

INTERIM REPORT JANUARY-JUNE 2021

Improved gross margin in a quarter with challenging comparison figures

April-June 2021 (second quarter)

- Net sales amounted to SEK 903 million (859), but with challenges in organic growth as a result of the previous year's hoarding effects and increased household consumption.
- EBITDA amounted to SEK 78 million (97) before items affecting comparability, corresponding to a margin of 8.6 percent (11.3).
- Profit for the period amounted to SEK 24 million (40), corresponding to earnings per share of SEK 0.37 (0.62) before and after dilution.
- Free cash flow amounted to SEK -35 million (84).
- Midsona's targets for reduced emissions now agree with the levels required to meet the goals in the Paris agreement after approval from the international cooperative body Science Based Target initiative (SBTi).

January-June 2021 (six months)

- Net sales amounted to SEK 1,868 million (1,805).
- EBITDA amounted to SEK 172 million (204) before items affecting comparability, corresponding to a margin of 9.2 percent (11.3).
- Profit for the period was SEK 57 million (87), corresponding to earnings per share of SEK 0.88 (1.34) before dilution and SEK 0.87 (1.33) after dilution.
- Free cash flow amounted to SEK -61 million (86).



About Midsona AB

Midsona develops and markets strong brands within health and well-being, with products that help people live a healthier and more sustainable life, with an increased understanding of the origin of the raw material and with transparency as to the content. The Midsona share is listed on NASDAQ OMX Stockholm, Mid Cap. For more information www.midsona.com/en

Comment by the CEO

We are summarising an intensive quarter characterised by tough comparative figures from last year, but also a quarter of new customers and new listings among leading actors, which bodes well for the future.

Pandemic effects resulted in difficult comparative figures and inhibited sales

In the second quarter of 2020, we carried out a successful roll-out of organic products in Europe, which was strengthened by the product hoarding that took place at the beginning of the pandemic. This meant that we continued to face tough comparative figures in the second quarter of this year. Net sales increased 5.1 percent to SEK 903 million, mainly due to the acquired System Frugt at the same time that organic growth declined around 4 percent. Before items affecting comparability, the gross margin increased to 28.3 percent, which is an important sign of strength, especially since System Frugt has a gross margin in the lower range of 20-30 percent. For our prioritised brands, the sales decrease was 6.5 percent. The decrease was partly due to last year's hoarding, but also to disruptions in the delivery chain, which led to raw materials and products, mainly from Asia, being delayed or not delivered at all.

Earnings gradually strengthened during the quarter

To address an expected return to a somewhat lower, more normal consumption pattern, we invested a total of around SEK 12 million extra in consumer marketing and other sales promotion measures during the quarter. EBITDA, before items affecting comparability, in the second quarter, which is seasonally our weakest, was SEK 78 million (97), corresponding to a margin of 8.6 percent. This was significantly lower than last year, which included positive effects from product hoarding and also around SEK 8 million from currency translation effects, but higher than the second quarter of 2019, which is a more comparable quarter. We saw a gradual recovery during the quarter with an improved gross margin – EBITDA for June was higher than the same month of the previous year.

Brand focus, integration and success in sustainability

Many of the brands that were negatively impacted by the pandemic, mainly in consumer health and health foods, received a positive push during the quarter and sales of own brands increased. Among other things, the launches of the Mivitotal and Eskio-3 brands were well-received by customers and consumers. We also saw a clear recovery in food service and pharmacy goods. We continued to focus on our organic brands and were successful in the roll-out to the grocery trade in Germany and France. The increased marketing efforts provided some instantaneous effects during the quarter, but above all we made the investments to strengthen the establishment of our brands in Europe. We are continuing to gain new customers and new listings among leading actors. Several markets recovered in June, mainly Germany, but to some extent France and the Nordic region as well.

The integration of System Frugt continued during the quarter. Since 1 July, System Frugt has been a fully integrated company in the Midsona Group, which means that we can take out synergy gains to a greater extent than before.

During the quarter, we also had our targets for reduced emissions approved by the international cooperative body Science Based Target initiative (SBTi), which means that our targets agree with the levels required to achieve the Paris agreement. This is an important milestone for us and is in line with the long-term goal of zero emissions by 2050.



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Several factors indicate a strong third quarter

For the third quarter, we are facing simpler comparative figures since we were completely out of the hoarding phase in the year-earlier period and the roll-out of organic products in Europe, above all Davert, that occurred during the second quarter of 2020 and was followed by a weaker third quarter due to inventory build-up. In addition to this, System Frugt is heading towards its high season.

The situation concerning delivery disruptions continues to be challenging, mainly for raw materials and transports from Asia and our assessment is that they will continue, but slowly decrease as the pandemic winds down. Considering the current market uncertainty, we are continuously working to reduce the cost base. Among other things, we are returning to lower marketing levels.

It's pleasing that the acquisition market is continuing to thaw, and we have returned to conducting discussions with potential acquisition companies throughout Europe. Altogether, we see a positive development ahead and I am confidently looking forward to the remainder of 2021.

Peter Åsberg
President and CEO

This is information of the type that Midsona AB is obligated to make public in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication through the agency of Peter Åsberg and Max Bokander on 22 July 2021 at 8am CEST.

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