midsona

INTERIM REPORT JANUARY–JUNE 2020

Organic and acquired sales growth with significantly improved EBITDA margin

April–June 2020 (second quarter)

- Net sales amounted to SEK 859 million (705).
- EBITDA amounted to SEK 97 million (59) before items affecting comparability, corresponding to a margin of 11.3 percent (8.4).
- Profit for the period amounted to SEK 40 million (23), corresponding to earnings per share of SEK 0.62 (0.50) before and after dilution.
- Free cash flow amounted to SEK 84 million (75).
- Gainomax, a leader in sports nutrition, was acquired.
- As a result of Covid-19, Midsona experienced continued raised demand for its organic products in several geographic markets, but also some supply chain disruption.

January–June 2020 (six months)

- Net sales amounted to SEK 1,805 million (1,491).
- EBITDA amounted to SEK 204 million (132) before items affecting comparability, corresponding to a margin of 11.3 percent (8.9).
- Profit for the period was SEK 87 million (27), corresponding to earnings per share of SEK 1.34 (0.58) before dilution and SEK 1.33 (0.58) after dilution.
- Free cash flow amounted to SEK 86 million (33).

Significant events following the end of the report period

- Max Bokander was appointed as Midsona's new CFO. Joining Midsona from the Trelleborg Group, he will step into his new role by January 2021, also becoming a member of Group Management at that time.

Key figures, Group[1]

	April–June 2020	April–June 2019	Jan–June 2020	Jan–June 2019	Rolling 12-month	Full year 2019
Net sales growth, %	21.8	−1.3	21.1	12.6	12.5	8.0
Operating margin, before items affecting comparability, %	27.9	30.5	28.5	30.1	28.7	29.5
Gross margin, %	27.9	30.5	28.5	28.9	29.1	29.3
EBITDA-margin, before items affecting comparability, %	11.3	8.4	11.3	8.9	10.7	9.4
EBITDA margin, %	12.6	9.2	11.9	7.6	11.4	9.2
Operating margin, before items affecting comparability, %	7.2	4.7	7.4	5.4	6.7	5.7
Operating margin,%	8.5	5.5	8.0	4.1	7.5	5.5
Profit margin, %	6.1	3.5	6.3	2.0	5.9	3.8
Average capital employed, SEK million	3,822	3,052	3,794	2,940	3,386	3,348
Return on capital employed, %					7.3	5.0
Return on equity, %					8.0	4.9
Net debt, SEK million	1,310	1,327	1,310	1,327	1,310	1,353
Net debt / Adjusted EBITDA, multiple					3.5	4.4
Net debt/equity ratio, multiple	0.6	0.8	0.6	0.8	0.6	0.6
Interest coverage ratio, multiple	7.5	4.1	7.6	2.8	6.5	4.2
Equity/assets ratio, %	47.6	42.4	47.6	42.4	47.6	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 is information such that Midsona AB (publ) is required to publish under the EU Market Abuse Regulation and the Financial Instruments Trading Act. This interim report was submitted under the auspices of Lennart Svensson for publication on 21 July 2020 at 8.00 a.m. CET.

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Peter Åsberg, President and CEO

SECOND QUARTER

SEK 859 million

Net sales

SEK 97 million

EBITDA, before items affecting comparability

11.3 percent

EBITDA-Margin, before items affecting comparability

Comment by the CEO

Strong earnings in unusual times, healthy trends here to stay

The ongoing Covid-19 pandemic continued to affect operations in the second quarter. Unlike the first quarter, in which the effects were predominantly positive, the effects in the second quarter were mixed. We believe, however, that the pandemic has helped increase interest in healthy choices in what seems to be a durable way. With consumers demanding healthier products, we have experienced highly favourable development, particularly among our organic brands. During the quarter, we secured new listings among several leading FMCG players in the key German, French and Spanish markets, and gradually achieved a breakthrough among consumers with our new platform for our Nordic organic brands. Towards the end of the quarter, sales normalized at higher levels and, for the Group as a whole, sales rose by 22 percent compared with the corresponding period last year.

Mixed effects of the pandemic

Early in the quarter, we experienced a continued increase in demand as people increased their at-home consumption due to the pandemic. The greater the extent of the lock-down, the greater the increase in sales. As restrictions were lifted, the increase in demand abated and, in May, the hoarding phase among both customers and consumers shifted over to some phasing out of inventories, leading to a temporary reduction in sales. Nonetheless, people appear, on the whole, to have increased their consumption of Midsona's organic, healthy and natural foods over the period. Combined, these effects resulted in a very strong sales trend for North Europe and South Europe. The Nordics showed a weaker trend, partly attributable to shortages of certain raw materials due to closures in, for example, India and Sri Lanka because of reduced demand for certain product groups, primarily associated with outdoor activities, social gatherings and sports. Towards the end of the quarter, sales improved in all regions.

Continued strong development for priority brands

On the whole, our priority brands are showing strong organic growth: increasing by 12 percent for the quarter, with the largest growth in the organic products category. This was primarily attributable to the success of targeted measures, but also to positive effects of the pandemic. Firstly, we have been successful in rolling out a wide range of organic products in the European FMCG segment, with new listings among several leading players – the Davert brand in the DACH region grew by 38 percent and Happy Bio in France and Spain grew by 84 percent in quarter. Secondly, our new, shared Nordic communication platform for organic brands, One-Organic, gradually broke through in the stores. Among other things, we managed to reverse the negative trend in Helios, which developed strongly in the quarter, while we also saw particularly strong growth for Urtekram's most profitable beauty care products. Sales of Kung Markatta products decreased, however, due to the negative impact of reduced sales to the Food services sector, although a certain increase could be discerned among packaged consumer products.

Improved earnings and strict cost control

The strong earnings trend continued in the second quarter: EBITDA before items affecting comparability, increased by 64 percent to SEK 97 million. The EBITDA margin increased to 11.3 percent (8.4), brushing against the previous record and particularly strong given that the second quarter is usually our weakest seasonally. A lower cost base and good cost control were factors contributing to the sharp improvement in margin. The cost base was lowered by implementing previously announced cost-saving programmes and targeted measures during the pandemic. At an early stage, we activated a soft embargo on new recruitment, as well as several selective personnel measures. We optimised our campaign and marketing plans and cut our administrative costs by strictly limiting travel, for example. Towards the end of the quarter, we also experienced a certain positive currency effect from the strengthening of the Swedish and Norwegian currencies (SEK and NOK) against the euro (EUR).

Effective handling and thawing acquisition market

Overall, I am proud of how well the organisation has navigated through this health crisis. The parameters that the organisation has been able to influence have been handled extremely well. Despite some bottlenecks in production, Midsona has maintained a high pace. Although we have had some problems finding sufficient numbers of qualified production employees at short notice, through heroic efforts by existing personnel, we have managed to break previous production records at our facilities. We have fostered favourable conditions for the future and consumers have clearly demonstrated their appreciation of healthy products.

We have a strong financial position and continued to assess possible acquisitions in Europe. Towards the end of the quarter, we announced our acquisition of the Gainomax brand, strengthening our position in sports nutrition while securing an excellent platform from which to grow. My impression is that the acquisition market has begun to thaw from its late spring iciness and we perceive favourable acquisition opportunities in the wake of the pandemic. In accordance with our strategy, I hope we will be able to make further complementary acquisitions in one of our three regions in the autumn. We stand by our humbly optimistic outlook for the future and I look forward to getting back to you with more news.

Peter Åsberg

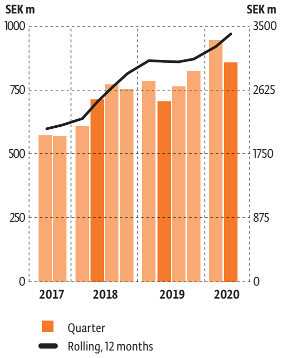
President and CEO

In Sweden, Friggs launched two new chickpea cakes in the flavours Cream Cheese Sriracha and Falafel.

Financial information

Net sales

Net sales



April–June

Net sales amounted to SEK 859 million (705), an increase of 21.8 percent. The organic change in net sales was 2.5 percent while structural changes contributed by 21.0 percent and exchange rate fluctuations negatively by 1.7 percent. The Group's ten prioritised brands showed a strong sales growth of 12.2 percent*, primarily driven by brands in the category organic products. For the Group as a whole, the sales trend over this somewhat unusual quarter was strong, characterised by both positive and negative factors stemming from the Covid-19 outbreak. The increase in demand for several product categories in March 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 gradually lifted, at which time demand began levelling off to some extent. For both South Europe and North Europe, demand was heightened for extensive intervals during the period while, at the same time, new business volumes were also rolled out, particularly in FMCG retail. In the Nordics, the increase in demand levelled off earlier, occasionally leading to a cautious attitude from retailers with full inventories. The supply chain was impacted by some disruptions, with deliveries of some raw materials and finished goods being either delayed or postponed due to lockdowns in countries such as Sri Lanka and India. Although capacity utilisation at the Group's production facilities remained very high, goods could not really be produced at the rate required by customers. Accordingly, the degree of service to customers was a challenge in most geographic markets and, combined, these factors led to a certain loss of sales during the period.

The sales trend was strong in both North Europe and South Europe, while it was somewhat weak in the Nordics. For North Europe, the strong growth was driven by both organic growth and acquired business volumes. The priority brand Davert experienced a particularly strong growth in sales, as a consequence of the rollout of new business volumes to a major FMCG retail customer that commenced during the period. For South Europe, the strong sales trend continued. New business volumes were rolled out in FMCG retail, while demand continued to rise as a consequence of Covid-19. The two priority brands Celnat and Happy Bio continued to experience very strong growth in sales. The Nordics, however, had to concede lower sales, with many customers having well-stocked inventories of organic products and healthfoods well into the period, left over from their sizeable goods purchases in March. Some sales in the organic products category were also lost to Food service customers as a result of the changing pattern of consumption in society. Sales of organic products and healthfoods began to pick up again in June. Demand for consumer health products was also lower than normal, which can be attributed to Covid-19. Several prioritised brands, such as Urtekram and Helios, experienced strong growth in sales as a result of the gradual breakthrough among retailers for the new Nordic shared communications platform for organic brands, One-Organic.

January–June

Net sales amounted to SEK 1,805 million (1,491), an increase of 21.1 percent. The organic change in net sales was 2.8 percent while structural changes contributed by 18.7 percent and exchange rate fluctuations negatively by 0.4 percent. The Group's ten prioritised brands showed a strong sales growth of 13.8 percent*, primarily driven by brands in the categories organic products and healthfoods. Sales were strong over the period, although the first and second quarters were slightly different in nature. 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 normalised level of sales with many new consumers finding organic products on store shelves as a result of the changing patterns of consumption.

The decrease in sales in the Nordics was essentially attributable to the concluded Alpro sales assignment. 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 strong sales growth, partly as a result of new business volumes for the grocery trade. South Europe also experiences a strong sales trend, particularly for the priority brands Celnat and Happy Bio. New business volumes were rolled out with good 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

April–June

Gross profit amounted to SEK 240 million (215) before items affecting comparability, corresponding to a margin of 27.9 percent (30.5). The lower gross margin was mainly related to the Group's changed cost structure, with a higher proportion of production and inventory-related costs in relation to indirect costs. For both North Europe and South Europe, the gross margin was stable, although increased demand for organic products led to new volumes of some key raw materials having to be procured outside contractual volumes at reduced spot market prices. Transport costs also increased to some extent due to prevailing cross-border transport restrictions. For the Nordics, the gross margin came under some pressure dues to an unfavourable product mix and increased costs for raw materials and finished goods in some product categories.

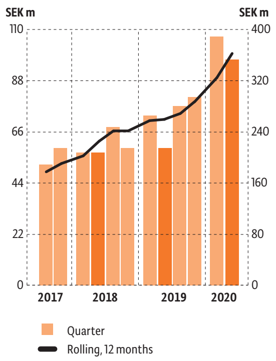
To meet the increased demand, production capacity was expanded for several important product groups at our suppliers. Goods production at our own facilities generally functioned well, with the number of shifts being increased to meet the high level of demand. Despite a high utilisation of capacity at our production facilities, certain finished goods could not really be produced at the rate required by customers. The increased production capacity essentially caught up with demand towards the end of June, although this entailed certain temporary additional costs related to production.

January–June

Gross profit amounted to SEK 515 million (449) before items affecting comparability, corresponding to a margin of 28.5 percent (30.1). The lower gross margin was mainly related to the Group's changed cost structure, with a higher proportion of production and inventory-related costs in relation to indirect costs. Although gross margin development was relatively good for both North Europe and South Europe, this was dampened somewhat by rising prices for raw material and transport costs, pertaining partly to the increased demand for organic products, and partly to prevailing restrictions on cross-border transports. The negative gross margin development was offset to some extent, however, by price increases implemented in the Nordics achieving an impact in the period.

Operating profit/loss

EBITDA, before items affecting comparability



April–June

EBITDA amounted to SEK 97 million (59), before items affecting comparability, corresponding to a margin of 11.3 percent (8.4), and was driven by good cost control, acquired business and a volume growth in the underlying business, which was partly due to the higher demand for goods related to Covid-19 and the changed consumption behaviour in society. Amortisation and depreciation for the period amounted to SEK 35 million (26), divided between SEK 12 million (8) in amortisation of intangible fixed assets and depreciation of SEK 23 million (18) on tangible fixed assets. Amortisation and depreciation increased as a consequence of acquired businesses and the activation of a software investment in the form of business systems. Operating profit amounted to SEK 62 million (33) before items affecting comparability, corresponding to a margin of 7.2 percent (4.7). The operating profit for the period amounted to SEK 73 million (39), corresponding to a margin of 8.5 percent (5.5).

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 weak development in sales and the gross margin. The lower cost base is in line with the current savings programme launched in the first quarter of 2019 to strengthen competitiveness by harmonising and optimising shared processes in the Nordics. For North Europe, it stemmed from strong organic growth, acquired business volumes and good cost control. South Europe provided a strong EBITDA through good sales growth, improved margins and good cost control.

January–June

EBITDA amounted to SEK 204 million (132), before items affecting comparability, corresponding to a margin of 11.3 percent (8.9), and was driven by acquired business and volume growth in the underlying business, which was partly due to the higher demand for goods related to Covid-19 and the changed consumption behaviour in society. Amortisation and depreciation for the period amounted to SEK 71 million (52), divided between SEK 23 million (16) in amortisation of intangible fixed assets and depreciation of SEK 48 million (36) on tangible fixed assets). Amortisation and depreciation increased as a consequence of acquired businesses and the activation of a software investment in the form of business systems. Operating profit amounted to SEK 133 million (80) before items affecting comparability, corresponding to a margin of 7.4 percent (5.4). The operating profit for the period amounted to SEK 144 million (61), corresponding to a margin of 8.0 percent (4.1).

EBITDA, before items affecting comparability, improved for the Nordics as a result of stable sales, stable margins and good cost control. 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

April–June

Operating profit for the period included positive items affecting comparability by a net SEK 11 million (6), comprising an estimated conditional purchase consideration of SEK 8 million (6), restructuring costs of SEK 5 million, acquisition-related income (negative consolidated goodwill) SEK 8 million and acquisition-related costs of SEK 0 million. 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.

January–June

Operating profit for the period included positive items affecting comparability by a net SEK 11 million (negative 19), comprising an estimated conditional purchase consideration of SEK 8 million (6), restructuring costs of SEK 5 million (25), acquisition-related income (negative consolidated goodwill) of SEK 8 million and acquisition-related costs of SEK 0 million. Among other things, the comparative period included negative items affecting comparability of SEK 25 million, attributable to an efficiency-enhancement programme for the Group's Nordic operations.

Financial items

April–June

Net financial items amounted to an expense of SEK 21 million (14). Interest expenses for external loans to credit institutions amounted to SEK 7 million (8) and interest expenses attributable to leases were SEK 2 million (1). Net translation differences on financial receivables and liabilities in foreign currency were a negative SEK 3 million (4). 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 an amount of SEK 1 million (1).

January–June

Net financial items amounted to an expense of SEK 31 million (31). Interest expenses for external loans to credit institutions amounted to SEK 14 million (15) and interest expenses attributable to leases were SEK 3 million (2). Net translation differences on financial receivables and liabilities in foreign currency were SEK 3 million (negative: 11). Earnings from participations in joint ventures amounted to a loss of SEK 8 million. Other financial items were negative in the amount of SEK 3 million (3).

In France, Celnat launched three different varieties of porridge.

Profit for the period

April–June

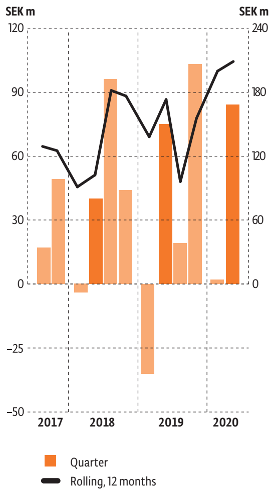
Profit for the period amounted to SEK 40 million (23), corresponding to earnings per share of SEK 0.62 (0.50) before and after dilution. Tax on the profit for the period amounted to a negative SEK 12 million (2), of which the current tax was negative SEK 12 million (8) and deferred tax was SEK 0 million (6). The effective tax rate for the period was 21.3 percent (6.9).

January–June

Profit for the period was SEK 87 million (27), corresponding to earnings per share of SEK 1.34 (0.58) before dilution and SEK 1.33 (0.58) after dilution. Tax on the profit for the period amounted to a negative SEK 26 million (3), of which the current tax was negative SEK 21 million (11) and deferred tax was negative SEK 5 million (positive: 8). The effective tax rate for the period was 22.8 percent (10.0).

Cash flow

Free cash flow



April–June

Cash flow from operating activities before changes in working capital improved to SEK 94 million (46), as a result of strong underlying business operations. A customary build-up of inventories of finished goods ahead of the summer months, raised reserve inventory levels of most critical raw materials and finished goods, as well as planned increases in business volumes for delivery in the next quarter, resulted in a high degree of capital being tied up in inventories. This was, however, offset by less capital being tied-up in operating receivables due to large payments from customers during the period stemming from the very strong sales of goods in March, attributable both to hoarding and increased household consumption from the outbreak of Covid-19. Cash flow from continuing operations amounted to SEK 89 million (87).

Cash flow from investing activities amounted to a negative SEK 5 million (12), consisting of business acquisitions for SEK 0 million, investments in tangible and intangible fixed assets of a negative SEK 8 million (9), and an increase in financial assets by SEK 3 million (negative 3). Free cash flow amounted to SEK 84 million (75).

Cash flow from financing activities was negative in the amount of SEK 44 million (64), consisting amortisation of loans for 32 million (23) and amortisation of lease liabilities for SEK 12 million (11). The comparative period also included paid dividends of SEK 30 million.

Cash flow for the period amounted to SEK 40 million (11).

January–June

Cash flow from operating activities before changes in working capital improved to SEK 154 million (106) and changes in working capital were a negative SEK 55 million (54). Capital tied up in inventories and operating receivables increased from the start of the year, essentially as a consequence of increased business volumes and inventory build-up of finished goods before the summer months, which was partly offset by increased operating liabilities. Cash flow from operating activities improved to SEK 99 million (52).

Cash flow from investing activities amounted to a negative SEK 72 million (97), consisting of paid purchase considerations for earlier years' business acquisitions of negative SEK 35 million, business acquisitions for SEK 0 million, investments in tangible and intangible fixed assets of a negative SEK 13 million (16), and a change in financial assets of SEK 0 million (negative 3). Free cash flow amounted to SEK 86 million (33).

Cash flow from financing activities was negative SEK 72 million (97), which was comprised of issue expenses of SEK 1 million attributable to the previous year's new share issue, positive SEK 2 million in raised loans, negative SEK 49 million (45) in loan repayments and negative SEK 24 million (22) in lease liability repayments. The comparative period also included paid dividends of SEK 30 million.

Cash flow for the period amounted to a negative SEK 21 million (64).

Liquidity and financial position

Cash and equivalents amounted to SEK 151 million (37) and there were unused credit facilities of SEK 350 million (194) at the end of the period. Net debt amounted to SEK 1,310 million (1,327) and was SEK 1,411 million at the end of the preceding quarter. Net debt was reduced by SEK 101 million in the quarter at hand as due to repayments on loans and lease liabilities of SEK 44 million, increased cash and cash equivalents of SEK 37 million and a currency translation effect on loans in foreign currency of SEK 20 million. 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 3.5 (5.7) and at the end of the previous quarter it was a multiple of 4.0.

Shareholders' equity amounted to SEK 2,278 million (1,669). At the end of the preceding quarter, shareholders' equity was SEK 2,379 million. The changes consisted of profit for the period of SEK 40 million, translation differences on translating foreign operations of SEK 60 million and dividends of SEK 81 million. The equity/assets ratio was 47.6 percent (42.4) at the end of the period.

Investments

April–June

Investments in intangible and tangible fixed assets amounted to SEK 8 million (9) and consisted mainly of investments in software and production facilities.

January–June

Investments in intangible and tangible fixed assets amounted to SEK 13 million (16). This was mainly comprised of software and compensation 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 718 (528), while the number of employees at the end of the period was 730 (530). The number of employees increased compared with the previous year as a result of acquired businesses in the second half of 2019. The number of employees increased during the quarter at hand, mainly as a consequence of increased production capacity in the Group's production facilities to meet increased demand for organic products.

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 27 million (23), and related primarily to invoicing of services provided internally within the Group. Profit before tax amounted to SEK 93 million (111). 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 negative SEK 1 million (9) and exchange-rate differences on net investments in subsidiaries of a negative SEK 18 million (positive: 14).

Cash and cash equivalents, including unutilised credit facilities, amounted to SEK 429 million (222). Borrowing from credit institutions was SEK 1,078 million (992) at the end of the period. On the balance sheet date, there were 14 employees (15).

For the Parent Company, SEK 27 million (23), equivalent to 100 percent (100) of sales for the period and SEK 0 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.

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

The share

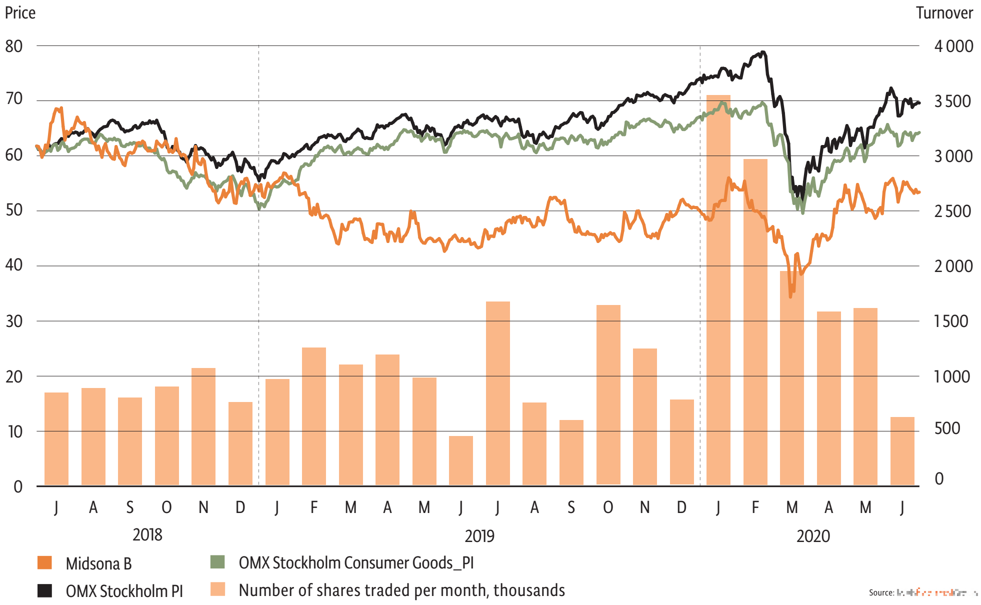
Midsona's Series A and B shares are listed on Nasdaq Stockholm's Mid Cap List under the symbols MSON A and MSON B, respectively.

At the end of the period, the total number of shares was 65,004,608 (46,008,064), divided between 755,820 Series A shares (539,872) and 64,248,788 Series B shares (45,468,192). At the end of the period, the number of votes was 71,806,988 (50,866,912), where one Series A share carries ten votes and one Series B share carries one vote.

During the period January–June 2020, 12,272,468 shares (5,906,350) were traded. The highest price paid for Series B shares was SEK 57.30 (57.05), and the lowest was SEK 32.60 (42.67). On 30 June, the most recent price paid for the share was SEK 53.40 (43.56). 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 22.6 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 June 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	4,822,827	7.4	7.0
BNP PARIBAS SEC SERVICES PARIS, W8IMY (GC)	3,535,631	5.4	4.9
Cliens Funds	2,450,000	3.8	3.4
Lannebo Funds	2,416,583	3.7	3.4
Swedbank Robur Funds	2,100,000	3.2	2.9
Nordea Investment Funds	1,963,105	3.0	2.7
Handelsbanken Funds	1,623,734	2.5	2.3
Peter Wahlberg and companies	1,544,122	2.4	2.1
Spiltan Fonder AB	1,478,490	2.3	2.1
Total	**37,164,281**	**57.1**	**58.8**
Other shareholders	27,840,327	42.9	41.2
Total	**65,004,608**	**100.0**	**100.0**

Source: Euroclear

Total number of shareholders (including nominee-registered) was 8,165 (7,288). In the current quarter, the number of shareholders increased by 538. Foreign ownership amounted to 17.7 percent (24.4) 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 the spread, we are in a position that is exceptional for people, communities and companies. Midsona prioritises to keep its employees and customers safe and follows all guidelines and recommendations established on a national, regional and local level. 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 saw a certain negative impact on our operations from Covid-19 in the second quarter. We continue to follow developments very closely and are taking prompt action 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. However, we saw many new consumers finding our products on store shelves as a result of the changing patterns of consumption. We estimate that, in all probability, we will see a certain increase in demand for our products, particularly in the organic products category, even in the event of a return to the same consumption pattern as prior to the Covid-19 outbreak.

The customer credit risk for Food service customers was elevated as a consequence of the changed consumption pattern. We saw a lag in customer payments, due to strained liquidity. Customer losses were, however, minor in nature. We are monitoring closely how our customers in that sector are developing. To some extent, sales to Food Service customers began to pick up again in June. 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 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.We cannot preclude such problems remaining or accelerating. However, the current assessment is that we will not suffer any major sales volume losses due to delivery problems among sub-suppliers. Inventory levels for most critical raw materials and finished goods increased in the second quarter, as there is some uncertainty regarding lead times under the prevailing circumstances.

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 quarter at hand, 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 have been implemented to offset the unfavourable exchange rate trend.

The ongoing Covid-19 pandemic continued to pervade operations during the quarter at hand, although, unlike in the preceding quarter, when the effects were largely only positive, the effects in the current quarter were mixed. Altogether, however, we deem 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 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 brand Dalblads is being replaced with the brands Celnat, Happy Bio and Vegetalia as prioritised brands from 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.

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.

Annual General Meeting

The Annual General Meeting on 25 June discussed, among other things, share dividends, the election and re-election of Board members, the re-election of auditing company and the authorisation of the Board of Directors to issue shares. 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. The Annual General Meeting also resolved to re-elect Ola Erici, Henrik Stenqvist, Peter Wahlberg and Johan Wester and to newly elect Heli Arantola and Sandra Kottenauer. Ola Erici was re-elected as Chairman of the Board. Deloitte AB was re-elected as the audit firm with Per-Arne Pettersson as the Auditor in charge. The Annual General Meeting also approved the Board's proposal to authorise the Board to decide to issue new shares on one or more occasions prior to the next Annual General Meeting, with or without deviating from existing shareholders' preferential rights. The number of shares that can be issued with the support of this authorisation shall be limited to 20 percent of the number of shares of each class of shares outstanding at the time of convening the Annual General Meeting.

Acquisition of trademark rights

On 26 June, it was announced that the trademark rights for Gainomax will be taken over by Midsona as of 1 September 2020. Gainomax is one of Sweden's most well-known brands in sports nutrition, offering products for exerciserecovery and functional snacks, such as milk-based sports drinks and protein bars. Sales amounted to approximately SEK 80 million for 2019. 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. The purchase consideration for the trademark right amounted to SEK 60 million.

Significant events following the end of the report period

Max Bokander was appointed as Midsona's new CFO. Joining Midsona from the Trelleborg Group, he will step into his new role by 1 January 2021, also becoming a member of Group Management at that time.

The Board of Directors and the CEO provide their assurance that this interim report gives a true and fair view of the operations, positions and results of the Parent Company and the Group, and describes significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Malmö, 21 July 2020
Midsona AB (publ)

Ola Erici
CHAIRMAN OF THE BOARD

Heli Arantola
BOARD MEMBER

Sandra Kottenauer
BOARD MEMBER

Henrik Stenqvist
BOARD MEMBER

Peter Wahlberg
BOARD MEMBER

Johan Wester
BOARD MEMBER

Peter Åsberg
President and CEO

Review by auditor

This interim report (first six months) has not been reviewed by company's auditors.

Financial statements

Summary consolidated income statement

SEK million	Note	April–June 2020	April–June 2019	Jan–June 2020	Jan–June 2019	Rolling 12-month	Full year 2019
Net sales	3.4	**859**	**705**	**1,805**	**1,491**	**3,395**	**3,081**
Expenses for goods sold		–619	–490	–1,290	–1,060	–2,408	–2,178
Gross profit		**240**	**215**	**515**	**431**	**987**	**903**
Selling expenses		–123	–123	–253	–254	–504	–505
Administrative expenses		–70	–59	–136	–120	–256	–240
Other operating income		17	7	19	8	48	37
Other operating expenses		9	–1	–1	–4	–22	–25
Operating profit/loss	3	**73**	**39**	**144**	**61**	**253**	**170**
Profit/loss from participations in joint ventures		–8	–	–8	–	–9	–1
Financial income		–29	0	4	0	4	0
Financial expenses		16	–14	–27	–31	–49	–53
Profit/loss before tax		**52**	**25**	**113**	**30**	**199**	**116**
Tax on profit for the period		–12	–2	–26	–3	–42	–19
Profit for the period		**40**	**23**	**87**	**27**	**157**	**97**
Profit for the period is divided between:							
Parent Company shareholders (SEK million)		40	23	87	27	157	97
Earnings per share before and after dilution attributable to Parent Company shareholders (SEK)		0.62	0.50	1.34	0.58	2.75	2.02
Earnings per share after dilution attributable to Parent Company shareholders (SEK)		0.62	0.50	1.33	0.58	2.73	2.02
Number of shares (thousands)							
On the balance sheet date		65,005	46,008	65,005	46,008	65,005	65,005
On the balance sheet date, after full dilution		65,364	46,008	65,364	46,008	65,364	65,005
Average during the period		65,005	46,008	65,005	46,008	57,342	48,179
Average during the period, after full dilution		65,364	46,008	65,364	46,008	57,629	48,179

Summary consolidated statement of comprehensive income

SEK million	April–June 2020	April–June 2019	Jan–June 2020	Jan–June 2019	Rolling 12-month	Full year 2019
Profit for the period	**40**	**23**	**87**	**27**	**157**	**97**
Items that have or can be reallocated to profit for the period						
Translation differences for the period on translation of foreign operations	–60	24	–49	74	–91	32
Other comprehensive income for the period	**–60**	**24**	**–49**	**74**	**–91**	**32**
Comprehensive income for the period	**–20**	**47**	**38**	**101**	**66**	**129**
Comprehensive income for the period is divided between:						
Parent Company shareholders (SEK million)	–20	47	38	101	66	129

In Sweden, Friggs launched mini corn cakes in three flavours: Chilli Cheese, Popcorn and Salty Fudge.

Summary consolidated balance sheet

SEK million	Note	30 June 2020	30 June 2019	31 Dec 2019
Intangible assets	5	3,001	2,524	3,058
Tangible assets	6	556	436	585
Participations in joint ventures		–	–	26
Non-current receivables	8	4	4	4
Deferred tax assets		67	79	71
Fixed assets		**3,628**	**3,043**	**3,744**
Inventories		612	534	529
Accounts receivable		345	261	290
Tax receivables		0	0	–
Other receivables	8	17	16	18
Prepaid expenses and accrued income		29	41	26
Cash and cash equivalents		151	37	173
Current assets		**1,154**	**889**	**1,036**
Assets		**4,782**	**3,932**	**4,780**
Share capital		325	230	325
Additional paid-up capital		1,158	629	1,159
Reserves		7	98	56
Profit brought forward, including profit for the period		788	712	782
Shareholders' equity		**2,278**	**1,669**	**2,322**
Non-current interest-bearing liabilities	7	1,324	1,233	1,408
Other non-current liabilities	8, 10	58	45	92
Deferred tax liabilities		316	273	321
Non-current liabilities		**1,698**	**1,551**	**1,821**
Current interest-bearing liabilities	7	137	131	118
Accounts payable		353	346	288
Tax liabilities		–	–	2
Other current liabilities	8, 10	144	124	89
Accrued expenses and deferred income		172	111	140
Current liabilities		**806**	**712**	**637**
Liabilities		**2,504**	**2,263**	**2,458**
Shareholders' equity and liabilities		**4,782**	**3,932**	**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	–	–	–	27	27
Other comprehensive income for the period	–	–	74	–	74
Comprehensive income for the period	**–**	**–**	**74**	**27**	**101**
Dividend	–	–	–	−58	−58
Transactions with the Group's owners	**–**	**0**	**–**	**−58**	**−58**
Closing shareholders' equity 30 June 2019	**230**	**629**	**98**	**712**	**1,669**
Opening shareholders' equity 1 July 2019	230	629	98	712	1,669
Profit for the period	–	–	–	70	70
Other comprehensive income for the period	–	–	−42	–	−42
Comprehensive income for the period	**–**	**–**	**−42**	**70**	**28**
New share issue	93	520	–	–	613
Issue expenses	–	−10	–	–	−10
Redemption of warrants, TO2016/2019	2	19	–	–	21
Issue expenses, TO2016/2019	–	0	–	–	0
Premium receipts warrant programme, TO2019/2022	–	1	–	–	1
Transactions with the Group's owners	**95**	**530**	**–**	**–**	**625**
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	–	–	–	87	87
Other comprehensive income for the period	–	–	−49	–	−49
Comprehensive income for the period	**–**	**–**	**−49**	**87**	**38**
Issue expenses	–	−1	–	–	−1
Dividend	–	–	–	−81	−81
Transactions with the Group's owners	**–**	**−1**	**–**	**−81**	**−82**
Closing shareholders' equity 30 June 2020	**325**	**1,158**	**7**	**788**	**2,278**

Summary consolidated cash flow statement

SEK million	April–June 2020	April–June 2019	Jan–June 2020	Jan–June 2019	Rolling 12-month	Full year 2019
Profit/loss before tax	52	25	113	30	199	116
Adjustment for items not included in cash flow	44	23	64	80	108	124
Income tax paid	–2	–2	–23	–4	–38	–19
Cash flow from operating activities before changes in working capital	**94**	**46**	**154**	**106**	**269**	**221**
Increase (–)/decrease (+) in inventories	–74	–39	–92	–41	–24	27
Increase (–)/decrease (+) in operating receivables	70	45	–64	–1	–31	32
Increase (+)/decrease (–) in operating liabilities	–1	35	101	–12	31	–82
Changes in working capital	**–5**	**41**	**–55**	**–54**	**–24**	**–23**
Cash flow from operating activities	**89**	**87**	**99**	**52**	**245**	**198**
Acquisitions of companies or operations	0	–	–35	–	–694	–659
Acquisitions of intangible assets	–3	–6	–5	–10	–17	–22
Acquisitions of tangible assets	–5	–3	–8	–6	–21	–19
Divestments of tangible assets	–	–	–	–	0	0
Change in financial assets	3	–3	0	–3	–9	–12
Cash flow from investing activities	**–5**	**–12**	**–48**	**–19**	**–741**	**–712**
Cash flow after investing activities	**84**	**75**	**51**	**33**	**–496**	**–514**
New share issue	–	–	–	–	613	613
Issue expenses	–	–	–1	–	–11	–10
Issue of warrant programme, TO2016/2019	–	–	–	–	21	21
Issue expenses warrant programme, TO2016/2019	–	–	–	–	0	0
Premium receipts warrant programme, TO2019/2022	–	–	–	–	1	1
Loans raised	–	–	2	–	1,857	1,855
Repayment of loans	–32	–23	–49	–45	–1,790	–1,786
Amortisation of lease liabilities	–12	–11	–24	–22	–49	–47
Dividend paid	–	–30	–	–30	–28	–58
Cash flow from financing activities	**–44**	**–64**	**–72**	**–97**	**614**	**589**
Cash flow for the period	**40**	**11**	**–21**	**–64**	**118**	**75**
Cash and equivalents at beginning of period	114	26	173	101	37	101
Translation difference in cash and cash equivalents	–3	0	–1	0	–4	–3
Cash and cash equivalents at end of the period	**151**	**37**	**151**	**37**	**151**	**173**

Summary income statement, Parent Company

SEK million	April–June 2020	April–June 2019	Jan–June 2020	Jan–June 2019	Rolling 12-month	Full year 2019
Net sales	**14**	**12**	**27**	**23**	**51**	**47**
Selling expenses	–	0	–	–1	0	–1
Administrative expenses	–23	–17	–41	–31	–74	–64
Other operating income	–	0	–	0	0	0
Other operating expenses	0	0	0	0	–3	–3
Operating profit/loss	**–9**	**–5**	**–14**	**–9**	**–26**	**–21**
Profit from participations in subsidiaries	38	121	124	122	135	133
Financial income	–21	1	18	16	33	31
Financial expenses	22	–4	–35	–18	–58	–41
Profit/loss after financial items	**30**	**113**	**93**	**111**	**84**	**102**
Allocations	–	–	–	–	32	32
Profit/loss before tax	**30**	**113**	**93**	**111**	**116**	**134**
Tax on profit for the period	–	–1	–	–1	0	–1
Profit for the period	**30**	**112**	**93**	**110**	**116**	**133**

Summary balance sheet, Parent Company

SEK million	Note	30 June 2020	30 June 2019	31 Dec 2019
Intangible assets		58	48	57
Tangible assets		3	3	3
Participations in subsidiaries		2,355	2,060	2,202
Receivables from subsidiaries		1,103	675	1,149
Deferred tax assets		2	2	2
Financial assets		**3,460**	**2,737**	**3,353**
Fixed assets		**3,521**	**2,788**	**3,413**
Receivables from subsidiaries		20	11	152
Other receivables		13	19	17
Cash and bank balances		79	28	109
Current assets		**112**	**58**	**278**
Assets		**3,633**	**2,846**	**3,691**
Share capital		325	230	325
Statutory reserve		58	58	58
Profit brought forward, including profit for the period and other reserves		1,717	1,154	1,706
Shareholders' equity		**2,100**	**1,442**	**2,089**
Liabilities to credit institutions		999	915	1,066
Liabilities to subsidiaries		–	0	–
Other non-current liabilities	10	16	32	31
Non-current liabilities		**1,015**	**947**	**1,097**
Liabilities to credit institutions		79	77	55
Liabilities to subsidiaries		327	289	390
Other current liabilities	10	112	91	60
Current liabilities		**518**	**457**	**505**
Equity and liabilities		**3,633**	**2,846**	**3,691**

In Germany, Davert launched two vegetarian oat-based burgers: Veggie Cevapcici and Mexico Burger.

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 IAS 34.16A 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–June 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–June 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

SEK million	Nordics		North Europe		South Europe		Group-wide functions		Group	
April–June	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Net sales, external	521	543	224	162	114	–	–	–	**859**	**705**
Net sales, intra-Group	2	3	4	3	0	–	–6	–6	–	–
Net sales	**523**	**546**	**228**	**165**	**114**	**–**	**–6**	**–6**	**859**	**705**
Operating expenses (excluding depreciation/amortisation and impairment), external	–440	–459	–197	–146	–98	–	–16	–35	**–751**	–640
Operating expenses, intra-Group	–12	–8	–3	–4	–	–	15	12	–	–
Operating expenses (excluding depreciation/amortisation and impairment)	**–452**	**–467**	**–200**	**–150**	**–98**	**–**	**–1**	**–23**	**–751**	**–640**
EBITDA	**71**	**79**	**28**	**15**	**16**	**–**	**–7**	**–29**	**108**	**65**
Depreciation/amortisation and impairment	–9	–11	–12	–11	–4	–	–10	–4	**–35**	–26
Operating profit/loss	**62**	**68**	**16**	**4**	**12**	**–**	**–17**	**–33**	**73**	**39**
Financial items									**–21**	–14
Profit/loss before tax									**52**	**25**
Significant income and expense items reported in the income statement:										
Items affecting comparability	–7	–28	–3	–	–	–	–1	22	–11	–6
EBITDA, before items affecting comparability	**64**	**51**	**25**	**15**	**16**	**–**	**–8**	**–7**	**97**	**59**

SEK million	Nordics		North Europe		South Europe		Group-wide functions		Group	
January–June	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Net sales, external	1,125	1,151	463	340	217	–	–	–	**1,805**	**1,491**
Net sales, intra-Group	4	5	9	5	0	–	–13	–10	–	–
Net sales	**1,129**	**1,156**	**472**	**345**	**217**	**–**	**–13**	**–10**	**1,805**	**1,491**
Operating expenses (excluding depreciation/amortisation and impairment), external	–961	–1,024	–414	–304	–186	–	–29	–50	**–1,590**	–1,378
Operating expenses, intra-Group	–25	–16	–5	–6	0	–	30	22	–	–
Operating expenses (excluding depreciation/ amortisation and impairment)	**–986**	**–1,040**	**–419**	**–310**	**–186**	**–**	**1**	**–28**	**–1,590**	**–1,378**
EBITDA	**143**	**116**	**53**	**35**	**31**	**–**	**–12**	**–38**	**215**	**113**
Depreciation/amortisation and impairment	–19	–22	–23	–20	–9	–	–20	–10	**–71**	–52
Operating profit/loss	**124**	**94**	**30**	**15**	**22**	**–**	**–32**	**–48**	**144**	**61**
Financial items									**–31**	–31
Profit/loss before tax									**113**	**30**
Significant income and expense items reported in the income statement:										
Items affecting comparability	–7	–3	–3	–	–	–	–1	22	–11	19
EBITDA, before items affecting comparability	**136**	**113**	**50**	**35**	**31**	**–**	**–13**	**–16**	**204**	**132**

Note 4 | Breakdown of income, Group

SEK million	Nordics		North Europe		South Europe		Group-wide functions		Group	
April–June	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Geographical areas[1]										
Sweden	243	252	0	1	–	–	0	0	**243**	253
Rest of Europe	279	293	227	163	114	–	–6	–6	**614**	450
Other countries outside Europe	1	1	1	1	–	–	–	–	**2**	2
Net sales	**523**	**546**	**228**	**165**	**114**	**–**	**–6**	**–6**	**859**	**705**
Sales channel										
Pharmacies	83	104	–	–	–	–	–	–	**83**	104
FMCG retail	324	324	102	60	–	–	–	–	**426**	384
Food Service	13	17	52	52	–	–	–	–	**65**	69
Healthfood retailers	39	45	60	44	–	–	–	–	**99**	89
Other specialist retailers	32	24	5	5	–	–	–	–	**37**	29
Others[2]	30	29	5	1	114	–	–	–	**149**	30
Group-internal sales	2	3	4	3	0	–	–6	–6	–	–
Net sales	**523**	**546**	**228**	**165**	**114**	**–**	**–6**	**–6**	**859**	**705**
Product categories[3]										
Organic products	199	–	228	–	115	–	–6	–	**536**	–
Healthfoods	137	–	–	–	–	–	–	–	**137**	–
Consumer health products	184	–	–	–	–	–	–	–	**184**	–
Services linked to product handling	3	–	–	–	–1	–	0	–	**2**	–
Net sales	**523**	**–**	**228**	**–**	**114**	**–**	**–6**	**–**	**859**	**–**
Brands										
Proprietary	378	374	136	110	91	–	–6	–3	**599**	481
Licensed	134	163	–	3	9	–	–	–3	**143**	163
Contract manufacture	8	5	92	52	15	–	–	–	**115**	57
Services linked to product handling	3	4	–	0	–1	–	0	0	**2**	4
Net sales	**523**	**546**	**228**	**165**	**114**	**–**	**–6**	**–6**	**859**	**705**

[1] Income from external customers is attributable to individual geographical areas according to the country in which the customer is domiciled.
[2] Unfortunately, net sales per sales channel for the South Europe business area are not available at the time of reporting, and they are therefore allocated to Others.
[3] Income for product categories is not available for the comparison year 2019.

SEK million	Nordics		North Europe		South Europe		Group-wide functions		Group	
January–June	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Geographical areas[1]										
Sweden	525	544	0	1	–	–	0	0	525	545
Rest of Europe	602	610	471	343	217	–	-13	-10	1,277	943
Other countries outside Europe	2	2	1	1	–	–	–	–	3	3
Net sales	**1,129**	**1,156**	**472**	**345**	**217**	**–**	**-13**	**-10**	**1,805**	**1,491**
Sales channel										
Pharmacies	175	204	–	–	–	–	–	–	175	204
FMCG retail	707	697	202	126	–	–	–	–	909	823
Food Service	31	41	118	106	–	–	–	–	149	147
Healthfood retailers	87	99	125	94	–	–	–	–	212	193
Other specialist retailers	68	52	10	10	–	–	–	–	78	62
Others[2]	57	58	8	4	217	–	–	–	282	62
Group-internal sales	4	5	9	5	0	–	-13	-10	–	–
Net sales	**1,129**	**1,156**	**472**	**345**	**217**	**–**	**-13**	**-10**	**1,805**	**1,491**
Product categories[3]										
Organic products	422	–	472	–	216	–	-13	–	1,097	–
Healthfoods	313	–	–	–	–	–	–	–	313	–
Consumer health products	388	–	–	–	–	–	–	–	388	–
Services linked to product handling	6	–	–	–	1	–	0	–	7	–
Net sales	**1,129**	**–**	**472**	**–**	**217**	**–**	**-13**	**–**	**1,805**	**–**
Brands										
Proprietary	814	760	282	230	169	–	-13	-5	1,252	985
Licensed	291	378	–	5	18	–	–	-5	309	378
Contract manufacture	18	10	190	110	29	–	–	–	237	120
Services linked to product handling	6	8	–	0	1	–	0	0	7	8
Net sales	**1,129**	**1,156**	**472**	**345**	**217**	**–**	**-13**	**-10**	**1,805**	**1,491**

[1] Income from external customers is attributable to individual geographical areas according to the country in which the customer is domiciled.
[2] Unfortunately, net sales per sales channel for the South Europe business area are not available at the time of reporting, and they are therefore allocated to Others.
[3] Income for product categories is not available for the comparison year 2019.

Note 5 | Intangible assets, Group

SEK million	30 June 2020	30 June 2019	31 Dec 2019
Brands	1,067	980	1,081
Goodwill	1,766	1,439	1,810
Other intangible fixed assets	168	85	167
Total	**3,001**	**2,504**	**3,058**

Note 6 | Tangible assets, Group

SEK million	30 June 2020	30 June 2019	31 Dec 2019
Owned assets	345	231	358
ROU assets	211	205	227
Total	**556**	**436**	**585**

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

SEK million	30 June 2020	30 June 2019	31 Dec 2019
Non-current interest-bearing liabilities			
Bank loans	1,158	1,070	1,229
Lease liabilities	166	163	179
Total	**1,324**	**1,233**	**1,408**
Current interest-bearing liabilities			
Bank loans	93	87	71
Lease liabilities	44	44	47
Total	**137**	**131**	**118**
Total	**1,461**	**1,364**	**1,526**

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

SEK million	30 June 2020	30 June 2019	31 Dec 2019
Assets			
Financial instruments measured at fair value via the income statement			
Currency option	–	0	–
Total	**–**	**0**	**–**
Financial instruments not measured at fair value			
Other non-current liabilities	4	4	4
Other current receivables	17	16	18
Total	**21**	**20**	**22**
Total receivables	**21**	**20**	**22**
Liabilities			
Financial instruments measured at fair value via the income statement			
Currency risk	0	–	1
Currency option	3		
Interest-rate swaps	–	0	0
Conditional purchase considerations	55	41	78
Total	**58**	**41**	**79**
Financial instruments not measured at fair value			
Other non-current liabilities	12	13	17
Other current liabilities	132	115	85
Total	**144**	**128**	**102**
Total liabilities	**202**	**169**	**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 June 2020	30 June 2019	31 Dec 2019
Pledged assets			
Blocked bank balances	4	1	2
Net assets in subsidiaries	1,809	1,945	1,941
Others	319	245	245
Total	**2,132**	**2,191**	**2,188**
Contingent liabilities			
Guarantees	10	11	10
Total	**10**	**11**	**10**

Note 10 | Conditional purchase considerations, Group

SEK million	
Opening conditional purchase considerations, 1 Jan 2019	46
Exchange-rate change	1
Assessment conditional purchase considerations	–6
Closing conditional purchase considerations, 30 Jun 2019	**41**
Opening conditional purchase considerations, 1 Jul 2019	41
Supplemental conditional purchase considerations	57
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	2
Assessment conditional purchase considerations	–25
Closing conditional purchase considerations, 30 June 2020	**55**
Expected disbursements	
Expected disbursement 2021	25
Expected disbursement 2022	30
Total	**55**

Remaining conditional purchase considerations in the Group amounted to SEK 55 million (41) and was related to the business combinations Davert GmbH (2018) with SEK 28 million (41), Ekko Gourmet AB (2019) with SEK 1 million and Eisblümerl Naturkost GmbH (2019) with SEK 26 million. 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 asset in 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 brand right was not market-based. The value of the negative consolidated goodwill corresponds to future expected cashflows from the brand right. 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 commenced in the second quarter and is not expected to 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	April–June 2020	April–June 2019	January–June 2020	January–June 2019	Rolling 12-month	Full year 2019
Operating profit/loss	**73**	**39**	**144**	**61**	**253**	**170**
Amortisation of intangible assets	12	8	23	16	43	36
Depreciation of tangible assets	23	18	48	36	90	78
EBITDA	**108**	**65**	**215**	**113**	**386**	**284**
Items affecting comparability [2,3]	–11	–6	–11	19	–24	6
EBITDA, before items affecting comparability	**97**	**59**	**204**	**132**	**362**	**290**
Net sales	859	705	1,805	1,491	3,395	3,081
EBITDA-Margin, before items affecting comparability	**11.3%**	**8.4%**	**11.3%**	**8.9%**	**10.7%**	**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	April–June 2020	April–June 2019	January–June 2020	January–June 2019	Rolling 12-month	Full year 2019
Restructuring expenses, net	5	–	5	25	–5	15
Assessed conditional purchase consideration	–8	–6	–8	–6	–28	–26
Acquisition-related expenses	0	–	0	–	17	17
Acquisition-related revenues (negative consolidated goodwill)	–8	–	–8	–	–8	–
Total	**–11**	**–6**	**–11**	**19**	**–24**	**6**

[3] Corresponding line in the consolidated income statement

SEK million	April–June 2020	April–June 2019	January–June 2020	January–June 2019	Rolling 12-month	Full year 2019
Expenses for goods sold	–	–	–	18	–11	7
Selling expenses	1	–	1	3	3	5
Administrative expenses	4	–	4	2	4	2
Other operating income	–16	–6	–16	–6	–36	–26
Other operating expenses	0	–	0	2	16	18
Total	**–11**	**–6**	**–11**	**19**	**–24**	**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	**386**	**284**
Acquisition-related transaction expenses	–21	–11
Pro forma adjustment	8	32
Adjusted EBITDA	**373**	**305**

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

SEK million	30 June 2020	30 June 2019	31 Dec 2019
Non-current interest-bearing liabilities	1,324	1,233	1,408
Current interest-bearing liabilities	137	131	118
Cash and cash equivalents [1]	–151	–37	–173
Net liabilities	**1,310**	**1,327**	**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	April–June 2020	April–June 2019	January–June 2020	January–June 2019	Rolling 12-month	Full year 2019
Shareholders' equity and liabilities	**4,782**	**3,932**	**4,782**	**3,932**	**4,782**	**4,780**
Other non-current liabilities	–58	–45	–58	–45	–58	–92
Deferred tax liabilities	–316	–273	–316	–273	–316	–321
Accounts payable	–353	–346	–353	–346	–353	–288
Other current liabilities	–144	–124	–144	–124	–144	–91
Accrued expenses and deferred income	–172	–111	–172	–111	–172	–140
Capital employed	**3,739**	**3,033**	**3,739**	**3,033**	**3,739**	**3,848**
Capital employed at the beginning of the period	3,904	3,070	3,848	2,847	3,033	2,847
Average capital employed	**3,822**	**3,052**	**3,794**	**2,940**	**3,386**	**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	**199**	**116**
Financial expenses	49	53
Profit before taxes, excluding financial expenses	**248**	**169**
Average capital employed	3,386	3,348
Return on capital employed, %	**7.3**	**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	April–June 2020	April–June 2019	January–June 2020	January–June 2019	Rolling 12-month	Full year 2019
Shareholders' equity	**2,278**	**1,669**	**2,278**	**1,669**	**2,278**	**2,322**
Shareholders' equity at the beginning of the period	2,379	1,680	2,322	1,630	1,669	1,630
Average shareholder's equity	**2,329**	**1,675**	**2,300**	**1,650**	**1,974**	**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	**157**	**97**
Average shareholder's equity	1,974	1,976
Return on equity, %	**8.0**	**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	April–June 2020	April–June 2019	January–June 2020	January–June 2019	Rolling 12-month	Full year 2019
Cash flow from operating activities	**89**	**87**	**99**	**52**	**245**	**198**
Cash flow from investing activities	–5	–12	–48	–19	–741	–712
Acquisitions of companies or operations	0	–	35	–	694	659
Acquisition of joint venture	–	–	–	–	8	8
Expansion investment, new production line	–	–	–	–	2	2
Free cash flow	**84**	**75**	**86**	**33**	**208**	**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	April–June 2020	April–June 2019	January–June 2020	January–June 2019	Rolling 12-month	Full year 2019
Net sales	**859**	**705**	**1,805**	**1,491**	**3,395**	**3,081**
Net sales compared with the corresponding period in the preceding year	–705	–714	–1,491	–1,324	–3,019	–2,852
Net sales, change	**154**	**-9**	**314**	**167**	**376**	**229**
Structural changes	–148	–53	–278	–226	–407	–355
Exchange rate changes	12	–10	6	–29	–13	–48
Organic change	**18**	**-72**	**42**	**-88**	**-44**	**-174**
Organic change	2.5%	–10.1%	2.8%	–6.7%	–1.5%	–6.1%
Structural changes	21.0%	7.4%	18.7%	17.1%	13.5%	12.4%
Exchange rate changes	–1.7%	1.4%	–0.4%	2.2%	0.4%	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	April–June 2020	April–June 2019	January–June 2020	January–June 2019	Rolling 12-month	Full year 2019
EBITDA, before items affecting comparability	**97**	**59**	**204**	**132**	**362**	**290**
Leasing fees on ROU assets with application of IFRS 16	–12	–11	–24	–22	–46	–44
EBITDA, before items affecting comparability and adjusted for the IFRS 16 effect	**85**	**48**	**180**	**110**	**316**	**246**

Quarterly data[1]

SEK million	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3
Net sales	**859**	**946**	**825**	**765**	**705**	**786**	**755**	**773**	**714**	**610**	**571**	**573**
Expenses for goods sold	−619	−671	−594	−524	−490	−570	−536	−546	−496	−402	−376	−377
Gross profit	**240**	**275**	**231**	**241**	**215**	**216**	**219**	227	**218**	**208**	**195**	**196**
Selling expenses	−123	−130	−129	−122	−123	−131	−119	−125	−119	−110	−102	−109
Administrative expenses	−70	−66	−64	−56	−59	−61	−52	−56	−56	−48	−42	−62
Other operating income	17	2	30	−1	7	1	1	3	2	1	1	0
Other operating expenses	9	−10	−16	−5	−1	−3	−3	2	−11	−4	−2	−4
Operating profit/loss	**73**	**71**	**52**	**57**	**39**	**22**	**46**	**51**	**34**	**47**	**50**	**21**
Profit/loss from participations in joint ventures	−8	0	−1	–	–	–	–	–	–	–	–	–
Financial income	−29	33	0	0	0	0	6	0	4	6	0	0
Financial expenses	16	−43	−9	−13	−14	−17	−8	−10	−8	−5	−4	−5
Profit/loss before tax	**52**	**61**	**42**	**44**	**25**	**5**	**44**	**41**	**30**	**48**	**46**	**16**
Tax on profit for the period	−12	−14	−7	−9	−2	−1	−11	−9	−5	−9	−12	−5
Profit for the period	**40**	**47**	**35**	**35**	**23**	**4**	**33**	**32**	**25**	**39**	**34**	**11**
Non-recurring items												
Items affecting comparability included in operating profit	−11	–	−5	−8	−6	25	–	−1	12	–	−1	22
Operating profit, before items affecting comparability	**62**	**71**	**47**	**49**	**33**	**47**	**46**	**50**	**46**	**47**	**49**	**43**
Depreciation/amortisation and impairment												
Depreciation/amortisation and impairment included in operating income	35	36	34	28	26	26	13	18	11	10	10	9
EBITDA	**108**	**107**	**86**	**85**	**65**	**48**	**59**	**69**	**45**	**57**	**60**	**30**
Depreciation/amortisation, impairment and items affecting comparability												
Depreciation/amortisation, impairment and items affecting comparability included in operating profit	24	36	29	20	20	51	13	17	23	10	9	31
EBITDA, before items affecting comparability	**97**	**107**	**81**	**77**	**59**	**73**	**59**	**68**	**57**	**57**	**59**	**52**
Free cash flow	84	2	103	19	75	−42	44	96	40	−4	49	17
Cash flow from operating activities	89	10	117	29	87	−35	58	98	54	2	54	32
Number of employees as per the balance sheet date	730	713	721	571	530	526	525	533	528	382	384	386

[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 France, Celnat launched three different varieties of muesli.

Financial calendar

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

Interim report, January–Sept 2020
22 October 2020

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–Sept 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 in the 2019 Annual Report on pages 53–57.

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, HappyBio, 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, müsli, 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 in 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.

HappyBio

A relatively recently established brand in the organic product category. HappyBio 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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