midsona

INTERIM REPORT JANUARY–SEPTEMBER 2020

Strong free cash flow in a period of challenging market conditions

July–September 2020 (third quarter)

- Net sales amounted to SEK 821 million (765).
- EBITDA amounted to SEK 72 million (77) before items affecting comparability, corresponding to a margin of 8.8 percent (10.1).
- Profit for the period was SEK 34 million (35), corresponding to earnings per share of SEK 0.52 (0.77) before dilution and SEK 0.51 (0.77) after dilution.
- Free cash flow amounted to SEK 64 million (19).
- In this somewhat unusual quarter, Midsona was affected more by negative factors attributable to Covid-19 than previously, although the supply chain situation stabilised, resulting in fewer disruptions.
- On 1 September, Midsona took control of the acquired Gainomax brand, a leader in sports nutrition.
- Max Bokander was appointed as Midsona's new CFO. He joins Midsona from the Trelleborg Group and will take up his new position in January 2021. From that time, he will be a member of Group Management.

January–September 2020 (nine months)

- Net sales amounted to SEK 2,626 million (2,256).
- EBITDA amounted to SEK 276 million (209) before items affecting comparability, corresponding to a margin of 10.5 percent (9.3).
- Profit for the period was SEK 121 million (62), corresponding to earnings per share of SEK 1.85 (1.35) before dilution and SEK 1.84 (1.35) after dilution.
- Free cash flow amounted to SEK 150 million (52).
- A favourable sales and earnings trend.

Significant events following the end of the report period

- Midsona acquired System Frugt A/S, a leading Nordic player in plant-based foods with its premium Earth Control brand.

Key figures, Group[1]

	July–Sept 2020	July–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Rolling 12-month	Full year 2019
Net sales growth, %	7.3	−1.0	16.4	7.6	14.6	8.0
Operating margin, before items affecting comparability, %	27.2	30.1	28.1	30.1	27.8	29.5
Gross margin, %	27.2	31.5	28.1	29.8	28.1	29.3
EBITDA-margin, before items affecting comparability, %	8.8	10.1	10.5	9.3	10.3	9.4
EBITDA margin, %	10.0	11.1	11.3	8.8	11.1	9.2
Operating margin, before items affecting comparability, %	4.5	6.4	6.5	5.7	6.3	5.7
Operating margin,%	5.7	7.5	7.3	5.2	7.0	5.5
Profit margin, %	4.9	5.8	5.8	3.3	5.7	3.8
Average capital employed, SEK million	3,772	3,143	3,826	3,050	3,528	3,348
Return on capital employed, %					6.8	5.0
Return on equity, %					7.7	4.9
Net debt, SEK million	1,352	1,401	1,352	1,401	1,352	1,353
Net debt / Adjusted EBITDA, multiple					3.9	4.4
Net debt/equity ratio, multiple	0.6	0.8	0.6	0.8	0.6	0.6
Interest coverage ratio, multiple	6.0	5.9	7.1	3.8	6.6	4.2
Equity/assets ratio, %	48.2	41.1	48.2	41.1	48.2	48.6

[1] Midsona presents certain financial measures in the Interim Report that are not defined under IFRS. For definitions and checks against IFRS, please refer to pages 23–24 of this interim report and to pages 128–131 in the 2019 Annual Report.

Note:
This interim report presents information that Midsona AB (publ) is required to publish under the EU Market Abuse Regulation.
This interim report was submitted under the auspices of Lennart Svensson for publication on 22 October at 8.00 a.m. CET.

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Peter Åsberg, President and CEO

THIRD QUARTER

SEK 821 million

Net sales

SEK 72 million

EBITDA, before items affecting comparability

8.8 percent

EBITDA-Margin, before items affecting comparability

Comment by the CEO

A divided quarter

The third quarter brought divided fortunes for Midsona. In connection with the restrictions associated with the pandemic being lifted, sales were weak in the latter half of July and throughout August, probably due to inventories being phased out among customers and consumers alike. We then saw clear improvement towards the end of the quarter. Apart from the exceptionally strong stockpiling month of March, September was our strongest month in terms of sales this year, indicating that the decline in sales during the summer was temporary. For the Group as a whole, sales rose by 7 percent compared with the corresponding period last year although, organically, sales decreased by 1 percent. Overall, I am proud of how the organisation has dealt with the effects of the pandemic. Over the first nine months of the year, we increased our sales by 16 percent while almost doubling our profit for the period compared with the corresponding period last year.

Sales and earnings

The Group's prioritised brands showed growth of slightly more than 2 percent for the quarter. Although inventory phase-outs generally had a negative impact on sales, we saw strong growth for several brands. In the South Europe segment, we continued our launch of Happy Bio among FMCG retailers in France and Spain. The brand grew by 32 percent over the period. The North Europe segment experienced a slight increase in sales over the quarter, although this was lower than expected. This was primarily due to a previously announced launch of the Davert brand to a major FMCG customer being postponed because of the pandemic. The broad roll-out in stores could not commence until late in the quarter, although distribution has built up rapidly since then. The customer placed new orders early in the fourth quarter. In the Nordics segment, the Friggs, Urtekram and Helios brands continued to grow, while Kung Markatta and several brands in the consumer health products category experienced a weaker trend.

Besides a slightly weaker sales trend, profit was impacted negatively by temporary costs associated with production maintenance following the high level of capacity utilisation in the first half of the year. Before items affecting comparability, EBITDA decreased slightly compared with last year, amounting to SEK 72 million (77). The EBITDA margin, before items affecting comparability, amounted to 8.8 percent (10.1).

Acquisitions lay foundation for expansion and further acquisitions

Following the end of the quarter, we announced the acquisition of System Frugt, a leading Nordic player in plant-based foods, strengthening our position in dried fruit and nuts. System Frugt holds a particularly strong position in Denmark with its premium brand Earth Control – the acquisition making this our third-largest brand. We see System Frugt as a platform for continued growth in dry plant-based foods, while we also gain increased production capacity, offering excellent synergies. We expect synergies of SEK 34 million on an annual basis, achieving full effect from late 2022. On 1 September, we also gained control of the Gainomax brand, strengthening our position in sports nutrition. In September, sales got off to a good start under our management.

We have a strong financial position and are continuing to assess possible acquisitions in Europe. The acquisition of System Frugt increases Midsona's strength in health and well-being, increasing our attractiveness as a market partner. With appealing acquisition opportunities having arisen in the wake of the pandemic, we hope, in the near future, to make further complementary acquisitions in one of our three regions, in accordance with our strategy.

Consumers demonstrate clearly that they appreciate healthy products and Midsona has built favourable conditions on which to meet their expectations, so I view the future with confidence. We stand by our humbly optimistic outlook and I look forward to bringing you more information.

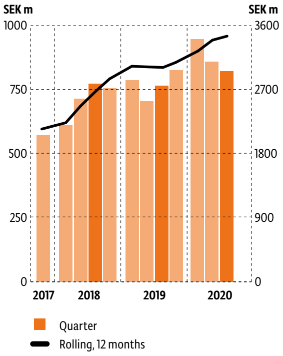
Peter Åsberg

President and CEO

Financial information

Net sales

Net sales



July–September

Net sales amounted to SEK 821 million (765), an increase of 7.3 percent. The organic change in net sales was –1.2 percent while structural changes contributed by 12.2 percent and exchange rate fluctuations negatively by 3.7 percent. The Group's ten prioritised brands showed sales growth of 2.4 percent*. Overall, the Group experienced a slightly downward sales trend over this somewhat unusual quarter, which was pervaded more by negative factors attributable to Covid-19 than previously. Sales were relatively weak in both July and August, but recovered favourably in September. With society being more open and with less restrictions in place, consumption pattern changed slightly, with lower household consumption and increased restaurant visits. The sales trend was affected to the greatest possible extent by sales campaigns being both withdrawn and postponed as a result of Covid-19. The situation in the supply chain stabilised with fewer disruptions. The level of customer service improved gradually to an acceptable level in several geographic markets, with a marginal loss of sales.

The sales trend in the Nordics segment was a little weak with fewer sales campaigns being run, trade fairs being cancelled and the launch window being narrower. There was also a clear decline in demand for consumer health products, which could be attributed to Covid-19 and the decreased activity this entailed among pharmacies and healthfood retailers. Several prioritised brands experienced continued strong sales growth - including Urtekram, Helios and Friggs, for example. For Urtekram and Helios, this resulted from the breakthrough among retailers for One-Organic, the new Nordic shared communications platform for organic brands. In the South Europe segment, the sales trend was relatively favourable in a period in which activity is usually low. Priority brands Celnat and Happy Bio showed continued stable growth in sales. There was something of a slowdown in sales, particularly to FMCG retail. North Europe experienced stable sales growth, driven by increased contract manufacturing volumes. To some extent, however, sales were negatively affected by trade fairs being cancelled and launch windows for certain customers being delayed. A couple of major deliveries for the Davert brand were also postponed until the fourth quarter due to the customer's store launch being delayed as a consequence of Covid-19.

Sales of organic products to Food Service customers remained at relatively low levels in all geographic markets compared with the corresponding period last year, although sales picked up again somewhat over the period.

January–September

Net sales amounted to SEK 2,626 million (2,256), an increase of 16.4 percent. The organic change in net sales was 1.5 percent while structural changes contributed by 16.4 percent and exchange rate fluctuations negatively by 1.5 percent. The Group's ten prioritised brands showed a strong sales growth of 10.0 percent*, primarily driven by brands in the categories organic products and health-foods. While sales for the period were favourable, the quarter-to-quarter trend was broken by the Covid-19 pandemic with completely new and different patterns of purchasing and consumption. The first quarter was pervaded by increased demand for several product categories, which can be attributed both to hoarding and increased household consumption stemming from the Covid-19 outbreak. The second quarter was characterised by a certain levelling off in the heightened demand as countries eased restrictions, albeit at a higher level of sales with many new consumers finding organic products in particular on store shelves as a result of the changing patterns of consumption. The third quarter was pervaded by lower sales volumes due to fewer sales campaigns, cancelled trade fairs, narrower launch windows and a temporary decline in demand for consumer health products, associated with the reduced customer flows at pharmacies and healthfood retailers brought by Covid-19.

Sales in the Nordics decreased, attributable essentially to a sales assignment being completed and lower sales of consumer health products. Several priority brands showed strong sales growth, particularly Urtekram, Friggs and Helios. For North Europe, the sales trend was strong as a consequence of organic growth and acquired business volumes. The priority brand Davert had good sales growth, partly with new business volumes in FMCG retail. The sales trend in the South Europe segment was also strong, with a highly favourable sales trend for the prioritised brands Celnat and Happy Bio. Among other actions, Happy Bio rolled out new business volumes, with favourable listings in FMCG retail.

* The prioritised brands Celnat, Happy Bio and Vegetalia, are compared in the period with sales in the same period last year, although Midsona did not own the brands during the entire period.

Gross profit

July–September

Gross profit amounted to SEK 223 million (230) before items affecting comparability, corresponding to a margin of 27.2 percent (30.1). The cost structure in South Europe, with a higher share of production and inventory-related costs in relation to indirect costs, entailed a lower gross margin for the Group as a whole. In addition, the margin trend was affected strongly by an unfavourable product mix in most geographical markets.

In the Nordics, the gross margin was affected negatively by an unfavourable product mix, primarily due to a lower proportion of sales of consumer health products with generally higher margins. In South Europe, the margin trend was hampered by increased prices for raw material and higher transport costs, and a higher proportion of sales of lower-margin products. Temporary additional production-related costs and an unfavourable product mix, with a larger share of contract manufacturing volumes, also contributed to a weaker gross margin in North Europe.

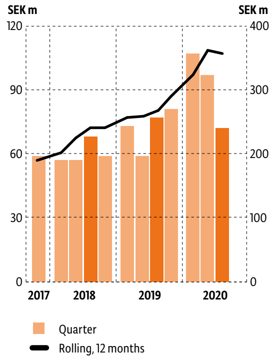
January–September

Gross profit amounted to SEK 738 million (679) before items affecting comparability, corresponding to a margin of 28.1 percent (30.1). The lower gross margin was primarily related to the Group's changed cost structure, with a higher proportion of production and inventory-related costs in relation to indirect costs, as well as a product mix that was unfavourable to a certain extent.

Although the gross margin developed relatively well for South Europe, this was hampered somewhat by rising costs for raw materials and transport, related to occasionally increased demand for organic products. Productivity was occasionally high in the segment's production facilities. In North Europe, the margin trend was impacted negatively, primarily due to an unfavourable product mix and higher prices for raw materials. For the Nordics, the gross margin came under some pressure due to an unfavourable product mix and increased costs for raw materials and finished goods in some product categories. To some extent, however, this was counteracted by price hikes that had been implemented.

Operating profit/loss

EBITDA, before items affecting comparability



July–September

EBITDA before items affecting comparability amounted to SEK 72 million (77), corresponding to a margin of 8.8 percent (10.1), and decreased mainly as a consequence of both lower sales volumes and a weak trend in the gross margin. Amortisation and depreciation for the period amounted to SEK 35 million (28), divided between SEK 11 million (8) in amortisation of intangible fixed assets and depreciation of SEK 24 million (20) on tangible fixed assets. Depreciation increased, partly as a consequence of acquired operations and partly as a consequence of new investments. Operating profit amounted to SEK 37 million (49) before items affecting comparability, corresponding to a margin of 4.5 percent (6.4). The operating profit for the period amounted to SEK 47 million (57), corresponding to a margin of 5.7 percent (7.5).

In both North Europe and the Nordics, EBITDA before items affecting comparability decreased. In North Europe, this was predominantly due to a weak trend in the gross margin and some temporary additional costs in administration. In the Nordics, a reduced cost base, alongside good cost control, could not fully offset lower sales volumes and a somewhat weak trend in the gross margin. In a period in which the level of activity is usually low, South Europe delivered a somewhat weak EBITDA, attributable here too to a somewhat weak trend in the gross margin.

January–September

EBITDA amounted to SEK 276 million (209), before items affecting comparability, corresponding to a margin of 10.5 percent (9.3), and was driven by acquired operations and some volume growth in the underlying operations. Viewed over the period, although profit was satisfactory, the quarter to quarter trend has been broken by the ongoing Covid-19 pandemic. Amortisation and depreciation for the period amounted to SEK 106 million (80), divided between SEK 34 million (24) in amortisation of intangible fixed assets and SEK 72 million (56) in depreciation of tangible fixed assets. Depreciation increased as a consequence of both acquired operations and new investments brought into use. Operating profit amounted to SEK 170 million (129) before items affecting comparability, corresponding to a margin of 6.5 percent (5.7). The operating profit for the period amounted to SEK 191 million (118), corresponding to a margin of 7.3 percent (5.2).

EBITDA, before items affecting comparability, improved for the Nordics and North Europe. For the Nordics, this stemmed from a lower cost base and good cost control, offsetting somewhat lower sales volumes and a somewhat downward trend in the gross margin. The lower cost base stems from the current savings programme initiated in early 2019 to strengthen competitiveness by harmonising and optimising shared processes. For North Europe, EBITDA improved as a consequence of both organic growth and acquired business volumes. South Europe provided a strong EBITDA through good sales growth, improved margins and good cost control.

Items affecting comparability

July–September

Operating profit for the period included positive items affecting comparability of SEK 10 million (8) comprising estimated contingent purchase considerations. The comparison period included SEK 4 million in acquisition-related costs of and SEK 12 million of a restructuring reserve that was reserved due to changed conditions.

January–September

Operating profit for the period included positive items affecting comparability by a net SEK 21 million (negative 11), comprising an estimated conditional purchase consideration of SEK 18 million (6), restructuring costs of SEK 5 million (13), acquisition-related income (negative consolidated goodwill) of SEK 8 million and acquisition-related costs of SEK 0 million (4). The restructuring costs were attributable to the reorganisation of administrative and commercial functions in the Nordic region. Acquisition-related income consisted of negative consolidated goodwill on business acquisitions at low prices, see Note 11 *Business acquisitions* on page 22.

Financial items

July–September

Net financial items amounted to an expense of SEK 7 million (13). Interest expenses for external loans to credit institutions amounted to SEK 7 million (7) and interest expenses attributable to leases were SEK 1 million (1). Net translation differences on financial receivables and liabilities in foreign currency were SEK 1 million (0). Other financial items amounted to SEK 0 million (negative 5).

January–September

Net financial items amounted to an expense of SEK 38 million (44). Interest expenses for external loans to credit institutions amounted to SEK 21 million (22) and interest expenses attributable to leases were SEK 4 million (3). Net translation differences on financial receivables and liabilities in foreign currency were a negative SEK 2 million (11). Earnings from shares in the joint venture were negative in the amount of SEK 8 million and were attributable to a revaluation of shares in a joint venture on obtaining a controlling influence. This revaluation resulted in a loss as the previously recognised book value of shares in joint ventures in the consolidated accounts exceeded fair value. Other financial items were negative in the amount of SEK 3 million (8).

Profit for the period

July–September

Profit for the period was SEK 34 million (35), corresponding to earnings per share of SEK 0.52 (0.77) before dilution and SEK 0.51 (0.77) after dilution. Tax on the profit for the period amounted to a negative SEK 6 million (9), of which the current tax was negative SEK 6 million (5) and deferred tax was SEK 0 million (4). The effective tax rate for the period was 15.7 percent (20.9), which was signifi-

In Sweden, Naturdiet launched the new flavour, Vanilla Latte, in its Protein Coffee series.

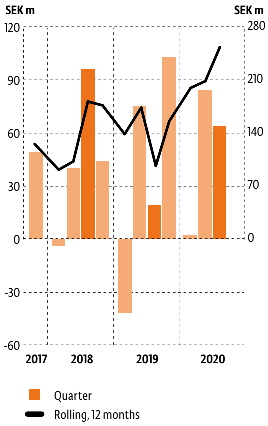
cantly lower than the current tax rate for the Parent Company. This difference was mainly attributable to income from estimated purchase considerations from previous years' acquisitions expected to be entered as liabilities and not corresponding to taxes in any legal entity.

January–September

Profit for the period was SEK 121 million (62), corresponding to earnings per share of SEK 1.85 (1.35) before dilution and SEK 1.84 (1.35) after dilution. Tax on the profit for the period amounted to a negative SEK 32 million (12), of which the current tax was negative SEK 27 million (16) and deferred tax was a negative SEK 5 million (positive: 4). The effective tax rate for the period was 21.0 percent (16.6).

Cash flow

Free cash flow



July–September

Cash flow from operating activities before changes in working capital improved to SEK 77 million (58). Capital tied up in inventories decreased by SEK 3 million, which was lower than normal, resulting from a continued increase in reserve inventory levels for the most critical raw materials and finished goods, and major deliveries of finished goods being postponed until October. Overall, however, changes in working capital improved to a negative SEK 6 million (29). Cash flow from continuing operations amounted to SEK 71 million (29).

Cash flow from investing activities amounted to a negative SEK 67 million (87), consisting of investments in tangible and intangible fixed assets of a SEK 66 million (9), of which the Gainomax trademark rights accounted for SEK 60 million, and a negative change in financial assets of SEK 1 million (1). The comparative period included a business acquisition for SEK 77 million. Free cash flow amounted to SEK 64 million (19).

Cash flow from financing activities was a negative SEK 17 million (positive 156), consisting of loans raised of SEK 60 million (1,230), amortisation of loans by SEK 24 million (1,083), amortisation of leasing expenses by SEK 11 million (12) and dividends of SEK 42 million. The comparative period also included the issue of share warrant programme TO2016/2019 for SEK 21 million. In the comparison period, existing debt was refinanced and the framework for the financing of working capital was broadened.

Cash flow amounted to a negative SEK 13 million (98).

January–September

Cash flow from operating activities before changes in working capital improved to SEK 231 million (164) and changes in working capital were a negative SEK 61 million (83). Capital tied up in inventories and operating receivables increased from the start of the year, essentially as a consequence of increased business volumes and increased reserve inventory levels of certain raw materials and finished goods, and was offset partly by increased operating liabilities. Cash flow from operating activities improved to SEK 170 million (81).

Cash flow from investing activities amounted to a negative SEK 115 million (106), consisting of paid purchase considerations for earlier years' business acquisitions of SEK 35 million, business acquisitions for SEK 0 million (77), investments in tangible and intangible fixed assets of SEK 79 million (25), of which the Gainomax trademark rights accounted for SEK 60 million, and a negative change in financial assets of SEK 1 million (4). Free cash flow improved to SEK 150 million (52).

Cash flow from financing activities was a negative SEK 89 million (positive 59), comprising issue expenses of SEK 1 million attributable to the previous year's new share issue, a positive SEK 62 million (1,230) in loans raised, SEK 73 million (1,128) in loan repayments, SEK 35 million (34) in amortisations on lease liabilities and dividends of SEK 42 million (30). The comparison period also included proceeds of SEK 21 million from the issue of a share warrant programme, including issue expenses.

Cash flow amounted to a negative SEK 34 million (34).

Liquidity and financial position

Cash and equivalents amounted to SEK 138 million (134) and there were unused credit facilities of SEK 290 million (975) at the end of the period. Net debt amounted to SEK 1,352 million (1,401) and was SEK 1,310 million at the end of the preceding quarter. Over the quarter at hand, net debt increased by SEK 42 million, attributable primarily to loans raised for acquisitions of trademark rights. The net debt/equity ratio was a multiple of 0.6 (0.8). The ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 3.9 (5.3) and, at the end of the preceding quarter, it was a multiple of 3.5.

Shareholders' equity amounted to SEK 2,314 million (1,717). At the end of the preceding quarter, shareholders' equity was SEK 2,278 million. The changes consisted of profit for the period of SEK 34 million and exchange rate differences of SEK 2 million on the translation of foreign operations. The equity/assets ratio was 48.2 percent (41.1) at the end of the period.

Investments

July–September

Investments in intangible and tangible fixed assets amounted to SEK 61 million (9) and consisted mainly of the Gainomax trademark rights, software and replacement investments in production facilities.

January–September

Investments in intangible and tangible fixed assets amounted to SEK 74 million (25). This was mainly comprised of the Gainomax trademark rights, software and replacement investments in production facilities. An expansion investment, in the form of a new packing line, was commissioned in South Europe at the start of the year.

Other information

Personnel

The average number of employees during the quarter was 728 (538), while the number of employees at the end of the period was 723 (571). The number of employees increased compared with the previous year as a result of a business being acquired in the final quarter of 2019.

Parent Company

Group-wide management, administration and IT are operated as Group functions in the Parent Company Midsona AB (publ).

Net sales amounted to SEK 41 million (34), and related primarily to invoicing of services provided internally within the Group. Profit before tax amounted to SEK 86 million (94). Profit before tax included dividends from subsidiaries of SEK 124 million (122). Net financial items included exchange-rate differences on financial receivables and liabilities in foreign currency of a negative SEK 2 million (11) and exchange-rate differences of net investment in subsidiaries in an amount of a negative SEK 19 million (positive 9).

Cash and cash equivalents, including unutilised credit facilities, amounted to SEK 352 million (1,090). Borrowing from credit institutions was SEK 1,117 million (1,145) at the end of the period. On the balance sheet date, there were 13 employees (14).

For the Parent Company, SEK 41 million (34), equivalent to 100 percent (100) of sales for the period and SEK 1 million (0), corresponding to 2 percent (1) of purchases for the period pertained to subsidiaries within the Group. Sales to subsidiaries pertained mainly to administrative services, while purchases from subsidiaries mainly pertained to consultancy services and other reimbursements for expenses. All pricing is conducted on market terms.

The financing agreement with Danske Bank, valid for three years until September 2022 (with options for extension until September 2024) was extended by one year until September 2023.

There were no transactions in the form of loans, purchases or sales with shareholders, Board members or senior executives.

The share

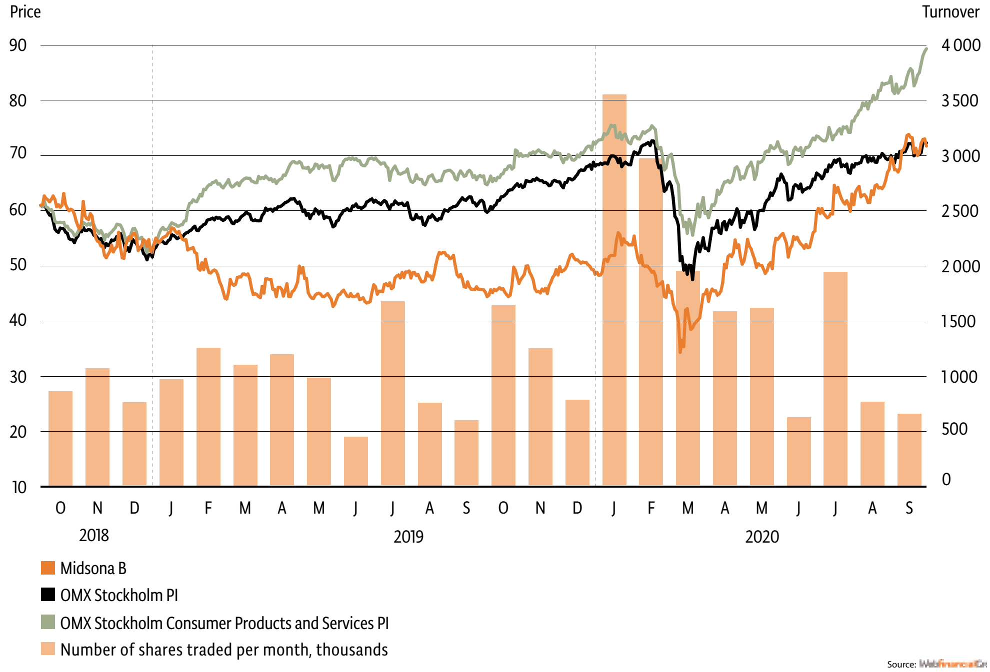
Midsona's Series A and B shares are listed on Nasdaq Stockholm's Mid Cap List under the symbols MSON A and MSON B, respectively.

At the end of the period, the total number of shares was 65,004,608 (46,431,864), divided between 755,820 Series A shares (539,872) and 64,248,788 Series B shares (45,891,992). At the end of the period, the number of votes was 71,806,988 (51,290,712), where one Series A share carries ten votes and one Series B share carries one vote.

During the period January–September 2020, 15,635,697 shares (8,918,466) were traded. The highest price paid for Series B shares was SEK 74.50 (57.07), and the lowest was SEK 32.60 (42.67). On 30 September, the most recent price paid for the share was SEK 71.70 (45.69). For the comparison year, the share price has been adjusted for the new share issue.

Two option programmes were outstanding at the end of the period, the TO2017/2020, which can provide a maximum of 211,310 new Series B shares on full conversion, and the TO2019/2022 series, which can provide a maximum of 148,000 new Series B shares on full conversion. On the balance sheet date, the average price for Series B shares exceeded the subscription price for the warrants outstanding, and accordingly the earnings per share after full dilution were calculated. For more information on TO2017/2020 and TO2019/2022, see Note 10 *Employees, personnel expenses and senior executives' remuneration* in the 2019 Annual Report, pages 95–96.

Strong price trend for the Midsona share, up 56.9 percent compared with the corresponding period in the preceding year.



Ownership

Stena Adactum AB was the largest shareholder with 23.4 percent of the capital and 28.0 percent of the voting rights on 30 September 2020. The ten largest shareholders in Midsona AB (publ) are shown in the table.

The ten largest shareholders in Midsona AB (publ)	Number of shares	Share of capital, %	Share of votes, %
Stena Adactum AB	15,229,789	23.4	28.0
Insurance company Avanza Pension	4,832,039	7.4	7.0
BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC)	3,535,631	5.4	4.9
Swedbank Robur Funds	3,353,682	5.2	4.7
Cliens Funds	2,450,000	3.8	3.4
Lannebo Funds	2,435,773	3.8	3.4
Handelsbanken Funds	2,215,363	3.4	3.1
Nordea Investment Funds	1,963,105	3.0	2.7
Peter Wahlberg and companies	1,544,122	2.4	2.1
Spiltan Fonder AB	1,478,490	2.3	2.1
Total	**39,037,994**	**60.1**	**61.4**
Other shareholders	25,966,614	39.9	38.6
Total	**65,004,608**	**100.0**	**100.0**

Source: Euroclear

Total number of shareholders (including nominee-registered) was 9,852 (7,656). In the current quarter, the number of shareholders increased by 1,687. Foreign ownership amounted to 17.5 percent (23.6) of the shares in the market. More information on the shareholder structure is available at www.midsona.com.

Risks and uncertainties including impact from Covid-19

In its operations, the Group is subject to operational, market, financial and sustainability risks that may affect profits to a greater or lesser extent. For a detailed account of risks and uncertainty factors, please see the section Risks and risk management on pages 62–71 and Note 31 *Financial risk management* on pages 106–108 in the 2019 Annual Report.

In the first quarter of 2020, risks and uncertainty factors were significantly elevated as a result of the rapid global spread of Covid-19. The outbreak affects everyone on a global basis and, as a result of the extraordinary social measures implemented to reduce contagion, we were in a position that is exceptional for people, communities and companies. Midsona prioritised keeping its employees and customers safe. All guidelines and recommendations established at the national, regional and local levels are being adhered to. An action plan was drafted and implemented with the aim of minimising or eliminating risks associated with the spread of disease, which among other things included consumer behaviour, delivery and production disruptions and disruptions in retailing. We experienced a certain negative impact on our operations from Covid-19 during both the second and third quarters, in contrast to the first quarter when the effects were largely only positive. We are monitoring ongoing developments very closely, particularly considering that we are now seeing a second wave of both local and regional infection outbreaks in the community, and we are implementing measures rapidly when necessary.

Demand increased in March for the majority of product categories in all geographic markets, as a consequence of the spread of Covid-19 in society. The increase in demand the largest in baking, breakfast and cooking products, rice and corn cakes, canned goods, tea and hand soap. Consumer behaviour changed drastically with both a hoarding effect and a shift of purchases from restaurants/catering to both physical stores and online stores for food. The increase in demand persisted into the second quarter, but was related partly to the extent to which society was locked down. In countries with a more extensive lockdown, demand for organic products remained very strong until the restrictions were lifted, at which time the heightened demand began levelling off to some extent. We saw also many new consumers finding our products on store shelves as a result of the changing patterns of consumption. Sales campaigns being withdrawn or postponed as a consequence of Covid-19 impacted the sales trend negatively, as was particularly clear in the third quarter. We assess this decline in demand for our products to be temporary. Towards the end of the second quarter and during the third quarter, we saw a decline in demand in the Nordic market for consumer health products. This can be attributed to Covid-19 and the lower levels of activity among pharmacies and healthfood retailers that this entailed. Demand for consumer health products is likely to remain stagnant with slightly lower sales volumes, as long as local and regional infection outbreaks are occurring in the community. One reason for this is that the older generations account for a fairly large proportion of the consumer health products sold. The pandemic has partly broken the quarter-to-quarter sales trend, with completely new and different patterns of purchasing and consumption. Both the first and second quarters were stronger than normal, while the third quarter was a little weaker, to which cancelled trade fairs and narrower launch windows also contributed.

Due to changed patterns of consumption, customer credit risk was heightened, particularly with regard to Food Service customers. This brought increased uncertainty regarding these customers' payment capacity, leading to adjustments being made to the standard calculation of expected credit losses. A number of customers, particularly in southern Europe, filed for bankruptcy in the third quarter. These customer losses were, however, relatively minor in nature. We are monitoring closely how our customers in the Food Service sector are developing. To some extent, sales to these customers began to pick up again to some extent in the third quarter. Food service customers account for slightly less than 10 percent of the Group's total net sales.

Midsona has a well-functioning supply chain, which was, however, exposed to certain disruptions during the second quarter. We worked intensively with our customers and suppliers to ensure the supply of goods to retailers. To meet the increased demand, production capacity was expanded for several important product groups at our suppliers. Goods production at our own facilities generally

In Denmark, several varieties of vegetarian steaks were launched under the Urtekram brand.

functioned well, with the number of shifts being increased to meet the high level of demand. Despite high capacity utilisation at our production facilities, we were not fully able meet customer all customer deliveries. The increased production capacity essentially caught up with demand towards the end of June. To ensure the flow of raw materials, wrapping and packaging to our production facilities, we engaged in close dialogue with our key suppliers. Most suppliers of raw materials, wrapping and packaging alike, as well as suppliers of finished goods essentially delivered according to plan. Increased demand for organic products, however, meant that new volumes of some important raw materials had to be procured outside contractual volumes at higher spot market prices. Transport costs also increased to some extent due to prevailing cross-border transport restrictions. There were also occasional shortages of certain wrapping and packaging materials, partly affecting our delivery and production capacity. As country after country shut down, certain negative consequences were incurred, for which no alternative solutions could be found. Both delayed and postponed deliveries of some important raw materials had to be acknowledged as a consequence of shutdowns in countries including India and Sri Lanka. Postponed deliveries until July of certain raw materials for our organic brands in the Nordic region resulted in some loss of sales in the second quarter. Inventory levels for most critical raw materials and finished goods increased in the second quarter, as there was some uncertainty regarding lead times under the prevailing circumstances. In the third quarter, the situation stabilised, with fewer disruptions to our supply chain from Covid-19. Our capacity to deliver to customers improved gradually to an acceptable level in several geographic markets. With the external situation remaining somewhat unstable, we cannot rule out possible disruptions to our supply chain. However, the current assessment is that we will not suffer any major sales volume losses due to delivery problems among sub-suppliers in the fourth quarter.

The Swedish and Norwegian currencies (SEK and NOK) weakened significantly against both the EUR and the USD at the end of March, which increased the risk of negative currency effects for the Group, which conducts significant purchases of goods in these currencies. During the second quarter, the SEK and, to some extent, the NOK gradually strengthened against both the EUR and the USD, which was positive for the Group. In Norway, price increases were implemented to offset the unfavourable exchange rate trend. In the third quarter, both the SEK and NOK continued to strengthen against the USD, while the exchange rate trend against the EUR was less favourable for both the SEK and NOK.

The ongoing Covid-19 pandemic continued to affect operations in the quarter at hand, just as it did in the preceding quarter. On the whole, it is our assessment that Midsona will make it through this crisis stronger, with minimal impact on financial position and performance, or without suffering any negative effects at all.

Changes in segment reporting

As of 1 January 2020, Midsona changed its segment reporting to report three geographic segments, which agree with the internal reporting provided to Group Management. The four geographic segments Sweden, Norway, Finland and Denmark were merged to form the Nordics segment under joint management, and the comparative figures for 2019 have been recalculated. The geographic segment Germany changed name to North Europe. The geographic segment South Europe continues to be presented in the same way as in earlier financial statements.

Changes in prioritised brands

For a number of years, Midsona has worked with eight prioritised brands to drive sales growth in an effective manner. It has been decided to increase the number of prioritised brands from eight to ten, as a result of the on-going expansion to new geographic markets in Europe. The Dalblads brand was replaced as a prioritised brand by the Celnat, Happy Bio and Vegetalia brands as of 1 January 2020. Celnat and Happy Bio, both strong brands in the French market in the organic product category, and Vegetalia, a strong brand in the Spanish market in the organic product category, were acquired in October 2019. Dalblads, a strong brand in the Swedish market in the healthfoods category, will continue to be further developed within the Group. After the change, our prioritised brands include – Urtekram, Friggs, Davert, Kung Markatta, Vegetalia, Naturdiet, Eskimo-3, Celnat, Happy Bio and Helios.

New sustainability targets

Midsona drives a change agenda with the clear goal of influencing people's eating habits towards healthy and sustainable alternatives. In line with our ambitions and the requirements customers, consumers and investors set on a clear sustainability agenda, new sustainability targets have been set for the period 2020 to 2030. They are:

- *Sustainable brands* – By 2025, our plastic consumer packages will be made of 100-percent recycled materials and by 2030, 100 percent of the products shall be plant-based or vegetarian.

- *Healthy environment* – Healthy workplaces will promote healthy employees without work-related injuries. We will have an even gender distribution in management positions in the entire organisation.
- *Responsible purchasing* – By 2025, 100 percent of our suppliers will be classified according to sustainable guidelines in procurement.
- *Safe products* – By 2025, 100 percent of our suppliers will be risk classified and risk-based audits will take place annually.
- *Efficient resource use* – By 2025, 90 percent of our waste will be recycled. Food waste will be reduced and 100 percent of our food waste will be re-used by 2025.
- *Efficient transports* – By 2030, 100 percent of our transports will be fossil free.

Acquisition analysis

The acquisition analysis for Alimentation Santé SAS, presented preliminarily in the year-end report for 2019, was adopted without amendment.

High sustainability ranking

The Urtekram brand was ranked Denmark's fifth most sustainable brand and the Kung Markatta brand was ranked Sweden's sixteenth most sustainable brand in the annual independent brand survey Sustainable Brand Index 2020. This is the largest Scandinavian sustainability survey, in which consumers rate corporate sustainability efforts according to several criteria, including the UN principles of sustainability and social responsibility.

Upcoming change in Group Management

CFO, Lennart Svensson, has chosen to leave Midsona in the first quarter of 2021. Max Bokander was appointed as Midsona's new CFO. He joins Midsona from the Trelleborg Group and will take up his new post in January 2021, being, from that date, a member of Group Management.

Business acquisitions

On 6 May, the remaining 49 percent of the shares and votes in Paradiset EMV AB were acquired, with a trademark license right to develop, manufacture, market and sell products that focus on sustainability and health under the Everyday by Paradiset brand, see Note 11 *Acquisition of business* page 22 for preliminary acquisition analysis.

Paradiset EMV AB was reported as a collaborative arrangement in the form of a joint venture in accordance with the equity method in the financial statements until 6 May, when the controlling influence in the company was obtained. The previous holding in Paradiset EMV AB was valued at fair value based on the transaction in which the controlling influence was obtained. This revaluation resulted in a loss as the previously recognised book value of shares in joint ventures in the consolidated accounts exceeded fair value. The capital loss amounted to SEK 8 million and was reported as earnings from participations in joint ventures in the profit for the period for the second quarter of 2020.

In September, the newly-acquired Gainomax brand launched its new Cookies & Cream flavour, in its recovery range, in Sweden.

Annual General Meeting

The Annual General Meeting on 25 June addressed dividends and other matters. A decision was made on a dividend to shareholders of SEK 1.25 per share, corresponding to SEK 81 million, divided into two payouts with SEK 0.65 being paid on the record date of 29 June and SEK 0.60 to be paid on the record date of 30 October. On 2 July, SEK 42 million was disbursed to shareholders and the second payment of SEK 39 million is expected to be made on 4 November.

Acquisition of trademark rights

On 1 September, Midsona acquired the trademark rights to Gainomax, one of Sweden's most well-known brands in sports nutrition, offering products for exercise recovery and functional snacks, such as milk-based sports drinks and protein bars. The purchase consideration amounted to SEK 60 million, including acquisition-related expenses, with SEK 55 million being paid for the brand and SEK 5 million being paid for related brand profiled inventory. Acquired assets were financed with new loans of SEK 60 million within the agreed credit framework.

Net sales for the Gainomax brand amounted to SEK 79 million for 2019, of which 90 percent was attributable to the Swedish market and the remaining 10 percent to the Finnish market. The brand's customers are mainly FMCG retailers. Gainomax is expected to contribute an EBITDA margin well in line with that of the Midsona Group and to have a positive effect on earnings per share for the financial year 2020.

Acquired assets are consolidated into the Midsona Group as of 1 September 2020, and are included in the Nordics operating segment in the segment reporting. The Gainomax brand was assessed as having a useful life of 20 years.

Significant events following the end of the report period.

Supplement to existing financing agreement

On October 5, an agreement was reached supplementing an existing financing agreement with Danske Bank and Svensk Exportkredit with an extended credit limit of SEK 200 million to partly finance the acquisition of System Frugt A/S.

Business acquisitions

On October 7, Midsona acquired all of the shares in the Danish company System Frugt A/S with its wholly-owned sales companies in Finland, Sweden and Norway. The total purchase consideration amounted to SEK 248 million (DKK 175.4 million), corresponding to SEK 297 million (DKK 210 million) on a debt-free basis, and was paid in cash. The acquisition was financed partly with new loans of SEK 200 million from the extended credit framework and partly with new loans within the previously agreed credit framework of SEK 48 million.

System Frugt holds a strong position in plant-based foods in Denmark. The company offers a large selection of dried fruit and nuts both under its own brand and as private label (contract manufacturing). Net sales amounted to SEK 566 million (DKK 399 million) and EBITDA, adjusted for the effects of IFRS 16, to SEK 35 million (24.8 million) in 2019. Applying IFRS 16, leasing fees on ROU assets amounted to SEK 13 million (DKK 8.9 million) for 2019. Sales are mainly made to customers in the Nordic market, and these operate primarily in FMCG retail. The acquisition is expected to generate synergies of SEK 34 million on an annual basis, achieving full effect as of late 2022. At the time of the acquisition, System Frugt had 113 full-time employees, most of whom were located at the production and warehouse facility at the company's headquarters in Tilst, Denmark.

The acquired business was consolidated into the Midsona Group as of 7 October 2020, and will be included in the Nordics operating segment in the segment reporting. Most of the consolidated surplus value from the acquisition will be allocated to the brand and goodwill.

Information enabling a complete financial presentation of the acquisition was not directly available when this interim report was submitted for publication. For this reason, a preliminary specification of the acquisition, including other acquisition-related data, will be provided in the 2020 year-end report.

Malmö, 22 October 2020
Midsona AB (publ)
BOARD OF DIRECTORS

Review by auditor

This interim report has been reviewed by company's auditors.

Report of Review of Interim Financial Information

Introduction

We have reviewed the interim report of Midsona AB (publ) for the period 1 January 2020 to 30 September 2020. The Board of Directors and the CEO are responsible for the preparation and presentation of the Interim Report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion regarding the Interim Report based on our review.

Scope and focus of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is considerably smaller in scope than an audit conducted in accordance with ISA and other generally accepted auditing standards. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Consequently, the conclusion based on a review does not give the same level of assurance as a conclusion based on an audit.

Conclusion

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

Malmö, 22 October 2020
Deloitte AB

Per-Arne Pettersson
AUTHORISED PUBLIC ACCOUNTANT

Financial statements

Summary consolidated income statement

SEK million	Note	July–Sept 2020	July–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Rolling 12-month	Full year 2019
Net sales	3.4	**821**	**765**	**2,626**	**2,256**	**3,451**	**3,081**
Expenses for goods sold		–598	–524	–1,888	–1,584	–2,482	–2,178
Gross profit		**223**	**241**	**738**	**672**	**969**	**903**
Selling expenses		–128	–122	–381	–376	–510	–505
Administrative expenses		–60	–56	–196	–176	–260	–240
Other operating income		16	–1	35	7	65	37
Other operating expenses		–4	–5	–5	–9	–21	–25
Operating profit/loss	3	**47**	**57**	**191**	**118**	**243**	**170**
Profit/loss from participations in joint ventures		–	–	–8	–	–9	–1
Financial income		3	0	7	0	7	0
Financial expenses		–10	–13	–37	–44	–46	–53
Profit/loss before tax		**40**	**44**	**153**	**74**	**195**	**116**
Tax on profit for the period		–6	–9	–32	–12	–39	–19
Profit for the period		**34**	**35**	**121**	**62**	**156**	**97**
Profit for the period is divided between:							
Parent Company shareholders (SEK million)		34	35	121	62	156	97
Earnings per share before and after dilution attributable to Parent Company shareholders (SEK)		0.52	0.77	1.85	1.35	2.51	2.02
Earnings per share after dilution attributable to Parent Company shareholders (SEK)		0.51	0.77	1.84	1.35	2.49	2.02
Number of shares (thousands)							
On the balance sheet date		65,005	46,432	65,005	46,432	65,005	65,005
On the balance sheet date, after full dilution		65,364	46,432	65,364	46,432	65,364	65,005
Average during the period		65,005	46,126	65,005	46,047	62,061	48,179
Average during the period, after full dilution		65,364	46,126	65,364	46,047	62,392	48,179

Summary consolidated statement of comprehensive income

SEK million	July–Sept 2020	July–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Rolling 12-month	Full year 2019
Profit for the period	**34**	**35**	**121**	**62**	**156**	**97**
Items that have or can be reallocated to profit for the period						
Translation differences for the period on translation of foreign operations	2	–8	–47	66	–81	32
Other comprehensive income for the period	**2**	**–8**	**–47**	**66**	**–81**	**32**
Comprehensive income for the period	**36**	**27**	**74**	**128**	**75**	**129**
Comprehensive income for the period is divided between:						
Parent Company shareholders (SEK million)	36	27	74	128	75	129

In Spain, Vegetalia launched several different spice mixes.

Summary consolidated balance sheet

SEK million	Note	30 Sept 2020	30 Sept 2019	31 Dec 2019
Intangible assets	5	3,049	2,620	3,058
Tangible assets	6	542	470	585
Participations in joint ventures		–	–	26
Non-current receivables	8	4	4	4
Deferred tax assets		65	74	71
Fixed assets		**3,660**	**3,168**	**3,744**
Inventories		613	505	529
Accounts receivable		347	311	290
Tax receivables		–	–	–
Other receivables	8	17	17	18
Prepaid expenses and accrued income		24	38	26
Cash and cash equivalents		138	134	173
Current assets		**1,139**	**1,005**	**1,036**
Assets		**4,799**	**4,173**	**4,780**
Share capital		325	232	325
Additional paid-up capital		1,158	648	1,159
Reserves		9	90	56
Profit brought forward, including profit for the period		822	747	782
Shareholders' equity		**2,314**	**1,717**	**2,322**
Non-current interest-bearing liabilities	7	1,353	1,398	1,408
Other non-current liabilities	8, 10	44	60	92
Deferred tax liabilities		315	282	321
Non-current liabilities		**1,712**	**1,740**	**1,821**
Current interest-bearing liabilities	7	137	137	118
Accounts payable		333	306	288
Tax liabilities		4	9	2
Other current liabilities	8, 10	129	142	89
Accrued expenses and deferred income		170	122	140
Current liabilities		**773**	**716**	**637**
Liabilities		**2,485**	**2,456**	**2,458**
Shareholders' equity and liabilities		**4,799**	**4,173**	**4,780**

Summary consolidated changes in shareholders' equity

SEK million	Share capital	Additional paid-up capital	Reserves	Profit brought forward, incl. profit for the period	Shareholders' equity
Opening shareholders' equity 1 Jan 2019	230	629	24	747	1,630
Changed accounting principle (IFRS 16)	–	–	–	–4	–4
Profit for the period	–	–	–	62	62
Other comprehensive income for the period	–	–	66	–	66
Comprehensive income for the period	**–**	**–**	**66**	**62**	**128**
Redemption of warrants under share warrant programme, TO2016/2019	2	19	–	–	21
Issue expenses, TO2016/2019	–	0	–	–	0
Dividend	–	–	–	–58	–58
Transactions with the Group's owners	**2**	**19**	**–**	**–58**	**–37**
Closing shareholders' equity 30 September 2019	**232**	**648**	**90**	**747**	**1,717**
Opening shareholders' equity 1 October 2019	232	648	90	747	1,717
Profit for the period	–	–	–	35	35
Other comprehensive income for the period	–	–	–34	–	–34
Comprehensive income for the period	**–**	**–**	**–34**	**35**	**1**
New share issue	93	520	–	–	613
Issue expenses	–	–10	–	–	–10
Premium receipts warrant programme, TO2019/2022	–	1	–	–	1
Transactions with the Group's owners	**93**	**511**	**–**	**–**	**604**
Closing shareholders' equity 31 Dec 2019	**325**	**1,159**	**56**	**782**	**2,322**
Opening shareholders' equity 1 Jan 2020	325	1,159	56	782	2,322
Profit for the period	–	–	–	121	121
Other comprehensive income for the period	–	–	–47	–	–47
Comprehensive income for the period	**–**	**–**	**–47**	**121**	**74**
Issue expenses	–	–1	–	–	–1
Dividend	–	–	–	–81	–81
Transactions with the Group's owners	**–**	**–1**	**–**	**–81**	**–82**
Closing shareholders' equity 30 Sept 2020	**325**	**1,158**	**9**	**822**	**2,314**

Summary consolidated cash flow statement

SEK million	July–Sept 2020	July–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Rolling 12-month	Full year 2019
Profit/loss before tax	40	44	153	74	195	116
Adjustment for items not included in cash flow	38	15	102	95	131	124
Income tax paid	–1	–1	–24	–5	–38	–19
Cash flow from operating activities before changes in working capital	**77**	**58**	**231**	**164**	**288**	**221**
Increase (–)/decrease (+) in inventories	3	37	–89	–4	–58	27
Increase (–)/decrease (+) in operating receivables	–1	–42	–65	–43	10	32
Increase (+)/decrease (–) in operating liabilities	–8	–24	93	–36	47	–82
Changes in working capital	**–6**	**–29**	**–61**	**–83**	**–1**	**–23**
Cash flow from operating activities	**71**	**29**	**170**	**81**	**287**	**198**
Acquisitions of companies or operations	–	–77	–35	–77	–617	–659
Acquisitions of intangible assets	–61	–6	–66	–16	–72	–22
Acquisitions of tangible assets	–5	–3	–13	–9	–23	–19
Divestments of tangible assets	–	0	–	0	0	0
Change in financial assets	–1	–1	–1	–4	–9	–12
Cash flow from investing activities	**–67**	**–87**	**–115**	**–106**	**–721**	**–712**
Cash flow after investing activities	**4**	**–58**	**55**	**–25**	**–434**	**–514**
New share issue	–	–	–	–	613	613
Issue expenses	–	–	–1	–	–11	–10
Issue of warrant programme, TO2016/2019	–	21	–	21	–	21
Issue expenses warrant programme, TO2016/2019	–	0	–	0	–	0
Premium receipts warrant programme, TO2019/2022	–	–	–	–	1	1
Loans raised	60	1,230	62	1,230	687	1,855
Repayment of loans	–24	–1,083	–73	–1,128	–731	–1,786
Amortisation of lease liabilities	–11	–12	–35	–34	–48	–47
Dividend paid	–42	–	–42	–30	–70	–58
Cash flow from financing activities	**–17**	**156**	**–89**	**59**	**441**	**589**
Cash flow for the period	**–13**	**98**	**–34**	**34**	**7**	**75**
Cash and equivalents at beginning of period	151	37	173	101	134	101
Translation difference in cash and cash equivalents	0	–1	–1	–1	–3	–3
Cash and cash equivalents at end of the period	**138**	**134**	**138**	**134**	**138**	**173**

Summary income statement, Parent Company

SEK million	July–Sept 2020	July–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Rolling 12-month	Full year 2019
Net sales	**14**	**11**	**41**	**34**	**54**	**47**
Selling expenses	–	0	–	–1	0	–1
Administrative expenses	–17	–14	–58	–45	–77	–64
Other operating income	0	0	0	0	0	0
Other operating expenses	0	–3	0	–3	0	–3
Operating profit/loss	**–3**	**–6**	**–17**	**–15**	**–23**	**–21**
Profit from participations in subsidiaries	–	–	124	122	135	133
Financial income	8	9	26	25	32	31
Financial expenses	–12	–20	–47	–38	–50	–41
Profit/loss after financial items	**–7**	**–17**	**86**	**94**	**94**	**102**
Allocations	–	–	–	–	32	32
Profit/loss before tax	**–7**	**–17**	**86**	**94**	**126**	**134**
Tax on profit for the period	–	–	–	–1	0	–1
Profit for the period	**–7**	**–17**	**86**	**93**	**126**	**133**

Summary balance sheet, Parent Company

SEK million	Note	30 Sept 2020	30 Sept 2019	31 Dec 2019
Intangible assets		56	53	57
Tangible assets		3	3	3
Participations in subsidiaries		2,351	2,060	2,202
Receivables from subsidiaries		1,078	756	1,149
Deferred tax assets		2	2	2
Financial assets		**3,431**	**2,818**	**3,353**
Fixed assets		**3,490**	**2,874**	**3,413**
Receivables from subsidiaries		17	39	152
Other receivables		8	22	17
Cash and bank balances		62	115	109
Current assets		**87**	**176**	**278**
Assets		**3,577**	**3,050**	**3,691**
Share capital		325	232	325
Statutory reserve		58	58	58
Profit brought forward, including profit for the period and other reserves		1,710	1,156	1,706
Shareholders' equity		**2,093**	**1,446**	**2,089**
Liabilities to credit institutions		1,038	1,064	1,066
Liabilities to subsidiaries		–	–	–
Other non-current liabilities	10	16	32	31
Non-current liabilities		**1,054**	**1,096**	**1,097**
Liabilities to credit institutions		79	81	55
Liabilities to subsidiaries		287	333	390
Other current liabilities	10	64	94	60
Current liabilities		**430**	**508**	**505**
Equity and liabilities		**3,577**	**3,050**	**3,691**

Within the One-Organic project, Urtekram launched a new beauty series.

Notes to the financial statements

Note 1 | Accounting principles

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 International Financial Reporting Interpretations Committee (IFRIC) as approved by the European Commission for use within the EU. The standards and interpretations applied are those that are applicable as of 1 January 2020 and when they were adopted by the EU. Furthermore, recommendation RFR 1 *Supplementary Accounting Rules for Groups*, from the Swedish Financial Reporting Board, has been applied.

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

The ESMA Guidelines for Alternative Performance Measures (APM) are applied, entailing expanded disclosures on key figures and performance measures.

In the interim report for January–September 2020, the same accounting principles and calculation methods were applied as in the *2019 Annual Report, which is the annual report issued most recently for Midsona (Note 1* Accounting principles, pages 82–90). The new standards and the amendments and revisions to standards and new interpretations (IFRIC) that came into effect on 1 January 2020 had no impact on the Group's accounting for the period January–September 2020.

Note 2 | Significant estimates and assumptions

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

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

For a detailed account of the assessments made by management in the application of IFRS and that have a significant impact on the financial statements, as well as estimates made that could entail significant adjustments to subsequent financial statements, please refer to Note 35 Important estimates and assessments on pages 109–110 of the 2019 Annual Report. No new significant estimates and assessments and assumptions have been added since the publication of the most recent Annual Report.

Note 3 | Operating segments, Group[1]

SEK million	Nordics		North Europe		South Europe		Group-wide functions		Group	
July–September	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Net sales, external	536	574	193	191	92	–	–	–	**821**	**765**
Net sales, intra-Group	2	2	3	2	1	–	-6	-4	–	–
Net sales	**538**	**576**	**196**	**193**	**93**	**–**	**-6**	**-4**	**821**	**765**
Operating expenses (excluding depreciation/amortisation and impairment), external	-463	-488	-182	-178	-84	–	-10	-14	**-739**	-680
Operating expenses, intra-Group	-11	-9	-2	-1	-1	–	14	10	–	–
Operating expenses (excluding depreciation/amortisation and impairment)	**-474**	**-497**	**-184**	**-179**	**-85**	**–**	**4**	**-4**	**-739**	**-680**
EBITDA	**64**	**79**	**12**	**14**	**8**	**–**	**-2**	**-8**	**82**	**85**
Depreciation/amortisation and impairment	-9	-10	-11	-11	-5	–	-10	-7	**-35**	-28
Operating profit/loss	**55**	**69**	**1**	**3**	**3**	**–**	**-12**	**-15**	**47**	**57**
Financial items									**-7**	-13
Profit/loss before tax									**40**	**44**
Significant income and expense items reported in the income statement:										
Items affecting comparability	-1	-11	-5	1	–	–	-4	2	-10	-8
EBITDA, before items affecting comparability	**63**	**68**	**7**	**15**	**8**	**–**	**-6**	**-6**	**72**	**77**

[1] Midsona changed its segment reporting as of 1 January 2020. For further information, see section Changes in segment reporting on page 10.

SEK million	Nordics		North Europe		South Europe		Group-wide functions		Group	
January–September	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Net sales, external	1,661	1,725	656	531	309	–	–	–	**2,626**	**2,256**
Net sales, intra-Group	6	7	12	7	1	–	−19	−14	–	–
Net sales	**1,667**	**1,732**	**668**	**538**	**310**	**–**	**−19**	**−14**	**2,626**	**2,256**
Operating expenses (excluding depreciation/amortisation and impairment), external	−1,424	−1,512	−596	−482	−270	–	−39	−64	**−2,329**	−2,058
Operating expenses, intra-Group	−36	−25	−7	−7	−1	–	44	32	–	–
Operating expenses (excluding depreciation/amortisation and impairment)	**−1,460**	**−1,537**	**−603**	**−489**	**−271**	**–**	**5**	**−32**	**−2,329**	**−2,058**
EBITDA	**207**	**195**	**65**	**49**	**39**	**–**	**−14**	**−46**	**297**	**198**
Depreciation/amortisation and impairment	−28	−32	−34	−31	−14	–	−30	−17	**−106**	−80
Operating profit/loss	**179**	**163**	**31**	**18**	**25**	**–**	**−44**	**−63**	**191**	**118**
Financial items									**−38**	−44
Profit/loss before tax									**153**	**74**
Significant income and expense items reported in the income statement:										
Items affecting comparability	−8	−14	−8	1	–	–	−5	24	−21	11
EBITDA, before items affecting comparability	**199**	**181**	**57**	**50**	**39**	**–**	**−19**	**−22**	**276**	**209**

[1] Midsona changed its segment reporting as of 1 January 2020. For further information, see section Changes in segment reporting on page 10.

Note 4 | Breakdown of income, Group

SEK million	Nordics		North Europe		South Europe		Group-wide functions		Group	
July–September	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Geographical areas[1]										
Sweden	251	269	0	0	0	–	0	0	**251**	269
Rest of Europe	285	307	195	193	87	–	−6	−4	**561**	496
Other countries outside Europe	2	0	1	0	6	–	–	–	**9**	0
Net sales	**538**	**576**	**196**	**193**	**93**	**–**	**−6**	**−4**	**821**	**765**
Sales channel										
Pharmacies	84	83	–	–	–	–	–	–	**84**	83
FMCG retail	341	345	86	85	49	–	–	–	**476**	430
Food Service	18	21	51	56	2	–	–	–	**71**	77
Healthfood retailers	41	49	57	45	34	–	–	–	**132**	94
Other specialist retailers	29	3	5	5	1	–	–	–	**35**	8
Others	23	73	−7	0	6	–	–	–	**22**	73
Group-internal sales	2	2	4	2	1	–	−6	−4	–	–
Net sales	**538**	**576**	**196**	**193**	**93**	**–**	**−6**	**−4**	**821**	**765**
Product categories[2]										
Organic products	200	–	196	–	93	–	−6	–	**483**	0
Healthfoods	156	–	–	–	–	–	–	–	**156**	0
Consumer health products	179	–	–	–	–	–	–	–	**179**	0
Services linked to product handling	3	–	0	–	0	–	0	–	**3**	0
Net sales	**538**	**–**	**196**	**–**	**93**	**–**	**−6**	**–**	**821**	**0**
Brands										
Proprietary	389	396	114	121	72	–	−6	−9	**569**	508
Licensed	137	169	–	0	8	–	–	5	**145**	174
Contract manufacture	9	7	82	72	13	–	–	–	**104**	79
Services linked to product handling	3	4	0	0	0	–	0	0	**3**	4
Net sales	**538**	**576**	**196**	**193**	**93**	**–**	**−6**	**−4**	**821**	**765**

[1] Income from external customers is attributable to individual geographical areas according to the country in which the customer is domiciled.
[2] Income for product categories is not available for the comparison year 2019.

SEK million	Nordics		North Europe		South Europe		Group-wide functions		Group	
January–September	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Geographical areas[1]										
Sweden	776	813	0	1	0	–	0	0	**776**	814
Rest of Europe	887	917	666	536	298	–	–19	–14	**1,832**	1,439
Other countries outside Europe	4	2	2	1	12	–	–	–	**18**	3
Net sales	**1,667**	**1,732**	**668**	**538**	**310**	**–**	**–19**	**–14**	**2,626**	**2,256**
Sales channel										
Pharmacies	259	287	–	–	–	–	–	–	**259**	287
FMCG retail	1,048	1,042	288	211	95	–	–	–	**1,431**	1,253
Food Service	49	62	169	162	3	–	–	–	**221**	224
Healthfood retailers	128	148	182	138	163	–	–	–	**473**	286
Other specialist retailers	97	55	15	15	3	–	–	–	**115**	70
Others	80	131	1	5	45	–	–	–	**126**	136
Group-internal sales	6	7	13	7	1	–	–19	–14	–	–
Net sales	**1,667**	**1,732**	**668**	**538**	**310**	**–**	**–19**	**–14**	**2,626**	**2,256**
Product categories[2]										
Organic products	622	–	668	–	309	–	–19	–	**1,580**	–
Healthfoods	469	–	–	–	–	–	–	–	**469**	–
Consumer health products	567	–	–	–	–	–	–	–	**567**	–
Services linked to product handling	9	–	0	–	1	–	–	–	**10**	–
Net sales	**1,667**	**–**	**668**	**–**	**310**	**–**	**–19**	**–**	**2,626**	**–**
Brands										
Proprietary	1,203	1,156	396	356	241	–	–19	–14	**1,821**	1,498
Licensed	428	547	–	–	26	–	–	0	**454**	547
Contract manufacture	27	17	272	182	42	–	–	–	**341**	199
Services linked to product handling	9	12	0	0	1	–	0	0	**10**	12
Net sales	**1,667**	**1,732**	**668**	**538**	**310**	**–**	**–19**	**–14**	**2,626**	**2,256**

[1] Income from external customers is attributable to individual geographical areas according to the country in which the customer is domiciled.
[2] Income for product categories is not available for the comparison year 2019.

Note 5 | Intangible assets, Group

SEK million	30 Sept 2020	30 Sept 2019	31 Dec 2019
Brands	1,120	988	1,081
Goodwill	1,765	1,517	1,810
Other intangible fixed assets	164	115	167
Total	**3,049**	**2,620**	**3,058**

Note 6 | Tangible assets, Group

SEK million	30 Sept 2020	30 Sept 2019	31 Dec 2019
Owned assets	339	254	358
ROU assets	203	216	227
Total	**542**	**470**	**585**

Note 7 | Non-current and current interest-bearing liabilities, Group

SEK million	30 Sept 2020	30 Sept 2019	31 Dec 2019
Non-current interest-bearing liabilities			
Bank loans	1,195	1,227	1,229
Lease liabilities	158	171	179
Total	**1,353**	**1,398**	**1,408**
Current interest-bearing liabilities			
Bank loans	**93**	**92**	**71**
Lease liabilities	**44**	**45**	**47**
Total	**137**	**137**	**118**
Total	**1,490**	**1,535**	**1,526**

Note 8 | Fair value and reported in the balance sheet, Group

SEK million	30 Sept 2020	30 Sept 2019	31 Dec 2019
Assets			
Financial instruments measured at fair value via the income statement			
Currency option	–	3	–
Total	**–**	**3**	**–**
Financial instruments not measured at fair value			
Other non-current liabilities	4	4	4
Other current receivables	17	14	18
Total	**21**	**18**	**22**
Total receivables	**21**	**21**	**22**
Liabilities			
Financial instruments measured at fair value via the income statement			
Currency risk	0	–	1
Currency option	1	–	–
Interest-rate swaps	–	0	0
Conditional purchase considerations	44	81	78
Total	**45**	**81**	**79**
Financial instruments not measured at fair value			
Other non-current liabilities	16	2	17
Other current liabilities	112	119	85
Total	**128**	**121**	**102**
Total liabilities	**173**	**202**	**181**

The Group holds financial instruments in the form of currency swaps and currency options that are recorded at fair value in the balance sheet. The valuation is at level 2, according to IFRS 13 *Fair Value Measurement*. A market approach has been used and fair value is based on listing with a broker. Similar contracts are traded on an active market and the rates reflect actual transactions on comparable instruments.

The Group holds supplementary purchase considerations, which are measured at fair value. The valuation is at level 3, according to IFRS 13 *Fair Value Measurement*. Fair value of supplementary purchase considerations is calculated by discounting the present value of the expected cash flows with an adjusted discount rate. The expected cash flows are determined based on probable scenarios for future gross profit,amounts that will be payable at the respective outcome and the probability of the respective outcome. The fair value of the supplementary purchase considerations can change if the underlying assumptions for valuation change.

Assets at fair value are recognised in the items non-current receivables and other receivables in the consolidated balance sheet. Liabilities at fair value are recognised in the items other non-current liabilities and other current liabilities in the consolidated balance sheet. In all material respects, the fair value of other financial instruments is consistent with their book value.

For further information, refer to Note 34 *Valuation of financial assets and liabilities at fair value and the category breakdown* in the 2019 Annual Report, pages 108–109.

Note 9 | Pledged assets and contingent liabilities, Group

SEK million	30 Sept 2020	30 Sept 2019	31 Dec 2019
Pledged assets			
Blocked bank balances	1	1	2
Net assets in subsidiaries	1,833	1,973	1,941
Others	302	259	245
Total	**2,136**	**2,233**	**2,188**
Contingent liabilities			
Guarantees	13	10	10
Total	**13**	**10**	**10**

Note 10 | Conditional purchase considerations, Group

SEK million	
Opening conditional purchase considerations, 1 Jan 2019	46
Supplemental conditional purchase considerations	40
Exchange-rate change	1
Assessment conditional purchase considerations	–6
Closing conditional purchase considerations, 30 Sept 2019	**81**
Opening conditional purchase considerations, 1 October 2019	81
Supplemental conditional purchase considerations	17
Exchange-rate change	0
Assessment conditional purchase considerations	–20
Closing conditional purchase considerations, 31 Dec 2019	**78**
Opening conditional purchase considerations, 1 Jan 2020	78
Exchange-rate change	1
Assessment conditional purchase considerations	–35
Closing conditional purchase considerations, 30 Sept 2020	**44**
Expected disbursements	
Expected disbursement 2021	16
Expected disbursement 2022	28
Total	**44**

Remaining conditional purchase considerations in the Group amounted to SEK 44 million (81) and was attributable to the business acquisitions of Davert GmbH (2018) by SEK 24 million (41), Ekko Gourmet AB (2019) by SEK 0 million (3) and Eisblümerl Naturkost GmbH (2019) by SEK 20 million (37). The Parent Company, Midsona AB, holds conditional supplemental purchase considerations attributable to the business combination with Davert GmbH.

Note 11 | Business acquisitions, Group

On 6 May, the remaining 49 percent of the shares and votes in Paradiset EMV AB were acquired, with a trademark license right to develop, manufacture, market and sell products that focus on sustainability and health under the Everyday by Paradiset brand. The purchase consideration amounted to SEK 0 million and was paid in cash. Through the acquisition, Midsona gained access to the Everyday by Paradiset brand, which constituted the most important assetin the company.

Paradiset EMV AB is currently in a product development phase and is expected to be able to launch and establish its first products among Swedish FMCG retailers in 2021. At the time of acquisition, the company had 3 employees.

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

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

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

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

A loss of SEK 8 million was reported following the revaluation of the former 49 percent holding in Paradiset EMV AB. The loss was reported as earnings from participations in joint ventures in the profit for the period for the second quarter of 2020.

Acquisition-related expenses amounted to SEK 0 million and were reported as other operating expenses in the profit for the period in the second quarter of 2020. The integration of the acquired operations was implemented in the third quarter and did not entail any restructuring costs.

The acquisition analysis that has been prepared is preliminary.

Definitions

Midsona presents certain financial measures in the Interim Report that are not defined under IFRS. Midsona considers these measures to provide useful supplemental information to investors and the company's management as they facilitate the evaluation of the company's performance. Because not all companies calculate financial measures in the same way, these are not always comparable to the measures used by other companies. Accordingly, these financial measures should not be considered a substitute for measurements as defined under IFRS. For the definition and purpose of respective measures not defined under IFRS, please see the Definitions section on pages 128–131 in the 2019 Annual Report. The following table presents reconciliations against IFRS.

IFRS reconciliations, Group

EBITDA. Operating profit before amortisation/depreciation and impairment of tangible and intangible fixed assets[1]

SEK million	July–Sept 2020	July–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Rolling 12-month	Full year 2019
Operating profit/loss	**47**	**57**	**191**	**118**	**243**	**170**
Amortisation of intangible assets	11	8	34	24	46	36
Depreciation of tangible assets	24	20	72	56	94	78
EBITDA	**82**	**85**	**297**	**198**	**383**	**284**
Items affecting comparability[2, 3]	–10	–8	–21	11	–26	6
EBITDA, before items affecting comparability	**72**	**77**	**276**	**209**	**357**	**290**
Net sales	821	765	2,626	2,256	3,451	3,081
EBITDA-Margin, before items affecting comparability	**8.8%**	**10.1%**	**10.5%**	**9.3%**	**10.3%**	**9.4%**

[1] There were no impairments on tangible fixed assets and intangible fixed assets included in operating income for each period.

[2] Specification of items affecting comparability

SEK million	July–Sept 2020	July–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Rolling 12-month	Full year 2019
Restructuring expenses, net	–	–12	5	13	7	15
Assessed conditional purchase consideration	–10	0	–18	–6	–38	–26
Acquisition-related expenses	–	4	0	4	13	17
Acquisition-related revenues (negative consolidated goodwill)	–	–	–8	–	–8	–
Total	**–10**	**–8**	**–21**	**11**	**–26**	**6**

[3] Corresponding line in the consolidated income statement

SEK million	July–Sept 2020	July–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Rolling 12-month	Full year 2019
Expenses for goods sold	–	–11	–	7	0	7
Selling expenses	–	–	1	3	3	5
Administrative expenses	–	–	4	2	4	2
Other operating income	–10	–	–26	–6	–46	–26
Other operating expenses	–	3	0	5	13	18
Total	**–10**	**–8**	**–21**	**11**	**–26**	**6**

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

SEK million	Rolling 12-month	Full year 2019
EBITDA	**383**	**284**
Acquisition-related transaction expenses	–33	–11
Pro forma adjustment	–	32
Adjusted EBITDA	**350**	**305**

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

SEK million	30 Sept 2020	30 Sept 2019	31 Dec 2019
Non-current interest-bearing liabilities	1,353	1,398	1,408
Current interest-bearing liabilities	137	137	118
Cash and cash equivalents[1]	–138	–134	–173
Net liabilities	**1,352**	**1,401**	**1,353**

[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	July–Sept 2020	July–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Rolling 12-month	Full year 2019
Shareholders' equity and liabilities	**4,799**	**4,173**	**4,799**	**4,173**	**4,799**	**4,780**
Other non-current liabilities	–44	–60	–44	–60	–44	–92
Deferred tax liabilities	–315	–282	–315	–282	–315	–321
Accounts payable	–333	–306	–333	–306	–333	–288
Other current liabilities	–133	–151	–133	–151	–133	–91
Accrued expenses and deferred income	–170	–122	–170	–122	–170	–140
Capital employed	**3,804**	**3,252**	**3,804**	**3,252**	**3,804**	**3,848**
Capital employed at the beginning of the period	3,739	3,033	3,848	2,847	3,252	2,847
Average capital employed	**3,772**	**3,143**	**3,826**	**3,050**	**3,528**	**3,348**

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

SEK million	Rolling 12-month	Full year 2019
Profit/loss before tax	**195**	**116**
Financial expenses	46	53
Profit before taxes, excluding financial expenses	**241**	**169**
Average capital employed	3,528	3,348
Return on capital employed, %	**6.8**	**5.0**

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	July–Sept 2020	July–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Rolling 12-month	Full year 2019
Shareholders' equity	**2,314**	**1,717**	**2,314**	**1,717**	**2,314**	**2,322**
Shareholders' equity at the beginning of the period	2,278	1,669	2,322	1,630	1,717	1,630
Average shareholder's equity	**2,296**	**1,693**	**2,318**	**1,674**	**2,016**	**1,976**

Return on equity. Profit for the period in relation to average shareholder's equity

SEK million	Rolling 12-month	Full year 2019
Profit for the period	**156**	**97**
Average shareholder's equity	2,016	1,976
Return on equity, %	**7.7**	**4.9**

Free cash flow. Cash flow from operating activities less cash flow from investing activities, excluding acquisitions/sales of operations, acquisitions/sales of trademarks and product rights and expansion investments

SEK million	July–Sept 2020	July–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Rolling 12-month	Full year 2019
Cash flow from operating activities	**71**	**29**	**170**	**81**	**287**	**198**
Cash flow from investing activities	−67	−87	−115	−106	−721	−712
Acquisitions of companies or operations	0	77	35	77	617	659
Acquisition of joint venture	–	–	–	–	8	8
Expansion investment, new production line	–	–	–	–	2	2
Acquisitions of brands and product rights	60	–	60	–	60	–
Free cash flow	**64**	**19**	**150**	**52**	**253**	**155**

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

SEK million	July–Sept 2020	July–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Rolling 12-month	Full year 2019
Net sales	**821**	**765**	**2,626**	**2,256**	**3,451**	**3,081**
Net sales compared with the corresponding period in the preceding year	−765	−773	−2,256	−2,097	−3,011	−2,852
Net sales, change	**56**	**−8**	**370**	**159**	**440**	**229**
Structural changes	−93	−22	−371	−248	−478	−355
Exchange rate changes	28	−8	34	−37	23	−48
Organic change	**−9**	**−38**	**33**	**−126**	**−15**	**−174**
Organic change	−1.2%	−4.9%	1.5%	−6.0%	−0.5%	−6.1%
Structural changes	12.2%	2.8%	16.4%	11.8%	15.9%	12.4%
Exchange rate changes	−3.7%	1.1%	−1.5%	1.8%	−0.8%	1.7%

EBITDA, before items affecting comparability adjusted for IFRS 16 effects – EBITDA before items affecting comparability adjusted for the effect of leasing 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	July–Sept 2020	July–Sept 2019	Jan–Sept 2020	Jan–Sept 2019	Rolling 12-month	Full year 2019
EBITDA, before items affecting comparability	**72**	**77**	**276**	**209**	**357**	**290**
Leasing fees on ROU assets with application of IFRS 16	−11	−12	−35	−34	−45	−44
EBITDA, before items affecting comparability and adjusted for the IFRS 16 effect	**61**	**65**	**241**	**175**	**312**	**246**

Quarterly data[1]

SEK million	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4
Net sales	**821**	**859**	**946**	**825**	**765**	**705**	**786**	**755**	**773**	**714**	**610**	**571**
Expenses for goods sold	–598	–619	–671	–594	–524	–490	–570	–536	–546	–496	–402	–376
Gross profit	**223**	**240**	**275**	**231**	**241**	**215**	**216**	**219**	**227**	**218**	**208**	**195**
Selling expenses	–128	–123	–130	–129	–122	–123	–131	–119	–125	–119	–110	–102
Administrative expenses	–60	–70	–66	–64	–56	–59	–61	–52	–56	–56	–48	–42
Other operating income	16	17	2	30	–1	7	1	1	3	2	1	1
Other operating expenses	–4	9	–10	–16	–5	–1	–3	–3	2	–11	–4	–2
Operating profit/loss	**47**	**73**	**71**	**52**	**57**	**39**	**22**	**46**	**51**	**34**	**47**	**50**
Profit/loss from participations in joint ventures	–	–8	0	–1	–	–	–	–	–	–	–	–
Financial income	3	–29	33	0	0	0	0	6	0	4	6	0
Financial expenses	–10	16	–43	–9	–13	–14	–17	–8	–10	–8	–5	–4
Profit/loss before tax	**40**	**52**	**61**	**42**	**44**	**25**	**5**	**44**	**41**	**30**	**48**	**46**
Tax on profit for the period	–6	–12	–14	–7	–9	–2	–1	–11	–9	–5	–9	–12
Profit for the period	**34**	**40**	**47**	**35**	**35**	**23**	**4**	**33**	**32**	**25**	**39**	**34**
Non-recurring items												
Items affecting comparability included in operating profit	–10	–11	–	–5	–8	–6	25	–	–1	12	–	–1
Operating profit, before items affecting comparability	**37**	**62**	**71**	**47**	**49**	**33**	**47**	**46**	**50**	**46**	**47**	**49**
Depreciation/amortisation and impairment												
Depreciation/amortisation and impairment included in operating income	35	35	36	34	28	26	26	13	18	11	10	10
EBITDA	**82**	**108**	**107**	**86**	**85**	**65**	**48**	**59**	**69**	**45**	**57**	**60**
Depreciation/amortisation, impairment and items affecting comparability												
Depreciation/amortisation, impairment and items affecting comparability included in operating profit	25	24	36	29	20	20	51	13	17	23	10	9
EBITDA, before items affecting comparability	**72**	**97**	**107**	**81**	**77**	**59**	**73**	**59**	**68**	**57**	**57**	**59**
Free cash flow	64	84	2	103	19	75	–42	44	96	40	–4	49
Cash flow from operating activities	71	89	10	117	29	87	–35	58	98	54	2	54
Number of employees as per the balance sheet date	723	730	713	721	571	530	526	525	533	528	382	384

[1]The quarterly data for 2017–2018 have not been restated for effects in the income statement in connection with conversion to IFRS 16.

In Germany, Davert launched five different varieties of ready-made pasta dishes.

Financial calendar

JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC

Year-end Report 2020
5 February 2021

Interim Report, January–March 2021
29 April 2021

Interim Report, January–June 2021
22 July 2021

Interim report, January–September 2021
22 October 2021

This is Midsona

Strong brands

Midsona is the leading consumer goods company in the Nordic region in health and well-being with proven products in the categories organic products, healthfoods and consumer health products. In 2018, the Group took the first major step outside the Nordic region through a major business acquisition in Germany, which is the largest market for organic products in Europe. In 2019, Midsona established operations both in France, which is the second largest market for organic products in Europe, and in Spain through business acquisitions. We also strengthened our position in Germany through add-on acquisitions.

Our attractive product portfolio, with well-known products, is focused on helping people to live a more healthy and sustainable life and to gain greater insight into the raw material's origin and transparency on ingredients. A growing proportion of the product portfolio has an organic profile. The business model is based on strong brands with good market positions, innovation and an effective marketing and distribution structure.

The share was introduced on the Stockholm Stock Exchange in 1999. Series A and series B shares are listed on the OMX Nasdaq Stockholm Mid Cap list in the FMCG segment under the tickers MSON A and MSON B.

Clear vision

Our vision is to become one of Europe's leading companies in health and well-being.

Clear strategies

- *Leading brands in prioritised categories* – We work with strong proprietary brands together with a select number of licensed brands in our primary geographical markets of Sweden, Denmark, Norway, Finland, Germany, France and Spain. Our brands should be ranked in first or second position in their categories and should be available through appropriate sales channels, where we have the best knowledge and opportunities for strong growth.
- *Cost-effective value-chain* – We work continuously to adapt and streamline the organisation. We evaluate our product range in terms of profitability. In recent years, the range has been evaluated and optimised with a focus on eliminating the products that do not fit into our strategy or that are not deemed able to meet the profitability requirements. In order to improve the efficiency of the operations, we are working to increase the sales volumes that come from our own production facilities. Both existing suppliers and our own production structure are continually evaluated to ensure optimal cost-effectiveness and quality. The combination of our own production and external suppliers creates a cost-effective and flexible supply chain that can more easily be adapted to trends and a volatile demand.
- *Selective acquisitions* – Acquisitions are an integral and fundamental part of our business. In recent years, we have played a major part in consolidating the market in the Nordic region. We have shown a very good ability to find the right acquisitions and integrate and develop businesses with good short and long-term synergies. The strategy is now to establish an important base in the rest of Europe outside the Nordic region, geographically or in a product category, through a platform acquisition and thereafter increase the presence in the area or the category through add-on acquisitions, as we did in Germany in 2018 and 2019.
- *Healthy and sustainable culture* – Our core and mission is about offering products that help people live a healthier life. We want to build further on our position as experts in health and well-being. Our brands and products play a fundamental role in those efforts. Working and acting sustainably through the entire value chain up to the consumer is becoming increasingly important and our customers and consumers set high standards on sustainable products. There is a strong relationship between their interest in organic products and sustainability. We presented our sustainability efforts in a Sustainability Report, included on pages 37–57 of the 2019 Annual Report.

Long-term financial targets

New long-term financial targets were set by the Board of Directors of Midsona AB (publ) in April 2019.

- Net sales growth of >15 percent through organic growth and acquisitions.
- EBITDA margin >12 percent.
- A ratio between net debt/EBITDA of a multiple of 3–4.
- A dividend over time of >30 percent of profit after tax.

The financial targets are a way for Group 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.

This report is available in Swedish and English. In case of any discrepancies between the Swedish and English versions, the Swedish version is considered the official version.

Ten prioritised brands

Our operations are based on our own strong brands. Ten of these play a very central role in the Group's growth and account for around 50 percent of net sales. These brands are Urtekram, Friggs, Naturdiet, Davert, Kung Markatta, Helios, Celnat, Happy Bio, Vegetalia and Eskimo-3.

Urtekram

A leading brand in the organic product category. Urtekram offers a broad range of organic food (dried fruit, beans, seeds, canned goods, nuts, oils, spices, stewed fruit, muesli, rice, grain, ketchup and pasta) and organically certified hair and body care products, primarily for the FMCG retail in Denmark, Sweden and Finland. The hair and body care products are also sold on export to around 30 countries outside the Nordic region.

Friggs

A leading brand in the health-foods category. Friggs is a broad health brand that focuses on the latest trends in healthfood (corn, lentil and rice cakes, teas and dietary supplements) and the products are primarily available in FMCG retail in the Nordic region.

Naturdiet

A leading brand in the health-foods category. Naturdiet offers weight control products. Common to all products is their low calorie content, at the same time that they contain the vitamins and minerals needed in meal replacement products. The range consists of shakes, smoothies, bars and drink mixes that are primarily available through FMCG retail in Sweden and Finland.

Davert

A leading brand in the organic product category. Davert offers a broad range of organic foods (rice, dried fruit, seeds, legumes, sugar, nuts, snacks, flakes and other breakfast products) primarily available in FMCG and the healthfood retail in Germany and Austria.

Kung Markatta

A leading brand in the organic product category. Kung Markatta offers a broad range of organic food products for all kinds of cooking and baking (oils, grains, pasta, bouillon, flour, jam, marmalade, sauces, bread and beverages) primarily available in FMCG retail in Sweden.

Helios

A leading brand in the organic product category. Helios offers a broad range of organic food (beverages, grains, seeds, flour, spices, nuts, dried fruit, oils, pasta, rice, bread and seasoning) primarily available in FMCG and the healthfood retail in Norway.

Celnat

A leading brand in the organic product category. Celnat offers a broad range of organic and plant-based products (roasted grains, cereals, flakes, flour, rice, seeds and veggie mix) primarily available in healthfood retail in France and Spain.

Happy Bio

A relatively recently established brand in the organic product category. Happy Bio offers a broad range of organic foods (flour, seeds, grains, flakes and other breakfast products) primarily available in FMCG retail in France.

Vegetalia

A leading brand in the organic product category. Vegetalia has a broad range of organic and plant-based foods (organic baby food, vegetable protein, vegetable burgers and pâté) primarily available in healthfood retail in Spain and France.

Eskimo-3

A brand with high-quality products in the consumer health product category. Eskimo-3 is a series of dietary supplements that are rich in Omega-3, the fatty acids EPA & DHA for the heart, brain and vision. The range includes both natural and highly concentrated fish oils primarily available in healthfood, pharmacy and FMCG retail in the Nordic region. The range is also sold on export to around 10 countries outside the Nordic region.

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