

INTERIM REPORT JANUARY–MARCH 2022

Gradual improvement over the quarter supported by price increases

January–March 2022 (first quarter)

- Net sales amounted to SEK 972 million (965).
- EBITDA amounted to SEK 62 million (92) and EBITDA, before items affecting comparability, amounted to SEK 62 million (94), corresponding to a margin of 6.4 percent (9.7).
- Operating profit amounted to SEK 22 million (54) and operating profit, before items affecting comparability, amounted to SEK 22 million (56), corresponding to a margin of 2.3 percent (5.8).
- Profit for the period was SEK 12 million (33), corresponding to earnings per share of SEK 0.17 (0.50) before and after dilution.
- Cash flow from operating activities amounted to SEK –8 million (–19).
- The global environmental initiative CDP named Midsona a Supplier Engagement Leader for its commitment throughout the supply chain, making us one of the best companies globally when it comes to climate change strategy and leadership.
- Price increases were implemented with a positive effect on the gross margin, which strengthened by 2.2 percentage points compared with the previous quarter. Further price increases were initiated as prices for input goods, transport and energy continued to rise.

Significant event following the end of the report period

- A restructuring program was decided to strengthen competitiveness, with the cost base being reduced by SEK 40 million on an annual basis. Restructuring costs will be charged against profit for the year in 2022.



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

The first quarter remained challenging and was largely affected by the situation in Ukraine and increasing inflationary pressure. We are now implementing a number of measures that give us a positive view of the future.

Sales gradually improved during the quarter

Initially, the sales trend was weak, although this turned into a good recovery in March, which turned out to be our strongest sales month since October 2020. The positive trend continued in early April with a nice increase in sales compared with the previous year. Sales in the first quarter were strongest for our major brands in the healthfoods and consumer health products categories, while the situation remained challenging for organic products, although sales in that category did gradually recovered during the period.

Overall, sales for our own brands developed relatively better than for licensed brands and contract manufacturing. During the quarter, we made a number of selective market investments in some of our own brands, and these have yielded good return. In a comparison with the same period last year, however, it is important to remember that the comparative figures are relatively strong as large parts of Europe were then in lock-down.

During the first quarter, we launched Friggs Corn Cake Taco, which was received well by consumers. We also increased the distribution of plant-based meat-alternatives in the Spanish market. Among other things, we made our first deliveries to Mercadona, although we expect the greatest effect from mid-April when the national roll-out to the grocery trade commences. In the second quarter, we will also conduct our first deliveries for a couple of new private label contracts in France. These new volumes will strengthen sales as of the second quarter.

Continued price increases on input goods, transport and energy

During the quarter, we saw continued price increases for raw materials, finished goods, packaging materials, transport and energy, where, for example, gas prices for our production facilities in Germany have risen significantly. The rising price of artificial fertilisers, which has hit food production around the world hard, has been of less significance for Midsona as about half of our range consists of organic products for which chemical fertilisers are not used.

The problems we saw in the supply chain at the end of last year have also worsened with continued transport problems and shortage situations for certain raw materials and inputs. However, we have managed better now than last autumn because we are better prepared. The measures we have taken to improve the supply chain to achieve greater security in the supply of goods have had an effect. However, volatility in commodity prices and currencies (particularly the USD and EUR) has been a continuous challenge. On the whole, through good foresight, we have managed to maintain our level of service.



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Our price increases began to take effect, but will be followed by new ones

In order to maintain our gross margin and compensate for the price increases, we already initiated price increases in the fourth quarter and those began to take effect in the first quarter and achieved full effect in March, that is, slightly earlier than we initially expected. However, the war against Ukraine has further fueled cost inflation and we have therefore initiated further price increases, which are expected to achieve their full impact in the third quarter.

Our new price increases have generally been well received because the causes of the cost inflation are well known. In our key markets of Denmark and Germany, however, it takes a little longer for our price increases to have an impact because we have a relatively larger share of contract manufacturing in those markets.

Costs are to be reduced by SEK 40 million

Despite own price increases and generally good cost control, cost inflation has had a significant negative impact on our profit. To strengthen profit, we are initiating a restructuring program including structural changes and staff cutbacks. As far as possible, the cutbacks will be achieved by terminating temporary contracts, as well as through natural attrition. The ambition is to cut costs by SEK 40 million on an annual basis. The restructuring program will entail restructuring costs being charged against profit for the year in 2022.

We are confident that implementing a number of measures will strengthen profit.

We are fully focused on strengthening our earnings. Our price increases have generally been well accepted and will gradually have an impact. We are continuing to strengthen our supply chain. Most of our own brands are performing well and are, in our assessment, capturing market share. We are strengthening our organic range and implementing a cost-saving action program. I look to the future with confidence, despite the current challenges and the uncertainty in the world around us. The strong underlying consumer trend for our sustainable and plant-based products remains.

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. The information was submitted for publication through the agency of Peter Åsberg and Max Bokander on 28 April 2022 at 8am CEST.

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