds on the Group's strategy and analysis for being able to set meaningful goals. This includes analyses of the kinds of risks and opportunities that exist in our segment, as well as the principal driving forces for sustainability in each area. We identify where in our value chain this is relevant, determine the time horizon and perform probability assessments to reach the set targets. By means of reporting and analyses, we safeguard good management and follow-up of the targets, and ensure that our sustainability targets become part of our day-to-day operations.

Acquisitions alter our basic sustainability data, both backwards and forwards in time. According to standards such as the GHG protocol, changes that affect the operations, such as acquisitions and disposals, must be included in our data back to the base year to be able to calculate the actual reduction in climate impact. Accordingly, climate data has been reset to include acquisitions between 2019 and 2022. For other data, the following applies:

- Figures for 2019 include Division Nordics (excluding System Frugt and Jakobstad), and Division North Europe with the production unit in Ascheberg, Germany (excluding Lauterhofen).
- Figures for 2020 include all three Divisions of the Midsona Group, excluding System Frugt, which was acquired at the end of the same year, and excluding Jakobstad.
  Division North Europe now includes two production units, Ascheberg and Lauterhofen.
- Figures for 2021 include the entire Midsona Group, excluding Jakobstad
- Figures for 2022 include the entire Midsona Group, including Jakobstad.

We are constantly working to improve the quality of our sustainability data and are continuously incorporating new entities through acquisitions that initially are seldom well-prepared for data collection. This means that some data points have been adjusted and updated backwards in time.

Sustainable brands

Plant-based and vegetarian foods

Plant-based and vegetarian range – own brands (%)

	2022	2021
Product range		
of which, vegetarian and plant-based	88	91
of which, plant-based	82	83
Priority brands – product range		
of which, vegetarian and plant-based	98	99
of which, plant-based	91	95

Comments on data

The objective is for our range to be 100-percent plant-based and vegetarian. We have nonetheless actually reduced the proportion of plant-based and vegetarian products in our range slightly. This was partly due to products from the acquisition of Jakobstad, and partly due to our Omega 3 dietary supplements, decreasing the proportion for 2022 overall. Dietary supplements, such as Omega 3 from fish oil, increase the proportion of animal-based products, although we still want to offer them because of the health benefits of Omega 3. We are working in parallel on alternative, plant-based Omega 3 supplements, with, for example, Eskio-3 coming up with a plant-based alternative in 2021, Eskio-3 Vegan Alg.

See also page 90 for Scope 3 greenhouse gas emissions in tonnes of CO_2 equivalents for purchased goods and services in the appendix, which includes emissions from our packaging.

Target 2030
100 %
plant-based
or vegetarian
assortment

GRI 305-3

Organic and other certifications

Our objective

Midsona strives both to increase its sales of plant-based foods and, at the same time, to have a wide range of products contributing to social and environmental considerations, including biodiversity, in various ways.

Product certifications, share of product sales (%)

	2022	2021	2020
Sales			
of which, organic[1]	49%	51%	57%
KRAV	6%	8%	4%
Fairtrade	9%	4%	5%
ECOCERT Cosmos	5%	5%	4%
Vegan Society's Trademark	5%	6%	4%
Demeter	1%	1%	2%
Friends of the Sea	<1%	2%	–
Nutri-Score	2%	1%	–

[1] Certified in accordance with the EU organic farming, production and marketing of organic products (EU) 2018/848. Organic farming is an agricultural method that aims to produce food using natural substances and processes. This means that organic farming tends to have a limited environmental impact as it encourages responsible use of energy and natural resources, conservation of biodiversity, conservation of regional ecological balances, improvement of soil fertility and maintenance of water quality. The rules also encourage a high standard of animal welfare in organic farming and requires farmers to meet the specific behavioural needs of their livestock. The EU regulations on organic farming are designed to provide a clear structure for the production of organic products throughout the EU. This is to satisfy consumers' demand for reliable organic products and at the same time provide a fair marketplace for producers, distributors and marketers. REF: *https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming/organics-glance_en*

Comments on data

Organic products, ECOCERT, Vegan Society's Trademark: Midsona's sales of organic products[1] currently accounts for 49 percent of the Group's own brand sales, most of which are organic food. Of this, 5 percent comprises our organic beauty brand Urtekram Beauty which is certified in accordance with ECOCERT Cosmos and Vegan Society's Trademark. As a key supplier in the market for vegan and ECOCERT-certified hygiene and beauty products, Midsona is continuously developing new innovations at Urtekram Beauty.

Fairtrade: The importance of fair trade certification will likely increase as Human Rights Due Diligence (HRDD) is secured going forward. In 2022, we increased the proportion of Fairtrade labelling by 5 percentage points on the previous year, focusing primarily on raw materials at the highest risk of unfair trade, such as rice and tea production in poor countries. Fairtrade is a recognised international certification for the fair trade of raw materials grown in countries with widespread poverty. By integrating Fairtrade as part of the business strategy, companies can contribute to sustainable development for farmers and workers in countries with widespread poverty and help secure the Company's access to raw materials in the future. In addition to being a tool for companies that want to reduce the risk of human rights violations in their own value chains, Fairtrade is a well-known labelling system for consumers[2]. Tea production is an example of a raw material with a high risk of human rights violations as it is produced in poor countries with less control over working conditions and health. Kung Markatta teas, for example, are Fairtrade-labelled and Rainforest Alliance-certified to ensure that the production of our teas does not result in any human rights violations. The Rainforest Alliance is also a non-profit organisation that works to preserve biodiversity and promote sustainable development by influencing land use practices, business practices and customer behaviour[2].

FoS: Friend of the Sea (FoS) has become the leading certification standard for products and services that respect and protect the marine environment. The certification provides sustainable methods in fishing and aquaculture, as well as in the production of fishmeal and Omega 3 fish oil[3]. Of the fish oil that we purchase for our own production of Omega 3, 100 percent is FoS-certified. Omega 3 production currently corresponds to <1 percent of our total range.

KRAV: As KRAV is Sweden's best-known sustainability label for organic food, the greatest focus is in Division Nordics. KRAV labelling provides a guarantee that a product is organically grown and that no artificial fertiliser or extraneous chemical control is used in its production. Strict demands are also imposed with regard to biodiversity, animal welfare, social responsibility and improved working conditions for employees, as well as climate impact[4].

Demeter: The greatest focus with regard to Demeter is in Division North Europe, and partly in Division South Europe. The Demeter certification ensures an organic and biodynamic cultivation method focusing on cycle-based agriculture[5]. Among other things, the Davert brand won the2021 Best New Product Award from BIOFACH for its concept with both organic, Demeter and Fairtrade-certified red lentils. In Division North Europe, sales of Demeter (Biodynamic Federation Demeter-certified) and Fairtrade-certified raw materials increased by 3 percent in 2022.

Nutri-Score: Nutri-Score is a food labelling system that ranks the nutritional content of a product. Nutri-Score comprises a five-level colour scale, with associated scores from A to E. Nutri-Score is a French initiative where the greatest focus is in Division South Europe for the Happy Bio brand. In France, Nutri-Score is a labelling requirement for all food products. Other countries that are interested are Belgium, Portugal and Spain (and Germany to a modest extent). Swedish companies cannot use this in their labelling, however, with the regulations for the Keyhole label being the limiting factor[6].

[2] https://fairtrade.se/om-fairtrade/det-har-ar-fairtrade/internationell-certifiering/ https://www.fairtrade.no/en-internasjonal-organisasjon/et-anerkjent-merke.html; https://www.rainforest-alliance.org/

[3] https://friendofthesea.org/friend-of-the-sea/

[4] https://www.krav.se/krav-markt/

[5] https://demeter.net/

[6] https://fragor.livsmedelsverket.se/org/livsmedelsverket/d/nutri-score-markning-tillatet/

See more about certification of at-risk raw materials in the Sustainable raw materials section on page 56.

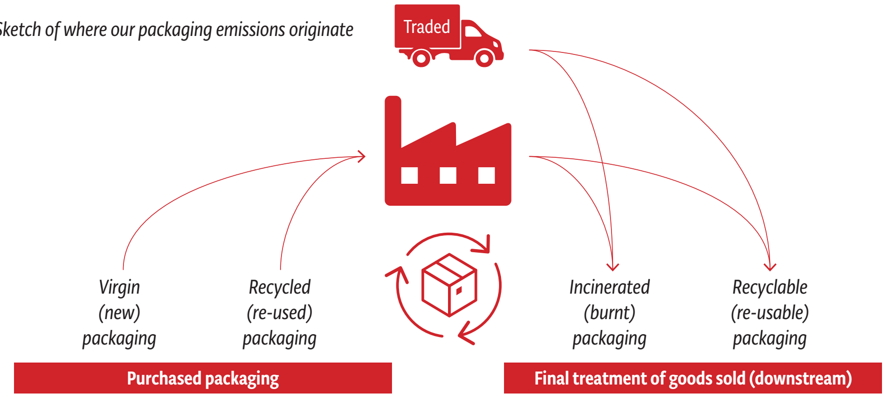
GRI 304-2

Sustainable packaging

Our objective

To meet the requirement for circular packaging, we must work with both an increased amount of recycling and recyclable packaging while reducing the total amount of packaging material. With our innovations and product range processes, we have the opportunity to create a greater demand for recycled packaging materials, but also promote increased levels of sorting and collection of plastic waste that can, in turn, be reused. This has a significant effect on Midsona's emissions of greenhouse gases (combined, packaging accounts for 7 percent of total emissions in Scope 3), decreases the overall consumption of resources and reduces litter consisting of plastics and other packaging in the landscape. As part of our Climate Transition Plan and analysis, we are working with all types of packaging materials. In 2023, we will include an absolute target for all of our packaging, regardless of the type of material.

Sketch of where our packaging emissions originate



Purchased packaging materials (tonnes)

	2022	2021	2020
Plastic	789	1,351	593
of which, recycled or renewable material	87	113	130
	11%	8%	22%
Paper	2,170	2,153	2,614
of which, recycled or FSC	1,990	1,405	2,059
	92%	65%	79%
Glass	1,314	780	897
of which, recycled	533	353	506
	41%	45%	56%
Metal	95	202	197
of which, recycled	6	7	0
	6%	3%	0%
Total purchased material	**4,368**	**4,486**	**4,301**
of which, recycled or FSC	2,616	1,877	2,695
	60%	42%	63%

In depth – purchased packaging material per division (tonnes)

2022	Nordics	North	South
Total purchased material	1,864	1,802	701
of which, recycled	1,222	1,163	231
Percentage recycled (%)	**66%**	**65%**	**33%**

Comments on data

In 2022, 60 (42) percent of the Midsona Group's total purchased packaging materials came from recycled or FSC-certified input materials, an increase of 18 percentage points from 2021.

Plastic: We still purchase a relatively low percentage of recycled plastic for our packaging, a total of 11 percent. This is due to basic food safety rules for materials coming in contact with food. Using recycled plastics in food packaging remains a challenge for the food industry due to a lack of materials, although we expect an acceleration in technological development in this area looking ahead. The proportion of the recycled plastic packaging that we currently purchase derives from sugarcane waste, and accounts for 11 percent of our plastic materials. The plastic is plant-based and is mainly used in the Urtekram Beauty range, as well as for Mivitotal vitamin supplements in Division Nordics and Division North Europe.

Board/paper: The largest contribution comes from recycled or FSC-certified paper to reduce the risk of deforestation. In 2022, the proportion of purchased paper packaging that is FSC-labelled or recycled was 92 percent (65). An increase of 27 percentage points on the previous year. For Division Nordics and Division North Europe, the percentage was 98 percent (80).

An increase of 18 percentage points on the previous year. The total share of recycled paper material, or that is FSC labelled for Midsona Group, has increased thanks to Division Nordics switching from traditional paper to FSC paper. Read more about paper as an at-risk raw material in the Sustainable raw materials section on page 56.

Glass: The proportion of recycled glass has decreased by 4 percentage points. Due to the weight of the glass, along with the small proportion of glass materials overall, a small adjustment here has a relatively large impact on the data. We believe that this reduction is insignificant and was an effect of the availability of materials. In 2023, we will continue working to increase the proportion of recycled glass as part of our Climate Transition Plan. Newly produced glass causes emissions that are 34 times higher than from recycled glass.

Metal: Although the proportion of recycled metal is currently small, it is increasing every year. We are already assessing how to increase this proportion as virgin metal has a major impact on greenhouse gas emissions compared with recycled metal. This is particularly true for aluminium packaging. Newly produced aluminium causes emissions that are 20 times higher than from recycled aluminium.

Recycling instructions: The proportion of product packaging that has labels with recycling instructions is 35 percent. Initiatives must be advanced in 2023 both to collect data and to increase the proportion of such labelling.

See also (Scope 3) emissions of greenhouse gases in tonnes of CO_2-equivalents for purchased packaging material and final processing of sold products on page 90.

Read more in the Sustainability Report on page 47.

GRI 301-2

GRI 304-2

GRI 305-3

Recyclable plastic packaging

The final processing of our packaging by the consumer is crucial for the possibilities for recycling, where both the type of packaging material, as well as the labelling and recycling instructions on the packaging are important. Emission factors for recyclable packaging are independent of material type. Packaging that is sent for incineration generates emissions that are 24 times higher than for recyclable materials[1].

[1] These are official emission factors from DEFRA, the UK Department for Environment Food & Rural Affairs.

Target 2025
100%
recyclable plastic packaging for our own brands

Reference from Midsona's Sustainability Report on page 48:

Mapping and metrics for packaging in relation to recycling requirements means:

- Mapping and metrics of all of our plastic packaging in accordance with FTI's requirements in Sweden for Division Nordics and in accordance with relevant national requirements for Division North Europe and Division South Europe.
  These requirements include:
  - Type of plastic
  - Proportion of printing area of packaging
  - Colour
  - Recycling instruction

Mapping the financial significance means:
- Earmarked costs for the changes in the divisions' budgets for increased use of recyclable plastic packaging.
- Reduction in plastics used in our products through investments in technology and capacity, as well as innovation and product design

Recyclable packaging material, final treatment of goods sold (tons)

	2022	2021
Plastic	1,025	1,645
of which, recyclable	448	521
	44%	32%
Paper	2,388	3,245
of which, recyclable	1,774	2,209
	74%	68%
Glass	1,885	2,181
of which, recyclable	543	606
	29%	28%
Metal	376	382
of which, recyclable	52	67
	14%	18%
Aluminium	11	1
of which, recyclable	9	0
	82%	0%
Total packaging materials	5,685	7,454
of which, recyclable	2,826	3,403
	50%	46%

In depth – Recyclable plastic packaging material per division, tonnes

2022	Nordics	North	South
Plastic	781	67	177
of which, recyclable	367	45	36
	47%	67%	20%

Comments on data

The total proportion of recyclable packaging material for the Midsona Group is 50 percent (46). An increase of 4 percentage points on the previous year. This is in line with our Climate Transition Plan, according to which we must increase the proportion to 100 percent by 2034.

Plastic: For the Midsona Group, the total proportion of recyclable plastic is 44 percent (32). An increase of 12 percentage points on the previous year. Although we achieved in increase for the year, we must accelerate the trend in 2023 to achieve our target of 100 percent recyclable plastic by 2025. This is a target we share with DLF, a trade association for companies selling daily goods in Sweden, of which Midsona is a member. For 2023, various concrete measures have been initiated to increase the proportion of recyclable plastic. This primarily applies for the future in Division Nordics as our largest customers are also demand this. In 2023, we must also pick up the pace in Division South Europe to increase the proportion of recyclable plastic packaging.

Paper: For the Midsona Group, the total proportion of recyclable paper is 74 percent (68). An increase of 6 percentage points on the previous year. This is in line with our Climate Transition Plan. We will continue working with paper in the future, with the ambition that 100 percent of the paper we use should be recyclable by 2034.

Glass: For the Midsona Group, the total proportion of recyclable glass is 29 percent (28). An increase of 1 percentage point on the previous year. In line with our climate transition plan, we will continue working with glass targeting 100 percent of the glass we use being recyclable in the future.

Metal/aluminium: For the Midsona Group, the total proportion of recyclable metal is 14 percent (18). A decrease of 4 percentage points on the previous year. For aluminium-based materials, for which emissions of greenhouse gases are the greatest, we increased recyclability by 9 percentage points on the previous year to a total of 82 percent. Compared with other packaging materials, we use fairly little metal and this is not the area where our impact is greatest. In line with our climate transition plan, we will continue working with metal targeting 100 percent of the metal we use being recyclable by 2034.

Data quality plastic packaging: The first year for which Midsona collected packaging data for Division South Europe was 2021. The Division has not had the same sustainability targets for recyclable plastics or procedures for collecting data in this regard prior to being integrated into Midsona. The proportion of verified recyclable plastic is therefore lower than for the rest of the Group and Midsona must focus on increasing the proportion in Division South Europe. In 2022, improved data quality raised the proportion in Division South Europe from 6 percent to 20 percent. In 2022, data quality also improved in Division North Europe driving an increase of 24 percentage points compared with the previous year. In addition, the recycling rate in Division Nordics from 2021 has been adjusted following the discovery of an error in the compiled data. The recycling rate for plastic went from 48 percent to 47 percent in the Division Nordics.

See also (Scope 3) emissions of greenhouse gases in tonnes of CO_2-equivalents for purchased packaging material and final processing of sold products on page 90.

Read more in the Sustainability Report on page 48.

GRI 301-1 | GRI 305-3 | GRI 306-1 | GRI 306-2 | GRI 306-4

Healthy and sustainable work environment

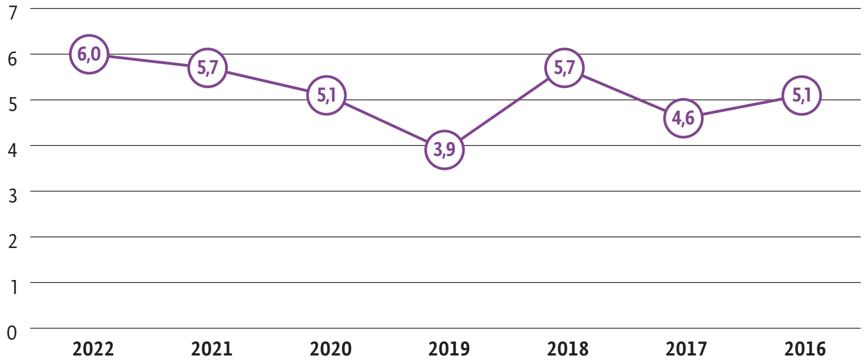
Workplace injuries

	2022	2021	2020	2019
Number of cases of workplace injuries				
Division Nordics	10	6	0	3
Division North Europe	11	8	11	10
Division South Europe	17	19	11	n/a
	38	**33**	**22**	**13**

Healthy work environment
Healthy workplaces promote healthy employees without work-related injuries

Absence due to illness (%)

	2022	2021	2020	2019	2018	2017	2016
Sweden	3.4	3.6	2.4	1.3	4.7	3.8	6.0
Norway	3.5	4.9	2.9	4.2	3.4	5.0	5.7
Finland	3.1	3.5	3.0	1.6	2.7	2.1	3.2
Denmark	4.9	4.2	5.8	4.7	8.4	5.7	4.5
Germany	9.7	6.9	6.3	5.4	6.2	–	–
France	5.2	4.4	3.3	1.7	–	–	–
Spain	7.5	13.0	9.0	7.5	–	–	–
	6.0	**5.7**	**5.1**	**3.9**	**5.7**	**4.6**	**5.1**



Comments on data

In all industries, the risk of injury is generally much greater among industrial workers in production units than among office workers. This also applies to our units. Our largest shares of occupational injuries occur in Spain, France, Germany and Denmark, where our largest production units are located. Division South Europe (France and Spain), comprises three production units. Additionally, Spain and the Castellcir facility account for more than 30 percent of all of our industrial workers, for whom the risk of work injuries is the absolute highest. Division North Europe (Germany), comprises two production units, including Ascheberg, which is our largest production unit. Denmark comprises two large production units, Tilst and Mariager, where the proportion of industrial workers is high.

The proportion of occupational injuries is the absolute highest in Castellcir, Spain. The high proportion of occupational injuries in Castellcir is due to increased sales and, accordingly, an increased number of working hours in total. Work injuries range from relatively serious to minor, such as body aches and back soreness, as well as minor blows, cuts, etc. Body pain in the musculo-skeletal system is one of the most common causes of long-term sick leave according to the Swedish Employers' Association, where the problems are sometimes due to poor ergonomics in combination with stress issues[1]. In Castellcir, we have therefore taken the measure to focus on ergonomic processes, requiring increased knowledge about the work in relation to the work environment, work-posture and load.

The same trend can also be seen in current sick leave figures, from both work-related sick leave to general sick leave. This tendency has also been discernible in previous years. In Germany, sick leave increased over the year in relation to 2021. This is due to a major restructuring within this division, which exerts some stress on employees, but also to a very serious injury that caused an extended period of sick leave. This injury represents the greatest deviation from the previous year and necessitated special safety equipment being installed in a production area.

In Division Nordics, sick leave decreased from 2018 to 2019 due to systematic work in this area, in which Sweden, Finland and Denmark, with production in Mariager, achieved a significant reduction. In the Nordic region, sick leave remains relatively low, with the largest share still represented by Denmark, where production is greatest. Overall for the Group, however, sick leave has increased significantly from 2019 to today as we have acquired larger shares of production units.

Both work-related injuries and sick leave are an area where our HR departments, together with production supervisors at the production units, must invest considerable effort going forward. A concrete action plan is needed to offload injury-prone tasks, as well as better procedures and regular education and training. In addition to the measures in Castellcir and Division North Europe, in 2022, we already initiated several measures in Denmark to improve in this regard. See progress in 2022 in the section "Promote a safe and healthy workplace" on page 51.

This year we have collected a new data point, LTIFR (Lost Time Injury Frequency Rate), which calculates accidents per 1 million work hours. The data point is a good KPI for Midsona, which, with the acquisition of production facilities, has an increased number of workplace injuries. In 2022, the LTIFR was 21.

We are working diligently to shape a beneficial work environment for our office employees. Among other things, we have introduced measures including optimised and environmentally friendly office premises with good lighting and various solutions for screen light pollution, such as blue-light filters to prevent fatigue and headaches. We also have ergonomic solutions for office desks that can be lowered and raised to protect against back and neck problems. In most countries, both the number of injuries and the amount of sick leave is relatively low among our office staff.

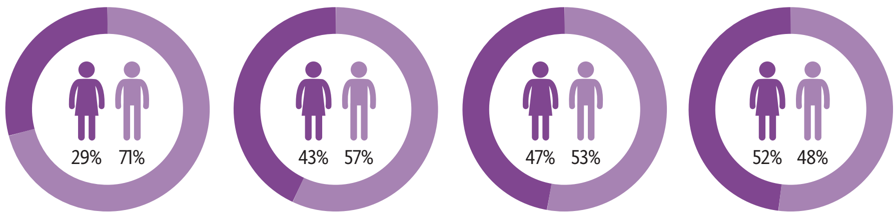
https://www.arbetsgivarverket.se/ledare-i-staten/arbetsgivarguiden/arbetsmiljo/ergonomi/

Read more in the Sustainability Report on page 51.

GRI 403-2	GRI 403-3
GRI 403-4	GRI 403-5
GRI 403-6	GRI 403-7
GRI 403-9	GRI 403-10

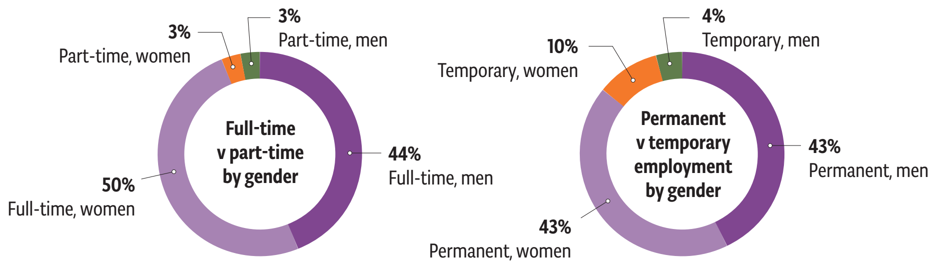
Diversity, inclusion and equality

Board of Directors | **Group Management** | **Group management circles** | **Midsona Group**



* The Group's management circle encompasses all Group-level managers at Midsona AB, including members of Group Management, as well as all members of the division-level management teams.

	Board of Directors	Group Management	Group management circle	Gender distribution, Midsona Group
Women	2	3	14	406
Men	5	4	16	373



Salary and remuneration for Management and Board of Directors by gender | **Salary and remuneration for other employees by gender** | **Salary and remuneration for all employees by gender**

Comments on data

The gender distribution figures in both Group and Senior Management improved in 2022. In Group Management, the distribution progressed from 33 percent women/67 percent men in 2021 to 43 percent women/57 percent men in 2022, with the Group having appointed female Legal Director to Group Management. We see the same trend in the Group's management teams, which progressed from 42 percent women/58 percent men to 47 percent women/53 percent men in 2022. However, the Board of Directors went from 33 percent women/67 percent men in 2021 back to 29 percent women/71 percent men in 2022. This is because the Board of Directors was expanded from 6 to 7 Board Members during the year.

When we look at the gender difference between permanent and temporary employment, and full-time and part-time, the figures show that in relation to that, Midsona has relatively equal treatment of the sexes. We have the same number of full-time employees, but with a higher proportion of female part-time employees at 10 percent compared with 4 percent of men. The pay gap between employed women and men is also relatively even, managers not included, with a preponderance of higher pay for women. However, the figures show that Midsona's male managers have a significantly higher salary than female managers. This is partly explained by the fact that roles with considerable responsibility, such as the CFO and CEO, are men. Our target of equal gender distribution includes equal working conditions with equal pay for equal work. Accordingly, this pay gap is an aspect with which Midsona must work going forward.

Target
50/50
gender distribution in management positions

Read more in the Sustainability Report on page 53.

GRI 401-1	GRI 401-2
GRI 405-1	GRI 406-1
GRI 205-1	GRI 205-3

Responsible sourcing

Sustainable raw materials

Target 2025
100%
our own brands free from palm oil

In addition to an increased focus on human rights and social conditions in our value chains, as described in the section "Human rights and social conditions in our value chains" on page 55, Midsona has identified raw material risks and opportunities based on a dual perspective. Both our external impact and how Midsona's financial situation can develop in the future. We analyse risk areas including climate change, deforestation, water stress and biodiversity. With a lack of water for irrigation, pressure on crops due to climate change, soil degradation and the uncertain impact of new technologies, there is uncertainty about whether the goals of increasing global food production necessary to feed a growing population can be achieved, and thus our access to raw materials[1]. Midsona operates in countries that have small and open economies with a need for raw materials that are closely linked to the international trade market. This leaves us exposed to global climate risks and challenges both in terms of price and access to various raw materials. The most important handling of at-risk raw materials occurs via suppliers' risk classifications, requirements in our Code of Conduct, our dialogue and long-term cooperation with suppliers, audits and various environmental and social third-party certifications of raw materials and products. See also more about this in the section on "Organic and other certifications" on page 46. To further assure appropriate handling of raw materials subject to risks, Midsona applies a Group-wide set of instructions "Midsona's guidelines regarding GMOs, palm oil, fish oil, paper use and animal welfare". This is included in Midsona's Sustainability Policy and is, together with a high proportion of plant-based and organic products in the range, a plan to protect the climate and biodiversity in fisheries, forestry and agricultural production along the value chain. In 2023, we will further improve this biodiversity risk analysis by including TNFD in our TCFD analysis. At the same time, we must conduct a due diligence process in the supply chain for all of our raw materials in relation to human rights and environmental conditions, including biodiversity.

[1] https://nibio.brage.unit.no/nibio-xmlui/bitstream/handle/11250/2567268/NIBIO_RAPPORT_2018_4_115.pdf?sequence=2

Our identified risks associated with raw materials

GMO: Rice, soy and corn have the greatest potential for GMO risk among our raw materials. We hedge this risk by through our quality department by requiring 100-percent GMO-free raw materials and products at our facilities. Read what this risk means on page 57.

Deforestation, biodiversity, climate: By deforestation we mean conversion of natural forest to farmland or other purposes where both climate change via loss of carbon sinks and devastated conditions affect many of our plants and animal species that depend on the forest. Forests are also important for many indigenous peoples' living conditions. For Midsona, palm oil, soy, cocoa and wood-based paper are raw materials that carry a potential risk of deforestation. Therefore, these raw materials also risk contributing both to climate change and reduced biodiversity. Wheat, rice, soy, fish oil and corn are agricultural products that are sensitive to climate change. They cannot withstand drought, high temperature fluctuations or other climate change, and therefore pose a financial risk to our access to raw materials.

We hedge the risk of deforestation when using palm oil by targeting that our own brands are to be free of palm oil by 2025 and until then using 100-percent RSPO-segregated and certified palm oil. We secure our access to wheat, corn and soy via supplier control and raw material control. Among other things, by buying soy produced from areas where there is no risk of deforestation or very high temperature fluctuations, we counteract both the risk of deforestation and the risk to our supply of raw materials. Although there have been examples of significant climate change in Europe, we do not consider this part of the world to be as vulnerable to climate change as more vulnerable areas such as Asia, Africa and South America. The risk of deforestation, littering and human rights violations is also much less likely in Europe. Buying raw materials produced in Europe is therefore a way to reduce these risks (see also the table below). For example, all soy purchased for our production in France and Spain is produced in France.

We hedge the risk of deforestation through our paper mill by using recycled or FSC-certified paper. The Forest Stewardship Council (FSC) is an independent, international organisation that encourages the environmentally sound, socially beneficial and economically viable use of the world's forests through its certification system. The FSC label is the world's most trusted stamp for sustainable forestry and each FSC label stands for sustainable purchases that put forests and people first[1]. By simultaneously using recycled carton board and paper, we reduce the need for production of new virgin paper, consequently avoiding deforestation. Our large proportion of organically certified raw materials and products (51 percent) is our most important way of reducing the risk of damage to our biodiversity. The European Commission has defined organic farming with reduced pesticides as an important way of nurturing our biodiversity and has itself set an EU target for increased organic farming. The Commission has presented a comprehensive plan of action for organic work for the European Union. The Commission's goal is to achieve the European Green Deal's objective of organic farming on 25 percent of farmland in the union by 2030[2].

[1] https://fsc.org/en/what-the-fsc-labels-mean
[2] https://agriculture.ec.europa.eu/farming/organic-farming/organic-action-plan_en

Water: Raw materials that require substantial use of water in production and that are produced from areas with high water stress carry a high water risk. Midsona's most significant water-intensive sourced agricultural commodities are rice, sugar, palm oil and soy. Most of the soy, and corn, as well as a large proportion of our rice is sourced from Europe where there is relatively little risk of water stress, compared with high-risk areas such as India. Rice produced in poor countries like India, where there is considerable drought, is the agricultural product that has the greatest water risk and impact for us. We have mapped the location of rice production in Kotwa, India, where Division North operates. It is an extremely water-stressed area with a high level of water risk. However, we secure these raw materials in a social engagement project with the supplier, in which the project works with rice production requiring less water and where the rice is also 100 percent organic and Demeter- and Fairtrade-certified.

Animal welfare: Midsona's high share (82 percent overall and 91 percent among priority brands) of plant-based alternatives to animal-based foods, and its targets in this area, represent our most important measure against both greenhouse gas emissions from animal husbandry and production, and to protect animals and animal welfare. For vegetarian products, where we use products such as eggs and milk, we ensure animal husbandry in line with our supplier and raw material controls.

Other risk areas: Other relevant commodity sectors for Midsona, facing urgent environmental and social challenges are cocoa, sugar, tea and hazelnuts. Midsona's purchases of these products are largely certified (as part of organic, UTZ/Rainforest Alliance, KRAV, Fairtrade) to reduce the risk. When we put the UTZ label on a product, we help build a better future and deliver optimum value to the more than four million farmers and workers and thousands of businesses that use Rainforest Alliance certification. The certification is used to drive more sustainable agricultural production and responsible supply chains and is used in more than 70 countries around the world[3]. Read more about the above and our certifications in the product certifications section on page 64.

[3] https://www.rainforest-alliance.org/utz/

Purchases of rice raw materials (tonnes)

Total purchases of raw materials, tonnes: 43,600 tonnes

	2022	2021	2020	2019	2018
Palm oil	40	45	50	97	–
of which, RSPO-segregated	40	45	50	97	–
Composite raw material with palm oil or palm oil derivative	103	187	–	–	–
of which, RSPO-segregated	82	164	–	–	–
Fish oil	73	85	78	71	84
of which, FoS-certified	85	78	78	71	71
Soya	1,025	863	828	290	219
of which, GMO-free	1,025	863	828	290	219
Of which, country of origin: France	196				
Of which, country of origin: EU	894				
Rice	5,160	5,956	–	–	–
of which, GMO-free	5,160	5,956	–	–	–
Of which, country of origin: EU	3255				
Of which, origin: Kotwa	41				
Maize	945	346	–	–	–
of which, GMO-free	945	346	–	–	–
Of which, country of origin: EU	821				
Wheat	2,919	–	–	–	–
Of which, country of origin: EU	2,886	–	–	–	–
Sugar	2,245	–	–	–	–
Of which, organic	2,240	–	–	–	–
Hazelnuts	217	–	–	–	–
Of which, organic	73	–	–	–	–
Cocoa	73	–	–	–	–
Of which, organic	73	–	–	–	–
Of which, Fairtrade, KRAV or UTZ	40	–	–	–	–

Reservations are made for possible deviations in the data.

Division South Europe included as of 2020.

GRI 304-2

GRI 305-3

GRI 308-2

Supplier control

Our objective

Our objective of classifying suppliers builds on an assessment in Kodiak, or equivalent risk assessment of the suppliers, and those who have signed Midsona's Supplier Code of Conduct. Kodiak is mostly used as a tool in Division Nordics and shall be used in Division South Europe as of 2023.

Division North Europe uses other methods and the Sedex platform for risk assessment and classification of suppliers to manage and assess sustainability performance and to meet supply chain objectives. Over 74,000 companies worldwide have chosen Sedex as its trusted partner to create more socially and environmentally sustainable companies and supply chains[1]. As part of our further work with supply chain due diligence, as described in the section Responsible purchasing, we will also use Sedex in this work for the entire Group. This is in addition to Kodiak, which first and foremost risk-assesses our direct suppliers (also called Tier 1).

[1] https://www.sedex.com/why-sedex/

Target 2025
100%
classified suppliers in accordance with guidelines for sustainable procurement

Risk assessment/classification of suppliers

	2022	2021	2020
Midsona Group	44%	32%	47%
Division Nordics, assessed in Kodiak	82%	75%	74%
Division North Europe, other methods (Sedex)	62%	0%	–
Division South Europe, assessed in Kodiak	0%	0%	–

SCOC

	2022	2021	2020
Midsona Group	49%	51%	78%
Division Nordics and Division North Europe*	82%	79%	78%
Division North Europe	75%	–	–
Division South Europe	0%	0%	–

* Reported as GROUP last year

Comments on data

Division Nordics: Midsona's supplier assessment system Kodiak was implemented within Division Nordics in 2019 and since then there has been a steady increase in suppliers who have been assessed in the system. Today, 82 percent of all suppliers for Division Nordics are approved in Kodiak and 100 percent of all food suppliers in Division Nordics are now rated in Kodiak. However, Midsona is still not 100-percent on target in this division as we only started introducing the suppliers for our Consumer Health business unit to Kodiak in 2022. For the total number of suppliers in the Nordic division, we therefore end up at 82 percent in 2022 (See the description of what is included in Kodiak's risk assessment on page 123).

Division North Europe: Of the total number of suppliers to Division North Europe, including suppliers of raw materials, merchandise and packaging materials, 62 percent have been risk classified. The supplier risk assessment covers both quality and sustainability. As Division North Europe uses other recognised methods, including Sedex, the continued use of Kodiak in this division is under assessment.

Division South Europe: Division South Europe is ready to use Kodiak in 2023, but has not yet started. Being in the start-up period, target achievement for Division South Europe will be zero. Accordingly, this will significantly reduce our overall goal achievement as this division has approximately the same number of suppliers as the Division Nordic and therefore has a major impact on the data (40 percent of suppliers). Suppliers yet to be managed in Kodiak are assessed in accordance with current legislation and the respective certification requirements.

SCOC: We see the same trend for SCOC, with the decreased proportion being attributable to the same reasons as for Kodiak. The low increase in signed SCOC in Division Nordics and Division North Europe is due to the fact that we have approved suppliers who have their own SCOC. They meet the same requirements as Midsona's SCOC, without having signed our SCOC. We do not, however, include these numbers in our data and therefore report a discrepancy.

Midsona has a total of 992 suppliers.

Origin of purchase (%)

	2022	2021	2020
Purchases of raw materials within the EU (%)			
Division Nordics	43	41	45
Division North Europe	47	38	39
Division South Europe	96	78	88
Total purchases of raw materials within the EU (%)	**60**	**48**	
Purchases from the country of origin of the raw material (%)			
Division Nordics	46	32	12
Division North Europe	69	63	65
Division South Europe	69	37	59
Total purchases from the country of origin of the raw material (%)	**64**	**58**	
Purchases of finished products from suppliers within the EU (%)			
Division Nordics	97	90	92
Division North Europe	98	99	95
Division South Europe	99	75	77
Total purchases of finished products from suppliers within the EU (%)	**97**	**91**	

Read more in the Sustainability Report on pages 58–59.

GRI 204-1 | GRI 308-1 | GRI 308-2 | GRI 414-1 | GRI 414-2

Safe products and quality

All Midsona products are assessed systematically on the basis of product safety and health, as well as any necessary improvements based on current EU and local regulations. In 2022, all products launched were assessed. The health and safety effects of products are assessed for improvement in the following life cycle stages depending on the product sector and regulations:

- Innovation and development of product concepts
- Certifications
- Manufacturing and production
- Marketing and labelling
- Storage, distribution and delivery where relevant depending on the product sector and regulations
- Consumer use of the products

Events involving product information, labelling or quality issues

	2022	2021
Total number of non-compliance incidents involving product safety, labelling and marketing information resulted in:		
Correction	12	15
Recalls	2	7
Withdrawals	9	16
Fines or penalties	0	0

Read more in the Sustainability Report on pages 62–63.

GRI 416-1 | GRI 416-2 | GRI 417-1 | GRI 417-2 | GRI 417-3

Efficient resource use

Greenhouse gas emissions

Midsona reports climate data in accordance with the Greenhouse Gas Protocol Corporate Standard and the Corporate Value Chain (Scope 3) Standard. Our climate data covers the entire company, including the head office and all divisions. The head office (Parent Company) is located in Malmö, Sweden, and the Company's climate data is broken down between three divisions: Midsona Nordic (Division Nordics), Midsona North Europe (Division North Europe) and Midsona South Europe (Division South Europe). Division Nordics operates in Sweden, Norway, Denmark and Finland. Midsona North Europe operates in Germany and Midsona South Europe operates in Spain and France. Division South Europe (France and Spain) was acquired and became part of the Midsona Group's sustainability data in 2020. Division Nordics accounts for 69 percent of Midsona's sales, while Division North Europe and Division South Europe account for 22 percent and 9 percent respectively. We have no other relevant subsidiaries.

From the base year of 2019 and until 2022, Midsona conducted several major acquisitions that will be included in the climate data for 2022 and back in time to the base year. The recovered data are based on a combination of historical data and estimates. Some data deviations may occur when restoring data to the base year based on continuous improvements in data collection.

Midsona's development in units (countries and areas) from the base year of 2019 and until 2022 is based on acquisitions:

The 2019 base year includes:

- Division Nordics, excluding System Frugt and Jakobstad
- Division North Europe, excluding Lauterhofen
- Without Division South Europe. Division South Europe is included as of 2020

2020 includes all three divisions of the Midsona Group excluding System Frugt in Denmark, which was acquired in 2020 and excluding Jakobstad in Finland, which was acquired in 2022.
2021 includes the entire Midsona Group, excluding Jakobstad in Finland.
2022 includes the entire Midsona Group, including Jakobstad in Finland. That is, all new acquisitions after the base year of 2019 are included.

In the CDP report, our climate data is broken down to a much greater extent and described in far greater detail. Read about our target fulfilment in relation to our SBT, Net-Zero and our entire greenhouse gas report in the CDP at *https://www.midsona.com/en/sustainability/sustainability-targets/-sustainability-reports*

Target 2034
38%
reduced emissions in accordance with Scopes 1, 2 and 3

Target 2045
Net-Zero

Greenhouse gas emissions, GHG Emissions (tCO_2e)

	2022	2021	2020	2019, base year
Scope 1 – Direct emissions				
Refrigerant	57.6	50.3	25	52
Stationary combustion	1,122	1,054	1,359.7	1,225.1
Chemical processes	852.4	1,583.8	2,418.3	2,134.3
Mobile combustion	589.6	522.8	580.8	386.1
Total emissions, Scope 1	*2,621.5*	*3,210.9*	*4,383.9*	*3,797.5*
Percentage of emission reduction from the base year, Scope 1 (%)	*–31*	*–16*	*13*	*0*
Scope 2 – Indirect emissions (market-based method*)				
Electricity	488.3	483.2	472.5	879.9
District heating and cooling	82.7	144.4	44.4	78.6
Oil combustion	201.3	18.1		
Electric and Hybrid cars	23.6	4.5	22.9	
Total emissions, Scope 2	*795.9*	*650.2*	*539.8*	*958.5*
Percentage of emission reduction from the base year, Scope 2 (%)	*–17*	*–32*	*–44*	*0*
Total emissions, Scopes 1 and 2	**3,417.4**	**3,861.1**	**4,923.7**	**4,756.0**
Percentage of emission reduction from the base year, Scopes 1 and 2 (%)	*–28*	*–19*	*3*	*0*
Scope 3				
Purchased packaging materials	6,102.3	7,168.3	14,638.1	3,774.9
Fuel and energy	785.4	821.2	667.9	246
Waste generated in the operations	249.1	281.5	291.9	297.9
Final processing of products sold	1,497.4	2,105.6	4,827.7	4,695.4
Business travel	220.7	141.7	10.8	361.7
Downstream transport and distribution	3718	3,807.1	8,987.5	3,100.7
Upstream transport and distribution	5761	6,357.3	4,281.3	8,838.2
Purchased goods and services	93,093	103,024.6	97,061.5	102,493.6
Total emissions, Scope 3	**111,426.9**	**123,707.3**	**130,766.7**	**123,808.4**
Percentage of emission reduction from the base year, Scope 3 (%)	*–10*	*0*	*5*	*0*
Water	22.3	18.3	17.3	17.3
Total emissions	**114,867**	**127,586**	**135,690.40**	**128,564.4**
Percentage of emission reduction from the base year, Scopes 1, 2 and 3 (%)	*–11*	*–1*	*5*	*0*

* This is data from the market-based method. We present both market-based and location-based data in the CDP in accordance with the GHG protocol's presentation.

Data quality

Midsona works continuously to expand and improve the collection, calculation and estimation of the Group's climate data. For 2022, we therefore present an increased amount of data for CO_2, based on data obtained from our operations and on estimates based on best practice. The data quality will increase as estimated industry standards (emission factors) improve, as improvements are made to our internal procedures, and as suppliers and stakeholders improve their capacity for measuring and sharing their carbon emissions. We nonetheless elect to present the data we currently have available to increase our transparency.

Source of emission factors per category and how the estimates are made:
The data set for 2019 and 2020 is based on extensive estimates in connection with the mapping of our emissions at Group level for our science-based target in accordance with the criteria from the SBTi.

Scopes 1 and 2:
- Emissions in Scope 1 are based on actual consumption data and are calculated with emission factors from DEFRA 2021.
- Emissions from electricity in Scope 2 are calculated using a market-based method with emission factors from AIB (2021). European Residual Mixes 2020.
- Emissions from district heating in Scope 2 are calculated with local factors from, among other things, Fjernkontrollen.no (Norway), Miljövärden 2020 (Sweden), Energia,fi (Finland), Fjernvarmens Informationsfond commissioned by Danske Fjernvarme (Denmark).

Scope 3:
- Emissions from "Purchased packaging" are based on actual consumption data and are calculated with emission factors (mainly) from DEFRA 2021.
- Emissions from "Purchased goods and services" include food, as food is of the greatest significance for Midsona based on sales in accordance with GHG and is calculated based on a categorisation of food. This categorisation was made on the basis of a more in-depth analysis in 2019, in which all product lines were examined and linked to different emission factors. For 2022, an actual mapping was conducted for the first time based on purchasing data broken down into product groups and customs tariff codes per item purchased. This resulted in a reduction in volume and emissions.
  The emission factors used come from different LCA analyses from different sources. The methodology for calculations of emissions from food is currently insufficiently developed to be able to assign individual products from specific suppliers

correct emissions based on generic factors. This is because the emissions per product will vary depending on, among other things, the country of origin of the raw material, the energy mix included in production and the mode of transport. Even with the same supplier of a product, these factors can vary from year to year. At present, this is best practice.
- For water consumption, the figure is based on actual consumption, based on factors from DEFRA 2021.
- Emissions from "Fuel and energy-related activities" are based on actual consumption in Scopes 1 and 2, based on factors from DEFRA 2021.
- Emissions from "Upstream transport" are based on data from transport suppliers and reported in tCO_2e. Here, what is reported as well-to-wheel and well-to-tank varies somewhat. For next year, we will work to coordinate this. It was estimated that this accounted for about 85 percent of all upstream transportation. The figure was multiplied to include the other 15 percent.
- Emissions from "Waste" are based on actual consumption data, based on factors from DEFRA 2021.
- Emissions from "business travel" are based on actual travel data from offices and travel agencies, based on factors from DEFRA 2021.
- Emissions from "Downstream transports" are calculated for 2021 based on emission calculations from 2019 and sales. In 2019, the calculation was made based on the total weight sold, multiplied by the average distance to calculate tkm. Factors used were from DEFRA.

Comments on data

Midsona's total greenhouse gas emissions for all scopes in 2022 were 114,867 tCO_2e. A decrease from 128,564 in 2021 and an 11 percent decrease from the base year. This is because we have reduced our emissions of greenhouse gases by 28 percent in our own operations (Scopes 1 and 2) and 10 percent in the value chain (Scope 3) from the base year. Since the emissions are absolutely greatest in Scope 3, the reduction in Scope 3 has the greatest significance. The reduction in Scope 3 comes from our reducing greenhouse gas emissions in several categories in Scope 3, including purchased packaging materials, final processing of products sold, upstream transport and distribution, and purchased goods and services. In 2022, the data collection method was also improved. For the first time, an actual mapping of purchased goods and services was conducted based on purchasing data broken down into product groups and customs tariff codes per purchased item. This resulted in a reduction in volume and emissions.

According to our analyses for our Climate Transition Plan, a total reduction of at least 2.5 percent annually from the base year for all scopes is required if we are to reach our existing SBTs of well-below 2 degrees[1] before 2034. That is, a total reduction of 7.5 percent in 2022 compared with the base year of 2019 for all scopes (Scopes 1, 2 and 3). A reduction in total Scope 1 and 2 greenhouse gas emissions of 28 percent and a reduction in Scope 3 of 10 percent are above expectations from the base year for our Climate Transition Plan to meet our SBTs.

Based on our new commitment to the SBTi, the work towards a 1.5 degree target, we have committed to further reducing our greenhouse gas emissions going forward to 4.2 percent annually. The Net-Zero application to the SBTi includes new short-term targets for the 1.5 degree target and must be approved by the SBTi by July 2024.

[1] **Key assumptions**
- 5 percent annual organic growth
- Organic growth = growth of activity data
- Linear transition to reach all goals

Midsona's total greenhouse gas emissions in Scope 1 in 2022 were 2,621 tCO_2e. That's down from 3,210 in 2021 and down 31 percent from the base year. This is above expectations compared with our existing SBT for Scope 1 and our associated Climate Transition Plan for Scope 1. The main driving force behind this result is a clear and gradual improvement of the chemical processes and consumption of greenhouse gases in Germany. In Germany, for example, they have reduced their CO_2 emissions from gas consumption in production by 47 percent from 2021 to 2022.

Midsona's total greenhouse gas emissions for Scope 2 in 2022 were 795 tCO_2e. Scope 2 only covers indirect energy data. That is an increase from 650 tCO_2e in 2021, but a decrease of 17 percent from the base year. Although we have an increase in emissions from indirect energy in Scope 2 from the previous year, we have a reduction from the base year. However, an increase in emissions in 2022 compared with 2021 and 2020 is a trend we want to reverse, and shows that it is an area we need to work on in 2023.

Read about our identified measures below.

The following actions were analysed, identified and initiated in 2022 for Scopes 1 and 2 (which also include our energy data), something we will continue to work on in 2023. We will do this as part of the actions necessary in 2022/2023 within our short-term Climate Transition Plan based on climate data from 2021. This is done to progress towards our long-term Climate Transition Plan:

- *Electricity:* Measure required to increase the proportion of verifiable renewable electricity in Southern Europe.
- *District heating:* Measure required to increase the proportion of verifiable renewable district heating in Tilst and Jakobstad.
- *Fuel (diesel/petrol) for company cars:* Measure required to increase the proportion of company cars using verifiable renewable fuel in Division Nordics.
- *Stationary combustion of fuel:* Measure required to increase the proportion of verifiable renewable gas from natural gas in Division North Europe. Measure required to increase the proportion of verifiable renewable gas from natural gas and LPG in Division North Europe.
- *Chemical process:* Measure required for CO_2 gas in Division North Europe, and there was already a sizeable decrease in 2022 (refer to comments regarding Scope 1). Chemical processes are not included in the energy data.
- *Always included:* Reduction measures on energy reduction and energy efficiency.

Some of these measures already took effect in our 2022 data and will be able to provide further significant improvements in 2023.

Midsona's total greenhouse gas emissions for Scope 3 in 2022 were 111,427 tCO_2e. This is a decrease from 123,707 tCO_2e in 2021 and a decrease of 10 percent from the base year.

Read more in the Sustainability Report on pages 65–67.

Read Midsona's complete CDP greenhouse gas report at *https://www.midsona.com/en/sustainability/sustainability-targets/sustainability-reports*

GRI 305-1 | GRI 305-2 | GRI 305-3 | GRI 305-4 | GRI 305-5

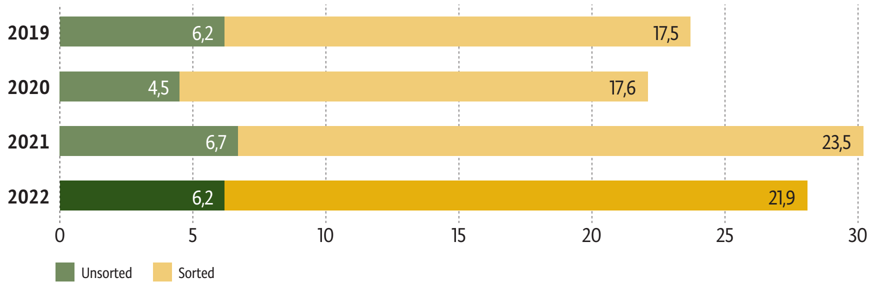
Recycled waste from our own facilities

Waste (tonnes)

	2022	2021	2020	2019
Metal	35	12	10	9
Glass	25	13	15	14
Carton board	527	572	328	239
Plastic	108	435	161	80
Organic	722	584	566	422
Toxic	30	0	14	3
Electrically	2	1	2	0
Other sorted	117	48	32	25
Totally sorted	1,528	1,664	1,186	792
Totally unsorted	430	477	306	281
Recycling rate	78%	78%	79%	74%
Overall, Midsona Group	**1,957**	**2,142**	**1,492**	**1,073**

Waste intensity, tonnes of waste/tonnes produced

Total Midsona Group

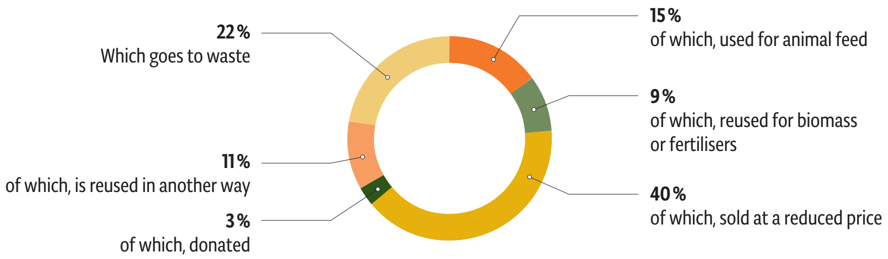


Comments on data

In 2022, Midsona reduced its total amount of waste from 2021 by approximately 9 percent (8.6), from 2,142 tons to 1,957 tons, with the largest reduction coming from unsorted waste. There is a shift in our waste from less plastic waste in 2022 to more organic waste. The recycling rate is still at 78 percent, which is the same as last year. Although this is a high recycling rate, we will continue to work both on reducing waste and on increasing the recycling rate towards 90 percent according to our goal. One of the measures we are working on is to reduce scrapping and increase the number of fractions for waste sorting and thus increase the sorting rate.

Reduce food waste

Food waste (%)



Target 2025
90 %
recycling of waste generated in our own operations

Read more in the Sustainability Report on page 69.

GRI 305-3 | GRI 306-1 | GRI 306-2 | GRI 306-3 | GRI 306-4

Target 2025
100 %
re-used food waste

Food waste, tonnes

	2022	2021
Total food waste	570	13,539
of which, used for animal feed	85	13,319
of which, reused for biomass or fertilisers	49	138
of which, sold at a reduced price	228	
of which, donated	17	37
of which, is reused in another way	64	
Which goes to waste	128	45
Re-used food waste	78%	99.7%

Comments on data

In 2022, Midsona focused on reducing total food waste, rather than re-using it, as we had almost 100 percent food waste re-use and 99.7 percent target achievement last year. This led to the percentage of re-use falling from 99.7 to 77.6 percent, but where total food waste has decreased instead. We work continuously with improved data quality, which has also resulted in a lower amount of wastage in 2022. Food waste should preferably be reduced and, as the highest priority, be used for other food products. This can then be distributed and reused for other purposes. Reduced food waste is therefore a better result than re-used food waste. In 2022, a much larger share went to human food, in the form of reduced prices, rather than to animal feed, which is a more sustainable solution.

Water consumption

Midsona's mapping and determination of measurement points for our total water consumption* takes place in accordance with GRI 303: Water and waste This includes mapping and measurement points for our water consumption. This covers our own water withdrawal, including water from third parties, as well as in-house production, such as from our own well, water discharge and re-use of waste water. Based on these factors, we can see total water consumption.

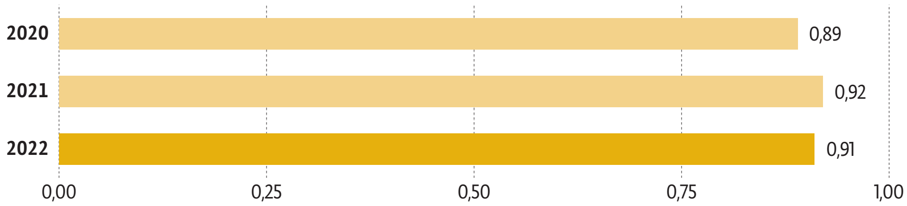
* Reference from Midsona's Sustainability Report on page 71.

Water use per division (m^3)

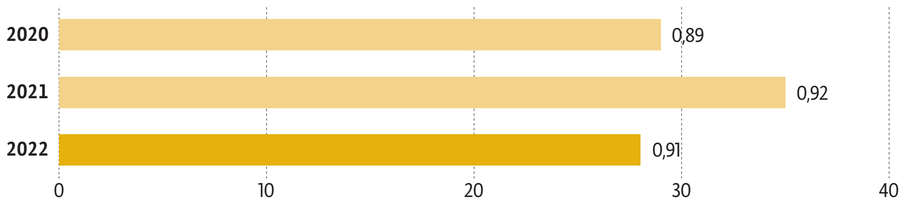
	2022	2021	2020	2019
Division Nordics	9,264	9,494	6,759	6,624
Division North Europe	6,113	8,718	10,967	6,789
Division South Europe	47,807	46,712	42,081	–
TOTAL	**63,184**	**64,924**	**59,807**	**13,413**
Intensity (m^3/tonne)	0.91	0.92	0.89	0.30

Water intensity (m^3/tonne)

Total Midsona Group



Midsona Castellcir



Comments on data

In 2022, Castellcir has a reduction in intensity per tonne produced of 3.5 percent since the base year of 2020 and of 20 percent since 2021. We have been working actively to reduce our water loss in Castellcir by continuing to advance the water reduction plan initiated in Spain. In Spain, about 65 percent of the water consumed comes from our own well, and about 8 percent of the water is recycled in our production in Spain. Poor-quality water, on the other hand, is of insufficient quality to be approved for food production. We therefore work closely with the water authorities to re-use as much of the water as possible while ensuring safe production.

The production unit in Tilst was added in 2021, as it had previously been missing. The same applies to the office facilities in Oslo and Malmö, which have been added historically.

Target 2030
10%
reduced water use per tonne produced. 20 percent in the Spanish operations

Read more in the Sustainability Report on page 71.

GRI 303-1 | GRI 303-2
GRI 303-3 | GRI 303-4
GRI 303-5

Energy

Direct energy consumption, Scope 1 (MWh)

	2022	2021	2020	2019, base year
Stationary combustion	7,193	5,334.7	7,069	6,339.6
Mobile combustion, company cars	2,376.8	2,105.3	2,302	1,527.9
Total direct energy consumption	9,569.8	7,440	9,371	7,867.5
Percentage of direct energy consumption compared with the base year, Scope 1 (%)	18	−5	16	0

Indirect energy consumption Scope 2 (MWh)

	2022	2021	2020	2019
Renewable electricity	5,311.6	6,474.9	6,500.0	5,567.2
Non-renewable electricity	2,938.8	2,773.9	2,663.3	3,606.0
Total electricity	8,250	9,248	9,163.30	9,173
Renewable district heating and cooling	1,510.3	12,088	1,617.6	432.1
Non-renewable district heating and cooling	611.1	905.3	504.1	296.5
Total district heating and cooling	2,121	2,435	2,121	732
*Total indirect energy consumption, excl. self-produced**	10,371	11,685	11,284	9,905
*Self-produced**	558	403	437	375
*Total indirect energy consumption, incl. Self-produced**	11,197	12088	11,721	10,280
Percentage of indirect energy consumption compared with base year, Scope 2 (%)	8	15	12	0
Total Renewable electricity, district heating and cooling	6,822	8,005	8,117.60	5,999

* Self-produced electricity production

Total energy, direct and indirect energy consumption, Scopes 1 and 2 (MWh)

	2022	2021	2020	2019
Total energy, direct and indirect from Scopes 1 and 2	**20,766**	**19,528**	**21,092**	**18,147.50**
Percentage of total energy consumption compared with base year (%)	13	7	14	0
Renewable energy, Scope 2 (%)	61	66	72	58
Renewable electricity (%)	64	70	71	61
Renewable district heating and cooling (%)	71	63	76	59
Total share of renewable energy, Scopes 1 and 2 (%)	41	42	39	34

Electricity production (MWh)

	2022	2021	2020	2019
Consumed self-produced	558	403	437	375
Sold self-produced	182	77	53	57

Comments on the data:

Energy from direct and indirect consumption includes stationary combustion (LPG, natural gas, butane and wood pellets in production), mobile combustion (company cars), electricity, district heating and cooling.

Comments, direct energy: In 2022, Midsona's stationary and mobile combustion was 9,570 MWh (7,440 in 2021). This is an increase of 18 percentage points from the base year and 22 percentage points from 2021. The largest contribution to direct energy consumption is stationary combustion, which comprises fossil fuels and non-renewable natural gas and diesel fuel in production, with Germany having the highest consumption, followed by France, Spain and then Denmark. In 2022, we increased our total consumption of these gases despite our energy target. The negative increase comes from Castellcir, where the consumption of butane in production increased. This increase is due to the fact that Castellcir has undergone a significant change and expansion of its production with an increase and adaptation of gas consumption, which includes an increased amount of butane. It is therefore even more important that this gas is fossil-free and renewable. If we compare our climate data for stationary combustion, however, we see that greenhouse gas emissions from this gas do not increase to the same degree as the increase in energy consumption in MWh, with the greenhouse gas emissions decreasing by 8.4 percent from 1,225 tCO_2e from the base year to 1,122 tCO_2e in 2022. This means that part of the total gas in the Group has already been replaced with renewable gas. In Germany, for example, they have reduced their CO_2 emissions from gas consumption in production. However, stationary combustion is a key area for us to reduce and transition to renewable energy. Measures to reduce this gas and transition to fossil-free have been introduced for 2023 (see the list of measures below). For Division Nordics, the largest share is non-renewable direct energy from company cars (mobile combustion). Accordingly, measures have been initiated in 2023 to transition the car fleet from fossil-fuel cars and hybrids to electric cars.

Target 2028
100 %
renewable energy

Direct
100 %
fossil-free stationary combustion[1]
fossil-free mobile combustion[2]

Indirect
100 %
renewable district heating (steam and cooling)
of the electricity purchased shall be renewable

Comments, indirect energy: Midsona's consumption of electricity, heating and cooling increased by 8 percentage points in 2022 (11,197) from the base year of 2019 (10,280). The share of renewable electricity, heating and cooling in 2022 is 61 percent and has increased from the base year, but then decreased between 2020/21 and 2022. Midsona's electricity consumption, however, decreased by 11 percent to 8,250 MWh (9,248) compared with 2021 and the base year. Meanwhile, the share of electricity consumption coming from renewable sources fell to 64 percent in 2022, from 70 percent in 2021, but increased from the base year. Total consumption of district heating and cooling has been relatively stable over the past two years, with an increased share of renewable district heating and cooling from 2021 and the base year.

Comments, direct and indirect energy total: Total energy in 2022 from direct and indirect energy (Scopes 1 and 2) increased from last year. The share of total renewable energy, including direct and indirect energy has increased by 7 percentage points from the base year, from 34 percent to 41 percent in 2022, although the shares have not increased in the past two years from 2021/2020 despite our energy target of 100-percent renewable energy by 2028. However, this is largely due to the expansion of production in Castellcir and the acquisition of Jakobstad. Jakobstad had no renewable electricity in 2022. Both in Castellcir and in France, the energy breakdown is a mix of renewable, nuclear and non-renewable energy, although this breakdown cannot currently be verified. Accordingly, Castellcir contributes negatively to the share of renewable electricity while renewable production is otherwise increasing and gaining importance. For this reason, measures to increase verifiable renewable electricity are important in Division South Europe. On the other hand, a significant proportion of the facilities in Division Nordic and Division North Europe, have 100-percent renewable electricity, mainly from wind, water and solar energy. Measures to switch to 100-percent renewable electricity in Jakobstad are therefore important for Division Nordics to achieve 100 percent renewable electricity in 2023. In addition, both Jakobstad and Tilst contribute a significant portion of non-renewable district heating, which Division Nordics will also work on in 2023. In Germany, it was estimated that all energy from electricity, heating and cooling was renewable.

In summary, the low percentage of renewable energy caused entirely by fossil-fuel natural gas, butane combustion, company cars, district heating and finally electricity. This shows that, in 2023, we must place additional focus on increasing the share of renewable energy to reach our objective of 100-percent renewable energy by 2028. The following measures have been analysed, identified and initiated in 2022 and will continue to be implemented in 2023 to reduce energy consumption and increase the share of renewable energy:

- *Electricity:* Measure required to increase the proportion of verifiable renewable in Division South Europe, both electricity consumption and its source type, with Spain being the priority.
- *District heating:* Measure required to increase the proportion of verifiable renewable district heating at our production facilities in Tilst and Jakobstad.
- *Fuel (diesel/petrol) for company cars:* Measure required to increase the proportion of company cars using verifiable renewable fuel in Division Nordics.
- *Stationary combustion of fuel:* Measures required to increase the proportion of verifiable renewable gas from natural gas and LPG in Division South Europe. Measure required to increase the proportion of verifiable renewable gas from natural gas in Division North Europe.
- *Measures required for all divisions:* Reduction measures on energy reduction and energy efficiency.

See greenhouse gas emissions for Scopes 1 and 2 and measures to reach the climate targets within Scopes 1 (direct energy) and 2 (indirect energy) that include energy in the section on greenhouse gas emissions on page 90 earlier in this chapter.

Read more in the Sustainability Report on pages 72–73.

GRI 302-1	GRI 302-4
GRI 305-1	GRI 305-2

Efficient transports

Fossil-free transports

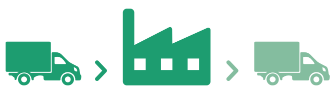
Our transport target means:

Transport measures as part of Scope 3 for our greenhouse gas accounting.*

Scope 3

100 percent fossil-free incineration, meaning fossil sources for all transports for which Midsona pays:

- Incoming from suppliers
- Incoming, within or between our facilities
- Based on our facilities to our customers, for which Midsona pays



All Midsona transport suppliers must report greenhouse gas emissions in accordance with the European standard EN-16258's "Well to wheel".

**Mapping and metrics of all of our transports means that all of our transports are measured in accordance with the GHG protocol – incoming, internal and outgoing for all facilities, which includes:

- An overview of the type of transport such as truck, rail, ship, air
- Type of fuel
- Quantity. That is, tonnes of goods transported and kilometres transported
- Incoming or outgoing transports
- Whether Midsona pays for the transport

Target 2025
100 %
fossil-free domestic transport contracted by Midsona in the Nordic region

The Europe target in 2030
100 %
fossil-free domestic transport contracted by Midsona within Europe

**Mapping of economic significance with a dedicated budget, means determining the primary economic impact and the Scope for target fulfilment. A dedicated budget for increased transport efficiency and investments in fossil-free transport, rail and ship. That is, replacement of existing fossil-fuel transports by electric cars, hybrid cars or other fossil-free fuels. Alternatively, climate compensate as a temporary solution, where the above is not available.

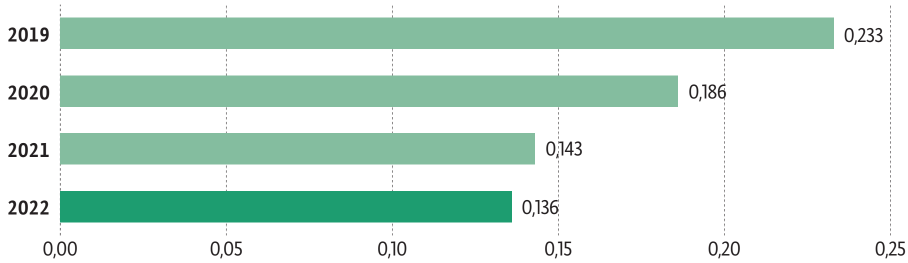
Midsona has chosen to measure the transport target in terms of greenhouse gas emissions per transported tonne as this directly reflects the scope of fossil-free fuel in the form of data on reduced greenhouse gas emissions.

Greenhouse gas emissions (GHG emissions), CO_2e***

Scope 3 (tCO_2e)

	2022	2021	2020	2019
Downstream transport and distribution	3,718	3,807	3,566	3,087
Upstream transport and distribution	5,761	6,357	8,988	7,781
Total freight transport	**9,479**	**10,163**	**12,554**	**10,868**

Transport intensity

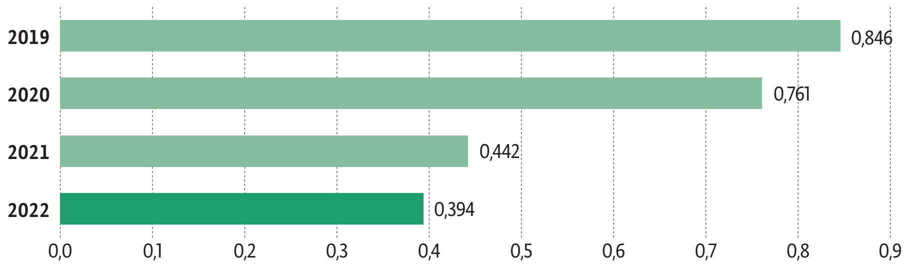


* Outgoing transports paid for by the customer are not included in our target, but are included as part of our greenhouse gas accounting.
** Reference from page 81 in the Sustainability Report.
*** Proportion of fossil-free fuel measured and reported based on total CO_2e emissions. Fossil-free and renewable fuel is directly related to/in proportion to emissions (amount of CO_2e).

Division Nordics – Transport, Scope 3 (tCO_2e)

	2022	2021	2020	2019
Downstream transport and distribution	2,511	2,571	2,409	2,085
Upstream transport and distribution	3,332	4,576	4,327	3,746
Total freight transport	**5,843**	**7,147**	**6,735**	**5,831**

Transport Intensity Division Nordics



Comments on data

All downstream transport is 100 percent fossil fuel. The emission intensity from transport decreased by 5 percent compared with 2021, 27 percent compared with 2020 and by 42 percent from the base year of 2019. This is above the requirement for annual reductions of greenhouse gases from transport viewed in isolation in our climate transition plan to achieve the SBT for Scope 3 by 2034. We have calculated all fossil fuel transports in 2019 and 2020. As greenhouse gas emissions decrease in proportion to the transition to fossil-free renewable fuels, we report climate data directly related to the proportion of fossil-free fuel. In 2022, we had a total of 4.6 million tonkm of rail transport.

Conversion factors for climate data on means of transport are based on the following data, kg CO_2e/tkm.

- Truck average: 0.2078
- Ship average: 0.0132
- Rail average: 0.02782

This means that the transition from car to rail or ship provides a major climate benefit in the form of a very large reduction in climate emissions per tonne transported. Work is in progress to transfer transports to rail and ships in Division Nordics, which accounts for the largest share of transport within the Group, as reflected in the reduction in the intensity of climate emissions in 2022.

8 percent of Midsona's total CO2e emissions derive from transport, Scope 3.

Read more in the Sustainability Report on page 74.

GRI 305-3

Business travel

Our objective

Midsona is striving to reduce the amount of business travel. This leads to both savings and efficiency gains, but above all it reduces the Group's environmental impact.

Business travel (tCO_2e)

	2022	2021	2020	2019
Rail	1	0	1	0
Air	105	73	67	342
Car	99	51	1	–
Hotel nights	16	17	16	8
	221	**142**	**84**	**351**

Comments on the data

The total emissions in the Midsona Group were 221 tCO_2e in 2022. In 2022, we also measured business trips made by private car, which increases our mapping of emissions. The total distance travelled by rail in 2022 was 107,859 km (45,837).

The trend clearly shows how the corona pandemic reduced travel opportunities in the Midsona Group. As expected, there is an increase in emissions from business travel from 2021 to 2022, albeit not to the same levels as before the pandemic.

Read more in the Sustainability Report on page 76.

GRI 305-3

Business travel and company cars

Our objective

By 2028, Midsona will have replaced all company cars or vans with fossil-free alternatives.

Company and benefit cars, tCO_2e)

	2022	2021	2020	2019
Company cars, fossil fuels	467	413	486	350
Hybrid cars	140	66	23	–
	606	**479**	**509**	**350**

Comments on the data

The Midsona Group's total CO_2 emissions from company cars have increased by 27 percent, corresponding to approximately 128 tonnes of CO_2e, from 2021 to 2022. We are striving to phase out fossil-fuel cars for hybrid cars as we replace company cars. However, hybrid cars are an intermediate solution. According to our climate transition plan, all company cars shall be switched to electric cars, something we will focus on in 2023.

Division South Europe included from 2021.

Read more in the Sustainability Report on page 76.

GRI 302-1

GRI 305-1

Midsona's reporting in accordance with the EU taxonomy for sustainable investments

Focus on climate-friendly and sustainable companies

The EU taxonomy regulation (EU 2020/852) is the European Commission's classification system for sustainable economic activities. Through a common classification system for sustainable finance, the Taxonomy Regulation facilitates the identification and comparison of environmentally sustainable investments. Large companies that must report in accordance with the EU Non-Financial Reporting Directive (NFRD) shall report in accordance with the taxonomy regulation, for the parts of the operations that are covered. In 2022, Midsona assessed the economic activities of relevance for Midsona and prepared for compliance and reporting in accordance with the taxonomy.

Taxonomy-relevant activities for Midsona in 2022

The taxonomy includes the economic activities with the greatest climate-impacting emissions and the greatest opportunity for conversion that significantly contribute to one of the EU's environmental goals. These operations play the foremost role in the transition to a low-carbon, resilient and resource-efficient economy. Midsona has assessed all of the economic activities in its operations to ascertain whether they are covered by the taxonomy (taxonomy-eligible activities) using the EU Taxonomy Compass.[2] An economic activity is defined as: the process that takes place when resources such as capital goods, labour and raw materials/intermediates are combined to produce a good or service.

Qualitative assessment Midsona 2022

Midsona's economic activities are conducted by operations including production, wholesale, marketing and sales of food, cosmetics and dietary supplements, as well as wholesale of pharmaceuticals and medical devices.

Assessment of compliance

Midsona made an inventory of its operations in relation to activities described in the delegated regulation regarding climate objectives to identify potential activities covered by the Taxonomy Regulation. The EU-taxonomy delegated regulation regarding climate goals is currently aimed at sectors where Midsona does not operate, meaning that Midsona's principal operations are not found among the taxonomy's activities. Midsona has, however, identified a limited part of the operations that can be classified as purchasing of taxonomy-related products and services within the economic activities mentioned in the taxonomy's first two delegating acts on limiting the respective adaptation to climate change, and covered by the taxonomy (eligible). We have assessed turnover, capital expenditure (CAPEX) and operating expenditure (OPEX) as associated with these activities according to accountingthe principles. The activities reported here are:

- 6.5: transport by motorbikes, passenger cars and light motor vehicles
- 7.7: Acquisition and ownership of buildings

Despite the fact that Midsona's main activity is not found among the taxonomy's activities to which we contribute. With Midsona's ambitious sustainability agenda with sustainability targets that are in line with the UN's goals, and the SBT's (climate goals) that have been approved by the SBTi, we can still contribute to the transition. The sustainability work is an integral part of our operations and we have set out a Climate Transition Plan in line with the UN's 1.5-degree goal.

Assessment and interpretations

6.5: transport by motorbikes, passenger cars and light motor vehicles

Midsona has activities in the leasing of company cars that refer to capital expenditure for new leasing agreements. Midsona is therefore covered under economic activity 6.5 Transport by motorcycles, passenger cars and light motor vehicles, according to the environmental objective Limitation of climate change regarding the purchase of taxonomy-related products and services. For company cars, Midsona has laid out a transition plan to achieve 100-percent renewable energy consumption in company cars by

2028, which means a conversion to 100-percent electric cars by 2028. As we lease company cars from a third party, we have not been able to conduct a full analysis of compliance with the taxonomy. This is because Midsona currently does not have complete information from third parties on how the vehicles meet the requirements to not cause significant harm to other environmental targets within the taxonomy.

7.7: Acquisition and ownership of buildings

Midsona has activities in the leasing of premises that refer to capital expenditure for new land updated leasing agreements. Midsona is therefore covered by economic activity 7.7 Acquisition and ownership of buildings according to the environmental goal Limitation of climate change regarding the purchase of taxonomy-related products and services. Midsona maintains considerable focus on employee well-being by means of improved new or refurbished offices for Division South headquarters and offices in Norway. This contributed, however, to a relatively small proportion of the Group's capital expenditure during the year. As we lease this service from a third party, we have not been able to perform a full analysis of compatibility with the taxonomy. This is because Midsona currently does not have complete information from third parties on how this service and the premises meet the requirements to not cause significant harm to other environmental targets within the taxonomy.

Accounting principles

For Midsona, taxonomy-relevant activities are to be reported regarding sales, capital expenditure and operating expenditure broken down by the EU's six environmental goals. Midsona reports in accordance with one of these goals, that is, mitigation of climate change.

Sales

Midsona's sales are the Group's reported net sales for 2022 (see net sales for Midsona on page 137). Principles for the Group's financial reporting are described on pages 142–148. Based on the inventory that was made, 0 percent of the Group's sales are considered to be associated with economic activities currently covered by the taxonomy (eligible).

Capital expenditures

Midsona leases company cars and premises with a certain share of capital expenditure for Midsona covered by the taxonomy, but as this is rather small compared with our total capital expenditures for 2022, the capital expenditures (CAPEX) associated with such actions are not considered material in relation to the Company's total CAPEX. For this reason, the proportion of capital expenditure (CAPEX) covered by the taxonomy is rounded to the nearest percentage point, 0 percent. In the next Annual Report, we will delve more deeply into this data to report figures for 2023. Total capital expenditure refers to additions to tangible and intangible assets during the year before depreciation and impairment and excluding changes in fair value. Right of use (ROU) assets, as well as tangible and intangible assets related to business combinations are also included.

Operational expenditures

According to the taxonomy, the share of operational expenditures from products or services associated with economic activities that are compatible with the taxonomy requirements are reported. Operational expenditures within the taxonomy are defined as non-capitalised expenses relating to R&D, building renovations, short-term leases and maintenance and repairs. Midsona leases company cars and premises with a certain share of operational expenditures for Midsona that are covered by the taxonomy. These should be included in leases and would not thus become OPEX in this case (they become part of the ROU assets). The operating share is relatively negligible because the financial impact is very limited. Consequently, the proportion of operational expenditures (OPEX) covered by the taxonomy is rounded to the nearest percent.

Although measures are in progress to make Midsona's operations low-carbon and to reduce greenhouse gas emissions, the percentage of Midsona's expenses that are in line with our transition to a 1.5°C world are not, however, included in the taxonomy.

[1] https://ec.europa.eu/competition/mergers/cases/index/nace_all.html
[2] https://ec.europa.eu/sustainable-finance-taxonomy/tool/index_en.htm

Midsona's share of turnover

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosures covering 2022

				Substantial contribution criteria					
Economic activities (1)	Code/codes (2)	Absolute turnover (3) SEK million	Proportion of turnover (4) %	Climate change mitigation (5) %	Climate change adaption (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and eco-systems (10) %
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1 Environmental sustainable activities (Taxonomy-aligned)									
Turnover of environmental sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities)									
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	**0%**						
Total (A.1 + A.2)		0	**0%**						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
Turnover of Taxonomy-non-eligible activities (B)		3,899	**100%**						
Total (A + B)		3,899	**100%**						

Climate change mitigation (11) Yes/no	Climate change adaptation (12) Yes/no	Water and marine resources (13) Yes/no	Circular economy (14) Yes/no	Pollution (15) Yes/no	Biodiversity and eco-systems (16) Yes/no	Minimum safeguards (17) Yes/no	Taxonomy aligned proportion of turnover, year 2022 (18) Percent	Taxonomy aligned proportion of turnover, year 2021 (19) Percent	Category (enabling activity or) (20) Enabling	Category (transitional activities) (21) Sales
N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%		
							0%	0%		

Midsona's proportion of capital expenditure (CapEx)

from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

				Substantial contribution criteria					
Economic activities (1)	Code/codes (2)	Absolute capital expenditure (3) SEK million	Proportion of capital expenditure (4) %	Climate change mitigation (5) %	Climate change adaption (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and eco-systems (10) %
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1 Environmental sustainable activities (Taxonomy-aligned)									
CapEx of environmental sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities)									
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	6	13%						
Acquisition and ownership of buildings	7.7	1	2%						
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		7	**15%**						
Total (A.1 + A.2)		7	**15%**						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
CapEx of Taxonomy-non-eligible activities (B)		39	**85%**						
Total (A + B)		46	**100%**						

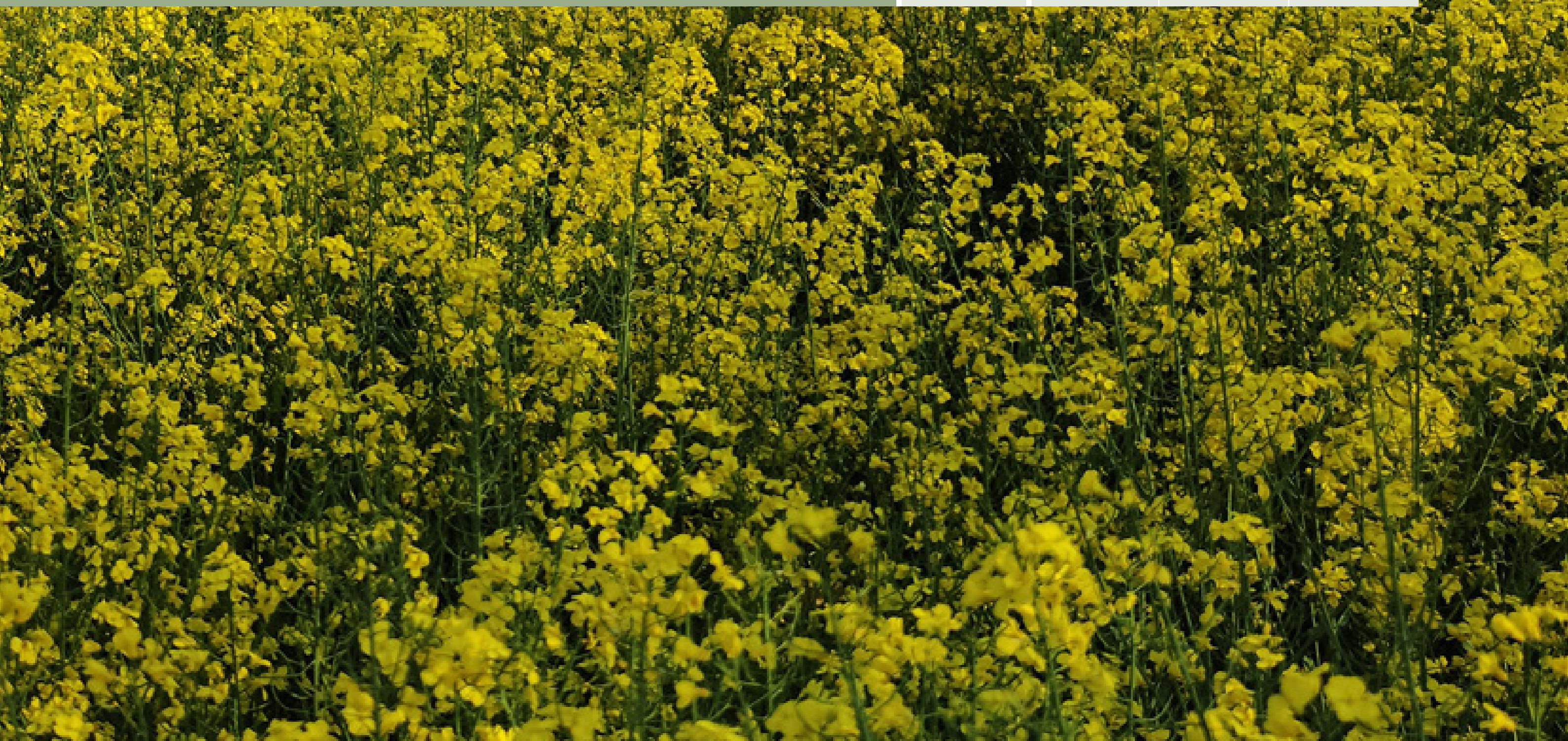
Criteria regarding do no significant harm (DNSH)										
Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and eco-systems (16)	Minimum safeguards (17)	Taxonomy-compatible share of capital expenditure, year 2022 (18)	Taxonomy-compatible share of capital expenditure, year 2021 (19)	Category (enabling activity or) (20)	Category (conversion activities) (21)
Yes/no	Yes/no	Yes/no	Yes/no	Yes/no	Yes/no	Yes/no	Percent	Percent	Enabling	Sales
N/A	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**0%**	**0%**		
							0%	**0%**		

Midsona's proportion of capital expenditure (CapEx)

from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

				Criteria for substantial contribution					
Economic activities (1)	Code/codes (2)	Absolute operating expenses (3) SEK million	Share of operating expenses (4) %	Mitigation of climate change (5) %	Adaptation to climate change (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosys-tems (10) %
A. ACTIVITIES COVERED BY THE TAXONOMY									
A.1 Environmentally sustainable (taxonomy-compatible) activities									
Operational expenditures for the environmentally sustainable (tax-onomy-compatible) activities (A.1)		**0**	**0%**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
A.2 Operations covered by the taxonomy but which are not environmentally sustainable (not taxonomy-compatible)									
Transport by motorbikes, passenger cars and light motor vehicles	6.5	0	0%						
Acquisition and ownership of buildings	7.7	0	0%						
Operational expenditures for activities covered by the taxonomy but which are not environmentally sustainable (not taxonomy-com-patible) (A.2)		0	**0%**						
Total (A.1 A.2)		0	**0%**						
B. ACTIVITIES NOT COVERED BY THE TAXONOMY									
Operational expenditures of operations not covered by the taxonomy (B)		35	**100%**						
Total (AB)		35	**100%**						

Criteria regarding do no significant harm (DNSH)										
Climate change mitigation (11) Yes/no	Climate change adaptation (12) Yes/no	Water and marine resources (13) Yes/no	Circular economy (14) Yes/no	Pollution (15) Yes/no	Biodiversity and eco-systems (16) Yes/no	Minimum safeguards (17) Yes/no	Taxonomy aligned proportion of CapEx, year 2022 (18) Percent	Taxonomy aligned proportion of CapEx, in 2021 (19) Percent	Category (enabling activity or) (20) Enabling	Category (transitional activities) (21) Sales
N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%		
							0%	0%		



Global Reporting Initiative (GRI) Index and SDG

The Board of Directors is responsible for formally reviewing and approving the Sustainability Report. The CSO is operationally responsible for the Sustainability Report.

The reporting period for the data provided is the 2022 financial and calendar year.

The most recent preceding report was for the 2021 calendar year, and was published in April 2022.

The reporting cycle is annual. The contact persons for questions regarding the Sustainability Report or its contents are the CEO and CSO.

For 2022, we apply GRI indices for the companies' sustainability data, allowing the reader to recognise the data points and can easily compare them with last year's data. Midsona applies the GRI Standards in this report for the period 1 January 2022 to 31 December 2022, with certain deviations. We will fill the discrepancies in 2023 together with work to coordinate our reporting with CSRD. Midsona reports climate data in accordance with the Greenhouse Gas Protocol Corporate Standard and the Corporate Value Chain (scope 3) Standard. The EU's new Corporate Sustainability Reporting Directive (CSRD) and the associated European Sustainability Reporting Standards (ESRS) entail major changes for sustainability reporting going forward. This will include, for example, a new materiality analysis intended to comply with the Corporate Sustainability Reporting Directive (CSRD). In 2023 we will start working on introducing the ESRS indices – Midsona's first step towards establishing a Sustainability Report in accordance with CSRD and ESRD[1].

For certain areas, we have applied selected GRI information, or parts of its content, to report specific information with corresponding claims or descriptions of use. This is based on what is material for Midsona, in terms of what our stakeholders want to know and the quality of the data.

Midsona has chosen to connect the sustainability work to the UN Global sustainable development goals. The goals cover a large number of issues and we have analysed and mapped the way in which Midsona best contributes to Agenda 2030. We have applied the GRI's mapping tool "Linking the SDGs and the GRI Standards"[2] as a basis for this work.

The GRI index reports both the GRI index and our new updated SDG survey from 2022, the information reported and where this information can be found. Some disclosures are partially reported based on relevance.

Midsona also reports in accordance with the EU Taxonomy Regulation (EU 2020/852) for the parts of the operations that are covered.

[1] https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en

[2] https://www.globalreporting.org/search/?query=Linking+the+SDGs+and+the+GRI+Standards

GRI index

Midsona applies the GRI Standards in this report for the period 1 January 2022 to 31 December 2022, with certain deviations. In 2023, we will fill the discrepancies alongside work to coordinate our reporting with the CSRD. Midsona reports climate data in accordance with the Greenhouse Gas Protocol Corporate Standard and the Corporate Value Chain (Scope 3) Standard.

GRI Standard/other source	Disclosure	Page
General Disclosures		
GRI 2: General disclosures 2021	2-1 Organisational details	4.5, 14.15, 89, 136, 192
	2-2 Entities included in the organisation's sustainability reporting	4, 5, 14, 15, 89, 113, 136, 192
	2-3 Reporting period, frequency and contact point	106
	2–4 Restatements of information	79, 89, 116
	2–5 External assurance	40–43, 77, 118, 119, 138
	2-6 Activities, value chain and other business relationships	4, 5, 12–13, 18–23
	2-7 Employees	5, 53
	2-8 Workers who are not employees	53
	2-9 Governance structure and composition	40–43, 170–174
	2-10 Nomination and selection of the highest governance body	40–43
	2-11 Chair of the highest governance body	40–43, 170–174, 178–181
	2-12 Role of the highest governance body in overseeing the management of impacts	40–43, 106
	2-13 Delegation of responsibility for managing impacts	40–43
	2-13 Delegation of responsibility for managing impacts	106
	2-15 Conflicts of interest	56–57, 77, 120–128, 128–130
	2-16 Communication of critical concerns	56–57, 120–128, 128–130
	2-17 Collective knowledge of the highest governance body	40–43–53, 170–174
	2-18 Evaluation of the performance of the highest governance body	24–25, 38–39, 170–174
	2-19 Remuneration policies	141, 176–177
	2-20 Process to determine remuneration	141, 176–177
	2-21 Annual total compensation ratio	85, 176–177
	2-22 Statement on sustainable development strategy	34–37
	2-23 Policy commitments	40–43
	2-24 Embedding policy commitments	40–43
	2-25 Processes to remediate negative impacts	40–43, 85, 54–64, 120–128, 128–130
	2-26 Mechanisms for seeking advice and raising concerns	40–43
	2-27 Compliance with laws and regulations	40–43, 120–130, 142
	2-28 Membership associations	48, 60–61, 75
	2–29 Approaches to stakeholder engagement	40–43, 77
	2–30 Collective bargaining agreements	50–53, 141

GRI index

All GRI topics not listed below have been deemed as not material for Midsona

GRI standard/other source	Disclosure
Material topics	
GRI 3: Material topics 2021	3-1 Process to determine material topics
	3–2 List of material topics
Indirect economic impacts	
GRI 3: Material topics 2021	3-3 Management of material topics
GRI 203: Indirect economic impacts 2016	203–2 Significant indirect economic impacts
Anti-corruption	
GRI 3: Material topics 2021	3-3 Management of material topics
GRI 205: Anti-corruption 2016	205–1 Operations assessed for risks related to corruption and the transparency significant risks identified
	205-3 Confirmed incidents of corruption and actions taken
Energy	
GRI 3: Material topics 2021	3-3 Management of material topics
GRI 302: Energy 2016	302–1 Energy consumption within the organisation
	302–4 Reduction of energy consumption
Biodiversity	
GRI 3: Material topics 2021	3-3 Management of material topics
GRI 304: Biodiversity 2016	304-2: Significant impacts of activities, products, and services on biodiversity
Emissions	
GRI 3: Material topics 2021	3-3 Management of material topics
GRI 305: Emissions 2016	305–1 Direct (Scope 1) GHG emissions
	305–2 Energy indirect (Scope 2) GHG emissions
	305-3 Other indirect (Scope 3) GHG emissions
	305-5 Reduction of GHG emissions

	Page	Topic in Midsona's materiality analysis	UN's SDG mapping (FJ)
	40–43, 120–130		
	43		
	120–130	Risk management, governance	
	40–43, 120–130		1 INGEN FATTIGDOM; 8 ANSTÄNDIGA ARBETSVILLKOR OCH EKONOMISK TILLVÄXT
	40–43, 53	Healthy work environment/anti-corruption: Governance, business ethics	
	53		16 FREDLIGA OCH INKLUDERANDE SAMHÄLLEN
	40–43, 53		16 FREDLIGA OCH INKLUDERANDE SAMHÄLLEN
	34–43, 72–73, 94–95	Efficient resource use, energy: Climate change and energy	
	72–73, 94–95		7 HÅLLBAR ENERGI FÖR ALLA; 8 ANSTÄNDIGA ARBETSVILLKOR OCH EKONOMISK TILLVÄXT; 12 HÅLLBAR KONSUMTION OCH PRODUKTION; 13 BEKÄMPA KLIMATFÖRÄNDRINGARNA
	72–73, 94–95		7 HÅLLBAR ENERGI FÖR ALLA; 8 ANSTÄNDIGA ARBETSVILLKOR OCH EKONOMISK TILLVÄXT; 12 HÅLLBAR KONSUMTION OCH PRODUKTION; 13 BEKÄMPA KLIMATFÖRÄNDRINGARNA
	34–43, 46, 54–61	Responsible sourcing/biodiversity: Climate change and biodiversity	
	46, 54–61		6 RENT VATTEN OCH SANITET FÖR ALLA; 14 HAV OCH MARINA RESURSER; 15 EKOSYSTEM OCH BIOLOGISK MÅNGFALD
	34–43, 66–67, 89–91	Efficient resource use, emissions: Climate change and biodiversity (energy, waste, food waste, packaging, plastic, circularity, products and services, transport)	
	66–67, 89–91		3 GOD HÄLSA OCH VÄLBEFINNANDE; 12 HÅLLBAR KONSUMTION OCH PRODUKTION; 13 BEKÄMPA KLIMATFÖRÄNDRINGARNA; 14 HAV OCH MARINA RESURSER; 15 EKOSYSTEM OCH BIOLOGISK MÅNGFALD
	66–67, 89–91		3 GOD HÄLSA OCH VÄLBEFINNANDE; 12 HÅLLBAR KONSUMTION OCH PRODUKTION; 13 BEKÄMPA KLIMATFÖRÄNDRINGARNA; 14 HAV OCH MARINA RESURSER; 15 EKOSYSTEM OCH BIOLOGISK MÅNGFALD
	66–67, 89–91		3 GOD HÄLSA OCH VÄLBEFINNANDE; 12 HÅLLBAR KONSUMTION OCH PRODUKTION; 13 BEKÄMPA KLIMATFÖRÄNDRINGARNA; 14 HAV OCH MARINA RESURSER; 15 EKOSYSTEM OCH BIOLOGISK MÅNGFALD
	66–67, 89–91		13 BEKÄMPA KLIMATFÖRÄNDRINGARNA; 14 HAV OCH MARINA RESURSER; 15 EKOSYSTEM OCH BIOLOGISK MÅNGFALD

GRI index

All GRI topics not listed below have been deemed as not material for Midsona

GRI Standard/other source	Disclosure
Waste	
GRI 3: Material topics 2021	3-3 Management of material topics
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts
	GRI 306-2 Waste management approach
	GRI 306-3 Waste generated
	GRI 306-4 Waste diverted from disposal
Materials	
GRI 3: Material topics 2021	3-3 Management of material topics
GRI 301: Materials 2016	301-1 Materials used by weight or volume
	301-2 Recycled input materials used
	301-3: Reclaimed products and their packaging materials
Water	
GRI 3: Material topics 2021	3-3 Management of material topics
GRI 303: Water and effluents 2018	303-3 Water withdrawal
	303-4 Water discharge
	303-5 Water consumption
Employment	
GRI 3: Material topics 2021	3-3 Management of material topics
GRI 401: Employment 2016	401-1 New employee hires and employee turnover
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

	Page	Topic in Midsona's materiality analysis	UN's SDG mapping (FJ)
	34–43, 71, 92–93	Efficient resource use, waste: Climate change, waste, food waste, packaging, plastic, circularity	
	71, 92–93		3, 6, 11, 12
	71, 92–93		3, 8, 11, 12
	71, 92–93		11, 12
	71, 92–93		3, 11, 12
	34–43, 45–48, 79–82, 88	Efficient resource use, materials: Responsible sourcing, climate change, products and services, circularity (recycled/recyclable)	
	45–48, 79–82, 88		8, 12
	45–48, 79–82, 88		8, 12
	45–48, 79–82, 88		8, 12
	34–43, 71, 93	Efficient resource use, water	6, 12
	71, 93		12
	71, 93		6, 12
	71, 93		12
	34–43, 50–53, 83–85	Healthy work environment, employment	
	50–53, 83–85		3, 5, 8, 12
	50–53, 83–85		3, 5, 8

GRI index

All GRI topics not listed below have been deemed as not material for Midsona

GRI Standard/other source	Disclosure
Non-discrimination	
GRI 3: Material topics 2021	3-3 Management of material topics
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken
Diversity and equal opportunity	
GRI 3: Material topics 2021	3-3 Management of material topics
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees
	405-2 Ratio of basic salary and remuneration of women to men
Occupational health services	
GRI 3: Material topics 2021	3-3 Management of material topics
GRI 403: Occupational health services 2018	403-2 Hazard identification, risk assessment, and incident investigation
	403-3 Occupational health services
	403-4 Worker participation, consultation and communication on occupational health and safety
	403-5 Worker training in occupational health and safety
	403-6 Promotion of worker health
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
	403-9 Work-related injuries
	403-10 Work-related ill health
Supplier social assessment	
GRI 3: Material topics 2021	3-3 Management of material topics
GRI 414: Supplier social assessment 2016	GRI 414-1 New suppliers that were screened using social criteria
	414-2 Negative social impacts in the supply chain and actions taken
Supplier environmental assessment	
GRI 3: Material topics 2021	3-3 Management of material topics
GRI 308: Supplier environmental assessment 2016	308-1 New suppliers that were screened using environmental criteria
	308-2 Negative environmental impacts in the supply chain and actions taken

	Page	Topic in Midsona's materiality analysis	UN's SDG mapping (FJ)
	34–43, 50–53, 83–85	Healthy work environment, non-discrimination	
	50–53, 83–85		5, 8
	34–43, 50–53, 83–85		
	50–53, 83–85	Healthy work environment/ Diversity and equal opportunity: Diversity, inclusion and gender equality	5, 8
			5, 8, 10
	34–43, 50–53, 83–85	Healthy work environment/Occupational health services: Health and safety	
	50–53, 83–85		8
	50–53, 83–85		8
	50–53, 83–85		8, 16
	50–53, 83–85		8
	50–53, 83–85		3
	50–53, 83–85		8
	50–53, 83–85		3, 8, 16
	50–53, 83–85		3, 8, 16
	34–43, 54–60, 86–89	Responsible sourcing, supplier social assessment: Supplier control, Supply chain and raw materials, transparency, safe products	
	54–60, 86–89		5, 8, 16
	54–60, 86–89		5, 8, 16
	34–43, 54–60, 86–89	Responsible sourcing, supplier environmental assessment: Supplier control, transparency, supply chain and raw materials, biodiversity, safe products	
	54–60, 86–89		
	54–60, 86–89		

GRI index

All GRI topics not listed below have been deemed as not material for Midsona

GRI Standard/other source	Disclosure
Procurement practices	
GRI 3: Material topics 2021	3-3 Management of material topics
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers
Customer health and safety	
GRI 3: Material topics 2021	3-3 Management of material topics
GRI 416: Customer health and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services
Marketing and labelling	
GRI 3: Material topics 2021	3-3 Management of material topics
GRI 417: Marketing and labelling	417-1 Requirements for product and service information and labelling
	417-2 Incidents of non-compliance concerning product and service information and labelling
	417-3 Incidents of non-compliance concerning marketing communications
Local communities	
GRI 3: Material topics 2021	3-3 Management of material topics
GRI 413: Local Communities	413-1 Operations with local community engagement, impact assessments, and development programmes
	413-2 Operations with significant actual and potential negative impacts on local communities

	Page	Topic in Midsona's materiality analysis	UN's SDG mapping (FJ)
	34–43, 54–60, 86–89	Responsible sourcing/Procurement Practices: Supplier control, Transparency, Transport	
	54–60, 86–89		
	34–43, 54–60, 86–89	Safe products, customer health and safety: Customer health and safety	
	54–60, 86–89		
	54–60, 86–89		
	34–43, 54–60, 86–89		
	54–60, 86–89	Safe products, marketing and labelling: Customer health and safety, Marketing responsibility	
	54–60, 86–89		
	54–60, 86–89		
	34–43, 54–60, 86–89	Responsible sourcing, local communities: Communities, supplier control, transparency, supply chain and raw materials, transport, biodiversity	
	54–60, 86–89		
	54–60, 86–89		  


URTEKRAM
NORDIC BEAUTY
RISE & SHINE
For normal to dry skin
Nourishing Night Cream
WITH COCONUT OIL, OAT OIL & Q10
CERTIFIED ORGANIC
100% NATURAL ORIGIN
ECOCERT
COSMOS ORGANIC
Vegan
URTEKRAM
NORDIC BEAUTY
BLOWN AWAY
For normal to combination skin
Moisturizing Night Cream
WITH ALOE VERA & JOJOBA OIL
CERTIFIED ORGANIC
100% NATURAL ORIGIN
ECOCERT
COSMOS ORGANIC
Vegan

Accounting principles

Midsona's sustainability data focus on the Group's own operations. New acquisitions are included continuously from and including their first full calendar year in the Group.

- 2022 includes all companies in the Midsona Group.
- 2021 includes Tilst.
- 2019 includes Division Nordics and the production unit in Ascheberg, Germany.

For climate emissions, data is restored in accordance with the GHG protocol.

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

Electricity
Includes offices, third-party warehouses and production. The calculation is based on actual consumption collected from the supplier and confirmation with a certificate of origin for all eco-labelled electricity.

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 European average.

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 or European average.

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.

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

Business travel and Hotel nights
Covers all business travel and hotel nights carried out by Midsona employees. Emissions data from air and rail transport and leased company cars are primarily obtained from travel suppliers, secondly manually collected and with emission factor by distance.

Purchased packaging materials
Includes the packaging purchased by the Company. The packaging is reported in kg per material. A distinction is made between recycled and new (so-called "virgin") materials.

Purchased goods and services
Includes emissions from purchased goods (raw materials and merchandise) and water consumption during the financial year. Purchased goods include food products. Emissions from cosmetics and health food are currently not included. Water consumption covers offices, warehouses and production. Reported volume is based on actual consumption from each locality.

Fuel and energy
Includes all upstream emissions associated with fuel and energy consumption reported in Scopes 1 and 2. This applies to emissions from extraction, production and transport of fuel reported in Scope 1, as well as of the fuel used in the production of electricity and heat reported in Scope 2. The consumption corresponds to the actual consumption in Scopes 1 and 2.

Upstream transport and distribution
Includes freight transport:

1) from suppliers to Midsona,
2) between Midsona's own premises, and
3) freight transport from Midsona and out to customer that is paid for by Midsona.

The calculation is based on data obtained from each transport supplier. Supplier-specific data amounted to about 85 percent of the total upstream transport. The remaining 15 percent was estimated based on the data obtained.

Waste generated in the operations
Covers offices, warehouses and production. The calculation is based on the actual amount of data collected from each location.

Downstream transport and distribution
Includes shipping from Midsona to a customer that Midsona does not pay for. The calculation is an adjusted estimate based on transported weight and an average distance to the customer from Midsona's department store.

Final processing of products sold
Includes final processing of packaging from Midsona's products. The packaging is divided into materials that can and cannot be recycled, reported in kg. It is assumed that recyclable materials will be recycled.

Employees
Includes all Midsona employees at the end of the year and the distribution in terms of age, gender and position at that time. Actual completed or actual absence is used for follow-up of activities and sick leave.

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

Intensity calculations
Based on actual data on tonnes produced in gross weight per production unit owned by Midsona for at least one full year, as well as specific parameters under each area. Energy intensity calculation also includes office energy consumption. Climate impact according to market-based and location-based methods Midsona's climate accounts are presented in accordance with the guidelines for the GHG protocol. The emission calculations in Scope 2 are calculated in accordance with the market-based method to take into account the purchase of renewable electricity certificates for Midsona's electricity consumption. In market-based emission calculations, the electricity consumption covered by such certificates will be assigned an emission of 0 grams of CO_2e/kWh. For electricity without such certificates, however, the emission factor will be based on the remaining electricity production after the renewable share has been sold. This is called a residual mix and has a significantly higher emissions factor than the location-based factor. In accordance with the GHG protocol, companies must calculate emissions through both location and market-based calculations. We did this in our CDP report. Read more about this in our CDP report at: *https://www.midsona.com/globalassets/midsona/investors/rapporter/midsona-ab-cdp---climate-change-2021.pdf*

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 2022 – 31 December 2022 on pages 32–117 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, 5 April 2023
Deloitte AB

Jeanette Roosberg
Authorised Public Accountant

Auditor's review report regarding specific sections of Midsona's reporting of greenhouse gas emissions

To Midsona AB (publ)
corporate identity number: 556241-5322

Engagement and responsibility

We have been assigned by the management of Midsona AB (publ) to review Midsona's reporting of emissions of greenhouse gases in Scopes 1, 2 and in the Scope 3 fuel and energy category for the year 2022 ("the reporting") which is presented on pages 90–91 of the Annual and Sustainability Report.

Responsibility of management

Company Management is responsible for preparing the reporting in accordance with the applicable criteria, which are presented on page 89 of the Annual and Sustainability Report, and comprise the parts of the Greenhouse Gas Protocol that are applicable in the reporting, Scope 1, Scope 2 and the Scope 3 category fuel and energy-related activities, and of the reporting and calculation principles developed by the Company itself. This responsibility also includes the level of internal control that is necessary to prepare reporting that does not contain material misstatements, whether due to fraud or errors.

Auditor's responsibility

Our responsibility is to express a conclusion on the reporting based on our review. Our task is limited to the historical information reported and does not therefore include future-oriented disclosures.

We have performed our review in accordance with the ISAE 3000 (revised) Assurance Engagements other than Audits and Reviews of Historical Financial Information. A review consists of making inquiries, primarily of persons responsible for preparing the reporting, and applying analytical and other review procedures. A review has a different focus and is considerably smaller in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards.

The audit firm applies International Standard on Quality Management 1, requiring the Company to design, implement and maintain a system of quality control, including guidelines or procedures regarding compliance with professional ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Midsona AB in accordance with generally accepted auditing practices in Sweden and have otherwise fulfilled our ethical responsibilities under these requirements.

The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Consequently, the conclusion based on a review does not give the same level of assurance as a conclusion based on an audit.

Our review is based on the criteria selected by the Board of Directors and Company Management, as defined above. We believe these criteria are suitable for the preparation of the reporting.

We believe that the evidence we have obtained during our review is sufficient and appropriate to provide a basis for our statement below.

Opinion

Based on our review, no circumstances have emerged causing us to believe that the reporting has not, in all material regards, been prepared in accordance with the criteria stated above by the Board of Directors and Company Management.

Malmö, 5 April 2023
Deloitte AB

Jeanette Roosberg
Authorised Public Accountant

Adrian Fintling
Specialist member of FAR

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 capacity 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.

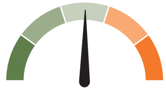
The risk work is governed at an overall level by the Board, which is responsible for the risk management before the shareholders. At an operational level, the risk work is managed by the CEO, the management team and other employees. As a basis for the operational risk management, which is handled at 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 Financial Policy to the Board of Directors.

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, based on what is currently known, a number of risks have been identified and categorised in three areas of risk – operational risks, market risks and financial 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

Environmental impact and climate changes


Probability


Effect

Description of risk

Transports, water- and energy consumption, packaging-, warehousing-, production- and food waste constitute key sources of the Company's environmental and climate impact. The production facilities conduct organised environmental efforts, including action plans and review in a number of areas. A major negative environmental impact or non-compliance with environmental demands risk having a negative impact on the Company's reputation. More extreme weather is becoming an increasing challenge for food production and also therefore for Midsona. A warmer climate could lead to higher operating costs by increasing the need for cooling in warehouses. There is also a risk that drought, hot weather, storms, floods and cold could significantly decrease agricultural production in several important areas, resulting both in price increases and difficulties in obtaining volumes (see also below under risk factor "Raw material prices and raw material shortages"). In its production of foods and cosmetics, the Company is dependent on access to clean fresh water. The consumption of fresh water therefore constitutes a risk for Midsona's production of food and cosmetics. There is also a risk that water shortages could affect one or more of the countries in which Midsona conducts operations. Negative climate impacts caused by fossil fuel goods transports, business travel using fossil fuel vehicles, and consumption of fossil energy to power operations at all offices, warehouses and production facilities also represent risks to Midsona's operations. In all countries where Midsona maintains operations, environmental legislation already exists, including taxation of fossil fuels and plastics, for example. A stricter climate policy, new regulations and shifting market conditions could affect operations dependent on fossil fuels, which could lead to higher energy costs and operating expenses. Should these risks materialise, they would impact the Company's profit, through their direct effect on costs associated with transport and production, for example.

Risk management

We address the risk by monitoring developments closely to gain important insights that can contribute to more informed decision-making and financial planning. 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 water consumption low. The Spanish operations have 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. As of 2021, we also apply a new target for 100-percent renewable energy for our entire operations. 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. Midsona has also adopted a scientifically-based targets approved by the SBTi (Science Based Target initiative) for reducing the Company's climate impact. Through clear control of, and responsibility for, our climate targets within Midsona's senior management, our climate impact also becomes a clear part of the Company's business strategies and financial planning. Midsona has also conducted scenario analyses, to assess in detail what effects climate change can have on Midsona's operations in future years. Midsona applies the recognised TCFD framework to achieve the best possible analysis of its climate-related risks and opportunities, which are also reported is a part of the CDP (Carbon Disclosure Project). The intention is to be able to optimally measure actions and performance to mitigate climate-related risks and to reduce greenhouse gas emissions. The CDP helps us visualise our environmental impact and assess environmental measures.

Business ethics and corruption


Probability


Effect

Description of risk

As the Company's operations largely entail developing, producing and selling organic products, health foods and consumer health products, it is crucial for Midsona that business partners, investors and consumers associate the Company's operations and brands with positive values, where both a good reputation and credibility are decisive for the Company's business value and sales success. The reputation and credibility can easily be damaged if the Company, a supplier or a partner, for example, causes damage to the environment, exploits its workforce, produces harmful products or otherwise commits acts in conflict with the values that the Company's brands represent, resulting in a negative sales trend and negative impacts on the Company's profits. Risks associated with corruption can also damage the Company's reputation, which can affect its business relationships and, by extension, its profitability. Were such risks to materialise, they could have a negative impact on the Company's operations and earnings in the form of decreased sales, for example.

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. Our Code of Conduct is based on the UN Global Compact initiative and addresses our primary principles, including but not limited to business ethics, anti-corruption and labour law in accordance with the ILO. 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 for the value chain. The Group also applies a Whistleblower Policy, which everyone is encouraged to use at the slightest hint of corruption, immorality or violation of our business ethics.

Insurable risks

Description of risk

In the Company's view, it has become more difficult and costly to insure production facilities in the food industry in recent years. This difficulty is also affected by the technical status of the production facilities. 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. There is a risk that the Company's assets do not have adequate insurance cover. Insufficient insurance protection can cause negative effects on the Company's financial position in the event of an injury. An unplanned production interruption can directly affect customer deliveries as a large degree of production is order-based. Should this risk materialise, it could have a negative impact on the Company's financial position.

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. This is an extensive insurance programme that covers property and loss-of-profit insurance, transport insurance, capital insurance and liability and product liability insurance. Systematic work is conducted to both minimise the risk of incidents and have contingency plans in place to limit effects of possible incidents.

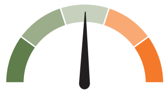
Information systems

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. This 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.



Probability

Effect

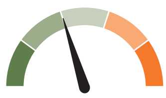
Suppliers

Description of risk

Midsona is dependent on certain major suppliers, particularly in the health food segment, to be able to secure its supply of goods in the short term. If the agreement with a critical supplier were to be terminated prematurely or renegotiated on terms less favourable to Midsona, or if a critical supplier were to go bankrupt or experience extensive operational disruptions, or if a critical supplier were to be adversely affected by external factors, there is a risk of disruptions in the flow of goods and the sales capacity could be negatively affected if Midsona is unable to replace the supplier at commercially acceptable prices within a reasonable time. If deliveries are delayed, this could negatively affect Midsona's commitments and its relationships with customers, causing the Company's customers to cease buying the Company's products or possibly requiring refunds. If realised, supplier risks could, overall, have a negative impact on Midsona's operations, profits and brand.

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 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. 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 in Kodiak 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. As of 2020, we have set a target that all of our suppliers must be assessed in accordance with sustainable procurement, product safety and quality.



Probability

Effect

Production sites

Description of risk

The Group maintains eight production facilities, five for organic products, one for healthfoods and two for consumer health products. These are located in Sweden (1), Denmark (2), Finland (1), Germany (2), France (1), and Spain (1). At the production facilities in Denmark (1), Germany (1), France (1) and Spain (1), significant volumes of certified organic products are produced for the Company's brands. Interruptions or disturbances in the production processes at any of the facilities, caused by fire, mechanical faults, technical disturbances, weather conditions, chronic climate change, natural disasters, labour market conflicts or terrorist activities, for example, could have a negative effect in the form of direct damage to property. Unplanned production interruptions can directly affect customer deliveries as a large degree of production is order-based. In addition, increased inflationary pressure, which would likely lead to higher interest rates and increased rental costs following index adjustments, combined with increased energy costs, would increase costs at the Company's production facilities considerably. Should the above risks materialise, it could have a significant impact on the Company's operations and profits.

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

Product responsibility

Description of risk

Organic products and brands form one of the cornerstones of the Company's operations. There is always a risk of serious product liability incidents. Within the EU, market-wide rules determine what may be considered organic. Among other things, these rules determine how production shall be conducted, how the products should be labelled, how control should be performed and what applies regarding imports of organic products from countries outside the EU. An important element in the checks on organic production is traceability, enabling goods to be monitored at the manufacturing stage, to ensure that they have been produced organically. Accordingly, documentation and information regarding how products are manufactured are particularly important in safeguarding the authenticity of such products. Deficiencies or inaccuracies in such documentation and information can therefore have major consequences for Midsona. The handling of food and other products sold by Midsona, such as pharmaceuticals, is an important part of the Company's operations, placing strict demands on traceability, hygiene and handling. Deficiencies in product handling and safety controls in this regard can lead to contamination, allergic reactions, personal injury or other types of damage, which may cause the Company's reputation to be damaged and stakeholders' confidence in the Company's products to diminish and may result in defective products having to be recalled or repurchased. Recalls can damage the Company's reputation and become costly if goods in stock cannot be sold. Product liability claims can also be made if a product is considered to have caused a personal injury. Should such risks materialise, they could have a negative impact on the Company's reputation and profits.

Risk management

Our objective 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 cooperating 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 and ECOCERT. 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.

Legal risks

Description of risk

Legal risks include a number of different risks in partially different areas. Changes in legislation, legal offences within the operations, maintenance of permits and certifications or shortcomings in agreements entered into by Midsona are some examples of legal risks that may have negative financial consequences for the Group. Customers' increased demands (including on various environmental aspects) in their agreements place demands on increasingly comprehensive controls of the value chain. Despite careful and regular inspections, the size and complexity of Midsona's value chain means that it is exposed to the risk that the requirements will not be maintained, which in turn exposes Midsona to legal risks vis-à-vis its customers.

Risk management

To manage this risk, Midsona focuses on maintaining a transparent value chain, where the requirements of various stakeholders are mapped regularly to ensure that these requirements are included in supplier agreements and other agreements. Midsona continuously monitors developments in future legislation and a number of areas and, together with external advisers, manages existing legal risks. Midsona has also developed a systematic and controlled follow-up of permits, certifications and licenses. Our legal, regulatory and quality organisations jointly manage existing and new requirements, laws and guidelines from authorities, as well as the management of permits, certifications and licenses in a quality management system. 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.

Market risks

Competitors – and, at the same time, customers

Description of risk

Midsona's customers are mainly pharmacy, grocery and health food chains that also offer competing products sold under their own brands, which is why many of Midsona's customers can also be seen as competitors to some extent. In the Company's opinion, these players are not dependent on individual brands and can hold back price increases and necessitate increased marketing efforts. If these players broaden their product ranges under their own brands, this could lead to further competition and increased price pressure. Should such risks materialise, the impact on the Company's profits would be substantial, primarily in the form of decreased sales.

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 very 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.

Consumer behaviour and trends

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. If the Company's competitors are better at monitoring consumer behaviour and new trends, there is a risk that the Company will lose competitiveness. Should this risk materialise, the impact on the Company's profits, in the form of reduced turnover, would be substantial.

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.

Raw material prices and raw material shortages

Description of risk

Midsona purchases raw materials, such as grain, rice, nuts, almonds and fruit mainly from suppliers in Europe, South America and Asia. Several European countries are currently experiencing unusually high electricity prices, which greatly increase the cost of manufacturing raw materials. Raw-material prices can also be affected by strong demand combined with low supply or other external factors beyond Midsona's control, such as agricultural policy decisions, subsidies, trade barriers, events on raw-material exchanges and the cost of manufacturing the raw material. In addition, Russia's invasion of Ukraine (which is a major exporter of grain) and extreme weather are examples of external factors that have affected raw-material prices negatively. Normally, price revisions take place once a year. Higher prices for raw materials could, however, require Midsona to further raise its product prices beyond the customary price revisions. It can generally be difficult to have price increases passed on to customers directly. In certain special cases, discussions are continuously held with customers during the year if there is a drastic increase in the price of a raw material. In the event that Midsona does not succeed in implementing a price increase towards customers, there is a risk that this will negatively affect the Company's margin. Furthermore, there is a risk that the Company will be affected by a shortage of raw materials due to the suppliers not being able to deliver the ordered quantities. The supply of raw materials can, for example, be affected by the quality of the season's harvest and the suppliers' ability to import and export raw materials.

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 six to twelve 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. 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.

Financial risks

Financing risk

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. At the end of the year, the average remaining maturity on confirmed loan commitments was 26 months.

Liquidity risk

Description of risk

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

Risk management

To control and plan the Group's cash requirements, the Group finance function uses liquidity forecasts that the subsidiaries report in on a monthly basis for the upcoming six months. A degree of financial preparedness must be maintained in the form of a liquidity reserve, comprising cash balances and unused credit commitments, which must correspond to at least 7.5 percent of the Group's forecasted annual sales. In 2022, the liquidity reserve was in the range of 9.8–18.2 percent of annual sales, with 18.2 percent being in December following the completion of the new share issue. The liquidity reserve shall, at all times, also exceed the sum of the Group's loan maturity for the next six months.

Foreign exchange risk

Description of risk

Transaction exposure is the risk that affects the Group's earnings and cash flow through the operational and financial transactions that take place in other currencies than the functional currency of each Group company. The Group's sales of goods mainly occur in the companies' local currencies, although the currency flows arising from purchases, primarily of goods, in other currencies give rise to the Group's current transaction exposure.

Risk management

During the year, management was mandated to hedge purchases in USD for, above all, contracts with predefined payment plans as a result of the successively increased currency exposures DKK/USD and EUR/USD. In other regards, any currency risks must, as far as possible, be addressed through currency clauses in the relevant supplier and customer agreements. 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.

Interest rate risk

Description of risk

Interest rate risk refers to the impact on profits of a change in interest rates. How quickly a change in interest rates affects profits depends on the period of fixed interest on credit and investments. The Group is a net borrower and does not invest funds in listed instruments, which is why it is mainly the Group's interest-bearing liabilities to credit institutions that are exposed to interest rate changes. Most of the interest-bearing liabilities to credit institutions bear 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. The average interest on the Group's bank loans and overdrafts amounted to 3.2 percent (1.7) for 2022. In December, an additional amortisation was made on bank loans of SEK 578 million following the completion of the new share issue.

Credit risk

Description of risk

There is a risk of losses if the counterparties with whom the Group has cash and cash equivalents or financial investments are unable to 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.

Risk management

How surplus liquidity is to be placed is set in policy. The Group is a net borrower and excess liquidity shall be used to pay down 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.

Climate-related risks and opportunities

Midsona's business operations are affected by climate change. Accordingly, the Company maps the risks and opportunities that climate change can entail, based on the recommendations in the TCFD framework (Task Force on Climate-Related Financial Disclosures). The scenario analysis is used as a planning tool for analysing and structuring ideas for alternative future development. By preparing for reasonable alternatives, essential knowledge and concepts for coping with the actual future are generated.

In line with the Paris Agreement and the TCFD's recommendations, we have used public scenarios from the IEA and IPPC to assess possible outcomes based on a rise in temperatures of 2°C or 4°C respectively. We have conducted a combination of both qualitative and quantitative use of climate-related company-wide scenario analysis. The object of the analysis is to gain insight into the potential strategic and financial consequences that may arise for Midsona given different future scenarios. We have therefore analysed various scenarios from a short, medium and long-term perspective.

Our new sustainability targets were developed as a consequence of our scenario analysis. These are our most vulnerable areas with the highest risk and our scenario analyses help us see what possible directions these can take over time, including our decision to set an ambition target for emission reductions for our own operations (Scopes 1 and 2), and for our value chain (Scope 3). This included performing a complete Scope 3 survey in 2020 and then updating this regularly until today. All sustainability targets have been developed in accordance with a <2.0°C scenario. In 2022, we have committed to further strengthening our climate goals towards an SBTi-approved Net-Zero target based on a 1.5°C future.

The conclusion drawn from our scenario analyses is that a <2.0°C scenario affects Midsona's operations and value chain in many of our material areas. We have identified several areas with climate-related risks and opportunities that will most likely affect Midsona's profitability and expenses in the form of financial or strategic impact over time.

In a 4.0°C scenario, the physical risk areas for Midsona and the lack of resources will escalate significantly and will require significant need for further action. This will continue to affect our strategy in the future, as we must continuously monitor and assess developments in purchasing, production and distribution to both reach our financial targets and our reduction target, as well as limiting global warming to <2.0°C compared with pre-industrial levels.

Below is an excerpt of the most material parts of the scenario analyses. In Midsona's CDP report for 2022, this is described in more detail in chapters C2 and C3. *(midsona-ab-cdp-report-2022.pdf).*

Scenario 1

Global warming of no more than 2 degrees Celsius

Description: This scenario assumes that global warming can be limited to a maximum of 2°C. The scenario includes higher climate policy ambitions and coordinated global climate measures in the near future. Transition risks and transition opportunities dominate this scenario, with limited physical risks. The scenario is also based on global CO_2 emissions reaching their peak in 2020 and then decreasing rapidly. A high carbon tax is introduced in most economies, and global energy is generated primarily through renewable energy sources. Customers are becoming increasingly climate-conscious and are demanding more sustainable products.

The conclusion of our scenario analyses is that a <2.0°C scenario would impact Midsona's operations and value chain in many of our material areas. We have identified several areas within climate-related risks and opportunities that are likely to have a financial and/or strategic impact on Midsona. In this scenario, the amount of amended legislation increased the legal risks from supply chain control, with market and reputational risks related to the product portfolio being categorised as the most material risks. At the same time, climate-related opportunities were identified, such as transitioning to using energy sources with lower emissions, developing our product portfolio and improving our waste management procedures to meet the anticipated requirements of the European circular economy strategy. Ultimately, all sustainability objectives and targets set for Midsona have been developed in accordance with a <2.0°C scenario.

Risks

- Changed legislation regarding requirements for increasingly comprehensive controls of proprietary operations and a complex value chain.
- Changed legislation regarding taxes or charges on CO_2 emissions can lead to increased indirect expenses linked to transport, production and material use.
- Increased direct expenses due to requirements for technical innovations, stricter legislation and requirements related to raw materials, material use, production and eco-labelling of our products and services.
- Increased legal risks due to demands for increasingly extensive controls of a complex value chain.
- Current market preferences are expected to change, for example through increased demand for products with a low climate footprint. This can also affect our reputation.
- Extreme weather and persistent climate change has already impeded, and will continue to impede, the availability of key raw materials and contribute to increased operating expenses through increased raw material prices, energy and transport.

Risk management

- Midsona has set out a Climate Change Strategy with a Climate Transition Plan, that will help Midsona mitigate its financial climate risks and reduce its negative environmental impact as part of an essential shared global initiative and objective to prevent climate change from increasing.
- Midsona has a clear overall goal to change our climate impact fromenergy, plastic packaging and transport. We have worked with climate-reducing incentives from energy consumption, material selection, product design and packaging to customer transports to reduce emissions. For incoming transports, we are well on the way to switching our transports from fossil-fuelled carbon-intensive trucks to emission-efficient rail transports and we are working actively to increase the filling and efficiency of all transports. We are also examining opportunities to initiate a transition to electric forklifts given the rapid development in this area, with major customers as pioneers. This will also reduce our expenses directly based on environmental and carbon taxes.
- Midsona has committed itself to ambitious scientifically based emission targets in accordance with Scopes 1, 2 and 3 and Net-Zero to reduce emissions both directly and indirectly in its own operations and in the value chain. Midsona currently uses third-party climate expertise and tools to calculate the climate impact of all relevant categories based on the GHG protocol, which includes seven Scope 3 categories. For the category "goods and services", Midsona has worked to calculate the products' climate emissions to be able to voluntarily label the products in accordance with acceptable standards, which reduces the risk of mandatory environmental product declarations. Furthermore, Midsona works with industry organisations and follows official recommendations to find an acceptable and cost-effective method of labelling products. Finally, it is important to follow the development of laws and regulations closely, as well as technical innovations.
- Midsona focuses on maintaining a transparent value chain with clear requirements in supplier agreements and other types of agreements. We have programmes and targets in place for increased supplier control and risk management throughout the value chain, right down to the production of raw materials.
- Reducing the complexity of the supply chain by, for example, reducing the number of certifications (retaining those that best ensure social and environmental conditions) and thus improve governance.
- Midsona is working to increase its range of healthy and sustainable products through our innovation and product range processes to live up to each brand's sustainability plans. Midsona focuses on the risks of a negative climate impact on the Company and applies two targets for more sustainable products, to increase plant-based/vegetarian products and recyclable consumer packaging.

Opportunities

- By working on our Climate Transition Plan now to be able to resolve future shortages of important raw materials, this raw material risk can become an opportunity for Midsona.
- The use of materials, fuel and energy sources with lower emissions can help cut indirect expenses.
- Midsona's strong sustainability profile and long-term goals for low-carbon and plant-based products safeguard our reputation and afford us a competitive advantage. Development and/or expansion of low-emission products and services can lead to increased revenues as a result of increased demand for products and services with a small climate footprint.
- By working with recycling, the indirect costs will be reduced.

Strategy for realising opportunities.

- Midsona has joined DLF's transport initiative on fossil-free transport and the plastics initiative for recyclable plastics. Midsona has also set its own numerical targets for both recyclable plastic packaging and fossil-free transport for the entire Group. Furthermore, we have worked to transform our transport chains into inter-modal emission-efficient solutions by rail instead of just trucks. We have also increased the proportion of recyclable plastic. In 2021, due to an increased share of non-renewable energy through acquisitions, we also set a quantified, time-bound target for renewable energy for the entire Group, with a concrete transition plan as of 2022. This will have a positive impact on reputation and reduce direct and indirect expenses through lower carbon taxes and give us a competitive advantage. Our focus will also be on efficiency in transport through filling rate, load planning and route optimisation to reduce our expenses.

Scenario 2

Global warming of 4°C

Description: This scenario assumes that global warming amounts to 4°C. The scenario is dominated by increased physical risks due to the lack of coordinated policy measures to limit climate change. In this scenario, economic growth is preferable to climate action. The population is growing faster than in the 2°C scenario and overconsumption of resources continues. The world remains dependent on fossil fuels and energy intensity remains high. Customers do not prioritise the climate in their decision-making. Water is becoming an important resource with limited accessibility and climate-related conflicts are increasing due to poor fisheries management, forestry, agriculture and living conditions. As the world gets warmer, the severity and frequency of extreme weather events will increase.

The conclusion from our scenario analysis is that, in a 4.0°C scenario, the physical risk areas for Midsona and the lack of resources, such as fuel and energy supply, key raw materials such as certified raw materials and water supply to escalate significantly and will require further action. Even today, we see the effect of reduced access to some raw materials based on climate challenges. The raw-material challenges have already increased significantly in recent years and will, with all likelihood escalate in a 4-degree scenario. Our certified raw materials, with lower global availability, will be particularly vulnerable. This will continue to affect our strategy in the future, as we must continuously monitor and assess developments in purchasing, production and distribution to reach both our financial targets, as well as our reduction target and to limit global warming to <2.0°C compared with pre-industrial levels. In this scenario, disruptions in the supply chain, both in terms of the availability of raw materials and transportation challenges are identified as potential risks. With this, there is an additional risk that the pricing of these products and services will increase the volatility significantly, and that there will be uncertainties in financial planning. To react to the risks in this scenario, Midsona has developed a climate-change strategy to reduce its negative environmental impact and formulated a Climate Transition Plan adapted to a 1.5 degree scenario to guide the transition process. In addition, Midsona actively manages the supply chain risk through close dialogue with volume- and product-critical suppliers, has established alternative suppliers for certain products and introduced more efficient resource acquisition processes.

Risks

- Acute and chronic changes in precipitation patterns and extreme variations in weather patterns, as well as changes in average temperatures, can lead to increased production disruptions and damage as well as significantly increased expenses for energy supply, greater water and transport challenges and significantly reduced availability of raw materials with large expense variations and generally increased prices for raw materials, which ultimately reduces our ability to secure goods and profitability.
- Current market preferences are expected to change, for example through limited availability and deteriorating living conditions.

Risk management

- To manage this risk, Midsona has established a Climate Change Strategy with a Climate Transition Plan to mitigate its negative environmental impact and do what we can to help prevent such a rise in temperatures. We address the risk by monitoring developments closely and by setting ambitious, scientifically-based emission targets in accordance with Scopes 1, 2 and 3 and Net-Zero.
- One of our main risk management methods to meet the described raw material risk is to pursue close dialogues with important suppliers about volume-critical products for fast delivery, establish alternative suppliers for delivery-critical volume products to reduce dependence, source the raw materials from less climate-exposed areas such as Europe, and achieve more efficient use of raw materials through joint purchases due to product synergies within the Group.
- Focus on circularity and reduced material, energy and transport consumption.
- See also measures under Scenario 1.

Administration Report

The Board of Directors and President of Midsona AB (publ), corporate identity number 556241-5322, headquartered in Malmö, Sweden, hereby presents its annual and consolidated accounts for the 2022 financial year.

Operations

Midsona is the leading consumer goods company in the Nordic region in health and well-being with proven products in the categories organic products, healthfoods and consumer health products. In 2018–2019, the Group established a presence beyond the Nordic region, in Germany, France and Spain, through company acquisitions. The vision is to become one of the leaders in Europe in health and well-being.

A growing proportion of the product portfolio has an organic profile. The products are aimed at helping people lead a healthier life while being sustainable for our planet. The business model is based on strong brands with good market positions, innovation and an effective production and distribution structure.

The brand portfolio consists of both own brands and licensed brands. The Group also has contract manufacturing assignments. The Group's own 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 chains within pharmacy, grocery trade and healthfood stores and other specialist retailers, as well as actors in food service and the food industry.

The Group is organised into three divisions, also its operating segments; Nordics, North Europe and South Europe, which bear 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, finance 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* on page 149.

Significant events during the financial year

Customer agreement

A contract manufacturing agreement was signed with Mercadona, Spain's largest grocery trade chain, for deliveries of plant-based meat alternatives. The customer agreement was estimated to generate approximately SEK 30–40 million in net sales on an annual basis.

Prestigious appointment for supplier engagement

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

Changes in Group Management

In addition to her current role, Director Legal, Tora Molander, was appointed Risk and Sustainability Manager for the Midsona Group and became a member of Group Management as of 1 April.

Security situation in Ukraine

Russia's invasion of Ukraine drastically changed the geopolitical situation in Europe. Midsona had no material direct customer or supplier exposure in the countries concerned – Ukraine, Russia and Belarus, but was strongly indirectly affected by the accelerating inflationary pressures with gradually rising prices on commodities, finished goods, packaging materials, energy and transport.

Restructuring programme

In April, a decision was made to implement a restructuring programme as a measure to strengthen competitiveness. The ambition was to reduce the cost base by SEK 40 million on an annual basis through structural changes, including staff cutbacks, as far as possible by terminating contracts with hired staff and through natural staff redundancies.

In October, the restructuring programme was expanded with new activities being added aimed at lowering the cost base by a further SEK 20 million annually. Accordingly, it was decided, during the year, to lower the cost base SEK 60 million in total through structural changes.

Distribution agreement

The distribution agreement for the Compeed, EllaOne and Norlevo brands in the Nordic market was terminated by the new owner Perrigo as of 31 December 2022, as they intended to coordinate in-house distribution with their other products in the European market. The sales assignment accounted for about 3 percent of the Group's net sales in 2021 with a below-average gross margin. After deducting expenses and certain cost savings, the effect on profit is expected to be limited.

Impairment of intangible and tangible fixed assets

In August, impairment in a tangible fixed asset attributable to North Europe was recognised due to low capacity utilisation. Following an indication of impairment, the tangible fixed asset was tested for impairment test, leading to the recoverable amount being reduced by SEK 54 million (EUR 5.1 million).

Impairment testing of cash-generating units identified a need to recognise impairment in North Europe and South Europe, to which consolidated goodwill had been allocated, for example. In September, impairment of SEK 177 million (EUR 16.6 million) was recognised in the goodwill of the cash-generating unit North Europe and impairment of SEK 249 million (EUR 23.4 million) was recognised in the goodwill of the cash-generating unit South Europe – SEK 426 million (EUR 40.0 million) in total. A change in some important assumptions led to lower estimated future cash flows for each cash-generating unit.

Extended financing agreement

In October, the existing financing agreement with Danske Bank and Svensk Exportkredit was extended for another year on largely the same terms as the existing agreement, now extending until September 2025. The extended agreement included a proviso to make an additional loan repayment to credit institutions following the implementation of the new share issue.

New share issue

In October, Midsona's Board of Directors resolved to issue 298,320 new Series A shares and 72,415,720 Series B shares with preferential rights for existing shareholders, with the approval of an Extraordinary General Meeting in November. Midsona's principal shareholder, Stena Adactum AB, undertook to subscribe for its pro rata share of the share issue and issued an underwriting guarantee for the remainder of the issue. In December, Midsona gained an injection of SEK 600 million before transaction expenses. The transaction expenses amounted to SEK 16 million. The proceeds of the new share issue were used to repay loans to credit institutions by SEK 578 million to lower the debt ratio and thereby strengthen the financial position to promote a long-term sustainable capital structure and increase financial flexibility.

Prestigious climate rating

The global environmental initiative CDP, an international non-profit organisation that helps companies make their environmental impact visible, awarded Midsona the grade A- for the second consecutive year, placing the Company among the best listed companies in the world with regard to reporting on its climate strategies.

Changes on the Board of Directors

At an Extraordinary General Meeting in December, Patrik Andersson and Anders Svensson were elected as new Board members in accordance with the Nomination Committee's proposal. Patrik Andersson was also elected as Chairman of the Board in accordance with the Nomination Committee's proposal. Both Patrik Andersson and Anders Svensson are independent in relation to the Company, its management and its major shareholders. With Chairman of the Board Ola Erici and Board Member Peter Wahlberg having declined re-election, the Board of Directors of Midsona AB now comprises Patrik Anderson (Chairman), Heli Arantola, Sandra Kottenauer, Jari Latvanen, Henrik Stenqvist, Anders Svensson and Johan Wester.

Significant events after the end of the financial year

Sustainability work receives recognition

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

Risks and uncertainties

The Group had to face successively rising prices for raw materials, finished goods, packaging materials, energy and transport as a result of the accelerating inflationary pressure caused by the Ukraine crisis. Ukraine is a major exporter of several important grains, such as wheat, maize and sunflower seeds, which are ingredients in some of the Group's finished products. Logistics problems in transporting last year's grain crops out of the country rapidly pushed up world market prices, severely impacting already hard-pressed subcontractors. In the spring, large areas of arable land were left un-sown as they had become theatres of war, resulting both in shortages and in already high global prices for certain cereals becoming further inflated. The availability of certain cereals improved somewhat in the third quarter when the blockade of Ukrainian ports was lifted.

There was some uncertainty regarding the outcome of the year's harvest of key raw materials such as chia and sesame seeds, nuts and rice given the prevailing climate-related risks. For chia and sesame seeds and nuts, the results of the harvest were relatively good, while for rice they were less favourable due to drought in Italy and floods in Pakistan. This meant that prices for certain raw materials stabilised or even abated somewhat as a result of relatively good harvests, while the price scenario accelerated for other raw materials due to shortages.

The global transport situation worsened as a consequence partly of Asian ports being closed because of the pandemic and strikes at European ports, as well as the security policy situation in Europe, which together exerted further pressure on the supply chain, resulting in delivery delays and certain shortages. As lead times for certain transports were sometimes doubled, orders had to be placed significantly earlier. The global transport situation gradually improved during the fourth quarter, however.

The major energy crisis that spread across Europe during the year, with rapidly rising electricity and gas prices, led to rising energy costs for some of the Group's production facilities. The energy supply shortages and exceptionally high energy prices previously feared for the winter months have failed in part to materialise. Some uncertainties nonetheless remained regarding the energy supply in Europe. Midsona has sought to balance the risks by signing both variable and fixed energy contracts for the Group's production facilities as earlier electricity contracts have expired.

An overall assessment would indicate that the Ukraine crisis and other unfavourable external factors will continue to negatively affect the Group's earnings and financial position in the short term, as there is a built-in delay between price increases being announced and their impact on gross profit being felt. This lead time is usually longer for contract manufacturing assignments due to the fact that the contracts are fixed and usually run for one year at a time. Volatility in prices for raw materials, packaging materials, energy and transport, as well as exchange rate trends for key currencies, including USD and EUR, will remain an ongoing challenge for the Group. Price trends will likely continue to rise for some raw materials and packaging materials, while they will stabilise or even abate for other raw materials, packaging materials, energy and for road transports. For maritime transports, the pricing scenario improved in the fourth quarter with declining global demand for such transports.

Over the year, central and national banks in Europe rapidly raised their key interest rates to dampen the increased inflationary pressure, resulting in rapidly rising market rates. For the Group, this resulted in higher interest expenses on its financing. In the short-term perspective, we expect further interest rate hikes to overcome inflationary pressure. This will result in continued slowdowns in economic development, placing consumers' private finances under further pressure, with eroded purchasing power as a consequence. The harsher private finance climate for consumers has already led to a temporary shift towards more private label products in the lower price segment. In the short term, this will certainly entail additional challenges regarding demand for some of the Group's product categories.

Net sales and profit

Financial overview[1]	2022	2021
Net sales, SEK million	3,899	3,773
Net sales growth, %	3.3	1.7
Organic change, net sales, %	–2.6	–6.0
Gross margin, before items affecting comparability, %	24.0	27.0
EBITDA, before items affecting comparability, SEK million	191	313
EBITDA-margin, before items affecting comparability, %	4.9	8.3
EBITDA SEK million	176	329
EBITDA margin, %	4.5	8.7
Operating profit, before items affecting comparability, SEK million	30	157
Operating margin, before items affecting comparability, %	0.8	4.2
Operating profit, SEK million	–465	161
Operating margin, %	–11.9	4.3
Profit for the year, SEK million	–501	89
Earnings per share for the year before dilution, SEK	–6.73	1.31
Earnings per share for the year after dilution, SEK	–6.73	1.30

[1] Midsona presents certain financial measures in the Annual Report that are not defined under IFRS. For definitions and reconciliation to IFRS, see pages 184–187.

Net sales

Net sales amounted to SEK 3,899 million (3,773), an increase of 3.3 percent. The organic change in net sales was –2.6 percent while structural changes contributed 2.5 percent and exchange rate changes 3.4 percent. For the Group's own brands, the organic sales growth was –3.3 percent.

As a whole, the Group's sales trend for comparable units weakened despite stable growth for most own brands in the health food and consumer health product categories, as well as growth in contract manufacturing. For own brands in the organic products category and for licensed brands, sales for comparable units were weak. Society's removal of pandemic restrictions led to altered consumption patterns with decreased household consumption and more restaurant visits, which, on the whole, disadvantaged own brands in the organic products category. Strong inflationary pressure also burdened consumers' purchasing power, leading to a certain temporary shift whereby consumers increasingly chose private label products in the lower price segment. Over the year, the supply chain occasionally came under pressure with, for example, longer lead times for deliveries of raw materials, packaging materials and finished goods due to the global transport situation.

Gross profit

Gross profit, before items affecting comparability, amounted to SEK 935 million (1,019), corresponding to a margin of 24.0 percent (27.0) and gross profit amounted to SEK 878 million (1,015).

The negative margin trend was driven strongly by severe inflationary pressure, with increased prices for raw materials, packaging materials, finished goods, energy and transport, which could not immediately be parried by price increases to customer, but that occur with a certain time lag. Furthermore, the exchange rate trend for the EUR and USD against the SEK, NOK and DKK was unfavourable and had a strong negative impact on the development of the margin, with most raw materials and finished goods being purchased in EUR and USD. In the second half of the year in particular, the product mix was unfavourable with more sales of contract manufactured products with a generally lower margin. At most of the Group's production facilities, efficiency was occasionally low, partly due to the strained global transport situation with delays in deliveries of goods. Gross profit was also burdened in the second half of the year with increased production overheads in one of the Group's production facilities. New price increases were both announced and implemented to customers in stages to offset the broad inflationary pressure to restore the margin as quickly as possible. There was an impairment of tangible fixed assets by SEK –54 million (–4). In the comparison period, impairment of SEK –4 million was recognised in tangible fixed assets due to the closure of a production facility.

Operating profit

Operating profit, before items affecting comparability, amounted to SEK 30 million (157), corresponding to a margin of 0.8 percent (4.2) and the operating loss amounted to SEK –465 million (161). Amortisation and depreciation for the period amounted to SEK –161 million (–156), divided between SEK –48 million (–47) in amortisation of intangible fixed assets and SEK –113 million (–109) in depreciation of tangible fixed assets. In addition, intangible and tangible fixed assets were subject to impairment in the amount of by SEK –480 million (–12). In the comparison period, impairment of SEK –8 million was recognised on intangible assets and of SEK –4 million on tangible fixed assets as a result of a product development project being discontinued and a production facility being closed. EBITDA amounted to SEK 176 million (329) and EBITDA, before items affecting comparability, amounted to SEK 191 million (313), corresponding to a margin of 4.9 percent (8.3). The EBITDA margin decreased, essentially as a consequence of lower business volumes for comparable units and a weak gross margin trend. Selective investments in own brands continued to be made. Cost control and cost awareness in the Group were good. Large parts of the year were pervaded by work on the ongoing restructuring programme to lower the cost base and strengthen competitiveness. Synergies from the restructuring programme gradually began to be realised, starting in the third quarter.

Items affecting comparability

Items affecting comparability were included in operating profit by SEK –495 million (4) and consisted of restructuring costs of SEK –15 million (1), impairment of intangible fixed assets by SEK –426 million (–8) and impairment of tangible fixed assets by SEK –54 million (–4). The comparison period also included a revalued conditional purchase price of SEK 21 million, the returned part of a restructuring reserve of SEK 1 million, and acquisition-related costs of SEK –5 million, of which SEK –3 million was attributable to Vitality and SEK –2 million to System Frugt. Restructuring costs were attributable to the ongoing restructuring programme to lower the cost base. Impairment of tangible and intangible fixed assets was attributable to low capacity utilisation for machinery and impairment testing of cash-generating units. For information on which items in the Group's income statement were affected by items affecting comparability, see section IFRS Reconciliations, Group, on pages 185–187.

Profit before tax

The profit/loss before tax amounted to SEK –529 million (115). Net financial items amounted to SEK –64 million (–46). Interest expenses for external loans to credit institutions amounted to SEK 50 million (34) and interest expenses attributable to leases were SEK 4 million (4). Interest expenses to credit institutions increased as a consequence of gradually rising interest rates on credit facilities. Net translation differences on financial receivables and liabilities in foreign currency amounted to SEK –4 million (–2), of which SEK –8 million referred to a realised currency translation difference arising on the amortisation of loans to credit institutions in December. Other financial items amounted to SEK –6 million (–6).

Profit for the year

The profit/loss for the year amounted to SEK –501 million (89), corresponding to earnings per share of SEK –6.73 (1.31) before dilution and of SEK –6.73 (1.30) after dilution. Tax on profit for the period amounted to a positive SEK 28 million (–26), comprising current tax of SEK –10 million (–19), tax attributable to previous years of SEK 1 million (0) and deferred tax of SEK 37 million (–7). The effective tax rate was 5.2 percent (22.6). The low effective tax rate was essentially attributable to the non-tax-deductible impairment of consolidated goodwill.

Cash flow

Cash flow from operating activities amounted to SEK 203 million (–64) and improved as a result of stronger cash flow from changes in working capital driven by less capital being tied up in inventories and trade receivables. In the comparison period, however, operating receivables were negatively affected by a terminated factoring agreement, while new legislation in Sweden, with changed payment terms for agricultural and food products negatively affected operating liabilities.

Cash flow from investing activities amounted to SEK –29 million (–175), consisting of investments in tangible and intangible fixed assets of SEK –35 million (–59), of which SEK –6 million (–31) involved an on-going expansion investment in South Europe, SEK 7 million involved a divestment of tangible assets and SEK –1 million (–2) involved a change in financial assets. The comparison period also included a paid contingent purchase consideration of SEK –3 million regarding previous years' acquisitions and acquisitions of operations by SEK –111 million. Free cash flow amounted to SEK 180 million (–94).

Cash flow from financing activities was SEK –108 million (94), comprising a new share issue for SEK 600 million (500), issue expenses of SEK –9 million (–6), loans raised of SEK 60 million (291), loan amortisations of SEK –701 million (–549), amortisations of lease liabilities by SEK –58 million (–58) and premiums of SEK 0 million paid in for the TO2022 /2025 warrant programme. The comparison period included premiums of SEK 2 million paid in for the TO2021/2024 warrant programme and the dividend paid of SEK –86 million. Cash flow for the year amounted to SEK 66 million (–145).

Liquidity and financial position

Cash and equivalents amounted to SEK 121 million (53) and there were unused credit facilities of SEK 587 million (490) at the end of the period

Summary of capital and liquidity structure[1]	31 Dec 2022	31 Dec 2021
Average capital employed, SEK million	4,171	4,228
Return on capital employed, %	Neg.	4.1
Equity/assets ratio	62.8	54.4
Net debt, SEK million	774	1,436
Net debt/Adjusted EBITDA, multiple	4.4	4.4
Shareholders' equity, SEK million	3,082	2,875
Net debt/equity ratio, multiple	0.3	0.5
Interest coverage ratio, multiple	Neg.	3.9

[1] Midsona presents certain financial measures in the Annual Report that are not defined under IFRS. For definitions and reconciliation to IFRS, see pages 184–187.

Net debt amounted to SEK 774 million (1,436). The ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 4.4 (4.4).

Equity amounted to SEK 3,082 million (2,875). The changes consisted of the loss for the year of –501 MSEK, translation differences when translating foreign operations of SEK 121 million, the new share issue of SEK 600 million, issue costs of SEK -13 million and a paid premium of SEK 0 million when issuing warrant programme TO2022/2025. The equity/assets ratio was 62.8 percent (54.4) at the end of the year.

Investments

Investments in intangible and tangible fixed assets amounted to SEK 35 million (59), of which SEK 6 million (31) was an expansion investment at the production facility for meat alternatives. Other investments essentially consisted of replacement investments in production facilities.

Risks and risk management

For risks and risk management, refer to pages 120–130. For financial risks, see also Note 30 *Financial risk management*, on pages 161–163.

Guidelines for remunerations to 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 2023 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 151–153.

Share data and ownership

The share

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

Over the year, a combined 39,169,782 (21,760,304) Series A and B shares were traded. The highest price paid for Series B shares was SEK 56.60 (90.90), and the lowest was SEK 7.88 (45.45). On 30 December, the most recent price paid for the share was SEK 9.50 (54.10).

At the end of the year, the total number of shares was 145,428,080 (72,714,040), divided between 596,640 Series A shares (298,320) and 144,831,440 Series B shares (72,415,720). At the end of the year, the number of votes was 150,797,840 (75,398,920), where one Series A share carries ten votes and one Series B share carries one vote. All Series A and B shares convey equal rights to the Company's net assets and profits. Neither the company nor its subsidiaries hold any treasury shares.

Emissions

The rights issue in December of 298,320 Series A shares and 72,415,720 Series B shares, with preferential rights for existing shareholders, showed that 277,448 Series B shares, corresponding to approximately 93.0 percent of the Series A shares offered, as well as 38,770,076 Series B shares, corresponding to approximately 53.5 percent of the Series B shares offered were subscribed with the support of subscription rights. In addition, 20,872 Series A shares, corresponding to around 7.0 percent of the Series A shares offered, as well as 225,475 Series B shares, corresponding to around 0.3 percent of the Series B shares offered, were subscribed for without the support of subscription rights. The remaining 33,420,169 Series B shares, corresponding to approximately 46.2 percent of the Series B shares offered, were assigned to Stena Adactum AB as the issue underwriter.

The new shares were registered with the Swedish Companies Registration Office in December 2022 and introduced in the share register maintained by Euroclear Sweden in January 2023.

Reclassification of Series A shares to Series B

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

Owners

Following the rights issue and the reclassification of Series A shares to B shares, Stena Adactum AB was the largest owner, whose holdings were 69,994,562 Series B shares, corresponding to 48.1 percent of the capital and 46.9 percent of the votes as of 16 January 2023. No other shareholder had a holding of 10 percent or more of the total number of shares as of 16 January 2023. The ten largest shareholders together had holdings in the Company of 72.9 percent of the capital and 71.2 percent of the votes as of January 16, 2023. For more information about the shareholder structure, see the section *Shares and shareholders*, pages 28–31.

Warrant programme

The subscription period for warrant programme TO2019/2022, potentially giving a maximum of 150,960 new B shares on full conversion, expired on 20 December 2022. No warrants were converted to B shares.

In August 2022, a total of 120,000 warrants in TO2022/2025 were transferred to senior executives. Each warrant entitles the holder to subscribe for one Series B share. The period during which the warrants may be exercised will be from 1 August 2025 to 20 December 2025. The subscription price for the warrant programme was recalculated at SEK 25.60 (previously SEK 25.66) in light of the completed rights issue. The transfer of the warrants took place at market terms based on a calculation according to the so-called Black & Scholes model done by PWC AB, which is to be considered independent in relation to Midsona. The fair value per warrant was SEK 3.82 at the time of the transaction in August 2022.

There were two warrant programmes outstanding, TO2021/2024 and TO2022/2025, at the end of the year. For more information on TO2021/2024, see Note 24 *Shareholders' equity* on pages 159–160.

Authorisations

The 2022 Annual General Meeting resolved, in accordance with the Board's proposal, to authorise the Board to, on one or more occasions until the next Annual General Meeting, decide to increase the share capital through new issues of shares. Such decisions may be made with or without deviation from shareholders' preferential rights and with or without a provision to issue shares on a non-cash or set-off basis, or subject to other terms. The total number of shares that can be issued with the support of this authorisation shall be limited to 20 percent of the total number of shares of each class of shares outstanding at the time of convening the Annual General Meeting. A new share issue deviating from existing shareholders' preferential rights, determined based on this authorisation, shall be conducted as partial financing of company acquisitions.

Articles of Association

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

At the Annual General Meeting, shareholders may vote for the full number of shares owned or represented. The shares issued shall be freely transferable, without restrictions by law or in accordance with the Articles of Association. To the Company's knowledge, there are no agreements between shareholders that could entail limitations to the right to transfer shares.

The Articles of Association are available at www.midsona.com.

Effects of major changes of ownership

There are no material commercial agreements within Midsona 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. The long-term financing includes terms entailing that lenders may request early repayment of loans if control of the Company changes significantly.

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.

Environmental information

Organised environmental efforts form the basis for reducing environmental impacts. The greatest environmental impact arises as a consequence of water and energy consumption, waste, waste water and transportation. Statutory environmental requirements are followed and the Group was not involved in any environmental-related dispute during the year. Midsona had eight production facilities at its disposal at the end of 2022, located in Sweden (1), Denmark (2), Finland (1) France (1), Germany (2) and Spain (1). The production facility in Sweden 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, Finland, Germany, France and Spain adjust their operations, apply for the required permits and report to authorities in accordance with local legislation.

The production facilities conduct organized environmental efforts, including action plans and review in a number of areas. Environmental efforts form an integral part of the operations 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 32–117.

Corporate Governance Report

For the Corporate Governance Report, see pages 170–174. A Corporate Governance Report has been prepared in accordance with the disclosure requirements in Chapter 6, Section 8 of the Annual Accounts Act.

Sustainability Report

For the Sustainability Report, please see pages 32–117. A Sustainability Report has been prepared in accordance with the disclosure requirements in Chapter 6, Section 11 of the Annual Accounts Act.

Parent Company

Net sales amounted to SEK 63 million (64), and related primarily to invoicing of services provided internally within the Group. Operating profit amounted to SEK –24 million (–24) and profit/loss before tax was SEK –425 million (13). The profit/loss before tax included dividends from subsidiaries of SEK 1 million (3), of which anticipated dividends of SEK 1 million (2), impairment of shares in subsidiaries by SEK –450 million, Group contributions of SEK 67 million (31) and change in excess depreciation of SEK –15 million (–5). Net financial items included exchange-rate differences on financial receivables and liabilities in foreign currency of SEK –48 million (–31) and negative exchange-rate differences of SEK –8 million (–2) in financial receivables and liabilities in foreign currency, as well as exchange rate differences of SEK 6 million (13) on net investments in subsidiaries.

Investments in intangible and tangible fixed assets amounted to SEK 2 million (9) and pertained to all intents and purposes to software. Depreciation and amortisation on tangible and intangible fixed assets amounted to SEK 12 million (11).

Cash and cash equivalents, including unutilised credit facilities, amounted to SEK 662 million (492). Borrowing from credit institutions was SEK 697 million (1,273) at the end of the year. In December, an additional amortisation of SEK 578 million was made on liabilities to credit institutions using proceeds from the new share issue. The financing agreement with Danske Bank was extended by one year until September 2025, see Note 25 *Liabilities to credit institutions*, on page 160.

Shareholders' equity amounted to SEK 2,697 million (2,540), of which unrestricted shareholders' equity amounted to SEK 1,912 million (2,119). The changes in shareholders' equity over the year comprised the profit/loss for the year of SEK –430 million, the new share issue injecting SEK 600 million and issue expenses of SEK 13 million.

On the balance sheet date, there were 16 employees (18).

Proposed appropriation of profit or loss

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

Share premium reserve	SEK 1,798,368,654
Profit brought forward	SEK 543,647,031
Profit/loss for the year	SEK –430,121,928
Total	SEK 1,911,893,757

The Board of Directors proposes that the unrestricted shareholders' equity in the Parent Company, amounting to SEK 1,911,893,757 be appropriated as follows:

Carried forward	SEK 1,911,893,757
Total	**SEK 1,911,893,757**

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

The financial accounts were approved for publication by the Board of Directors of the Parent Company on 5 April 2023.

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

Financial statements

Consolidated income statement

SEK million	Note	2022	2021
Net sales	2, 3, 4, 5	3,899	3,773
Expenses for goods sold		−3,021	−2,758
Gross profit		**878**	**1,015**
Selling expenses		−1,045	−592
Administrative expenses		−298	−289
Other operating income	6	10	35
Other operating expenses	7	−10	−8
Indirect expenses, net		**−1,343**	**−854**
Operating profit	2, 4, 8, 9, 10, 15, 16, 17, 27	**−465**	**161**
Financial income		67	11
Financial expenses		−131	−57
Net financial items	11	**−64**	**−46**
Profit/loss before tax		**−529**	**115**
Tax	13	28	−26
Profit for the year		**−501**	**89**
Attributable to			
Parent Company shareholders (SEK million)		−501	89
Earnings per share to Parent Company shareholders (SEK)	14	−6.73	1.31
Earnings per share to Parent Company shareholders, after dilution (SEK)	14	−6.73	1.30

Consolidated statement of comprehensive income

SEK million	Note	2022	2021
Profit for the year		**−501**	**89**
Items that have or can be reallocated to profit for the year			
Translation differences for the year on translation of foreign operations		121	63
Other comprehensive income for the year		**121**	**63**
Comprehensive income for the year		**−380**	**152**
Attributable to			
Parent Company shareholders (SEK million)		−380	152

Consolidated balance sheet

SEK million	Note	31 Dec 2022	31 Dec 2021
Assets			
Intangible fixed assets	15	3,020	3,364
Tangible fixed assets	16, 17	451	522
Non-current receivables	20	5	4
Deferred tax assets	13	116	91
Fixed assets		**3,592**	**3,981**
Inventories	21	727	783
Tax receivables		17	18
Accounts receivable	22	398	403
Other receivables	20	27	33
Prepaid expenses and accrued income	23	22	16
Cash and cash equivalents	30, 35	121	53
Current assets		**1,312**	**1,306**
Assets	2, 4, 31, 32	**4,904**	**5,287**
Shareholders' equity			
Share capital		727	363
Additional paid-up capital		1,850	1,627
Reserves		126	5
Profit brought forward, including profit for the year		379	880
Shareholders' equity	24	**3,082**	**2,875**
Liabilities			
Non-current interest-bearing liabilities	25, 30, 35	776	1,314
Other non-current liabilities	26	0	1
Other provisions	29	8	10
Deferred tax liabilities	13	347	347
Non-current liabilities		**1,131**	**1,672**
Current interest-bearing liabilities	25, 30, 35	119	175
Accounts payable		358	342
Tax liabilities		7	15
Other current liabilities	26	36	40
Accrued expenses and deferred income	28	164	167
Other provisions	29	7	1
Current liabilities		**691**	**740**
Liabilities		**1,822**	**2,412**
Shareholders' equity and liabilities	2, 4, 31, 32	**4,904**	**5,287**

Changes in consolidated shareholders' equity

SEK million	Share capital	Additional paid-up capital	Reserves	Profit brought forward, including profit for the year	Total Shareholders' equity
Opening shareholders' equity, 1 Jan 2021	**325**	**1,169**	**–58**	**877**	**2,313**
Comprehensive income for the year					
Profit for the year	–	–	–	89	89
Other comprehensive income for the year	–	–	63	–	63
Comprehensive income for the year	–	–	**63**	**89**	**152**
Transactions with the Group's owners					
New share issue	37	463	–	–	500
Issue expenses	–	–6	–	–	–6
Completed issue of warrant programme, TO2017/2020	1	–1	–	–	–
Issue expenses, TO2017/2020	–	0	–	–	0
Premium paid in on issuing warrant programme, TO2021/2024	–	2	–	–	2
Dividend	–	–	–	–86	–86
Transactions with the Group's owners	**38**	**458**	**–**	**–86**	**410**
Closing shareholders' equity, 31 Dec 2021	**363**	**1,627**	**5**	**880**	**2,875**
Opening shareholders' equity, 1 Jan 2022	**363**	**1,627**	**5**	**880**	**2,875**
Comprehensive income for the year					
Profit for the year	–	–	–	–501	–501
Other comprehensive income for the year	–	–	121	–	121
Comprehensive income for the year	–	–	**121**	**–501**	**–380**
Transactions with the Group's owners					
New share issue	364	236	–	–	600
Issue expenses	–	–13	–	–	–13
Premium paid in on issuing warrant programme, TO2022/2025	–	0	–	–	0
Transactions with the Group's owners	**364**	**223**	**–**	**0**	**587**
Closing shareholders' equity, 31 Dec 2022	**727**	**1,850**	**126**	**379**	**3,082**

Consolidated cash flow statement

SEK million	Note	2022	2021
Operational activities			
Profit/loss before tax		–529	115
Adjustment for items not included in cash flow	35	683	141
Income tax paid		–13	–12
Cash flow from continuing operations before changes in working capital		**141**	**244**
Cash flow from changes in working capital			
Increase (–)/decrease (+) in inventories		76	–124
Increase (–)/decrease (+) in operating receivables		27	–80
Increase (+)/decrease (–) in operating liabilities		–41	–104
Changes in working capital		**62**	**–308**
Cash flow from operating activities		**203**	**–64**
Investing activities			
Acquisitions of companies or operations	35	–	–114
Divestments of companies or operations		0	–
Acquisitions of intangible assets	15	–1	–5
Acquisitions of tangible assets	16	–34	–54
Divestments of tangible fixed assets		7	–
Change in financial assets		–1	–2
Cash flow from investment activities		**–29**	**–175**
Cash flow after investing activities		**174**	**–239**
Financing activities			
New share issue		600	500
Issue expenses		–9	–6
Premium paid in, warrant programme, TO2021/2024		–	2
Premium paid in, warrant programme, TO2022/2025		0	–
Loans raised	35	60	291
Repayment of loans	35	–701	–549
Amortisation of lease liabilities	35	–58	–58
Dividend paid		–	–86
Cash flow from financing activities		**–108**	**94**
Cash flow for the year		**66**	**–145**
Cash and cash equivalents			
Cash and cash equivalents at start of the year		53	195
Translation difference in cash and cash equivalents		2	3
Cash and cash equivalents at end of the year	35	**121**	**53**

Income Statement, Parent Company

SEK million	Note	2022	2021
Net sales	3	63	64
Administrative expenses		–85	–88
Other operating income	6	0	0
Other operating expenses	7	–2	0
Operating profit	9, 10, 15, 16, 17, 27	**–24**	**–24**
Result from participations in subsidiaries	11	–449	3
Financial income	11	120	54
Financial expenses	11	–124	–46
Profit/loss after financial items		**–477**	**–13**
Allocations	12	52	26
Profit/loss before tax		**–425**	**13**
Tax	13	–5	0
Profit for the year[1]		**–430**	**13**

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

Balance Sheet, Parent Company

SEK million	Note	31 Dec 2022	31 Dec 2021
Fixed assets			
Intangible fixed assets	15	42	51
Tangible fixed assets	16	3	5
Participations in subsidiaries	18	2,481	2,535
Receivables from subsidiaries	19, 33	1,030	1,321
Deferred tax assets	13	0	2
Financial fixed assets		**3,511**	**3,858**
Fixed assets		**3,556**	**3,914**
Current assets			
Receivables from subsidiaries	19, 33	87	117
Other receivables	20	3	3
Prepaid expenses and accrued income	23	8	9
Current receivables		**98**	**129**
Cash and bank balances	30, 35	75	2
Current assets		**173**	**131**
Assets	31, 32	**3,729**	**4,045**
Shareholders' equity			
Restricted equity			
Share capital		727	363
Statutory reserve		58	58
Restricted equity		**785**	**421**
Unrestricted equity			
Share premium reserve		1,798	1,575
Profit brought forward		544	531
Profit for the year		-430	13
Unrestricted equity		**1,912**	**2,119**
Shareholders' equity	24	**2,697**	**2,540**
Untaxed reserves	12	20	5
Non-current liabilities			
Liabilities to credit institutions	25, 30, 35	640	1,166
Other non-current liabilities	26	0	-
Non-current liabilities		**640**	**1,166**
Current liabilities			
Liabilities to credit institutions	25, 30, 35	57	107
Accounts payable		8	6
Liabilities to subsidiaries	19, 33, 35	290	212
Other current liabilities	26	3	1
Accrued expenses and deferred income	28	14	8
Current liabilities		**372**	**334**
Shareholders' equity and liabilities	31, 32	**3,729**	**4,045**

Changes in equity for the Parent Company

		Restricted equity			Unrestricted equity		
SEK million	Note 24	share capital	Statutory reserve	On-going issue of warrant programme, TO2017/2020	Share premium reserve	Profit brought forward, including profit for the year	Total Shareholders' equity
Opening shareholders' equity, 1 Jan 2021		**325**	**58**	**11**	**1,108**	**617**	**2,119**
Profit for the year		–	–	–	–	13	13
Comprehensive income for the year		–	–	–	–	**13**	**13**
New share issue		37	–	–	463	–	500
Issue expenses		–	–	–	−6	–	−6
Completed issue of warrant programme, TO2017/2020		1	–	−11	10	–	–
Issue expenses, TO2017/2020		–	–	–	0	–	0
Dividend		–	–	–	–	−86	−86
Closing shareholders' equity, 31 Dec 2021		**363**	**58**	**–**	**1,575**	**544**	**2,540**
Opening shareholders' equity, 1 Jan 2022		**363**	**58**	**–**	**1,575**	**544**	**2,540**
Profit for the year		–	–	–	–	−430	−430
Comprehensive income for the year		–	–	–	–	**−430**	**−430**
New share issue		364	–	–	236	–	600
Issue expenses		–	–	–	−13	–	−13
Closing shareholders' equity, 31 Dec 2022		**727**	**58**	**–**	**1,798**	**114**	**2,697**

Parent Company cash flow statement

SEK million	Note	2022	2021
Operational activities			
Profit/loss after financial items		−477	−13
Adjustment for items not included in cash flow	35	456	−11
Cash flow from continuing operations before changes in working capital		**−21**	**−24**
Cash flow from changes in working capital			
Increase (-)/decrease (+) in operating receivables		−10	2
Increase (+)/decrease (-) in operating liabilities		0	−1
Changes in working capital		**−10**	**1**
Cash flow from operating activities		**−31**	**−23**
Investing activities			
Acquisitions of companies or operations	35	−18	–
Shareholder contributions paid		−164	–
Acquisitions of intangible assets	15	−1	−5
Acquisitions of tangible assets	16	0	−4
Change in financial assets		263	−228
Cash flow from investment activities		**80**	**−237**
Cash flow after investing activities		**49**	**−260**
Financing activities			
New share issue		600	500
Issue expenses		−9	−6
Issue expenses warrant programme, TO2017/2020		–	0
Loans raised	35	53	291
Repayment of loans	35	−614	−518
Dividend paid		–	−86
Cash flow from financing activities		**30**	**181**
Cash flow for the year		**79**	**−79**
Cash and cash equivalents			
Cash and cash equivalents at start of the year		2	82
Translation difference in cash and cash equivalents		−6	−1
Cash and cash equivalents at end of the year	35	**75**	**2**

Notes to the financial statements

Note 1 | Accounting principles

Group accounting principles

Basis for the preparation of the accounts

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 financial statements cover the financial year ended 31 December 2022 for the Group and the Parent Company.

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.

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.

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 the Group has, as of 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 no such right exists as of 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.

With the exceptions described in the note, the 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

A number of new or amended standards and interpretations became applicable as of 1 January 2022. These new and amended standards are not deemed to have had any significant impact on the Group's financial statements, except as stated below.

IFRIC has published agenda decisions for how companies should report expenses in a Software-as-a-Service (SaaS) arrangement where access to software is obtained via the cloud, and configuring and adapting such software is also achieved through a cloud-based service arrangement. The decisions clarify that companies may not capitalise expenditures attributable to the implementation of a cloud-based service arrangement if they do not have control over the application, and that expenses for the configuration and adaptation of software services in such a cloud-based service arrangement must in many cases be reported as an expense in the same period. The assessment of the period for which the services are obtained depends, however, on whether they are distinct in relation to the service of obtaining access to the software. If the services are judged to be distinct, the expense is reported in the same period as the services are performed. If the services are not deemed distinct, the expenses are reported as an expense in the same period as the Company receives access to the software, which normally entails a prepaid expense in the balance sheet over the term of the agreement. Midsona has analysed whether the IFRIC clarifications for reporting cloud-based service arrangements would have any impact on the financial statements. The analysis resulted in the current management being in all material respects consistent with the principles regarding SaaS set out in the agenda decisions and in IAS 38 *Intangible assets*.

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.

Estimates and assumptions in the financial statements

To prepare financial statements in accordance with IFRS, management must make assessments, estimates and assumptions that affect reported assets, liabilities, income and expenses. The assessments, estimates and assumptions are usually based on experience, but also on other factors, including expectations of future events. With other assessments, estimates and assumptions, the result may be different and the actual outcome will seldom fully correspond to the estimated outcome.

Management assesses that valuation of trademarks, goodwill, tangible assets and taxes are areas where assessments have the greatest impact on the financial statements and where estimates made may result in significant adjustments to subsequent financial statements. These areas are described in more detail in Note 34 *Significant estimates and assumptions*, page 165.

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.

Functional currency 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.

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	**2022**	**2021**	**2022**	**2021**
CAD	7.7712	6.8453	7.7060	7.0636
CHF	10.5950	9.3845	11.2915	9.8545
CNY	1.5020	1.3307	1.5017	1.4186
DKK	1.4290	1.3641	1.4965	1.3753
EUR	10.6317	10.1449	11.1283	10.2269
GBP	12.4669	11.8022	12.5811	12.1790
JPY	0.0771	0.0781	0.0792	0.0785
NOK	1.0523	0.9980	1.0572	1.0254
USD	10.1245	8.5815	10.4371	9.0437

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. Segment reporting is based on geographic areas that correspond to the Group's divisions, see Note 4 *Operating segments*, page 149. Other operations consist of Group-wide functions.

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 fast-moving 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 co-ordination).

Selling expenses

Selling expenses encompass both expenses for activities and functions connected directly to the consumer (marketing, product manager, marketing coordinator, product and packaging development), 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, 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.

Items affecting comparability

Items affecting comparability comprise significant items that, because of their size or incidence, are reported separately to enable a better understanding of the Group's financial development. Items affecting comparability are reported in the function to which they belong, depending on the nature of the item, and normally consist of restructuring expenses, acquisition-related expenses and possible re-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 145–146 and 147, 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 recognised net.

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

Tax

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 instrument: 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 exchange rate changes. The Group secures goods purchases in USD primarily for contracts with predefined payment plans through currency futures contracts. 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 loss reservation are made on an ongoing basis 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 needs are taken into account for different maturities depending on the type of asset and on any 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 30 *Financial risk management,* pages 161–163.

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 30 *Financial risk management*, pages 161–163.

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 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 machinery	8–15 years
Equipment, tools, fixtures and fittings	3–10 years
Leasing	3–10 years
Land improvements	10–20 years
Expenses for improvements to property owned by another	3–8 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 tangible fixed assets are determined by comparing the sales income and 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 fixed 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 indefinite 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 fixed 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 indeterminate.

Goodwill and brands with an indeterminate 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:

Brands	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 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 Group 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

Impairments 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 fell short of the subscription price for the warrants outstanding, and accordingly the earnings per share after full dilution were not calculated.

Employee benefits

Pensions

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

In Sweden, commitments for retirement pensions and family pensions for salaried employees are secured through an insurance plan with Alecta. Such insurance comprises a defined benefit plan covering several employers. For the 2022 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 recognised when the Group has an obligation as a result of a past event, and it is probable that payments will be required to settle that obligation. A further requirement is that it should be possible to reliably estimate the amount to be paid.

Restructuring

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

Contingent liability

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

Cash flow statement

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

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

Parent Company accounting principles

Compliance with standards and regulations

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

Differences between the accounting principles of the Group and Parent Company

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

Changes in accounting principles

The Parent Company's accounting principles have been affected by a number of new or changed standards, applicable as of 1 January 2022 and have caused consequential changes adopted in RFR 2 *Accounting for legal entities*. These changes are deemed not to have had any significant impact on the Parent Company's financial statements, except for what is stated below.

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 2023 and onward will not have any material effect on the Parent Company's financial reports when initially applied.

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

Employee benefits

The Parent Company applies a different basis for the calculation of defined benefit plans than that specified in IAS 19 *Employee Benefits*. The Parent Company complies with the provisions of the Pension Protection Act and the Finansinspektionen's regulations (Swedish Financial Supervisory Authority) since these is 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.

Tax

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 allocations 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 allocations.

Allocations and untaxed reserves

Depreciation in excess of plan is reported as an appropriation in the income statement. The untaxed reserves in the item are included in the balance sheet.

Note 2 | Acquisitions of operations

Acquisitions in 2021

Vitality and Oy

On 1 October, all shares in the Finnish company Vitality were acquired, with offices, warehousing and production facilities in Jakobstad, Finland. The total purchase consideration for the shares amounted to SEK 79 million (EUR 7.7 million), corresponding to SEK 122 million (EUR 11.9 million) on a debt-free basis. The acquisition was financed with our own funds and was paid for in cash on the transfer date.

Through the acquisition, Midsona gained access to several brands and a property with an integrated value chain with its own production of consumer health products.

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

Acquisition-related expenses amounted to SEK 3 million (EUR 0.3 million) and were recognised as other operating expenses in profit for the year for 2021. The integration of the acquired business was substantially completed in 2022.

The acquisition analysis, which was presented as preliminary in the 2021 Annual Report, was approved in 2022 without change.

Revised effect in 2021 of acquisitions in 2020

System Frugt

On 7 October 2020, Midsona acquired all of the shares in the Danish company System Frugt A/S with its head office in Tilst, Denmark.

The prepared acquisition analysis presented in the 2020 Annual Report was preliminary, because continued analyses of the value of the assets were in progress. The analyses resulted in a revision of some items in 2021 before the acquisition analysis was approved.

Revised effects of acquisitions

Changes in the acquired company's net assets on the acquisition date, SEK million	Fair value before revision	Revision	Fair value after revision
Intangible fixed assets	173	–9	164
Deferred tax assets	20	20	40
Deferred tax liabilities	–38	2	–36
Consolidated goodwill	149	–13	136

Note 3 | Net sales by major income category

	Group		Parent Company	
SEK million	2022	2021	2022	2021
Sale of goods	3,885	3,763	–	–
Service assignments	2	2	–	–
Other income	12	8	63	64
total	**3,899**	**3,773**	**63**	**64**

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

Note 4 | Operating segments

There are three identified operating segments:

Nordics: The offering is comprised of products under own brands, licensed brands and contract manufacturing in the categories of healthfoods, consumer health products and organic products for sales to pharmaceutical retail, grocery trade, healthfood stores 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 own brands and contract manufacturing in the category of organic products for sales to grocery trade, healthfood stores 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 own brands, licensed brands and contract manufacturing in the category of organic products for sales to the grocery trade, healthfood stores 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	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Net sales, external	2,692	2,601	841	807	366	365	–	–	3,899	3,773
Net sales, intra-Group	10	10	19	24	8	4	–37	–38	–	–
Net sales	**2,702**	**2,611**	**860**	**831**	**374**	**369**	**–37**	**–38**	**3,899**	**3,773**
Expenses for goods sold	–1,918	–1,811	–802	–688	–336	–296	35	37	–3,021	–2,758
Gross profit	**784**	**800**	**58**	**143**	**38**	**73**	**–2**	**–1**	**878**	**1,015**
Other operating expenses	–626	–593	–324	–126	–327	–71	–66	–64	–1,343	–854
Operating profit	**158**	**207**	**–266**	**17**	**–289**	**2**	**–68**	**–65**	**–465**	**161**
Financial items									–64	–46
Profit/loss before tax									**–529**	**115**
Significant income (+) and expense (-) items reported in the income statement:										
Acquisition-related expenses	–	–3	–	–	–	–	–	–2	–	–5
Restructuring expenses, net	–6	0	–8	–	–1	–1	0	1	–15	0
Revaluation of conditional purchase considerations	–	–	–	10	–	–	–	11	–	21
Impairment of intangible and tangible assets	–	–	–231	–	–249	–4	–	–8	–480	–12
Significant non-cash items:										
Amortisation/depreciation of intangible and tangible assets	–52	–53	–43	–43	–22	–19	–44	–41	–161	–156
Impairment of intangible and tangible assets	–	–	–231	–	–249	–4	–	–8	–480	–12
Impairment losses on inventories	–24	–12	–9	–10	–5	–1	–	–	–38	–23
Impairment of accounts receivable	–1	0	0	0	0	–1	0	–1	–1	–2
Segment assets	4,444	4,641	696	984	808	1,006	–1,160	–1,435	4,788	5,196
Unallocated assets									116	91
Total assets									**4,904**	**5,287**
Segment liabilities	1,240	1,267	259	430	222	329	–1,141	–1,450	580	576
Unallocated liabilities									1,242	1,836
Shareholders' equity									3,082	2,875
Total shareholders' equity and liabilities									**4,904**	**5,287**
Investments in intangible and tangible fixed assets	8	3	4	6	22	41	2	9	36	59
Average number of employees	439	442	214	225	150	148	17	17	820	832
Number of employees as of the balance sheet date	408	459	200	229	156	143	16	18	780	849

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

Internal pricing policy

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

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

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

Information about major customers

The Group's largest customer generated net sales of SEK 376 million (383). These were reported in the operating segment Nordics.

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 150.

Fixed assets for geographic areas[1]

	Group	
SEK million	**2022**	**2021**
Sweden	1,330	1,378
Norway	572	564
Finland	155	150
Denmark	742	684
Germany	424	623
France	112	477
Spain	257	105
Total	**3,592**	**3,981**

[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	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Sweden	1,110	1,120	0	0	3	1	–5	–2	1,108	1,119
Denmark	592	589	15	19	2	1	–15	–17	594	592
Finland	442	327	–	–	0	0	–	–	442	327
Norway	440	456	0	0	3	0	–3	0	440	456
France	3	4	18	23	202	205	–5	–7	218	225
Spain	11	12	18	14	142	137	–1	–1	170	162
Germany	9	10	718	683	1	3	–8	–11	720	685
Rest of Europe	89	89	90	91	11	9	–	–	190	189
Other countries outside Europe	6	4	1	1	10	13	–	–	17	18
Total	**2,702**	**2,611**	**860**	**831**	**374**	**369**	**–37**	**–38**	**3,899**	**3,773**

[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	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Pharmacies	422	376	–	–	–	–	–	–	422	376
Grocery trade	1,736	1,730	352	366	121	105	–	–	2,209	2,201
Food service	100	85	254	222	6	5	–	–	360	312
Healthfood stores	165	150	218	196	194	208	–	–	577	554
Other specialist retailers	130	126	19	19	–	0	–	–	149	145
Others	139	134	–2	4	45	47	–	–	182	185
Group-internal sales	10	10	19	24	8	4	–37	–38	–	–
Total	**2,702**	**2,611**	**860**	**831**	**374**	**369**	**–37**	**–38**	**3,899**	**3,773**

	Nordics		North Europe		South Europe		Group-wide functions		Group	
Product category, SEK million	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Organic products	699	750	860	831	372	368	–35	–37	1,896	1,912
Healthfoods	1,201	1,146	–	–	–	–	–	–	1,201	1,146
Consumer health products	788	705	–	–	–	–	–	–	788	705
Services linked to product handling and other income	14	10	0	0	2	1	–2	–1	14	10
Total	**2,702**	**2,611**	**860**	**831**	**374**	**369**	**–37**	**–38**	**3,899**	**3,773**

	Nordics		North Europe		South Europe		Group-wide functions		Group	
Brands, SEK million	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Own	1,896	1,852	531	519	275	288	–35	–37	2,667	2,622
Licensed	520	494	–	–	32	32	–	–	552	526
Contract manufacture	272	255	329	312	65	48	–	–	666	615
Services linked to product handling and other income	14	10	0	0	2	1	–2	–1	14	10
Total	**2,702**	**2,611**	**860**	**831**	**374**	**369**	**–37**	**–38**	**3,899**	**3,773**

Note 6 | Other operating income

	Group		Parent Company	
SEK million	**2022**	**2021**	**2022**	**2021**
Capital gains on divestments of tangible fixed assets	3	2	–	–
Exchange rate gains relating to operations	0	1	0	0
Damages	1	–	–	–
Insurance compensation	0	1	–	–
Revalued conditional purchase consideration	–	21	–	–
Other	6	10	0	0
Total	**10**	**35**	**0**	**0**

Note 7 | Other operating expenses

	Group		Parent Company	
SEK million	**2022**	**2021**	**2022**	**2020**
Capital losses on divestments of intangible fixed assets	0	–	–	–
Capital losses on divestments of tangible fixed assets	0	–1	–	–
Exchange rate losses relating to operations	–8	–2	0	0
Acquisition-related expenses	–	–5	–	–
Other	–2	0	–2	0
Total	**–10**	**–8**	**–2**	**0**

Note 8 | Operating expenses by expense category

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

	Group	
SEK million	2022	2021
Expenses for goods and materials	–2,472	–2,321
Personnel expenses	–538	–539
Selling expenses	–247	–225
Marketing expenses	–76	–82
Rental and other property expenses	–59	–44
Purchases of services	–125	–127
Depreciation/amortisation	–161	–156
Impairment	–518	–37
Other direct and indirect expenses	–159	–104
Other operating expenses	–19	–12
Total	**–4,374**	**–3,647**

Note 9 | Auditors’ fees and reimbursements

	Group		Parent Company	
SEK million	2022	2021	2022	2021
Deloitte				
Audit assignment	–4	–3	–1	–1
Auditing tasks beyond the audit assignment	0	0	0	0
Tax advice	0	–1	0	–1
Other assignments	–1	0	0	0
total	**–5**	**–4**	**–1**	**–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

	Group		Parent Company	
Average number of employees by country	2022	2021	2022	2021
Sweden	153	156	17	17
of whom, women	*89*	*85*	*6*	*5*
Norway	29	41	–	–
Finland	60	40	–	–
Denmark	214	222	–	–
Germany	214	225	–	–
France	69	69	–	–
Spain	81	79	–	–
Total abroad	**667**	**676**	**–**	**–**
of whom, women	*333*	*319*	*–*	*–*
Total	**820**	**832**	**17**	**17**
of whom, women	*422*	*404*	*6*	*5*

	Group		Parent Company	
Number of women in company management teams, %	2022	2021	2022	2021
Boards of Directors	55	54	29	33
CEO and management team	44	44	43	33

Personnel expenses

	Group		Parent Company	
Personnel expenses, SEK million	2022	2021	2022	2021
Salaries and other remuneration				
Board of Directors, CEO and management team[1]	–79	–74	–13	–14
of which variable salary	*–1*	*–1*	*–1*	*–2*
of which severance pay	*0*	*–4*	*–*	*–2*
Other employees	–347	–344	–9	–10
of which variable salary	*–1*	*–2*	*0*	*0*
of which severance pay	*–1*	*–7*	*–*	*–*
Total salaries and other remuneration	**–426**	**–418**	**–22**	**–24**
Pension expenses, defined-contribution plans[2]				
Board of Directors, CEO and management team[1]	–10	–10	–3	–5
Other employees	–24	–27	–1	–2
Total pension expenses	**–34**	**–37**	**–4**	**–7**
Social security expenses				
Board of Directors, CEO and management team[1]	–15	–16	–5	–6
Other employees	–58	–60	–3	–3
Total social security expenses	**–73**	**–76**	**–8**	**–9**
Other personnel expenses				
Board of Directors, CEO and management team[1]	–1	0	0	0
Other employees	–4	–8	–1	–1
Total other personnel expenses	**–5**	**–8**	**–1**	**–1**
Total personnel expenses	**–538**	**–539**	**–35**	**–41**

[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 97 (117) individuals in the Group and 14 (12) individuals in the Parent Company.
[2] For more information on pension expenses, see Note 27 *Provisions for pensions*, page 161.

Remuneration to senior executives

Remuneration to members of the Board of the Parent Company

Definitions

The Board of Directors comprised Ola Erici (Chairman of the Board), Heli Arantola, Sandra Kottenauer, Jari Latvanen, Henrik Stenqvist, Peter Wahlberg and Johan Wester as of the Annual General Meeting of 5 May 2022 and up until an Extraordinary General Meeting on 20 December 2022 when changes were implemented. At the Extraordinary General Meeting on 20 December 2022, Patrik Andersson and Anders Svensson were elected as new Board members in accordance with the Nomination Committee’s proposal. Patrik Andersson was also elected as Chairman of the Board in accordance with the Nomination Committee’s proposal. After Chairman of the Board Ola Erici and Board member Peter Wahlberg made their places available, the Board of Directors comprised Patrik Andersson (Chairman of the Board), Heli Arantola, Sandra Kottenauer, Jari Latvanen, Henrik Stenqvist, Anders Svensson and Johan Wester up until the 2023 Annual General Meeting.

Principles for remuneration of Board

The 2022 Annual General Meeting resolved that fees for 2022/2023 should be paid to the Chairman in the amount of SEK 600 thousand and to the other Board members who are not employees of the Company in the amount of SEK 260 thousand each. SEK 75 thousand shall also be paid to the chair of the Audit Committee, SEK 40 thousand to every other Board member, who is on the Audit Committee, SEK 45 thousand to the Remuneration Committee chair and SEK 25 thousand to each Board member, who is on the Remuneration Committee. Authorised fees totalled SEK 2,410 thousand. Beyond these remunerations, 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 Nomination 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[1], SEK thousands	Parent Company 2022			
	Directors' fees	Fee Remunerations Committee	Fee Audit Committee	Total
Ola Erici (Chairman)	582	44	–	626
Heli Arantola	260	25	–	285
Sandra Kottenauer	260	–	–	260
Jari Latvanen	173	–	27	200
Henrik Stenqvist	260	–	75	335
Peter Wahlberg	252	–	13	266
Johan Wester	260	25	40	325
Total	**2,048**	**94**	**155**	**2,297**

[1] The fees for December 2022 to the newly elected Board Members, Patrik Andersson and Anders Svensson, of SEK 19,000 and SEK 8,000 respectively were expensed and paid retroactively in January 2023.

Remuneration of Board members, SEK thousands	Parent Company 2021			
	Directors' fees	Fee Remunerations Committee	Fee Audit Committee	Total
Ola Erici (Chairman)	600	45	–	645
Heli Arantola	260	25	–	285
Sandra Kottenauer	260	–	–	260
Henrik Stenqvist	260	–	75	335
Peter Wahlberg	260	–	40	300
Johan Wester	260	25	40	325
Total	**1,900**	**95**	**155**	**2,150**

Remuneration to senior executives

Definitions

Senior executives are those who, together with the CEO Peter Åsberg, were included in Group Management during all or part of the year. These senior executives were Max Bokander, Ulrika Palm, Tobias Traneborn, Tora Molander (from 1 April 2022), 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. Remunerations and other terms of employment for other members of the management team are determined by the Remunerations 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 thousands	Group 2022				
	Basic salary	Variable remuneration	Other benefits	Pension expense	Total
Peter Åsberg, CEO	5,122	–	132	1,555	6,809
Group Management (6 individuals)	11,554	1,244	375	2,034	15,207
Total	**16,676**	**1,244**	**507**	**3,589**	**22,016**
	Group 2021				
Peter Åsberg, CEO	5,002	–	143	1,566	6,711
Group Management (5 individuals)	10,045	514	341	2,088	12,988
Total	**15,047**	**514**	**484**	**3,654**	**19,699**

Comments on the table

- For the 2022 financial year, no variable remuneration was paid to the CEO.
- For the 2022 financial year, variable remuneration of SEK 1,244 thousand was paid to the other members of Group Management, which corresponded to 11 percent of base salary.
- For the 2021 financial year, no variable remuneration was paid to the CEO.
- For the 2021 financial year, variable remuneration of SEK 514 thousand was paid to the other members of Group Management, with SEK 514 thousand in the form of a stay-on bonus, which corresponded to 5 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.

Incentive programmes

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

In September 2021, a total of 171,000 series TO2021/2024 warrants were transferred to senior executives. Each warrant entitles the holder to subscribe for one Series B share. The period during which the warrants may be exercised will be from 1 August 2024 to 20 December 2024. The subscription price for the option programme was recalculated at SEK 75.70 (previously SEK 75.85) in light of the completed rights issue. The transfer of the warrants took place at market terms based on a calculation according to the so-called Black & Scholes model done by PWC AB, which is to be considered independent in relation to Midsona. The fair value per warrant was SEK 9.60 at the time of the transaction in September 2021.

In August 2022, a total of 120,000 warrants in TO2022/2025 were transferred to senior executives. Each warrant entitles the holder to subscribe for one Series B share. The period during which the warrants may be exercised will be from 1 August 2025 to 20 December 2025. The subscription price for the option programme was recalculated at SEK 25.60 (previously SEK 25.66) in light of the completed rights issue. The transfer of the warrants took place at market terms based on a calculation according to the so-called Black & Scholes model done by PWC AB, which is to be considered independent in relation to Midsona. The fair value per warrant was SEK 3.82 at the time of the transaction in August 2022.

The subscription period for warrant programme TO2019/2022, potentially giving a maximum of 150,960 new B shares on full conversion, expired on 20 December 2022. No warrants were converted to B shares.

There were no outstanding share-based incentive programmes according to IFRS 2 *Share-based Payment*, where senior executives are allocated share options or the like free of charge.

Note 11 | Net financial items

SEK million	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
Result from participations				
Dividends from subsidiaries[1]			1	3
Impairment of shares in subsidiaries			–450	–
Total	**–**	**–**	**–449**	**3**
Financial income				
Interest income	2	0	2	0
Interest income, subsidiaries			52	30
Exchange rate gains	65	11	66	24
Other financial income	0	0	–	–
Total	**67**	**11**	**120**	**54**
Financial expenses				
Interest expenses	–54	–38	–48	–31
Interest expenses, subsidiaries			–2	0
Exchange rate losses	–69	–13	–69	–13
Other financial expenses	–8	–6	–5	–2
Total	**–131**	**–57**	**–124**	**–46**
Total financial items	**–64**	**–46**	**–453**	**11**

[1] The dividends from subsidiaries of SEK 1 million (3), include SEK 1 million (2) in anticipated dividends.

Not 12 | Allocations and untaxed reserves

SEK million	Parent Company 2022	Parent Company 2021
Allocations		
Change in excess depreciation	–15	–5
Group contributions received	67	31
Total allocations	**52**	**26**
Untaxed reserves		
Excess depreciation	20	5
Total untaxed reserves	**20**	**5**

Note 13 | Taxes

Recognised in profit for the year, SEK million	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
Current tax				
Current tax	–10	–19	–3	–
Adjustment of taxes attributable to previous years	1	0	–	–
	–9	**–19**	**–3**	**–**
Deferred tax				
Deferred tax relating to temporary differences	22	–10	0	0
Deferred tax resulting from changes in tax rates	–	2	–	–
Deferred tax income in tax loss carryforwards capitalised during the year	35	23	–	–
Deferred tax expense resulting from utilisation of previously capitalised tax loss carryforwards	–19	–22	–2	–
Adjustment of deferred tax relating to previous years	–1	–	–	–
	37	**–7**	**–2**	**0**
Total	**28**	**–26**	**–5**	**0**

Current tax

Reconciliation of tax, SEK million	Group 2022 SEK million	Group 2022 %	Group 2021 SEK million	Group 2021 %	Parent Company 2022 SEK million	Parent Company 2022 %	Parent Company 2021 SEK million	Parent Company 2021 %
Profit/loss before tax	**–529**		**115**		**–425**		**13**	
Tax at the applicable tax rate for the Parent Company	109	20.6	–24	20.6	88	20.6	–3	20.6
Non-taxable dividends from subsidiaries	–	–	–	–	0	0.0	1	–4.1
Non-deductible impairment of shares in subsidiaries	–	–	–	–	–93	–21.8	–	–
Non-deductible impairment of consolidated goodwill	–117	–22.2	–	–	–	–	–	–
Other non-deductible expenses / Other non-taxable income	–1	–0.2	2	–1.6	0	0.0	2	–16.5
Effect of other tax rates on foreign subsidiaries	42	7.9	0	–0.4	–	–	–	–
Effect of changed tax rates	–	–	2	–1.5	–	–	–	–
Capitalisation of previously uncapitalised loss carryforwards	0	0.0	–	–	–	–	–	–
Increase in tax loss carryforwards without corresponding capitalisation of deferred tax	–6	–1.1	0	0.0	–	–	–	–
Decrease / Increase in deductible temporary differences without corresponding capitalisation of deferred tax	0	–0.1	–6	5.6	0	0.0	–	–2.8
Tax attributable to previous years	1	0.3	0	–0.1	–	–	–	–
Standard interest on tax allocation reserve	–	–	0	0.0	–	–	–	–
Total	**28**	**5.2**	**–26**	**22.6**	**–5**	**–1.2**	**0**	**–2.8**

The applied corporate tax rate in Sweden was 20.6 percent. Foreign subsidiaries applied local corporate tax rates. The reported effective tax rate was 5.2 percent (22.6) for the Group. The low effective tax rate was essentially attributable to the non-tax-deductible impairment of consolidated goodwill. The effective tax rate for the Parent Company was –1.2 percent (2.8). The negative effective tax was a consequence of non-deductible impairments of shares in subsidiaries.

Changed tax rates

In France, a decision was made to lower the corporate tax rate from 26.5 percent to 25.0 percent from 1 January 2022. In line with these changes, deferred tax assets/liabilities were revalued in December 2021.

Deferred tax

Changes in deferred tax in temporary differences and , SEK million	Group 2021						Parent Company 2021		
	Opening balance 1 Jan 2021	Other adjustments	Recognised in the income statement	Translation differences	Change through acquisition of operations	Closing balance 31 Dec 2021	Opening balance 1 Jan 2021	Recognised in the income statement	Closing balance 31 Dec 2021
Deferred tax liability									
Intangible fixed assets	312	–	–7	5	5	315	–	–	–
Tangible fixed assets	6	–	–1	0	–	5	–	–	–
Inventories	1	–	–1	0	–	0	–	–	–
Provisions	0	2	–2	0	0	0	–	–	–
Untaxed reserves	23	–	4	–	–	27	–	–	–
Total deferred tax liability	**342**	**2**	**–7**	**5**	**5**	**347**	**–**	**–**	**–**
Deferred tax assets									
Intangible fixed assets	12	–	–3	0	0	9	–	–	–
Tangible fixed assets	6	–	–4	0	0	2	0	0	0
Inventories	0	–	0	0	0	0	–	–	–
Provisions	9	–	–7	0	0	2	–	0	–
Tax loss carryforwards	58	–	0	0	20	78	2	–	2
Total deferred tax assets	**85**	**–**	**–14**	**0**	**20**	**91**	**2**	**0**	**2**
Total net deferred tax liability	**257**	**2**	**7**	**5**	**–15**	**256**	**–2**	**0**	**–2**

Changes in deferred tax in temporary differences and , SEK million	Group 2022						Parent Company 2022		
	Opening balance 1 Jan 2022	Other adjustments	Recognised in the income statement	Translation differences	Change through acquisition of operations	Closing balance 31 Dec 2022	Opening balance 1 Jan 2022	Recognised in the income statement	Closing balance 31 Dec 2022
Deferred tax liability									
Intangible fixed assets	315	–	–10	16	–	321	–	–	–
Tangible fixed assets	5	–	–4	0	–	1	–	–	–
Inventories	0	–	–1	0	–	–1	–	–	–
Provisions	0	1	1	0	–	2	–	–	–
Untaxed reserves	27	–	–3	–	–	24	–	–	–
Total deferred tax liability	**347**	**1**	**–17**	**16**	**–**	**347**	**–**	**–**	**–**
Deferred tax assets									
Intangible fixed assets	9	–	–6	1	–	4	–	–	–
Tangible fixed assets	2	–	–3	0	–	–1	0	–	0
Inventories	0	–	–1	0	–	–1	–	–	–
Provisions	2	–	–1	0	–	1	–	–	–
Tax loss carryforwards	78	–	31	4	–	113	2	–2	–
Total deferred tax assets	**91**	**–**	**20**	**5**	**–**	**116**	**2**	**–2**	**0**
Total net deferred tax liability	**256**	**1**	**–37**	**11**	**–**	**231**	**–2**	**2**	**0**

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

Tax loss carryforwards

The total tax-loss carryforwards in the Group amounted to SEK 503 million (363) at 31 December 2022, of which SEK 479 million (363) was capitalised in the consolidated balance sheet. The maturities of the tax loss carryforwards were essentially indefinite.

Note 14 | Earnings and dividend per share

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

Earnings per share before and after dilution	Group	
	2022	2021
Profit for the year, SEK million	–501	89
Number of shares on balance sheet date, thousands	145,428	72,714
Average number of shares during the period, thousands	74,447	67,783
Average number of shares during the period, after dilution, thousands	74,668	67,932
Earnings per share, SEK	–6.73	1.31
Earnings per share after dilution, SEK	–6.73	1.30

The weighted average number of shares amounted to 74,447,025 (67,782,658) and the change was affected by a new share issues. For further information on the new share issues, see Note 24 *Shareholders' equity* on pages 159–160. The number of outstanding registered shares was 145,428,080 (72,714,040) at year-end.

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

Because the average price for Series B shares was lower than the subscription price for the warrant programmes outstanding TO2021/2024 and TO2022/2025 on the balance sheet date, earnings per share after dilution were not calculated.

Dividend

The Board of Directors proposes that no dividend be paid for the 2022 financial year. No dividend was paid for financial year 2021 either.

Note 15 | Intangible assets

SEK million	Group				Parent Company
	Goodwill	Brands	Other intangible assets	Total	Other intangible assets
Accumulated cost					
Opening balance, 1 January 2021	2,017	1,381	254	3,652	70
Acquired through business combinations	38	13	6	57	–
Other acquisitions/investments	–	–	5	5	5
Reclassification	–	–	0	0	–
Translation difference for the year	59	19	4	82	–
Closing balance, 31 December 2021	**2,114**	**1,413**	**269**	**3,796**	**75**
Accumulated amortisation					
Opening balance, 1 January 2021	–137	–142	–84	–363	–15
Acquired through business combinations	–	–	–1	–1	–
Amortisation for the year	–	–17	–30	–47	–9
Translation difference for the year	–9	–3	–1	–13	–
Closing balance, 31 December 2021	**–146**	**–162**	**–116**	**–424**	**–24**
Accumulated impairment					
Opening balance, 1 January 2021	–	–	–	–	–
Impairment for the year	–	–	–8	–8	–
Closing balance, 31 December 2021	**–**	**–**	**–8**	**–8**	**–**
Carrying amount, 31 December 2021	**1,968**	**1,251**	**145**	**3,364**	**51**

SEK million	Group				Parent Company
	Goodwill	Brands	Other intangible assets	Total	Other intangible assets
Accumulated cost					
Opening balance, 1 January 2022	2,114	1,413	269	3,796	75
Other acquisitions/investments	–	–	1	1	1
Sales/scrappings	–11	–8	–7	–26	–5
Reclassification	–	–	1	1	–
Translation difference for the year	89	61	15	165	–
Closing balance, 31 December 2022	**2,192**	**1,466**	**279**	**3,937**	**71**
Accumulated amortisation					
Opening balance, 1 January 2022	–146	–162	–116	–424	–24
Amortisation for the year	–	–18	–30	–48	–10
Sales/scrappings	11	8	7	26	5
Translation difference for the year	–5	–4	–8	–17	–
Closing balance, 31 December 2022	**–140**	**–176**	**–147**	**–463**	**–29**
Accumulated impairment					
Opening balance, 1 January 2022	–	–	–8	–	–
Impairment for the year	–426	–	–	–426	–
Translation difference for the year	–20	–	–	–20	–
Closing balance, 31 December 2022	**–446**	**–**	**–8**	**–454**	**–**
Carrying amount, 31 December 2022	**1,606**	**1,290**	**124**	**3,020**	**42**

The carrying amount for the item other intangible assets included, for example, SEK 80 million (91) for customer relations and customer contracts and SEK 43 million (53) for software.

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

Borrowing expenses

No borrowing expenses are included in the cost of assets, either for 2022 or for 2021.

Depreciation

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

Depreciation for the year included in the income statement, SEK million	Group		Parent Company	
	2022	2021	2022	2021
Expenses for goods sold	0	–1	–	–
Selling expenses	–34	–32	–	–
Administrative expenses	–14	–14	–10	–9
Total	**–48**	**–47**	**–10**	**–9**

For information on depreciation, see Note 1 *Accounting principles*, pages 142–148.

Impairment testing

Impairment requirements on goodwill were tested in the third quarter of 2022. This occurs once annually or as soon as changes indicate a need to recognise impairment, including new market conditions or decisions to divest or discontinue operations. 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 142–148.

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, %	Group	
		2022	2021
Nordics	9.9 (8.7)		
Goodwill		1,481	1,444
Brand		858	826
North Europe	10.2 (9.2)		
Goodwill		56	221
Brand		129	118
South Europe	10.0 (9.0)		
Goodwill		69	303
Brand		116	107
Goodwill		**1,606**	**1,968**
Brand		**1,103**	**1,051**
Total		**2,709**	**3,019**

The recoverable amount was determined based on calculations of value in use. The calculations took their starting point from the Group Management's forecasts in the revised business plan, which was determined by the Board of Directors for the next five years. Group Management's assessments were based on both historical experience and current market information consistent with these sources. Assumptions about net sales growth, product margin development, discount rate and efficiency improvements were important variables for calculated values in use. In general, both 2021 and 2022 were challenging with weak volume growth and deteriorating product margins, as a consequence of successively rising prices for finished goods, raw materials, inputs, transport and energy, which could not at that particular time be countered with price increases to customers. The challenges will partly remain in 2023 with weak volume growth and high prices for goods. The planned increase in net sales is essentially based on lagging price increases to customers with the ambition of restoring the product margin. Sales growth for the remainder of the forecast period is based on cautious growth in sales volumes of 2-3 percent, which is broadly consistent with forecasts found in industry reports on future market growth. A collective assessment by the Group Management led to the conclusion that the prevailing high inflationary pressure will continue to put pressure on the development of the product margin, at least in the short term. 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 working capital changes and investments were considered 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 9.9–10.2 percent (8.7-9.2) depending on the cash-generating unit. The higher discount rate before tax was a consequence of higher inflationary pressure in Europe and substantial prevailing uncertainty in the assessment of future economic development as a result of the geopolitical situation in Europe. The discount rate differed somewhat between each cash generating unit as the risk profile was not deemed to be the same.

The conducted impairment test showed that there was a need for impairment of consolidated goodwill in the two cash-generating units North Europe and South Europe. A change in important assumptions about the development of the commodity margin and the discount rate led to lower estimated future cash flows for the each cash-generating unit. For the cash-generating unit Nordics, Group Management assessed that no reasonable changes in the key assumptions would lead to the calculated total recoverable amount for the cash-generating unit being lower than its total carrying amount.

Impairment

Impairment tests resulted in impairments of consolidated goodwill by SEK –426 million (EUR –40.0 million) for 2022, of which SEK -177 million (EUR –16.6 million) for cash-generating unit North Europe and SEK –249 million (EUR –23.4 million) for cash generating unit South Europe. The impairment was expensed under selling expenses in the income statement.

For 2021, there was an impairment of intangible fixed assets in the Group by SEK –8 million as a result of discontinued product development projects. The impairment was expensed under selling expenses in the income statement.

No impairment was recognised in the Parent Company either in 2022 or 2021. For information on impairment, see Note 1 *Accounting principles*, pages 142–148.

Note 16 | Tangible assets

SEK million	Group						Parent Company
	Operating properties	Plant and machinery	Equipment, tools, fixtures and fittings	Leasing[1]	Other tangible fixed assets	Total	Equipment, tools, fixtures and fittings
Accumulated cost							
Opening balance, 1 January 2021	175	480	165	370	42	1,232	10
Acquired through business combinations	15	7	1	0	2	25	–
Other acquisitions/investments	0	5	8	41	41	95	4
Sales/scrappings	–	–52	–23	–66	–15	–156	–
Reclassification	1	17	0	–26	–20	–28	–
Translation difference for the year	3	8	3	6	1	21	–
Closing balance, 31 December 2021	**194**	**465**	**154**	**325**	**51**	**1,189**	**14**
Accumulated depreciation							
Opening balance, 1 January 2021	–80	–295	–128	–156	–25	–684	–7
Acquired through business combinations	–4	–7	–1	0	–	–12	–
Depreciation for the year	–8	–28	–10	–61	–2	–109	–2
Sales/scrappings	–	51	23	66	15	155	–
Translation difference for the year	–2	–5	–2	–4	0	–13	–
Closing balance, 31 December 2021	**–94**	**–284**	**–118**	**–155**	**–12**	**–663**	**–9**
Accumulated impairment							
Opening balance, 1 January 2021	–	–	–	–	–	–	–
Impairment for the year	–3	–1	–	–	–	–4	–
Closing balance, 31 December 2021	**–3**	**–1**	**–**	**–**	**–**	**–4**	**–**
Carrying amount, 31 December 2021	**97**	**180**	**36**	**170**	**39**	**522**	**5**

SEK million	Group						Parent Company
	Operating properties	Plant and machinery	Equipment, tools, fixtures and fittings	Leasing[1]	Other tangible fixed assets	Total	Equipment, tools, fixtures and fittings
Accumulated cost							
Opening balance, 1 January 2022	194	465	154	325	51	1,189	14
Other acquisitions/investments	1	7	8	10	19	45	0
Sales/scrappings	–7	–11	–23	–12	–1	–54	–3
Reclassification	1	17	4	19	–23	18	–
Translation difference for the year	17	40	9	23	4	93	–
Closing balance, 31 December 2022	**206**	**518**	**152**	**365**	**50**	**1,291**	**11**
Accumulated depreciation							
Opening balance, 1 January 2022	–94	–284	–118	–155	–12	–663	–9
Depreciation for the year	–9	–27	–13	–59	–5	–113	–2
Sales/scrappings	1	9	23	12	0	45	3
Reclassification	0	–6	6	0	0	0	–
Translation difference for the year	–9	–25	–6	–12	0	–52	–
Closing balance, 31 December 2022	**–111**	**–333**	**–108**	**–214**	**–17**	**–783**	**–8**
Accumulated impairment							
Opening balance, 1 January 2022	–3	–1	–	–	–	–4	–
Impairment for the year	–	–54	–	–	–	–54	–
Sales/scrappings	3	1	–	–	–	4	–
Translation difference for the year	0	–3	–	–	–	–3	–
Closing balance, 31 December 2022	**0**	**–57**	**–**	**–**	**–**	**–57**	**–**
Carrying amount, 31 December 2022	**95**	**128**	**44**	**151**	**33**	**451**	**3**

[1] For more information on right of use (ROU) assets, see Note 17 *Leasing*, on pages 157–158.

The reported value for the item Other tangible fixed assets essentially included projects in progress and expenses for improvements to property owned by another

Borrowing expenses

No borrowing expenses are included in the cost of assets, either for 2022 or for 2021.

Depreciation

All tangible fixed 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		Parent Company	
	2022	2021	2022	2021
Expenses for goods sold	–87	–81	–	–
Selling expenses	–8	–9	–	–
Administrative expenses	–18	–19	–2	–2
Total	**–113**	**–109**	**–2**	**–2**

For information on depreciation, see Note 1 *Accounting principles*, pages 142–148.

Impairment

Impairment was recognised in a tangible fixed asset in the Group for 2022 as a result of low capacity utilisation. Following an indication of a need for impairment, an impairment test was performed for the tangible fixed assets belonging to the operating segment North Europe, which resulted in impairment of EUR –54 million (–5.1 MEUR) being recognised. The impairment was expensed under cost of goods sold in the income statement.

For 2021, impairment of SEK -4 million was recognised in tangible fixed assets due to a production facility being closed. The impairment was expensed under cost of goods sold in the income statement.

No impairment was recognised in the Parent Company either in 2022 or 2021. For information on impairment, see Note 1 *Accounting principles*, pages 142–148.

Note 17 | Leasing

Recognised on the balance sheet

The Group recognised a right of use (ROU) asset and a corresponding lease liability for all leases in which the Group was 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 was of lesser value. The leasing portfolio mainly included:

- 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 pertained 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 January 2021	173	15	26	214
Acquired through business combinations	–	–	0	0
Other acquisitions/investments	11	0	16	27
Amortisation/depreciation for the year	–40	–6	–15	–61
Extended/concluded contracts	–11	–	–2	–13
Translation difference for the year	3	0	0	3
Closing balance, 31 December 2021	**136**	**9**	**25**	**170**

ROU assets OB/CB per leasing class, SEK million	Group			
	Operating properties	Plant and machinery	Equipment, tools, fixtures and fittings	Total
Opening balance, 1 January 2022	136	9	25	170
Other acquisitions/investments	1	1	8	10
Amortisation/depreciation for the year	–38	–7	–14	–59
Extended/concluded contracts	19	0	0	19
Reclassification	–	–1	1	0
Translation difference for the year	10	0	1	11
Closing balance, 31 December 2022	**128**	**2**	**21**	**151**

The ROU assets were included on the line Tangible fixed assets in the balance sheet.

The lease liability was initially measured at the present value of the future lease fees, which had not been paid as of the beginning date for the leases.

Lease liabilities recognised in the balance sheet, SEK million	Group	
	2022	2021
Current liabilities	54	56
Non-current liabilities	101	114
Total	**155**	**170**

Lease liabilities were included in the items 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	
	2022	2021
Depreciation of ROU assets	–59	–61
Interest expenses for lease liabilities	–4	–4
Expenses attributable to short-term leases and leases of a low value	–12	–5
Expenses attributable to variable lease fees	–1	–2

The total cash flow for leased assets was SEK 62 million (64).

The future expected lease payments with values that were not discounted are presented in the table.

Future lease payments, SEK million	Group	
	2022	2021
Matures for payment within one year	52	58
Due for payment after more than one year but within two years	40	38
Due for payment after more than two years but within three years	23	25
Due for payment after more than three years but within four years	20	19
Due for payment after more than four years but within five years	16	19
Due for payment after more than five years	5	20
Total	**156**	**179**

Parent Company leasing expenses amounted to SEK 6 million (6) and future lease commitments amounted to SEK 8 million (12) 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 198 contracts (173) with an average remaining lease period of 46 months (43) at year-end. The majority of the contracts, 86 percent (89), were related to forklifts and company cars. In terms of amounts, the majority of the contracts, 84 percent (80), were attributable to office, warehouse and factory premises, however. In 2022, 6 contracts (8) 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%	–
Bioglan AS	970,968,660	Oslo, Norway	1,400	100%	433
Midsona Norge AS	979,473,559	Oslo, Norway	–	100%	–
Midsona Deutschland GmbH	HRB 7603	Ascheberg, Germany	300,000	100%	339
Midsona Denmark A/S[1]	31493994	Mariager, Denmark	6,000,000	100%	443
Midsona Finland Oy[2]	1732881-1	Salo, Finland	16,000	100%	60
Bertil's Health Oy	0183046-0	Jakobstad, Finland	–	100%	–
Midsona Sverige AB	559037-5951	Malmö, Sweden	15,937,684	100%	859
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%	–
Midsona Iberia SLU	B59950097	Castellcir, Spain	3,494	100%	157
Total book value in the Parent Company					**2,481**

[1] On 1 January 2022, Anpartsselskabet Af 9 September 2010 A/S and System Frugt A/S were merged to form Midsona Danmark A/S.
[2] On 1 November 2022, Rootval Oy, Vitality and Oy, Oy MakroBios Ab and System Frugt Oy were merged to form Midsona Finland Oy.

SEK million	Parent Company	
	2022	2021
Accumulated cost		
Opening balance	3,123	3,421
Acquisitions of subsidiaries	17	1
Divestments of subsidiaries	–	–287
Revaluation, purchase consideration	–	–12
Shareholder contributions in subsidiaries	379	0
Closing balance	**3,519**	**3,123**
Accumulated impairment		
Opening balance	–588	–875
Impairment for the year on shares in subsidiaries	–450	–
Reversal of impairment on the year's divestments.	–	287
Closing balance	**–1,038**	**–588**
Carrying amount	**2,481**	**2,535**

Impairment for the year on shares in subsidiaries is recognised in the income statement under "Profit from participations in subsidiaries".

Note 19 | Receivables from, and liabilities to, subsidiaries

SEK million	Parent Company	
	2022	2021
Fixed assets		
Interest-bearing receivables	1,030	1,321
Total	**1,030**	**1,321**
Current assets		
Interest-bearing receivables[1]	40	67
Other receivables	47	50
Total	**87**	**117**
Total	**1,117**	**1,438**
Current liabilities		
Interest-bearing liabilities[1]	290	212
Total	**290**	**212**

[1] Interest-bearing receivables and liabilities refer to the consolidated accounts with internal interest.

Note 20 | Other non-current receivables and other receivables

	Group		Parent Company	
SEK million	2022	2021	2022	2021
Other non-current receivables that are fixed assets				
Deposits	4	3	–	–
Other financial assets	1	1	–	–
Total	**5**	**4**	**–**	**–**
Other receivables that are current assets				
Receivables from suppliers	16	27	–	–
Other receivables	11	6	3	3
Total	**27**	**33**	**3**	**3**

Note 21 | Inventories

	Group	
SEK million	2022	2021
Raw materials and consumables	282	337
Products in process	24	19
Finished goods and goods for resale	383	427
Goods in transit	38	–
Total	**727**	**783**

The consolidated income statement includes impairment of inventory items by SEK 38 million (23) in the item Expenses for goods sold. The increase was essentially attributable partly to the phasing out of packaging materials, and partly to problems with best before dates, both on finished goods and certain raw materials.

Note 22 | Accounts receivable

Customers are primarily chains in the pharmacy, grocery trade 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, 66 percent (66), derive from sales to customers in the Nordic market. The Group's ten largest customers accounted for 43 percent (43) 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.

	Group	
Accounts receivable, SEK million	2022	2021
Accounts receivable, gross	401	405
Expected credit losses	–3	–2
Total	**398**	**403**

	Group	
Age analysis, accounts receivable, SEK million	2022	2021
Accounts receivable not past due	343	353
Past due 1–30 days	39	39
Past due 31–90 days	11	3
Past due > 91 days	5	8
Total	**398**	**403**

The average customer credit period was 38 days (38). 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 3 million (2). Customer losses have historically been at a very low level over time. For information on customer credit risk, please see Note 30 *Financial risk management* on pages 161–163.

Note 23 | Prepaid expenses and accrued income

	Group		Parent Company	
SEK million	2022	2021	2022	2021
Prepaid rent	0	0	1	1
Prepaid insurance	1	1	1	1
Prepaid leasing expenses	0	0	0	0
Prepaid marketing expenses	0	0	–	–
Prepaid commission	0	0	–	–
Prepaid purchases of goods and services	11	12	5	6
Other prepaid expenses	10	3	1	1
Total	**22**	**16**	**8**	**9**

Note 24 | Shareholders' equity

Group

Share capital

Share capital consists of the Parent Company's share capital. See under Parent Company in this note.

Additional paid-up capital

Other capital consists of equity contributed by the owners. The item includes share premium reserves transferred to the statutory reserve at 31 December 2005. Provision to the share premium reserve from 1 January 2006 and forward, are also recognised as paid-up capital.

Reserves

The item consists 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 2022, the number of registered shares amounted to 145,428,080, divided into 596,640 Series A shares and 144,831,440 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 2021	755,820	64,248,788	65,004,608
Redemption of warrants	–	213,180	213,180
New share issue	–	7,496,252	7,496,252
Reclassification	–457,500	457,500	0
Number of shares, 31 Dec 2021	**298,320**	**72,415,720**	**72,714,040**
Number of shares, 1 Jan 2022	298,320	72,415,720	72,714,040
New share issue	298,320	72,415,720	72,714,040
Number of shares, 31 Dec 2022	**596,640**	**144,831,440**	**145,428,080**
Quota value per share, SEK			5.00
Share capital on the balance sheet date, SEK			727,140,400
Votes on the balance sheet date, number			150,797,840

No treasury shares were held by the Parent Company or its subsidiaries at year-end or during the financial year.

Statutory reserve

The statutory reserve consists of amounts that, prior to 1 January 2006, had been transferred to the share premium reserve when shares were issued at a premium, at an amount exceeding the quota value of the shares.

Unrestricted shareholders' equity

Share premium reserve

The item consists of amounts transferred to the share premium reserve as of 1 January 2006 when shares were issued at a premium, at an amount beyond the quota value of the shares.

Profit brought forward

Profit brought forward consists of profit brought forward from the previous year in the Parent Company Amounts are also included from impairment of share capital in 2016 and from a transferred fair value fund in 2016 in accordance with IAS 21. Retained earnings, together with the share premium reserve and the profit total unrestricted equity available for distribution to shareholders.

New share issue

On 25 October, following the approval of an Extraordinary General Meeting on 24 November, Midsona's Board of Directors resolved to issue 298,320 new Series A shares and 72,415,720 Series B shares with preferential rights for existing shareholders. The subscription price for the rights issue was set at SEK 8.25 per share. The principal shareholder, Stena Adactum AB, undertook to subscribe for its pro rata share of the share issue and issued an underwriting guarantee for the remainder of the issue. This showed that 277,448 Series A shares, corresponding to around 93.0 percent of the Series A shares offered, and 38,770,076 Series B shares, corresponding to around 53.5 percent of the Series B shares offered, were subscribed for with the support of warrants. In addition, 20,872 Series A shares, corresponding to around 7.0 percent of the Series A shares offered, as well as 225,475 Series B shares, corresponding to around 0.3 percent of the Series B shares offered, were subscribed for without the support of subscription rights. The remaining 33,420,169 Series B shares, corresponding to approximately 46.2 percent of the Series B shares offered, were assigned to Stena Adactum AB as the issue underwriter. In December, the new share issue brought Midsona SEK 600 million before issue expenses. Issue expenses amounted to SEK 16 million.

The new shares were registered with the Swedish Companies Registration Office in December 2022 and introduced in the share register maintained by Euroclear Sweden in January 2023.

Re-stamping of Series B shares

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

Warrant programme

The subscription period for warrant programme TO2019/2022, potentially giving a maximum of 150,960 new B shares on full conversion, expired on 20 December 2022. No warrants were converted to B shares.

There were two warrant programmes outstanding at the end of the year. TO2021/2024, potentially giving a maximum of 171,000 new B shares given full conversion on the exercise of the warrants from 1 August 2024 to 20 December 2024. The subscription price for the option programme was recalculated at SEK 75.70 (previously SEK 75.85) in light of the completed rights issue. In August 2022, a total of 120,000 warrants in TO2022/2025 were transferred to senior executives. Each warrant entitles the holder to subscribe for one Series B share. The period during which the warrants may be exercised will be from 1 August 2025 to 20 December 2025. The subscription price for the option programme was recalculated at SEK 25.60 (previously SEK 25.66) in light of the completed rights issue. The transfer of the warrants took place at market terms based on a calculation according to the so-called Black & Scholes model done by PWC AB, which is to be considered independent in relation to Midsona. The fair value per warrant was SEK 3.82 at the time of the transaction in August 2022.

Because the average price for Series B shares was lower than the subscription price for TO2021/2024 and TO2022/2025 on the balance sheet date, earnings per share after dilution were not calculated.

Proposed appropriation of profit or loss

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

Share premium reserve	SEK 1,798,368,654
Profit brought forward	SEK 543,647,031
Profit/loss for the year	SEK –430,121,928
Total	**SEK 1,911,893,757**

The Board of Directors proposes that the unrestricted shareholders' equity in the Parent Company, amounting to SEK 1,911,893,757 be appropriated as follows:

Carried forward	SEK 1,911,893,757
Total	**SEK 1,911,893,757**

Note 25 | Liabilities to credit institutions

Interest-bearing liabilities, SEK million	Group		Parent Company	
	2022	2021	2022	2021
Non-current interest-bearing liabilities				
Bank loans	675	1,200	640	1,166
Lease liabilities	101	114	–	–
Total	**776**	**1,314**	**640**	**1,166**
Current interest-bearing liabilities				
Bank loans	65	119	57	107
Lease liabilities	54	56	–	–
Total	**119**	**175**	**57**	**107**
Total	**895**	**1,489**	**697**	**1,273**

The Group's external financing mainly comprises loans from Danske Bank A/S and Svensk Exportkredit AB (publ). The financing agreement extends until September 2025. As collateral for the facilities, the subsidiary shares are pledged, see Note 31 *Pledged assets and contingent liabilities* on page 163. There are also corporate loans at German banks that were taken over in connection with business acquisitions in 2018, as well as an investment loan at a Spanish bank for the expansion investment at the Group's production facility in Spain. For more information on the Company's financing, please see Note 30 *Financial risk management* on pages 161–163.

Credit terms interest-bearing liabilities, SEK million	Nominal amount	Utilised amount	Unutilised amount	Maturity
Bank loans				
Revolving credit, SEK	760	323	437	Sep 2019 – Sep 2025
Acquisition loan, SEK	236	236	0	Sep 2019 – Sep 2025
Acquisition loan, SEK	31	31	0	Oct 2020 – Sep 2025
Acquisition loan, DKK	82	82	0	Oct 2020 – Sep 2025
Acquisition loan, EUR	30	30	0	Apr 2021 – Sep 2025
Corporate loan, EUR[1]	36	36	0	May 2018 – Sep 2027
Investment loan, EUR	0	0	0	Feb 2020 – Jun 2023
Investment loan, EUR[2]	7	7	0	Feb 2022 – Jun 2028
Total	**1,182**	**745**	**437**	
Financing cost				
Capitalised transaction costs for bank loans		–5		
Total		**–5**		
Overdrafts				
Overdrafts, SEK	150	0	150	Oct 2022 – Sep 2023
Total	**150**	**0**	**150**	
Total	**1,332**	**740**	**587**	

[1] Corporate loans taken over in connection with business acquisitions in 2018.
[2] Investment loan for new investment in production plant.

Note 26 | Other non-current and current liabilities

SEK million	Group		Parent Company	
	2022	2021	2022	2021
Other non-current liabilities				
Other liabilities	0	1	0	0
Total	**0**	**1**	**0**	**0**
Other current liabilities				
VAT liabilities	14	21	–	–
Settlement personnel taxes and fees	14	13	1	1
Other liabilities	8	6	2	0
Total	**36**	**40**	**3**	**1**

There were no contingent purchase considerations in the consolidated balance sheet, neither at year-end 2022 nor 2021. The change of the conditional purchase considerations in 2021 is presented in the table below.

SEK million	Group		Parent Company	
	2022	2021	2022	2021
Conditional purchase considerations, acquisition of operations				
Opening balance	–	24	–	11
Paid conditional purchase considerations	–	–3	–	–
Exchange-rate change	–	–	–	0
Revaluation of conditional purchase considerations	–	–21	–	–11
Closing balance	–	–	–	–

In 2021, conditional purchase considerations were reassessed, resulting in reversals of SEK 21 million as a result of the profit targets for 2021 not being achieved.

Note 27 | 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 2022 financial year, the Group does not have access to information making it possible to report this as a defined-benefit plan. Pension in accordance with the ITP plan and secured through insurance with Alecta is consequently recognised as a defined contribution plan.

The year's fees for pension insurance secured through Alecta amounted to SEK 3 thousand (4) in the Group, and SEK 0 thousand (0) in the Parent Company. For the next reporting period, the charges expected for ITP 2 insurance with Alecta amount to SEK 3 million for the Group and SEK 0 million for the Parent Company.

Alecta's surplus may be distributed to policyholders and/or the beneficiaries. At year-end 2022, Alecta's surplus expressed as the collective funding ratio was 172 percent (172). 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.

At the end of 2022, the Parent Company had one direct pension that was secured by a pledged endowment insurance. As this is a non material amount, it is reported among the costs for defined-contribution pension plans.

Defined-contribution pension plans

For employees in Sweden, the Group has defined contribution pension plans paid entirely by the Group companies. In other countries, there are defined contribution plans that are paid partly by the subsidiaries and that are partly covered by fees paid by the employees. Payments to these plans are on-going, in accordance with the regulations for each of the plans.

SEK million	Group		Parent Company	
	2022	2021	2022	2021
Expenses for defined-contribution plans[1]	–34	–37	–4	–7

[1] The ITP plan funded in Alecta is included as an expense of SEK 3 million (4) for the Group and SEK 0 million (0) for the Parent Company. A non-material direct pension solution is reported here, both in the Group and the Parent Company.

Note 28 | Accrued expenses and deferred income

SEK million	Group		Parent Company	
	2022	2021	2022	2021
Accrued expenses for goods	34	26	–	–
Accrued personnel expenses	52	61	7	7
Accrued marketing and sales costs	3	3	–	–
Accrued customer bonus expenses	31	36	–	–
Other accrued expenses	44	41	7	1
Total	**164**	**167**	**14**	**8**

Note 29 | Other provisions

SEK million	Group	
	2022	2021
Provisions that are non-current		
Restructuring programme	0	1
Other provisions	8	9
Total	**8**	**10**
Provisions that are current		
Restructuring programme	7	1
Other provisions	0	0
Total	**7**	**1**
Total	**15**	**11**
Restructuring programme		
Carrying amount at beginning of period	2	22
Provisions made during the year	13	5
Amounts utilised during the year	–8	–25
Total	**7**	**2**
Other provisions		
Carrying amount at beginning of period	9	14
Provisions assumed upon acquisition	–	0
Provisions made during the year	1	1
Amounts utilised during the year	–2	–6
Total	**8**	**9**
Total provisions		
Carrying amount at beginning of period	11	36
Provisions assumed upon acquisition	0	0
Provisions made during the year	14	6
Amounts utilised during the year	–10	–31
Total	**15**	**11**

Restructuring programme

The restructuring programme essentially refers to the decision to lower the cost base by SEK 60 million on an annual basis through structural changes, as an element in strengthening competitiveness.

Other provisions

Other provisions mainly pertain to guarantee commitments and subsidies for investment projects.

Note 30 | Financial risk management

The Group's operations are exposed to various financial risks, which mainly comprise financing, liquidity, currency, interest and credit risk.

The financial risk work is governed at an overall level by the Board, which sets financial policy, which includes the overarching risk management and ensures that it is followed. The operational responsibility for financial risk management is centralised to the Group finance function in the Parent Company to take advantage of economies of scale and synergies. The Parent Company acts as the Group's internal bank, ensures that the right financing is in place through loans and credit facilities, and manages and governs financial risk exposure and manoeuvres the liquidity in line with the set financial policy. The financial risk exposure is reported back continuously to the Board of Directors.

Capital management

The Group's objective with its capital management is to safeguard the capacity to continue the 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. The Board of Directors proposes no dividend for 2022.

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. The ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 4.4 (4.4).

The Group's financing agreement contains customary loan terms (covenants) related to the relationship between net debt and EBITDA.

Financing risk

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

The financing mainly comprises loans from Danske Bank A/S and AB Svensk Exportkredit (publ). In October 2022, the financing agreement, originally dated September 2019, was adjusted and extended until September 2025. The credit facility consists of a financing agreement comprising several different loans in the currencies SEK, EUR and DDK. Following an extra amortisation of SEK 578 million in December 2022, the credit facility pertains to 4 acquisition loans totalling SEK 379 million, a revolving facility of SEK 760 million, of which SEK 323 million had been used at the end of the year, and a one-year overdraft facility of SEK 150 million, intended for operating credits. All facilities, except the overdraft of SEK 150 million, are so-called term loans, meaning that the term is fixed with due date for final payment in September 2025.

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. At the end of the year, the average remaining maturity on confirmed loan commitments was 26 months (28).

Two financial covenants are linked to the financing agreement, which must be met during the maturity of the contract.

For more information on utilised loans, maturity periods and available credit facilities, see Note 25 *Liabilities to credit institutions*, page 160. For a description of the Group's lease liabilities, refer to Note 17 *Leasing*, on pages 157–158 and for a description of the Group's other financial liabilities, refer to Note 26 *Other non-current and current liabilities*, on pages 160–161.

Liquidity risk

Liquidity risk means the risk that the Group cannot meet its payment obligations as a consequence of inadequate access to cash and equivalents.

In order to control and plan the Group's cash requirements, the Group finance function uses liquidity forecasts that the Group's subsidiaries report in on a monthly basis for the ensuing six months.

The Group has a multi-currency cash pool with the ambition of connecting all of the subsidiaries, as far as possible. Through the cash pool, excess liquidity from the subsidiaries, repayments on internal loans and dividends, are to be concentrated to the Parent Company for loan and credit repayments.

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. 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.

Nominal amounts, SEK million	0-6 months		7-12 months	
	2022	2021	2022	2021
Bank loans	47	72	46	71
Lease liabilities	25	29	25	29
Accounts payable	358	342	–	–
Other liabilities	1	–	1	–
Total	**431**	**443**	**72**	**100**

Nominal amounts, SEK million	1–5 years		5 years <	
	2022	2021	2022	2021
Bank loans	711	1,237	–	5
Lease liabilities	98	101	5	20
Accounts payable	–	–	–	–
Other liabilities	–	–	–	–
Total	**809**	**1,338**	**5**	**25**

Midsona shall maintain a financial preparedness in the form of a liquidity reserve, comprising cash and cash equivalents and unutilised credit commitments, corresponding to at least 7.5 percent of the Group's forecast annual sales. In 2022, the liquidity reserve was in the range of 9.8–18.2 percent of annual sales, with 18.2 percent being in December following the completion of the new share issue. The liquidity reserve shall, at all times, also exceed the sum of the Group's loan maturity for the next six months.

Liquidity reserve, SEK million	2022	2021
Unutilised credit facilities	587	490
Cash and cash equivalents	121	53
Total	**708**	**543**

Foreign exchange 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 risk arises in the form of both transaction and translation exposure.

Transaction exposure

Transaction exposure is the risk that affects the Group's earnings and cash flow through the operational and financial transactions that take place in other currencies than the functional currency of each Group company. The Group's sales of goods mainly occur in the companies' local currencies, although the currency flows arising from purchases, primarily of goods, in other currencies give rise to the Group's current transaction exposure.

The Group finance function assesses future currency exposure based on cash flow forecasts that are reported in. The assessed transaction exposure for 2023 for the currencies with the largest net exposure appears in the table below, where significant currency risk lies in the net flows for USD/EUR, USD/DKK and EUR/SEK.

Amounts are in millions in each currency[3]	Net flow	Currency hedging	Net flow after currency hedging
	Group 2022[1]		
USD/EUR	–14	–	–14
USD/DKK	–24	3	–21
EUR/SEK	–43	–	–43
DKK/SEK	–42	–	–42
EUR/NOK	–9	–	–9
SEK/NOK	–85	–	–85
	Group 2021[2]		
USD/EUR	–19	–	–19
USD/DKK	–28	–	–28
EUR/SEK	–44	–	–44
DKK/SEK	–20	–	–20
EUR/NOK	–9	–	–9
SEK/NOK	–72	–	–72

[1] Transaction exposure is based on estimated net flows for the ensuing 12 months, i.e. for 2023.
[2] Transaction exposure is based on estimated net flows for the ensuing 12 months, i.e. for 2022.
[3] A negative net flow means that the outflow in each currency exceeds the inflow and a positive net flow means that the inflow in each currency exceeds the outflow.

With other variables unchanged, an isolated exchange rate change of +/-10 percent for each exposure would affect earnings before tax by the amount below.

Sensitivity analysis, SEK million	Group	
	2022	2021
USD/EUR	+/–15	+/–17
USD/DKK	+/–23	+/–25
EUR/SEK	+/–47	+/–45
DKK/SEK	+/–6	+/–3
EUR/NOK	+/–10	+/–9
SEK/NOK	+/–9	+/–7

In 2022, Group Management received a mandate to secure goods purchases in USD for, above all, contracts with predefined payment plans as a result of the increased currency exposure in USD/DKK and USD/EUR. Currency risks shall otherwise 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.

Translation exposure – income statement

Exchange rate changes affect the Group's net sales and earnings when translating the foreign subsidiaries' income statements to SEK. In 2022, approximately 29 percent (55) of the Group's EBITDA was in currencies other than SEK. When recalculating the 2022 net sales, EBITDA and profit after tax to 2021 exchange rates, the currency effect is as follows.

SEK million	Net sales	EBITDA	Profit after tax
DKK	–35	0	1
EUR	–75	0	26
NOK	–22	–2	–1
Total	**–132**	**–2**	**26**

Translation exposure – balance sheet

The Parent Company has holdings in foreign subsidiaries, whose net assets are exposed to currency translation risk upon consolidation. This exposure affects the Group's comprehensive income and shareholders' equity. The table below shows the net investments per currency and the impact that an exchange rate change of +/–5 percent would have.

SEK million	Net assets	Currency impact
DKK	616	+/−31
EUR	739	+/−37
NOK	202	+/−10

The translation exposure also exists in individual companies, where the companies' balance sheet items are in a currency other than the Company's functional currency. The companies' financial balance sheet items are addressed by matching assets and liabilities in the same currency, with this being administrated by the Parent Company. Internal loans to subsidiaries are always provided in the company's local currency and external borrowing is then arranged, as far as possible, in the exposed foreign currencies. Translation exposure in individual companies' operating balance sheet items is shown in the table below.

	Group	
Amounts are in millions in each currency	2022	2021
USD/EUR	−1	−2
USD/DKK	−2	−2
EUR/SEK	−4	−4
DKK/SEK	−4	−2
EUR/NOK	−1	−1
SEK/NOK	−7	−6

With other variables unchanged, an isolated exchange rate change of +/-10 percent for each exposure would affect earnings before tax by the amount below.

	Group	
Sensitivity analysis, SEK million	2022	2021
USD/EUR	+/−1	+/−1
USD/DKK	+/−2	+/−2
EUR/SEK	+/−4	+/−4
DKK/SEK	+/−1	+/−0
EUR/NOK	+/−1	+/−1
SEK/NOK	+/−1	+/−1

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. Most of the Group's liabilities to credit institutions are in the Parent Company. These mature at a variable interest rate comprising IBOR plus a margin and have a zero interest rate floor. The interest on the facilities taken over in connection with the business combination in 2018 is fixed over the term. The tables below present the loan debt by currency and the effect on the Group's interest expense in the event of a 1 percentage point increase in market interest rates.

Loan debt broken down by currency	2022	2021
SEK	267	531
EUR	353	664
DKK	82	85
Fixed interest rate	43	44
Total	**745**	**1,324**

Interest rate change of 1 percentage point	2022	2021
SEK	3	5
EUR	4	7
DKK	1	1
Total	**8**	**13**

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 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 3.2 percent (1.9) for 2022.

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.

Credit risk

There is a risk that the counterparties with whom the Group has cash and cash equivalents, or 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 121 million (53) 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 bankruptcy 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	344	−1	343
1–30	1.00	0.30	1.30	39	−1	38
31–60	2.00	2.25	4.25	11	0	11
61–90	3.50	3.25	6.75	1	0	1
>91	5.50	5.00	10.50	6	−1	5
Total				**401**	**−3**	**398**

Note 31 | Pledged assets and contingent liabilities

	Group		Parent Company	
SEK million	2022	2021	2022	2021
Pledged assets				
Blocked bank balances	2	1	–	–
Shares in subsidiaries	–	–	1,924	1,741
Net assets in subsidiaries	2,286	2,418	–	–
Others	265	320	–	–
Total	**2,553**	**2,739**	**1,924**	**1,741**
Contingent liabilities				
Guarantees, external	8	8	2	–
General guarantee for subsidiaries	–	–	0	1
Parent Company guarantees	–	–	1	1
Total	**8**	**8**	**3**	**2**

Shares in subsidiaries have been pledged as collateral for overdrafts and bank loans. Liabilities to credit institutions are shown in Note 25 *Liabilities to credit institutions*, page 160. Net assets in subsidiaries pertain to shares in subsidiaries that are stated at amounts equivalent to the consolidated net assets.

Note 32 | 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 measured at amortised cost constitutes a reasonable approximation of fair value.

Fair value and carrying amount in the balance sheet, SEK million	Group 2022			
	Measured at amortised cost	At fair value through profit or loss[1]	Total carrying amount	Fair value
Non-current receivables	5	–	5	5
Accounts receivable	398	–	398	398
Other receivables	27	–	27	27
Cash and cash equivalents	121	–	121	121
Total	**551**	**–**	**551**	**551**
Non-current interest-bearing liabilities	776	–	776	776
Other non-current liabilities	0	–	0	0
Current interest-bearing liabilities	119	–	119	119
Accounts payable	358	–	358	358
Other current liabilities	34	2	36	36
Total	**1,287**	**2**	**1,289**	**1,289**

[1] Other current liabilities measured at fair value via profit or loss consist of derivative instruments of SEK 2 million.

Fair value and carrying amount in the balance sheet, SEK million	Group 2021			
	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	403	–	403	403
Other receivables	33	–	33	33
Cash and cash equivalents	53	–	53	53
Total	**493**	**–**	**493**	**493**
Non-current interest-bearing liabilities	1,314	–	1,314	1,314
Other non-current liabilities	1	–	1	1
Current interest-bearing liabilities	175	–	175	175
Accounts payable	342	–	342	342
Other current liabilities	40	–	40	40
Total	**1,872**	**–**	**1,872**	**1,872**

Fair value and carrying amount in the balance sheet, SEK million	Parent Company 2022			
	Measured at amortised cost	At fair value through profit or loss[1]	Total carrying amount	Fair value
Other receivables	3	–	3	3
Total	**3**	**–**	**3**	**3**
Liabilities to credit institutions	697	–	697	697
Other non-current liabilities	0	–	0	0
Accounts payable	8	–	8	8
Other current liabilities	1	2	3	3
Total	**706**	**2**	**708**	**708**

[1] Other current liabilities measured at fair value via profit or loss consist of derivative instruments of SEK 2 million.

Fair value and carrying amount in the balance sheet, SEK million	Parent Company 2021			
	Measured at amortised cost	At fair value through profit or loss[1]	Total carrying amount	Fair value
Other receivables	3	–	3	3
Total	**3**	**–**	**3**	**3**
Liabilities to credit institutions	1,273	–	1,273	1,273
Accounts payable	6	–	6	6
Other current liabilities	1	–	1	1
Total	**1,280**	**–**	**1,280**	**1,280**

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

There were financial instruments in the form of forward exchange contracts recognised at fair value via the income statement. That valuation was at level 2, according to IFRS 13 *Fair Value Measurement*. Actual values were based on quotes from brokers. Similar contracts were traded on an active market and the rates reflected actual transactions on comparable instruments.

Netting agreements and similar agreements

For derivative counterparties, there are ISDA agreements, meaning that derivative items can be reported net under certain conditions. Financial liabilities were reported that were attributable to derivative instruments of SEK 2 million in the consolidated balance sheet at the end of the year, which were covered by a legally binding framework agreement on netting or a similar agreement. There were no net reported derivative instruments in the consolidated balance sheet.

Calculation of fair value

Fair value of interest bearing liabilities is calculated based on future cash flows of principal and interest discounted at the current market rate on the balance sheet date. Long-term interest-bearing liabilities essentially mature at variable interest rates and therefore correspond essentially to fair value with a carrying amount. For current interest-bearing liabilities, no discount is applied and the fair value corresponds, in all material respects, to the carrying amount. For a maturity analysis, see Note 30 *Financial risk management*, pages 161–163.

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 158.

Related party transactions

For the Parent Company, SEK 63 million (64), equivalent to 100 percent (100) of sales for the year and SEK 2 million (1), corresponding to 5 percent (4) of purchases for the year pertained to subsidiaries within the Group. The sale referred mainly to the invoicing of internally performed services, while purchases from subsidiaries mainly referred to consulting services and cost reimbursements. All pricing is conducted on market terms.

The Parent Company has Receivables from, and liabilities to, subsidiaries, see Note 19 *Receivables from, and liabilities, to subsidiaries*, page 158.

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 151–153.

In August 2022, warrants were transferred to senior executives on market terms, see Note 24 *Shareholders' equity* on pages 159–160.

Midsona's principal shareholder, Stena Adactum AB, undertook to subscribe for its pro rata share of the share issue and has issued an underwriting guarantee for the remainder of the issue. The warranty provision amounted to SEK 4 million.

In addition to the transactions mentioned above, there were no significant related party transactions during the year with related companies or with the Board of Directors and senior executives.

Note 34 | Significant estimates and assumptions

In preparing the financial statements, management makes estimates and judgements that affect the amounts of assets, liabilities, income and expenses. The estimates and assumptions that involve a risk of significant adjustments to the carrying amounts of assets and liabilities within the next financial year and critical judgements in applying the Group's accounting policies discussed below. Reported estimates regarded as reasonable under the circumstances.

Valuation of goodwill

The carrying value of goodwill is contingent upon the future profitability of the cash-generating unit to which the goodwill is allocated to goodwill annually. Several new assumptions about future conditions and parameter estimates were 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. A challenging market and unfavourable macroeconomic factors led to certain revisions in net sales growth, the development of the product margin and the discount rate, resulting in the calculated recovery value for the cash-generating units North Europe and South Europe being lower than their reported values – for this reason impairment was recognised in the goodwill of these units by SEK 177 million (EUR 16.6 million) and SEK 249 million (EUR 23.4 million) respectively. The dramatically changed conditions were difficult to predict. For the cash-generating unit Nordics, the assessment of the Company management's remained that no reasonable changes to the key assumptions would lead to the calculated recovery value being lower than the reported value. Moving forward, Company management will be carefully monitoring the development of these the cash-generating units in the event that new estimates and assessments must be made in the assumptions due to altered conditions.

The carrying amount of goodwill amounted to SEK 1,606 million (1,968) at the end of the year. For further information, please see Note 15 *Intangible assets*, pages 155–156.

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 testing for an individual mark has recoverable amount calculated on the cash-generating unit to which the trademarks are allocated. Several new assumptions about future conditions and parameter estimates were 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. Company Management's assessment is that no reasonable changes in the important assumptions would lead to the reported values of brands being subject to a need for impairment.

The carrying amount for the brands amounted to SEK 1,290 million (1,251) at year-end, of which SEK 1,103 million (1,051) is with an indefinite useful life. For further information, please see Note 15 *Intangible assets* , pages 155–156.

Valuation of tangible assets

New estimates and assessments were made regarding a tangible asset, attributable to the cash generating unit North Europe, due to low capacity utilization. Following an indication of impairment, the tangible fixed asset was tested for impairment test, leading to the recoverable amount being reduced by SEK 54 million (EUR 5.1 million).

The carrying amount for tangible fixed assets amounted to SEK 451 million (522) at the end of the year. For further information, please see Note 16 *Tangible assets*, pages 156–157.

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.

Estimates and assessments were made as to whether tax loss carryforwards generated in some geographic markets over the year could be capitalised as deferred tax assets to be realised against future taxable income. Company management made the assessment that most of the tax loss carryforwards generated could be capitalised as deferred tax assets.

The total tax-loss carryforwards in the Group amounted to SEK 503 million (363) at 31 December 2022, of which SEK 479 million (363) was capitalised in the consolidated balance sheet. Loss carry-forwards increased during the year as a consequence of tax losses generated in some of the Group's legal units. Company 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 116 million (91) at the end of the period while the carrying amount of deferred tax liabilities was SEK 347 million (347). For further information, see Note 13 *Taxes*, pages 153–154.

Note 35 | Supplementary disclosures to cash flow analyses

SEK million	Group		Parent Company	
	2022	2021	2022	2021
Interest paid				
Interest received	2	0	54	31
Interest paid	–55	–38	–50	–31
Adjustment for items not included in cash flow				
Dividend	–	–	–1	–3
Amortisation/depreciation	161	156	12	11
Impairment	519	37	450	–
Unrealised exchange rate differences	–2	0	–5	–15
Capital gain on sale of fixed assets	–1	0	–	–
Pension provisions	0	0	0	0
Other provisions and items not included in cash flow	6	–52	0	–4
Total	**683**	**141**	**456**	**–11**
Acquisitions of companies or operations				
Intangible fixed assets	–	27	–	–
Tangible fixed assets	–	14	–	–
Financial fixed assets	–	–	18	–
Deferred tax assets	–	1	–	–
Inventories	–	26	–	–
Trade and other receivables	–	18	–	–
Cash and cash equivalents	–	11	–	–
Deferred tax liabilities	–	–7	–	–
Non-current interest-bearing liabilities	–	–32	–	–
Current interest-bearing liabilities	–	–2	–	–
Accounts payable and other liabilities	–	–18	–	–
Net assets and liabilities	**–**	**38**	**18**	**–**
Consolidated goodwill	–	52	–	–
Purchase consideration paid	**–**	**–90**	**–18**	**–**
Less: Cash and equivalents in acquired operations	–	11	–	–
In addition: Repayment of loans in the acquired operations	–	–32	–	–
Effect on cash and equivalents from acquisitions during the year	**–**	**–111**	**–18**	**–**
Payment of additional purchase consideration related to prior years' acquisitions	–	–3	–	–
Effect on cash and equivalents of acquisitions	**–**	**–114**	**–18**	**–**

Cash and cash equivalents

Cash and 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 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.

Compilation of liabilities attributable to financial cash flows, SEK million 2022	At beginning of year	Changes affecting cash flow: Financial cash flows	Changes not affecting cash flow: New leases	Extended/ terminated leases	Acquired through business combinations	Exchange rate change	Group: At the end of the year
Non-current liabilities to credit institutions	1,200	–581	–	–	–	56	675
Lease liabilities	114	–53	10	19	–	11	101
Non-current interest-bearing liabilities	**1,314**	**–634**	**10**	**19**	**–**	**67**	**776**
Current liabilities to credit institutions	119	–60	–	–	–	6	65
Lease liabilities	56	–5	0	0	–	3	54
Current interest-bearing liabilities	**175**	**–65**	**0**	**0**	**–**	**9**	**119**
Total	**1,489**	**–699**	**10**	**19**	**–**	**76**	**895**

Compilation of liabilities attributable to financial cash flows, SEK million 2021	At beginning of year	Changes affecting cash flow: Financial cash flows	Changes not affecting cash flow: New leases	Extended/ terminated leases	Acquired through business combinations	Exchange rate change	Group: At the end of the year
Non-current liabilities to credit institutions	1,367	–176	–	–	–	9	1,200
Lease liabilities	159	–58	21	–9	0	1	114
Non-current interest-bearing liabilities	**1,526**	**–234**	**21**	**–9**	**0**	**10**	**1,314**
Current liabilities to credit institutions	198	–82	–	–	2	1	119
Lease liabilities	55	0	3	–3	0	1	56
Current interest-bearing liabilities	**253**	**–82**	**3**	**–3**	**2**	**2**	**175**
Total	**1,779**	**–316**	**24**	**–12**	**2**	**12**	**1,489**

Compilation of liabilities attributable to financial cash flows, SEK million 2022	At beginning of year	Changes affecting cash flow: Financial cash flows	Changes not affecting cash flow: Exchange rate change	Parent Company: At the end of the year
Non-current liabilities to credit institutions	1,166	–580	54	640
Non-current interest-bearing liabilities	**1,166**	**–580**	**54**	**640**
Current liabilities to credit institutions	107	–55	5	57
Current liabilities to subsidiaries	212	74	4	290
Current interest-bearing liabilities	**319**	**19**	**9**	**347**
Total	**1,485**	**–561**	**63**	**987**

Compilation of liabilities attributable to financial cash flows, SEK million 2021	At beginning of year	Changes affecting cash flow: Financial cash flows	Changes not affecting cash flow: Exchange rate change	Parent Company: At the end of the year
Non-current liabilities to credit institutions	1,324	–166	8	1,166
Non-current interest-bearing liabilities	**1,324**	**–166**	**8**	**1,166**
Current liabilities to credit institutions	98	8	1	107
Current liabilities to subsidiaries	281	–69	0	212
Current interest-bearing liabilities	**378**	**–61**	**1**	**319**
Total	**1,702**	**–227**	**9**	**1,485**

Note 36 | Events after the balance sheet date

Sustainability work receives recognition

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

Note 37 | 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, Small Cap list.

The consolidated financial accounts for 2022 comprise the Parent Company and its subsidiaries; jointly referred to as "the Group".

Board of Directors' statement of assurance

The Board of Directors and the CEO certify that the consolidated and annual accounts have been prepared in accordance with the international accounting standards referred to in the European Parliament and Council Regulation (EC) No 1606/2002 of 19 July 2002 on the application of international accounting standards and generally accepted accounting principles and give a true and fair view of the financial position and results of the Group and the Parent Company. The Directors' Report for the Group and Parent Company gives a true and fair view of the Group and Parent Company's financial position and results and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Malmö, 5 April 2023

Patrik Andersson
Chairman of the Board

Heli Arantola
Board Member

Sandra Kottenauer
Board Member

Jari Latvanen
Board Member

Henrik Stenqvist
Board Member

Anders Svensson
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 5 April 2023. 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 4 May 2023.

Our audit report was submitted on 5 April 2023.
Deloitte AB

Jeanette Roosberg
Authorised
Public Accountant

Auditor's Report

To the general meeting of the shareholders of Midsona AB (publ)
corporate identity number 556241-5322

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Midsona AB (publ) for the financial year 2022-01-01 - 2022-12-31. The annual accounts and consolidated accounts of the company are included on pages 132–167 in 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 2022 and its financial performance and cash flow 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 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of goodwill and trademarks with indefinite useful lives

Description of risk

- In its balance sheet as per December 31 2022, Midsona reported goodwill of SEK 1 605 million (1 968) and trademarks with indefinite useful lives for SEK 1 103 million (1 051). 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 generated 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 assumption 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 142–148, Note 34 on *Significant estimates and assumptions* on page 165 and Note 15 on *Intangible assets* on pages 155–156 in the Annual Report.

Our audit procedures

- We have reviewed and assessed Midsonas' 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.
- When performing the audit procedures our valuation experts have been involved.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2–131 and 170–190. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has 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.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: *www.revisorsinspektionen.se/revisornsansvar.* This description forms part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Midsona AB (publ) for the financial year 2022-01-01 – 2022-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilites of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of 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 which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: *www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf*. This description forms part of the auditor´s report.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Midsona AB (publ) for the financial year 2022-01-01 – 2022-12-31.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Midsona AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of The Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

Deloitte AB, was appointed auditor of Midsona AB by the general meeting of the shareholders on the 2022-05-05 and has been the company's auditor since 2014-04-29.

Malmö, April 5, 2023
Deloitte AB

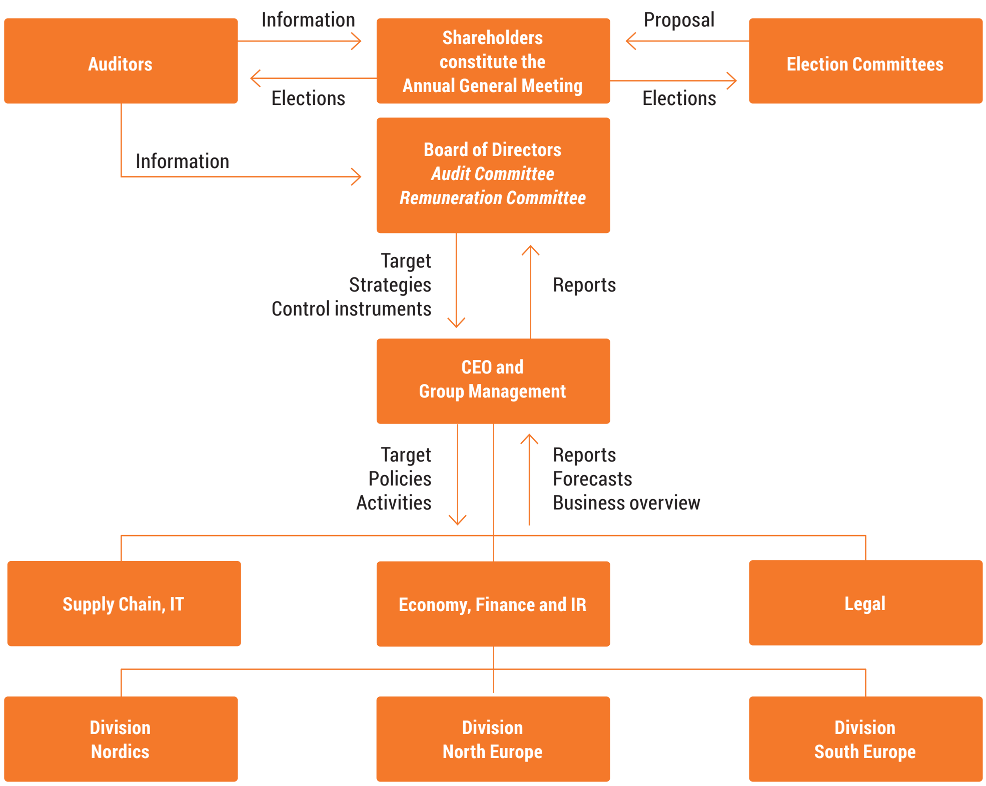
Signature on the Swedish original

Jeanette Roosberg
Authorised Public Accountant

This is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail.

Corporate Governance Report

Midsona AB (publ) (below "Midsona") is a Swedish public company listed on Nasdaq Stockholm. Midsona applies the Swedish Code of Corporate Governance and hereby presents its Corporate Governance Report for 2022. The Group has two outstanding warrant programs, TO2021/2024 and TO2022/2025 in accordance with which options have been transferred to eligible parties, particularly targeting senior executives. In 2022, 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 has issued an opinion.



Control instruments

The external governance instruments forming the framework of Midsona's corporate governance include:

- Legislation
- International Financing Reporting Standards (IFRS)
- 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
- Midsona's Supplier Code of Conduct
- Formal work plan and instructions for the Board, committees, CEO and financial reporting to the Board
- Internal governance documents, such as policy documents, procedures and instructions

Copies of Midsona's Articles of Association and Code of Conduct are available for download at *www.midsona.com*.

Annual General Meeting

Midsona's Annual General Meeting is highest decision-making body at which shareholders exercise their voting rights.

The Annual General Meeting makes decisions regarding amendments to the Articles of Association and the Annual General Meeting which is the annual, ordinary General Meeting, shareholders make decisions on matters including the approval of the income statement and balance sheet, the appropriation of earnings, the discharge of the Board and CEO from liability, the election of Board members, the Chairman of the Board and auditor and approval of remuneration of the Board and the auditor. The Annual General Meeting also decides in principles for the appointment of the Nomination Committee and work, as well as guidelines for remuneration of the CEO and other senior executives. The Annual General Meeting also approves the Remuneration Report, which is presented annually by the Board of Directors. The Annual General Meeting usually 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 further information on the share and shareholders, please see pages 28–31 and *www.midsona.com*.

Annual General Meeting 2022

The 2022 Annual General Meeting was held on 5 May 2022. Shareholders representing 59.6 percent of the total number of votes in the Company were represented at the Meeting. Among other matters, the Annual General Meeting approved the Board's request 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 10 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 2022 Annual General Meeting are available at *www.midsona.com*.

Annual General Meeting 2023

The 2023 Annual General Meeting will take place on 4 May 2023 in Malmö, as was announced in a press release on 17 October 2022. Information on registration for participation in the General Meeting, as well as complete information on the Annual General Meeting will be published in connection with the publication of the Notice convening the Meeting and will also be available at *www.midsona.com*.

Election Committees

It is the shareholders who at the Annual General Meeting appoint the members of the Nomination Committee or specify how the members of the Nomination Committee are to be appointed. The Nomination Committee represents the Company's shareholders. Most of the members shall be independent in relation to the Company and its management. The task of the Nomination Committee is to prepare and submit proposals to the Annual General Meeting regarding elections and fees.

Nomination Committee for the 2023 Annual General Meeting

According to the current instructions for the Nomination Committee of Midsona AB, the members of the Nomination Committee, in addition to the Chairman of the Board, were to be appointed by the three largest shareholders in the Company by the last banking day in August 2022. It also follows from the current instructions that if any of the three largest shareholders waives their right to appoint a member to the Nomination Committee, the next shareholder in the order of size shall be given the opportunity to appoint a member.

Name/Representing, %	Percentage of votes 31 August 2022
Henrik Munthe/Stena Adactum AB	29.8
Bo Lundgren/Swedbank Robur Fonder	8.5
Bengt Belfrage/Nordea Fonder	3.0
Total	**41.3**

In preparation for the 2023 Annual General Meeting, the Nomination Committee held three minuted meetings prior to the publication of the notice of the Annual General Meeting and members have also maintained ongoing contacts. The Nomination Committee has interviewed all Board Members and received a presentation of Midsonas' operations by the CEO. The Nomination Committee has addressed the issues it is required to consider in accordance with the decisions of the Annual General Meeting and in accordance with the Swedish Code of Corporate Governance. Among other matters, the Committee has discussed and considered the extent to which the Board of Directors meets the demands imposed on a listed company and otherwise as a consequence of the company's operations. In addition, the Nomination Committee has discussed the Board's gender distribution, size, competence, experience and diversity, as well as how well the Board functions, taking into account aspects including the outcome of the Board's own assessment of its work. The election of auditors and remuneration of Board Members and auditors have also been discussed. The Nomination Committee has received information from the Audit Committee on the work of the auditors. The Nomination 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 composition of the Committee was published in a press release 17 October 2022 and at *www.midsona.com*. Shareholders have been offered the opportunity to submit proposals to the Nomination Committee. Information on how shareholders can submit proposals to the Committee is provided at *www.midsona.com*.

The Nomination Committee's proposal, and reasoned opinion, is published in connection with the announcement of the 2023 Annual General Meeting at the latest.

Members do not receive any fees or remuneration for their work on the Committee.

Proposal to the 2023 Annual General Meeting

The Nomination Committee proposes that the 2023 Annual General Meeting resolves

- to elect Patrik Andersson as chairman of the Meeting,
- to elect seven ordinary Board Members and no deputies,
- to choose a registered auditing company as auditor and no deputies,
- that Board fees be paid in the amounts of SEK 600,000 to the Chairman of the Board (previously SEK 600,000), SEK 260,000 to each other member (previously SEK 260,000) as well as SEK 75,000 to the chairman of the Audit Committee (previously SEK 75,000), SEK 40,000 to each other Board member included in the Audit Committee (previously SEK 40,000), SEK 45,000 to the chairman of the Remuneration Committee (previously SEK 45,000) and SEK 25,000 to each other Board member included in the Remuneration Committee (previously SEK 25,000),
- that auditors' fees shall be paid in accordance with approved invoicing,
- that Board members Patrik Andersson, Sandra Kottenauer, Jari Latvanen, Henrik Stenqvist, Anders Svensson and Johan Wester be re-elected;
- that Anna-Karin Falk be newly elected as a Board Member
- that Patrik Andersson be re-elected as Chairman of the Board, and
- that Deloitte AB be re-elected as auditor (Deloitte has stated that Authorised Public Accountant Jeanette Roosberg would be appointed as the principal auditor if the Meeting resolves in accordance with the proposal).

The Nomination Committee's complete proposals are included in the announcement of the Annual General Meeting.

The Nomination Committee considers that the expertise that exists in the proposed Board meets the Company's current needs well.

Board of Directors

Work and responsibilities of the Board

The Board of Directors is the highest management body beneath the Annual General Meeting and is responsible for the organisation and management of the Company's affairs. It shall primarily engage in more overarching and long-term issues that are of substantial significance for the Group's future focus.

The work of the Board follows written rules governing its practices and responsibilities, the division of work between the Board and its committees, as well as the role of the Chairman. Also regulated is the framework for the Board meetings, including their convening, agenda and minutes, as well as how the Board is to be supplied with comprehensive information for its work. The Board has also decided on the introduction of general policies for the operations and other central governance documents for the regulation of responsibilities, guidelines, procedures, values and targets.

The work of the Board is normally cyclical in nature. At the beginning of the year, the year-end and annual reports are addressed, as are the matters to be presented at the Annual General Meeting. After the summer, the Group's long-term strategic plan and focus are addressed. At the end of the year, the budget for the coming year is addressed. Each quarter, financial reporting is reviewed and the interim reports are approved for publication. In connection with the Annual General Meeting, an inaugural Board meeting is held, at which Committee members and signatories are determined, among other things.

According to the Articles of Association, the Board of Directors shall consist of at least three members and not more than nine and that no deputies shall be appointed. Members of the Board are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting. There are no rules about how long a member may serve on the Board.

Composition of the Board in 2022

At the Annual General Meeting 2022, the following seven directors were selected: Ola Erici (Chairman of the Board), Heli Arantola, Sandra Kottenauer, Jari Latvanen, Henrik Stenqvist, Peter Wahlberg and Johan Wester. At the Extraordinary General Meeting in December 2022, Patrik Andersson and Anders Svensson were elected Board Members replacing Ola Erici and Peter Wahlberg. 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 five men, which corresponds to a percentage of women of just over 29 percent. For information regarding the Board members' independence, other assignments and shareholdings in the Company, see pages 178-179 or Midsona's website *www.midsona.com*.

The CEO, the CFO and the General Counsel, who is also the Board's secretary, participate in Board meetings. When necessary, other officials participate in Board meetings to report on particular matters.

Work of the Board in 2022

In 2022, the Board held 11 meetings. For information on members' attendance, please see pages 178–179.

The Board regularly reviews the strategic issues affecting the Group's operations and general direction. The Board meeting in February addressed matters in preparation for the Annual General Meeting. The Annual Report was adopted at a per capsulam meeting later in April. At the Board meeting in June, rules of procedure were adopted for the Board of Directors, the Audit Committee and the Remuneration Committee.

A strategy meeting was held in September. The strategy work has subsequently continued in the divisions. Other commercially important issues during the year have been the handling of price adjustments, performance follow-up, impairment needs and capital acquisition.

The Company's auditors attended the first Board meeting of the year to report on the audit of the annual accounts for the financial year 2021. The Board has processed the report from the auditors and reviewed the internal control and compliance, as well as performing the annual Board assessment. The Board of Directors has also met with the auditor without any member of Management present. The Board's Committees have also submitted reports from their meetings at the Board meetings. The work of the Board of Directors over the year is shown in the illustration below.

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 the members assigned to check the minutes 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 Nomination 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

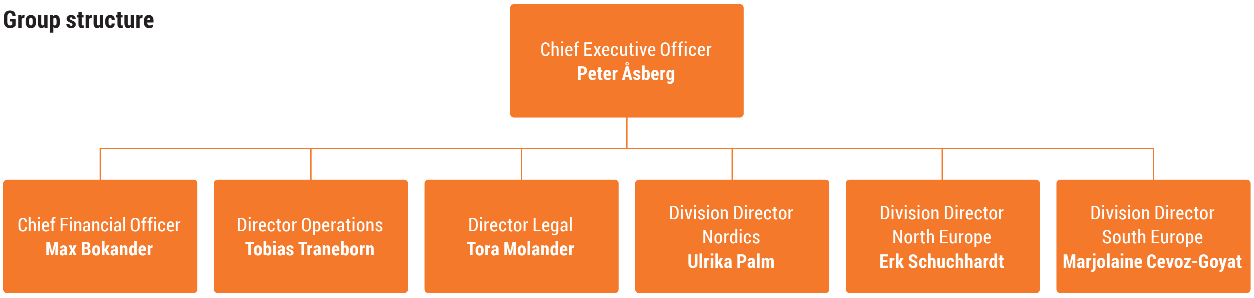
The Board has appointed an Audit Committee and a Remunerations Committee. The members of the committees and their chairpersons are appointed at the inaugural Board meeting for one year at a time. The work of the committees is mainly of a preparatory and advisory nature, although the Board may, in individual 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 Nomination Committee with proposals for the election of auditor and audit fees.

In 2022, the Audit Committee consisted of Henrik Stenqvist (chairman), Johan Wester and Jari Latvanen. The Committee met three times in 2022. For information on members' attendance, please see pages 178-179. The CEO and the CFO, who is also the Nomination Committee's secretary, and the principal auditor responsible participate in the Committee's meetings.

Group structure



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 to the CEO and other senior executives, and with monitoring and evaluating the objectives and principles for variable compensation.

In 2022, the Remuneration Committee consisted of Ola Erici (chairman), Heli Arantola and Johan Wester. Patrik Andersson replaced Ola Erici as the chairman of the Committee in December 2022. The Committee met twice in 2022. For information on members' attendance, please see pages 178–179.

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, the Division Director Nordics, the Division Director North Europe, Division Director South Europe, Director Operations and Director Legal.

In 2022, Group Management met six times. 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 180–181 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 at least once a year without his presence.

Guidelines for remunerations to senior executives

For information on the guidelines for the remuneration of senior executives adopted by the 2020 Annual General Meeting, see page 152 and*www.midsona.com*.

Regulations regarding share trading

Board members, the CEO and other members of Group Management are registered as individuals in senior positions who may trade in Midsona's 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 Jeanette Roosberg as the principal auditor responsible, was elected by the 2022 Annual General Meeting for a period of one year. For information on fees and remuneration of audit firms, please see Note 9 *Fees and remuneration to auditors* on page 151.

Audit assignment

The audit assignment includes an audit of the annual and consolidated financial statements. An audit is also performed of the administration by the Board of Directors and the CEO, of the proposal for appropriation of the Company's profit or loss and an opinion is expressed regarding the ESEF report. Statements are also issued regarding the Corporate Governance Report and the Sustainability Report. The auditor has also reviewed the Company's reporting of emissions of greenhouse gases in the Scopes 1, 2 and Scope 3 fuel and energy category for 2022. 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

The most important objectives of the internal control are that it is effective and efficient, provides reliable reports and complies with laws and regulations.

The Board of Directors of Midsona has assessed that the current internal control process is fully sufficient from a corporate governance perspective and that there is no need for an internal audit function.

The internal control process is based on an internal control 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 levels in the organisation and that control documents in the form of policies, procedures, instructions and manuals are in place and complied with.

It is the Board of Directors that bears the overall responsibility for the financial reporting, where the Audit Committee assists the Board of Directors with, for example, monitoring the effectiveness of the internal control, the internal audit and financial risk management. Consequently, an important part of the Board's work is to develop and approve a number of basic policies, procedures, 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.

The Board of Directors has delegated the responsibility for maintaining an effective control environment and the ongoing work with the internal control to the CEO.

The Group's finance function reports to the Audit Committee and to the CEO. The function works to safeguard the internal control regarding the financial reporting in the Group.

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. Furthermore, risks are addressed in specific forums, for example issues related to acquisitions. For information about items that are subject to significant estimates and judgements, see Note 34 *Significant estimates and assumptions* page 165 and the section *Risks and risk management*, pages 120–130.

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 Group finance function maintains close cooperation with finance managers and controllers at the division and company level with regard to reporting and closing the accounts. Follow-up and feedback on any problems arising in the internal controls form a central component in the internal control processes.

The Group's finance function follows a plan approved by the Audit Committee on an annual basis. The plan takes its starting point in prioritised processes and companies.

Financial reporting

Financial data are reported monthly from all reporting units, in accordance with standardised reporting procedures as documented in the Group's accounting manual. This reporting forms the basis of the Group's consolidated financial reporting. The consolidation, which is performed centrally, culminates in complete income statements and balance sheets for each company and for the Group as a whole. Reported financial data are stored in a central database from which it is retrieved for analysis and review at the Group, division and company levels.

Internal control structure

There are 8 identified processes of self-evaluation; inventory, purchasing, sales, financial statements/reporting, tangible fixed assets, IT security, payroll and legal/GDPR. The self-assessment takes place on two occasions during the year, once in the spring and once in the autumn. Group companies fill out a questionnaire regarding whether or not they meet the Group's set minimum requirements for good internal control. The controls are essentially performed by the Group finance function, although other resources may also be involved. Deficiencies are identified, and measures are planned and implemented by the Group companies. The Group finance function regularly follows up on identified deficiencies together with local controllers.

Activities in 2022

The Group's finance function carried out internal audits in a self-assessment format on two occasions during the year for some selected units in the Group. The audits primarily concerned the inventory and purchasing processes. The checks resulted in observations, recommendations and proposals for decisions on measures.

A number of security improvements were implemented for IT systems and the IT environment to increase information security in and between internal systems.

Activities in focus in 2023

In 2023, the Group function for finance will primarily continue to focus on reviews of the inventory, purchasing, sales and financial statements/reporting processes in all of the Group's units.

Auditor's report on the corporate governance statement

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 Corporate Governance Report for the financial year 1 January 2022 – 31 December 2022 on pages 170–174 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 statement RevR 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, Sweden, 5 April 2023
Deloitte AB

Jeanette Roosberg
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 2022. 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 151–153, in the 2022 Annual Report. Information on the Remuneration Committee's work in 2022 is presented in the Corporate Governance Report, on pages 170-174, in the 2022 Annual Report.

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 151–153, and in the Corporate Governance Report, pages 170–174, in the 2022 Annual Report.

Significant events

The CEO summarises the company's overall results in his statement Comment by the CEO, pages 6–7, in the 2022 Annual Report. In addition, other significant events are summarised in the following sections of the Administration Report, Significant events during the financial year, Significant events after the end of the financial year, and Risks and uncertainties, on pages 133–134.

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 151–153, in the 2022 Annual Report. 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, in which senior executives have been offered to buy warrants on market terms.

Total remuneration of the CEO, Peter Åsberg, earned in 2022 (SEK thousand unless otherwise stated)					
Basic salary[1]	Other benefits[2]	Variable remuneration[3, 4]	Pension expense[5]	Total remuneration	Proportion fixed/variable remuneration, %
5,122	132	–	1,555	6,809	100.0/0.0

Total remuneration of the CEO, Peter Åsberg, earned in 2021 (SEK thousand unless otherwise stated)					
Basic salary[1]	Other benefits[2]	Variable remuneration[3, 4]	Pension expense[5]	Total remuneration	Percentage fixed/variable remuneration, %
5,002	143	–	1,566	6,711	100.0/0.0

[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 were, however, warrant programmes outstanding at the end of 2022.

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

In September 2021, a total of 171,000 series TO2021/2024 warrants were transferred to senior executives. The CEO acquired 30,000 warrants, other members of Group Management acquired 86,000 warrants and other senior executives and key personnel subscribed for a total of 55,000 warrants. Each warrant entitles the holder to subscribe for one Series B share. The period during which the warrants may be exercised will be from 1 August 2024 to 20 December 2024. The subscription price for the option programme was recalculated at SEK 75.70 (previously SEK 75.85) in light of the completed rights issue. The transfer of the warrants took place at market terms based on a calculation according to the so-called Black & Scholes model done by PWC AB, which is to be considered independent in relation to Midsona. On the transaction date in September 2021, the fair value per warrant was SEK 9.60.

In August 2022, a total of 120,000 warrants inTO2022/2025 were transferred to senior executives. The CEO acquired 20,000 warrants and other members of Group Management acquired 100,000 warrants. Each warrant entitles the holder to subscribe for one Series B share. The period during which the warrants may be exercised will be from 1 August 2025 to 20 December 2025. The subscription price for the option programme was recalculated at SEK 25.60 (previously SEK 25.66) in light of the completed rights issue. The transfer of the warrants took place at market terms based on a calculation according to the so-called Black & Scholes model done by PWC AB, which is to be considered independent in relation to Midsona. The fair value per warrant was SEK 3.82 at the time of the transaction in August 2022.

The subscription period for warrant programme TO2019/2022, potentially giving a maximum of 150,960 new B shares on full conversion, expired on 20 December 2022. No warrants were converted to B shares.

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 151–153, in the 2022 Annual Report.

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 2022 were taken into account. The non-financial performance criteria also contribute to the adaptation to sustainability and the Company's values.

CEO Peter Åsberg's, performance for variable remuneration earned in 2022		
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
Business development	40 percent	1) 0 percent 2) SEK 0 thousand

CEO Peter Åsberg's, performance for variable remuneration earned in 2021		
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
Creating growth opportunities	40 percent	1) 0 percent 2) SEK 0 thousand

Comparative information regarding changes in remuneration and the Company's earnings

Remuneration and company's earnings[1]	Change 2018/2017		Change 2019/2018		Change 2020/2019		Change 2021/2020		Change 2022/2021		2022
Remuneration of the CEO, SEK thousand	1,026	18.9%	–670	–10.4%	1,839	31.9%	–901	–11.8%	98	1.5%	6,809
Consolidated EBITDA, before items affecting comparability, SEK million	51	26.8%	49	20.3%	100	34.5%	–77	–19.7%	–122	–39.0%	191
Average remuneration based on the number of full-time equivalent employees in Midsona AB[2], SEK thousand	–151	–19.2%	60	9.5%	100	14.5%	43	5.4%	–88	–10.5%	749

[1] Includes remuneration earned in the respective year.
[2] Members of Group Management are excluded.

Board of Directors[1]

Patrik Andersson

Born in 1963: Chairman of the Board since 2022.
Attendance: 1/11
Elected, year: 2022
Position: Industrial advisor
Previous experience: CEO of Loomis, CEO of Orkla Foods Sweden, CEO of Rieber&Søn, CEO of Swedish Match North Europe Division and CEO of Wasabröd. Prior to that, Patrik worked in various managerial positions within the Unilever Group
Education: Master's degree in economics and Business Administration, University of Lund.
Other assignments: Chairman of the board of Sesol AB and Board Member of AAK AB and Ecolean AB.
Dependent on the Company and its shareholders: No
Own shareholdings and those of closely-related parties, 2022[3]: 24,000 series B shares
Own shareholdings and those of closely-related parties, 2021: –
Audit Committee/attendance: –
Remunerations Committee/attendance: Chairman 2/2
Remuneration 2022:
Board fees SEK 18,000.
Committee fees SEK 1,000.
Total 19,000.

Heli Arantola

Born in 1969: Board Member since 2020.
Attendance: 11/11
Elected, year: 2020
Position: Managing Director of Leipurin Oyj
Previous experience: Executive Vice President Categories & Concepts, Head of Strategy in HK Scan Oyj, Senior Vice President Fazer Group and President of Fazer Mills BU
Education: Master of Science, Economic Science, Aalto University, Helsinki and Doctor of Science, Economic Science, Stockholm School of Economics.
Other assignments: Board member of Tobii AB and S-Banken Abp
Dependent on the company and its shareholders: No
Own shareholdings and those of closely-related parties, 2022: 0
Own shareholdings and those of closely-related parties, 2021: 0
Audit Committee/attendance: –
Remunerations Committee/attendance: Member 2/2
Remuneration 2022:
Board fees SEK 260,000.
Committee fees SEK 25,000.
Total 285,000.

Sandra Kottenauer

Born in 1972: Board Member since 2020.
Attendance: 10/11
Elected, year: 2020
Position: Chief Marketing and Product Officer Non Food, Manor AG, Switzerland
Previous experience: Various positions in Procter & Gamble Europe, including as Global Brand Director
Education: MSc, Marketing & International Business, Stockholm School of Economics
Other assignments: –
Dependent on the company and its shareholders: No
Own shareholdings and those of closely-related parties, 2022[3]: 1,000
Own shareholdings and those of closely-related parties, 2021: 0
Audit Committee/attendance: –
Remunerations Committee/attendance: –
Remuneration 2022:
Board fees SEK 260,000.
Total 260,000.

Jari Latvanen

Born in 1964. Board Member since 2022.
Attendance: 7/11
Elected, year: 2022
Position: CEO Stockmann plc
Previous experience: CEO of Findus Nordic and HKScan Oyj.
Education: MBA, Henley Business School, University of Reading, UK, BBA, Institute of Economics, Turku, Finland.
Other assignments: –
Dependent on the company and its shareholders: No
Own shareholdings and those of closely-related parties, 2022: 0
Own shareholdings and those of closely-related parties, 2021: –
Audit Committee/attendance: Member – 3/3
Remunerations Committee/attendance: –
Remuneration 2022:
Board fees SEK 173,000.
Committee fees SEK 27,000.
Total 200,000.

[1] Board of Directors as of 31 December 2022. Ola Erici and Peter Wahlberg stepped down from the Board of Directors in connection with the Extraordinary General Meeting in December 2022, with Patrik Andersson and Anders Svensson being elected as new Board Members.
[2] Johan Wester conducts assignments on behalf of Stena Adactum AB.
[3] Shareholding as of 28 February 2023. For updated shareholding, please see *www.midsona.com/Bolagsstyrning*.

Henrik Stenqvist

Born in 1967: Board Member since 2017.
Attendance: 11/11
Elected, year: 2017
Position: CFO Sobi
Previous experience: CFO Recipharm and Meda AB and management positions within the AstraZeneca Group. Board Member of MedCap AB
Education: MSc in Finance and Business Administration, Linköping University
Other assignments: Board Member of Calliditas Therapeutics AB
Dependent on the company and its shareholders: No
Own shareholdings and those of closely-related parties, 2022[3]: 120,000 series B shares
Own shareholdings and those of closely-related parties, 2021: 38,059 Series B shares
Audit Committee/attendance: Chairman – 3/3
Remunerations Committee/attendance: –
Remuneration 2022: Board fees SEK 260,000. Committee fee 75,000. Total 335,000.

Anders Svensson

Born in 1964: Board Member since 2022.
Attendance: 1/11
Elected, year: 2022
Position: Industrial advisor
Previous experience: CEO of ICA Sweden, Deputy CEO of ICA Gruppen, CEO of Arla Foods Sweden, Chairman of the Board of Rynkeby Foods AS, Chairman of the Board of Arla Foods Norway, Board Member of ICA-Banken and various positions within Procter & Gamble and Andersen Consulting (today Accenture).
Education: Bachelor of Science in Business Administration and Managerial Economics, University of Lund
Other assignments: Chairman of the Board of Stadium AB and the Swedish Trade Federation, as well as Board Member of Skistar AB and the Confederation of Swedish Enterprise.
Dependent on the company and its shareholders: No
Own shareholdings and those of closely-related parties, 2022[3]: 35,000 Series B shares
Own shareholdings and those of closely-related parties, 2021: 0
Audit Committee/attendance: –
Remunerations Committee/attendance: –
Remuneration 2022: Board fees SEK 8,000. Total 8,000.

Johan Wester

Born in 1966: Board Member since 2009.
Attendance: 11/11
Elected, year: 2009
Position: Senior Vice President Stena Adactum AB
Previous experience: CEO Mediatec Group, Partner at Arthur D. Little and member of the Boards of Ballingslöv International AB and Personec Oy
Education: Graduate engineer, Chalmers Institute of Technology
Other assignments: Chairman of the Board of S-Invest Trading Aktiebolag, Captum Group AB and SR Energy AB. Chairman of the Board of S&L Access Systems AB and Beijer Electronics Group AB
Dependent on the company and its shareholders: Yes[2]
Own shareholdings and those of closely-related parties, 2022[3]: 231,630 Series B shares
Own shareholdings and those of closely-related parties, 2021: 92,195 class B shares (personal holding and through closely-related parties)
Audit Committee/attendance: Member – 3/3
Remunerations Committee/attendance: Member – 2/2
Remuneration 2022: Board fees SEK 260,000. Committee fees SEK 65,000. Total 325,000.

Group Management

Peter Åsberg

Born in 1966: President and CEO since 2007.
Employed: 2007
In current position: 2007
Position: President and CEO
Previous positions: President of Cloetta Fazer, Sverige. Various positions at Procter & Gamble and Coca-Cola.
Education: MBA, Lund University.
Own shareholdings and those of closely-related parties, 2022: 570,984 Series B shares (own holding), as well as 450 Series B shares, 30,000 warrants (2021/2024) and 20,000 warrants (2022/2025)
Own shareholdings and those of closely-related parties, 2021: 570,984 Series B shares (own holding), as well as 450 Series B shares (closely-related parties), 60,000 warrants (2019/2022), 30,000 warrants (2021/2024) and 20,000 warrants (2022/2025).

Max Bokander

Born in 1973: CFO since 2021.
Employed: 2021
In current position: 2021
Position: CFO
Previous positions: VP Finance and Business Control at the Trelleborg Group and senior positions at ST-Ericsson, Skanska and Tetra Pak.
Education: MBA, Lund University
Own shareholdings and those of closely-related parties, 2022: 10,000 Series B shares, 13,000 warrants (2021/2024) and 20,000 warrants (2022/2025)
Own shareholdings and those of closely-related parties, 2021: 5,000 Series B shares and 13,000 warrants (2021/2024).

Tobias Traneborn

Born in 1975: Group Operations Director since 2020 (Supply Chain Director 2017–2020).
Employed: 2017
In current position: 2020
Position: Director Operations
Previous positions: Positions as Chief Operating Officer at CDON.COM, Operations Manager at HKC and as Logistics Manager at both Lantmännen Cerealia and Kjell & Company
Education: BSc Engineering, University of Borås
Own shareholdings and those of closely-related parties, 2022: 10,736 Series B shares, 15,000 warrants (2021/2024) and 20,000 warrants (2022/2025)
Own shareholdings and those of closely-related parties, 2021: 8,468 Series B shares, 16,000 warrants (2019/2022) and 15,000 warrants (2021/2024).

Ulrika Palm

Born in 1973: Division Director Nordics. Chairman of the Board and CEO of Midsona Sweden since 2016.
Employed: 2016
In current position: 2018
Position: Division Director Nordics
Previous positions: CEO Lager 157, Director of Marketing and Innovation for Lantmännen Cerealia and various positions at Procter & Gamble, Wella and Unilever.
Education: MSc, School of Business, Economics and Law, University of Gothenburg
Own shareholdings and those of closely-related parties, 2022: 10,000 Series B shares, 18,000 warrants (2021/2024) and 20,000 warrants (2022/2025)
Own shareholdings and those of closely-related parties, 2021: 10,000 Series B shares, 18,000 warrants (2019/2022) and 18,000 warrants (2021/2024).

Marjolaine Cevoz Goyat

Born in 1975: Division Director South Europe since 2019.
Employed: 2010
In current position: 2019
Position: Division Director South Europe
Previous positions: Former marketing manager at the Panzani Group and brand manager at Procter & Gamble
Education: Master degree from École des hautes études commerciale, Paris
Own shareholdings and those of closely-related parties, 2022: 20,000 warrants (2021/2024) and 20,000 warrants (2022/2025)
Own shareholdings and those of closely-related parties, 2021: 18,000 warrants (2019/2022) and 20,000 warrants (2021/2024)

Erk Schuchhardt

Born in 1969: Division Director North Europe since 2018.
Employed: 2013.
In current position: 2018.
Position: Division Director North Europe.
Previous positions: Senior positions in Weleda Germany, Weleda North America and Weleda Argentina
Education: Master degree from London School of Economics
Own shareholdings and those of closely-related parties, 2022: 70,000 Series B shares (own holding) and 20,000 warrants (2021/2024)
Own shareholdings and those of closely-related parties, 2021: 18,000 warrants (2019/2022) and 20,000 warrants (2021/2024).

Tora Molander

Born in 1978: Director Legal since 2020.
Employed: 2020
In current position: 2022.
Position: Director Legal
Previous positions: Counsel and partner in Fredersen Advokatbyrå AB
Education: B.Sc. Law, Lund University
Own shareholdings and those of closely-related parties, 2022: 926 Series B shares, 10,000 warrants (2021/2024) 20,000 warrants (2022/2025)
Own shareholdings and those of closely-related parties, 2021: 10,000 warrants (2021/2024).

Five-year summary

Excerpts from income statements

SEK million	2022	2021	2020	2019	2018
Net sales	3,899	3,773	3,709	3,081	2,852
Expenses for goods sold	–3,021	–2,758	–2,672	–2,178	–1,980
Gross profit	**878**	**1,015**	**1,037**	**903**	**872**
Selling expenses	–1,045	–592	–542	–505	–473
Administrative expenses	–298	–289	–284	–240	–212
Other operating income	10	35	52	37	7
Other operating expenses	–10	–8	–6	–25	–16
Operating profit	**–465**	**161**	**257**	**170**	**178**
Result from participations in joint ventures	–	–	–8	–1	–
Financial income	67	11	14	0	16
Financial expenses	–131	–57	–59	–53	–31
Profit/loss before tax	**–529**	**115**	**204**	**116**	**163**
Tax	28	–26	–28	–19	–34
Profit for the year	**–501**	**89**	**176**	**97**	**129**
Depreciation/amortisation and impairment					
Depreciation/amortisation and impairment included in operating profit	641	168	147	114	52
EBITDA	**176**	**329**	**404**	**284**	**230**
Items affecting comparability					
Items affecting comparability included in operating profit	495	–4	–14	6	11
Operating profit, before items affecting comparability	**30**	**157**	**243**	**176**	**189**
Depreciation/amortisation, impairment and items affecting comparability					
Depreciation/amortisation, impairment and items affecting comparability included in operating profit	656	152	133	120	63
EBITDA, before items affecting comparability	**191**	**313**	**390**	**290**	**241**
Pro forma adjustment and acquisition-related restructuring and transaction expenses					
Pro forma adjustment and acquisition-related restructuring and transaction expenses affecting EBITDA	–	–5	–30	21	24
Adjusted EBITDA	**176**	**324**	**374**	**305**	**254**

Excerpts from balance sheets

SEK million	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018
Intangible fixed assets	3,020	3,364	3,289	3,058	2,466
Other fixed assets	572	617	637	686	332
Inventories	727	783	643	529	482
Other current assets	464	470	363	334	318
Cash and cash equivalents	121	53	195	173	101
Total assets	**4,904**	**5,287**	**5,127**	**4,780**	**3,699**
Shareholders' equity	3,082	2,875	2,313	2,322	1,630
Non-current interest-bearing liabilities	776	1,314	1,526	1,408	1,124
Other non-current liabilities	355	358	380	413	354
Current interest-bearing liabilities	119	175	253	118	93
Other current liabilities	572	565	655	519	498
Total shareholders' equity and liabilities	**4,904**	**5,287**	**5,127**	**4,780**	**3,699**

Excerpts from cash flow statements

SEK million	2022	2021	2020	2019	2018
Cash flow from operating activities before changes in working capital	141	244	319	221	182
Changes in working capital	62	–308	–36	–23	30
Cash flow from operating activities	**203**	**–64**	**283**	**198**	**212**
Cash flow from investment activities	–29	–175	–369	–712	–357
Cash flow after investing activities	**174**	**–239**	**–86**	**–514**	**–145**
Cash flow from financing activities	–108	94	117	589	189
Cash flow for the year	**66**	**–145**	**31**	**75**	**44**
Cash and cash equivalents at start of the year	53	195	173	101	54
Exchange-rate difference in cash and cash equivalents	2	3	–9	–3	3
Cash and cash equivalents at end of the year	**121**	**53**	**195**	**173**	**101**

Key figures[1]

		2022	2021	2020	2019	2018
Income and expense						
Net sales growth	%	3.3	1.7	20.4	8.0	32.9
Organic change, net sales	%	−2.6	−6.0	3.9	−6.1	3.0
Selling expenses/net sales[2]	%	26.8	15.7	14.6	16.4	16.6
Administrative expenses/net sales	%	7.6	7.7	7.7	7.8	7.4
Margin						
Gross margin	%	22.5	26.9	28.0	29.3	30.6
Gross margin, before items affecting comparability	%	24.0	27.0	28.1	29.5	30.6
EBITDA margin	%	4.5	8.7	10.9	9.2	8.1
EBITDA-Margin, before items affecting comparability	%	4.9	8.3	10.5	9.4	8.5
Operating margin	%	−11.9	4.3	6.9	5.5	6.2
Operating margin, before items affecting comparability	%	0.8	4.2	6.6	5.7	6.6
Profit margin	%	−13.6	3.0	5.5	3.8	5.7
Capital						
Average capital employed	SEK million	4,171	4,228	3,970	3,348	2,552
Return on capital employed	%	Neg.	4.1	6.6	5.0	7.6
Return on shareholders' equity	%	Neg.	3.4	7.6	4.9	8.1
Equity/assets ratio	%	62.8	54.4	45.1	48.6	44.1
Liquidity						
Net debt	SEK million	774	1,436	1,584	1,353	1,116
Net debt/EBITDA	Multiple	4.4	4.4	3.9	4.8	4.9
Net debt/Adjusted EBITDA	Multiple	4.4	4.4	4.2	4.4	4.4
Net debt/equity ratio	Multiple	0.3	0.5	0.7	0.6	0.7
Interest coverage ratio	Multiple	Neg.	3.9	7.0	4.2	7.3
Cash flow						
Cash flow from operating activities	SEK million	203	−64	283	198	212
Free cash flow	SEK million	180	−94	252	155	176
Employees						
Average number of employees	number	820	832	747	581	473
Number of employees at the end of the year	number	780	849	834	721	525
Shares and market capitalisation						
Average number of shares during the year	thousand	74,447	67,783	65,005	48,179	46,008
Number of shares at end of year	thousand	145,428	72,714	65,005	65,005	46,008
Market capitalisation	SEK million	1,382	3,938	5,057	3,212	2,834
Number of unregistered shares at end of year[3]	thousand	–	213	–	–	–
Per share data						
Profit attributable to Parent Company shareholders	SEK	−6.73	1.31	2.70	2.02	2.80
Shareholders' equity	SEK	21.19	39.54	35.58	35.72	35.43
Cash flow from operating activities	SEK	2.73	−0.94	4.35	4.11	4.61
Free cash flow	SEK	2.42	−1.39	3.88	3.22	3.83
Share price on balance sheet date (Series B shares)	SEK	9.50	54.10	77.80	49.40	61.60
Dividend[4]	SEK	–	–	1.25	1.25	1.25
Yield	%	–	–	1.6	2.5	2.0
Pay-out ratio	%	–	–	46.4	83.6	45.1
P/E ratio	Multiple	Neg.	41.2	28.8	24.5	22.0

[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 184–187.
[2] For 2022, goodwill impairment of SEK 426 million was included in the item selling expenses. The selling expenses/net sales ratio was 15.9 percent for 2022 if the impairment was excluded.
[3] Registered on 2020 January 2021 and subject to dividend decided on at the 2021 Annual General Meeting.
[4] Dividend for 2022 refers to the proposal by the Board of Directors.

Definitions

Midsona presents certain financial measures in the Annual 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 and depreciation of tangible assets and amortisation of intangible assets.*EBITDA is a key performance measure for assessing the earnings trend of the Company over time.*

EBITDA, before items affecting comparability adjusted for IFRS 16 effects Operating profit before depreciation/amortisation and impairment of property plant and equipment and intangible assets adjusted for lease fees on ROU assets as a result of the introduction of IFRS 16. *EBITDA before items affecting comparability adjusted for IFRS 16 effects is a relevant results measurement with the aim of improving comparability to assess earnings development with the comparison year to show what the earnings would have been if IAS 17 still applied.*

EBITDA margin EBITDA in relation to net sales. *EBITDA margin is a key figure for assessing the Company's ability to reach a level of profitability by segment as well as one of the Company's financial goal of an EBITDA margin in excess of 12 percent is met.*

Shareholders' equity per share Shareholders' equity divided by the number of shares outstanding at the end of the year. *Is a measurement that measures the company's net asset value per share and allows assessment if the company increases shareholder wealth over time.*

Free cash flow Cash flow from operating activities less cash flow from investing activities, excluding acquisitions/sales of operations, acquisitions/sales of trademarks and product rights, as well as expansion investments. *Is a measure of the Company's underlying cash flow.*

Free cash flow per share 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, acquisition-related income 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 previous year's net sales in relation to the previous 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.*

Organic change, net sales own brands Net change in sales for own brands between years adjusted for translation effects on consolidation and for changes in the Group structure. *Organic change net sales, own brands is a key figure determining whether the Company's growth strategy for its own brands 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.

SEK million	2022	2021	2020	2019	2018
Operating profit, before items affecting comparability	30	157	243	176	189
Items affecting comparability included in operating profit[1,2]	–495	4	14	–6	–11
Operating profit/loss	–465	161	257	170	178
Amortisation of intangible assets	48	47	48	36	31
Impairment of intangible assets	426	8	–	–	–
Depreciation of tangible fixed assets	113	109	99	78	21
Impairment of tangible fixed assets	54	4	–	–	–
EBITDA	176	329	404	284	230
Items affecting comparability included in EBITDA[1,2]	15	–16	–14	6	11
EBITDA, before items affecting comparability	191	313	390	290	241
Net sales	3,899	3,773	3,709	3,081	2,852
EBITDA-margin, before items affecting comparability	4.9%	8.3%	10.5%	9.4%	8.5%

[1] Specification of items affecting comparability

SEK million	2022	2021	2020	2019	2018
Restructuring expenses, net	15	0	25	15	2
Acquisition-related costs	–	5	5	17	10
Revaluation of conditional purchase consideration	–	–21	–36	–26	–1
Acquisition-related revenues (negative consolidated goodwill)	–	–	–8	–	–
Impairment of intangible and tangible assets	480	12	–	–	–
Items affecting comparability included in the operating result	495	–4	–14	6	11
Impairment of intangible and tangible assets	–480	–12	–	–	–
Items affecting comparability included in EBITDA	15	–16	–14	6	11

[2] Corresponding line in the consolidated income statement

SEK million	2022	2021	2020	2019	2018
Expenses for goods sold	57	4	5	7	2
Selling expenses	435	8	5	5	–1
Administrative expenses	3	0	15	2	1
Other operating income	–	–21	–44	–26	–1
Other operating expenses	0	5	5	18	10
Items affecting comparability included in the operating result	495	–4	–14	6	11
Expenses for goods sold	–54	–4	–	–	–
Selling expenses	–426	–8	–	–	–
Items affecting comparability included in EBITDA	15	–16	–14	6	11

Adjusted EBITDA

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

SEK million	2022	2021	2020	2019	2018
EBITDA	176	329	404	284	230
Acquisition-related restructuring expenses	–	–	–	–	1
Acquisition-related transaction expenses	–	–16	–39	–11	9
Pro forma adjustment	–	11	9	32	14
Adjusted EBITDA	176	324	374	305	254

Net debt

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

SEK million	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018
Non-current interest-bearing liabilities	776	1,314	1,526	1408	1,124
Current interest-bearing liabilities	119	175	253	118	93
Cash and cash equivalents[1]	–121	–53	–195	–173	–101
Net debt	774	1,436	1,584	1,353	1,116

[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	2022	2021	2020	2019	2018
Shareholders' equity and liabilities	**4,904**	**5,287**	**5,127**	**4,780**	**3,699**
Other non-current liabilities	–8	–11	–38	–92	–83
Deferred tax liabilities	–347	–347	–342	–321	–271
Accounts payable	–358	–342	–405	–288	–357
Other current liabilities	–50	–56	–80	–91	–33
Accrued expenses and prepaid income	–164	–167	–170	–140	–108
Capital employed	**3,977**	**4,364**	**4,092**	**3,848**	**2,847**
Capital employed at the beginning of the period	4,364	4,092	3,848	2,847	2,256
Average capital employed	**4,171**	**4,228**	**3,970**	**3,348**	**2,552**

Return on capital employed

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

SEK million	2022	2021	2020	2019	2018
Profit/loss before tax	**–529**	**115**	**204**	**116**	**163**
Financial expenses	131	57	59	54	31
Profit before taxes, excluding financial expenses	**–398**	**172**	**263**	**170**	**194**
Average capital employed	4,171	4,228	3,970	3,348	2,552
Return on capital employed, %	**–9.5**	**4.1**	**6.6**	**5.1**	**7.6**

Average shareholder's equity

Total shareholder's equity at the end of the period plus total shareholder's equity at the beginning of the period divided by 2.

SEK million	2022	2021	2020	2019	2018
Shareholders' equity	**3,082**	**2,875**	**2,313**	**2,322**	**1,630**
Shareholders' equity at the beginning of the period	2,875	2,313	2,322	1,630	1,550
Average shareholder's equity	**2,979**	**2,594**	**2,318**	**1,976**	**1,590**

Return on shareholders' equity

Profit for the year in relation to average shareholder's equity.

SEK million	2022	2021	2020	2019	2018
Profit for the year	**–501**	**89**	**176**	**97**	**129**
Average shareholder's equity	2,979	2,594	2,318	1,976	1,590
Return on equity, %	**–16.8**	**3.4**	**7.6**	**4.9**	**8.1**

Free cash flow

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

SEK million	2022	2021	2020	2019	2018
Cash flow from operating activities	**203**	**–64**	**283**	**198**	**212**
Cash flow from investment activities	–29	–175	–369	–712	–357
Acquisitions of companies or operations	–	114	278	659	295
Divestments of companies or operations	0	–	–	–	–
Expansion investment in a new production line	6	31	–	2	26
Acquisition of joint venture	–	–	–	8	–
Acquisitions of brands and product rights	–	–	60	–	–
Free cash flow	**180**	**–94**	**252**	**155**	**176**

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	2022	2021	2020	2019	2018
Net sales	**3,899**	**3,773**	**3,709**	**3,081**	**2,852**
Net sales compared with the corresponding period in the previous year	−3,773	−3,709	−3,081	−2,852	−2,146
Net sales, change	**126**	**64**	**628**	**229**	**706**
Structural changes	−93	−355	−574	−355	−557
Exchange rate changes	−132	67	65	−48	−85
Organic change	**−99**	**−224**	**119**	**−174**	**64**
Organic change, %	−2.6%	−6.0%	3.9%	−6.1%	3.0%
Structural changes, %	2.5%	9.5%	18.6%	12.4%	26.0%
Exchange rate changes, %	3.5%	−1.8%	−2.1%	1.7%	4.0%

Organic change in net sales of own brands[1]

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

SEK million	2022	2021
Net sales	**2,667**	**2,622**
Net sales compared with the corresponding period in the previous year	−2,622	−2,550
Net sales, change	**45**	**72**
Structural changes	−47	−191
Exchange rate changes	−85	45
Organic change	**−87**	**−74**
Organic change, %	−3.3%	−2.9%
Structural changes, %	1.8%	7.5%
Exchange rate changes, %	3.2%	−1.8%

[1] Comparative figures for 2018-2020 are not available.

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	2022	2021	2020	2019	2018
EBITDA, before items affecting comparability	**191**	**313**	**390**	**290**	**241**
Leasing fees on ROU assets with application of IFRS 16	−56	−58	−50	−44	–
EBITDA, before items affecting comparability and adjusted for the IFRS 16 effect	**135**	**255**	**340**	**246**	**241**

Sales channels

Pharmacies retail. Parties conducting retail trade of medicines and/or trade in other special pharmaceutical preparations and those conducting wholesale operations specialised in sales to parties conducting retail trade of medicines and other special pharmaceutical preparations.

Grocery trade. Parties conducting retail and/or online trade in 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 stores. Players conducting in-store and/or online trade 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 retail trade and/or online trade. This channel includes sports and leisure shops, health clubs, perfume shops, baby shops, clothing shops and bakeries.

Other sales channel. Those who trade in ways other than those that can be classified under the other sales channels.

Glossary

Agenda 2030 In 2015, the UN countries decided on a common vision to achieve sustainable development for all. Agenda 2030 comprises 17 targets and 169 sub-targets that, among other things, aim to eradicate extreme poverty, counteract injustices and solve the climate crisis.

Audit Third-party review of suppliers through announced or unannounced visits with follow-up of requirements in the Supplier Code of Conduct.

Biological wealth and biodiversity describe the variation that exists between species, within species and between habitats here on Earth.

BSCI (Business Social Compliance Initiative) A member-driven corporate initiative for responsible supply chains.

CDP (formerly Carbon Disclosure Project) Global non-profit organisation that operates the world's environmental accounting system for companies, cities, states and regions. The CDP grades companies on their transparency and to guide, stimulate and assess environmental measures. The grades range from A to D–.

CSRD (Corporate Sustainability Reporting Directive) is a new EU directive that aims, through reporting transparency, to generate optimum conditions for the EU to meet its Net-Zero targets by 2050. CSRD requires certain information that was previously voluntary and thus ensures that ESG information is available to investors.

DLF Trade association for companies that sell convenience goods to retailers, restaurants and institutional catering in Sweden.

Ecological 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.

EU Regulation 2018/848[1] Establishes principles and rules for organic production and associated certification. It also determines the use of data in the marketing of organic products.

FTI (Packaging and Newspaper Collection) provides a nationwide collection system for packaging in Sweden. the Company is responsible for the collection and recycling of packaging from the country's households via recycling stations and collection sites close to properties.

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.

GRI (Global Reporting Initiative) Issues guidelines for sustainability reporting that can be used on a voluntary basis by organisations to report environmental, social and economic aspects of their activities, products and services.

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.

IEA (International Energy Agency) is the OECD countries' co-operation body for energy issues and has 30 member countries.

ILO (International Labour Organisation) is the UN's specialist body for working life issues. The ILO's fundamental goal is to fight poverty and promote social justice.

IPCC (Intergovernmental Panel on Climate Change) is the UN's scientific climate panel and is tasked with assessing the state of research on climate change caused by humans. The IPCC does not conduct its own research, but compiles the world's leading climate research aided by experts from a large part of the world as reviewers.

Kodiak A quality and sustainability risk assessment system that rates and monitors suppliers.

Consumer health Different product categories comprising 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 companys' products that are marketed by Midsona.

Pharmaceuticals According to the law, pharmaceuticals are all substances allegedly able to detect, prevent, treat or cure disease or disease symptoms.

Low Carbon Transition Plan (LCT plan)[2] Is a timed action plan that clearly describes how an organisation should restructure its operations to limit global warming to 1.5°C.

Net-Zero (net-zero emissions or climate neutral) means that a business achieves a balance between greenhouse gas emissions and uptake of greenhouse gases through climate financing. In climate compensation projects involving greenhouse gases being taken up over a long period of time, they may be used, for example through tree planting or direct capture of carbon dioxide from the air.

Minerals The body comprises some 20 different minerals. They make up about 4 percent of bodyweight. Minerals are needed in small amounts but are vital because our bodies cannot produce them.

Omega-3 A number of polyunsaturated and beneficial fatty acids are referred to as omega-3. They are essential fatty acids, meaning the body cannot produce them itself and must instead obtain them through diet. The longer polyunsaturated fatty acids EPA and DHA from fish and fish oil in particular have been found to have additional health-beneficial effects.

Private label Midsona's production of other brands as a contract supplier.

RSPO Round Table on Sustainable Palm Oil International round table process to develop criteria for sustainable palm oil. The standard is a tool to ensure that palm oil does not contribute to deforestation, expansion on peatlands, exploitation of labour or the use of fire for clearing.

Science Based Target Initiative (SBTi) 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.

Seitan A gluten-based food used as a base in various vegetarian meat replacement products.

[1] https://eur-lex.europa.eu/legal-content/SV/TXT/PDF/?uri=CELEX:02018R0848-20220101&qid=1641797905414&from=SV
[2] https://www.cdp.net/en/guidance/guidance-for-companies/climate-transition-plans

Scope 1 covers the emissions occurring directly in the Company's own operations. For example, emissions from production in the Company's own factories.

Scope 2 includes indirect emissions from the production of purchased electricity, steam, heat and cooling consumed by the reporting company.

Scope 3 includes all other indirect emissions that occur in a company's value chain but that the Company does not own or control.

GHG Protocol (Scopes 1, 2 and 3) is the generally accepted standard for reporting greenhouse gas emissions and divides corporate emissions into three different Scopes. Scope 1 comprise the emissions incurred directly within the operations. Scope 2 concerns energy purchased for the operations. Scope 3 consists of 15 emission areas that can be significant for companies to report on.

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. The taxonomy enables investors to focus their investments on more sustainable technology and sustainable companies and thus contribute to making Europe climate-neutral by 2050.

TCFD (Task Force on Climate related Financial Disclosure) Framework aimed at guiding organisations in the work of identifying their climate-related financial risks and opportunities.

Tempeh Natural vegetarian product used in food preparation. Made by cooking 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).

Code of Conduct Guidelines for how a company or organisation should conduct its business in an ethical and responsible manner.

This Annual Report is also available in Swedish at www.midsona.com which was published on 5 April 2023. 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.

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Printed copies are distributed to shareholders and other stakeholders on demand.

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, changes in exchange rates and other factors.

Midsona AB in partnership with Aspekta and Yellon.

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