midsona

INTERIM REPORT JANUARY–JUNE 2018

Organic and acquisition-driven sales growth and significantly improved EBITDA

April-June 2018 (second quarter)

- Net sales amounted to SEK 714 million (481).
- EBITDA amounted to SEK 57 million (34) before items affecting comparability, corresponding to a margin of 8.0 percent (7.1).
- Profit for the period was SEK 25 million (15), corresponding to earnings per share of SEK 0.55 (0.35) before dilution and SEK 0.54 (0.35) after dilution.
- Free cash flow amounted to SEK 40 million (29).
- Midsona acquired Davert GmbH, a company with a leading position in organic food in Germany.

January-June (six months)

- Net sales amounted to SEK 1,324 million (1,002).
- EBITDA amounted to SEK 114 million (79) before items affecting comparability, corresponding to a margin of 8.6 percent (7.9).
- Profit for the period was SEK 64 million (39), corresponding to earnings per share of SEK 1.39 (0.90) before dilution and SEK 1.38 (0.90) after dilution.
- Free cash flow amounted to SEK 36 million (59).

Key figures, Group[1, 2]

	April–June 2018	April–June 2017	Jan–June 2018	Jan–June 2017	Rolling 12-month	Full year 2017
Net sales growth, %	48.4	37.0	32.1	42.9	20.7	23.1
Gross margin, %	30.5	31.8	32.2	31.9	33.1	33.1
EBITDA margin, before items affecting comparability, %	8.0	7.1	8.6	7.9	9.1	8.9
EBITDA margin, %	6.3	7.1	7.7	7.9	7.8	7.9
Operating margin, before items affecting comparability, %	6.4	5.4	7.0	6.3	7.5	7.2
Operating margin, %	4.8	5.4	6.1	6.3	6.2	6.2
Profit margin, %	4.2	4.0	5.9	5.0	5.7	5.2
Average capital employed, SEK million	2,594	2,077	2,556	2,067	2,457	2,166
Return on capital employed, %					6.6	6.2
Return on equity, %					7.4	5.8
Net debt, SEK million	1,192	652	1,192	652	1,192	652
Net debt/Adjusted EBITDA, multiple					4.8	3.6
Net debt/equity ratio, multiple	0.7	0.5	0.7	0.5	0.7	0.4
Interest coverage ratio, multiple	4.8	3.7	7.0	4.8	7.4	6.1
Equity/assets ratio, %	44.0	51.4	44.0	51.4	44.0	54.3

[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 page 18 of this interim report and to pages 114-117 in the 2017 Annual Report.
[2] The key figures are based on recalculated figures for 2017, see Note 7 Effects on net sales and operating expenses on recalculation to IFRS 15, on page 15. The figures for 2016 have not been recalculated for effects on net sales and operating expenses in connection with conversion to IFRS 15.

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 20 July 2018 at 8.00 a.m. CET.

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Peter Åsberg, President and CEO

SECOND QUARTER

SEK 714 million

Sales

SEK 57 million

EBITDA, before items affecting comparability

8.0 percent

EBITDA margin, before items affecting comparability

Comment by the CEO

Continued improved sales and earnings

Midsona's sales for the second quarter increased by 48 percent and amounted to SEK 714 million (481). Organic growth amounted to a favourable 10 percent, mainly due to new distribution agreements with HRA Pharma. The Group's eight prioritised brands showed growth of 5 percent. Underlying operating earnings, measured as EBITDA before items affecting comparability, increased by 67 percent to SEK 57 million (34). Accordingly, the EBITDA margin increased to 8.0 percent (7.1).

Acquisition of Davert strategically significant

Midsona assumed control of the acquired German company Davert GmbH in May. This is the Group's first major step beyond the Nordic region and is strategically significant, giving Midsona a strong position in Europe's largest market for organic food. The company is a leading manufacturer and distributor of organic groceries and offers products under both its own brand Davert and private labels. Davert's portfolio includes a wide range of organic products. In recent years, Davert has launched a new brand design, broadened its product portfolio and expanded its distribution. During this period, the company also moved to a new, customised production facility and made major investments in state-of-the-art production lines and a fully automated warehouse. During the 2017 financial year, Davert achieved net sales of SEK 616 million (64.0) and an adjusted EBITDA of SEK 42 million (4.4). As previously announced, the acquisition is expected to gradually bring synergies of approximately SEK 40 million, primarily in areas such as production, purchasing and cross-selling.

Consolidation of the European market through acquisitions

Midsona's ambition is to become one of the leading companies in health and well-being in Europe. We have found that the European market is fragmented in the same way as the Nordic one was when we began our acquisition journey. It consists chiefly of privately owned companies with positions in one or more niches. In addition to the acquired Davert, we have identified a number of interesting acquisition targets and will now begin exploring those acquisition opportunities. Our ambition is to acquire and integrate at least one or two companies per year.

Measures to enhance profitability in the Nordic region

Although the Nordic home market showed good growth in sales and earnings during the quarter, conditions were, in part, challenging. The historically strong EUR, primarily in relation to SEK, has had a significant negative impact on the Group's gross margin. We have therefore implemented price increases that will have a gradual impact over the second half of the year. As previously announced, Midsona's distribution agreement with Alpro in Sweden and Norway will expire at the end of 2018. Midsona has initiated savings measures to minimise the impact on earnings of the future drop in sales. Among other things, Midsona will close one of two warehouses in Norway and has made a provision of SEK 3 million in the second quarter for this measure. Midsona plans continuously and pro-actively to maintain an inflow of new agreements. In the first quarter of 2018, Midsona signed a binding distribution agreement with HRA Pharma. The agreement was initially expected to generate net sales of slightly more than SEK 100 million on an annual basis. As sales have developed well and a further brand has been added, Midsona's current assessment is that this will generate at least SEK 150 million annually.

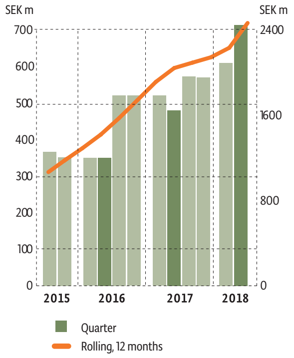
Priorities in 2018

Midsona's operations are based on our priority brands and a number of strategic sales assignments. The principal focus in 2018 will be on continuing to develop these through product innovation, consumer marketing and effective sales processing. Parallel to this, the integration of the acquired Davert must be implemented, so that the promised synergies can begin to be realised. Midsona will also explore opportunities for further acquisitions in Europe. Midsona expects sales and EBITDA to increase during 2018.

Peter Åsberg
President and CEO

Financial information

Net sales



April–June

Net sales amounted to SEK 714 million (481), an increase of 48.4 percent. The organic change in net sales was 10.0 percent, driven by both the Group's priority brands and a new distribution assignment being secured that commenced in the first quarter of 2018. Structural changes also contributed to net sales growth by 33.9 percent, and exchange rate changes contributed by 4.5 percent. Sales were stable in all geographic markets in April and May, with several product categories slowing in June as a consequence of the unusually hot summer. The Group's eight prioritised brands showed growth of 5.0 percent*.

Sales increased in Sweden, Norway, Finland and Denmark, driven by organic growth and acquired business volumes. The Swedish market for organic products continued to grow, although at a considerably lower rate than previously. Instead, there is an upward trend in the market for vegetarian food, where Midsona is well positioned. Several brands, both proprietary and licensed, showed strong growth in the Swedish market, with increased sales volumes, particularly to FMCG retailers and pharmacy chains. The Norwegian market for organic products, health foods and personal care products was characterised by continued restrained growth, while private labels advanced their positions within certain product categories. Most brands in the Norwegian brand portfolio nonetheless experienced stable sales growth. For Denmark, sales growth was stable. Service levels gradually improved, both to internal and external customers, compared with the preceding quarter. Sales volumes to major traditional FMCG customers in the organic products category decreased and could not fully be offset by increased sales volumes to other sales channels. The Danish market is clearly experiencing increasing competition from both private labels and traditional brands that are broadening their ranges to include organic products. The Finnish market continued to grow stably. The priority brands experienced stable sales growth in Finland, strengthening their positions, mainly in FMCG retail. In the Group's new operating segment, Germany, sales were at the planned level.

*For the period April–June, sales for the acquired brand Eskimo-3 are compared with sales in the same period last year, despite Midsona not owning the brand at that time.

January-June

Net sales amounted to SEK 1,324 million (1,002), an increase of 32.1 percent. The organic change in net sales was 6.2 percent. Structural changes also contributed to net sales growth by 23.4 percent, and exchange rate changes contributed by 2.5 percent. The Group's eight prioritised brands showed growth of 3.0 percent*.

Sales increased significantly in both Sweden and Norway, driven both by organic sales growth and acquired sales volumes.

*For the period January–June, sales for the acquired brand Eskimo-3 are compared with sales in the same period last year, despite Midsona not owning the brand at that time.

Gross profit

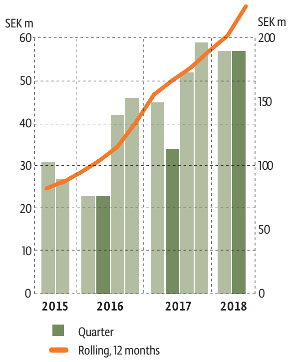
April-June

EBITDA amounted to SEK 220 million (153) before items affecting comparability, corresponding to a margin of 30.8 percent (31.8). The expense structure of the acquired company Davert, with a higher proportion of production and inventory-related expenses compared with Midsona's other operations, resulted in a lower gross margin. In addition, the gross margin for Sweden remained severely pressured by the unfavourable exchange rate trend for SEK against EUR, resulting in significantly higher product expenses that were yet to be offset by price increases at the next level. Price increases have been implemented to mitigate the effect and will gradually have some impact in the third and fourth quarters.

January-June

Gross profit amounted to SEK 428 million (320), corresponding to a gross margin of 32.3 percent (31.9). The gross margin improved partly as a consequence of a more favourable product mix, partly through coordinated supply chain activities on a Nordic basis. This was, however, counteracted by higher product expenses in Sweden as a result of the unfavourable exchange rate trend for SEK against EUR. The changed expense structure within the Group, related to acquired operations, will gradually entail a lower gross margin in 2018 compared with the preceding year.

EBITDA, before items affecting comparability



Operating profit

April-June

EBITDA amounted to SEK 57 million (34) before items affecting comparability, corresponding to a margin of 8.0 percent (7.1). Amortisation and depreciation for the period amounted to SEK 11 million (8), divided between SEK 6 million (6) in amortisation of intangible fixed assets and depreciation of SEK 5 million (2) on tangible fixed assets. Operating profit amounted to SEK 34 million (26), with an operating margin of 4.8 percent (5.4).

EBITDA, before items affecting comparability, improved for Sweden, Norway and Finland through higher sales volumes, generally favourable cost control and synergies realised in accordance with plan. However, the weakened SEK had a significant negative impact on earnings in Sweden. For Denmark, EBITDA was on a par with the preceding year and remained affected by certain additional expenses related to inventories and production. For Germany, EBITDA was at the planned level.

During the period, considerable focus was devoted to securing a major sales assignment on a Nordic basis, and on the roll-out of a new business system within the Group, entailing certain additional expenses.

January-June

EBITDA amounted to SEK 114 million (79) before items affecting comparability, corresponding to a margin of 8.6 percent (7.9). Amortisation and depreciation for the period amounted to SEK 21 million (16), divided between SEK 13 million (11) in amortisation of intangible fixed assets and depreciation of SEK 8 million (5) on tangible fixed assets. Operating profit amounted to SEK 81 million (63), with an operating margin of 6.1 percent (6.3).

The significant improvement in EBITDA and the EBITDA margin, before items affecting comparability, was mainly attributable to Sweden and Norway, both through higher sales volumes and synergies achieved through acquisitions.

Items affecting comparability

April-June

Operating profit for the period included items affecting comparability of SEK 12 million, of which SEK 10 million comprised acquisition-related expenses attributable to the acquisition of Davert, SEK 3 million in restructuring expenses for coordinating inventory management in Norway, and a negative SEK 1 million in the form of a reversed part of the restructuring reserve related to the acquisition of Bringwell, as a consequence of a renegotiated agreement. The comparison period did not include any items affecting comparability.

January-June

Operating profit for the period included items affecting comparability of SEK 12 million, the majority being expenses attributable to the acquisition of Davert. The comparison period did not include any items affecting comparability.

Financial items

April-June

Net financial items amounted to a negative SEK 4 million (7), of which interest expenses on external loans to credit institutions amounted to SEK 6 million (4). Interest expenses to credit institutions increased as a result of higher indebtedness from completed business combinations in 2017 and 2018. Unrealised translation differences on financial receivables and liabilities in foreign currency affected the net financial items positively by SEK 4 million (negative 2) for the period.

January-June

Net financial items amounted to a negative SEK 3 million (13), of which interest expenses on external loans to credit institutions amounted to SEK 10 million (9). Unrealised translation differences on financial receivables and liabilities in foreign currency affected the net financial items positively by SEK 10 million (negative 2) for the period.

Profit for the period

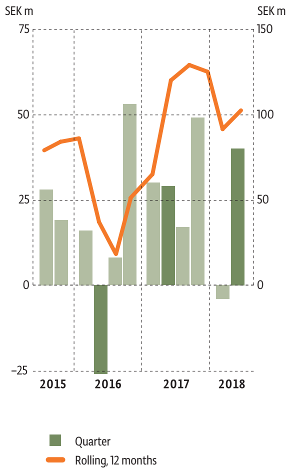
April-June

Profit for the period was SEK 25 million (15), corresponding to earnings per share of SEK 0.55 (0.35) before dilution and SEK 0.54 (0.35) after dilution. Tax on profit for the period amounted to a negative SEK 5 million (4), of which a negative SEK 3 million (0) consisted of current tax and a negative SEK 2 million (4) of deferred tax. In line with the Swedish Riksdag's (parliament) decision of 13 June to reduce corporate tax in Sweden from 22.0 percent to 20.6 percent in two stages, deferred tax assets and deferred tax liabilities were revalued, resulting in deferred tax income of a net SEK 4 million in profit for the period, based on anticipated outflows and the tax rate applicable at the time. The effective tax rate for the period was 16.5 percent (23.9). This differs from the currently applicable tax rate for the Parent Company, primarily due to revalued deferred tax assets and deferred tax liabilities in line with approved changes in corporate tax in Sweden.

January-June

Profit for the period was SEK 64 million (39), corresponding to earnings per share of SEK 1.39 (0.90) before dilution and SEK 1.38 (0.90) after dilution. Tax on the profit for the period amounted to a negative SEK 14 million (11), of which negative SEK 4 million (2) consisted of current tax and negative SEK 10 million (9) of deferred tax. The effective tax rate for the period was 17.6 percent (23.1).

Free cash flow



Cash flow

April-June

Cash flow from operating activities amounted to SEK 54 million (34), mainly due to stronger cash flow from operating activities before changes in working capital.

Changes in working capital also improved despite an increased amount of capital being tied up in inventories related to inventory build-up in the summer months and expanded distribution assignments. This was, however, offset by reduced operating receivables as a result of several major customer payments before the end of the period and higher operating liabilities as a result of, among other things, expanded distribution assignments.

Cash flow from investing activities amounted to a negative SEK 295 million (5), consisting of business acquisitions for SEK 281 million and investments in tangible and intangible fixed assets of SEK 14 million (5). Free cash flow was SEK 40 million (29). Cash flow from financing activities amounted to SEK 234 million (negative 48), consisting of loans raised of SEK 375 million, amortisation of loans by SEK 83 million, amortisation of leasing expenses by SEK 0 million (1) and dividends of SEK 58 million (47).

January-June

Cash flow from continuing operations amounted to SEK 56 million (66). The decrease was related entirely to changes in working capital compared with the corresponding period last year. Cash flow from investing activities amounted to a negative SEK 301 million (7), while cash flow from financing activities amounted to SEK 224 million (negative 48).

Liquidity and financial position

Cash and equivalents amounted to SEK 41 million (75) and there were unused credit facilities of SEK 100 million (100) at the end of the period. Net debt amounted to SEK 1,192 million (652) at the end of the period with the increase being primarily attributable to the financing of implemented acquisitions. The net debt/equity ratio was a multiple of 0.7 (0.5). The ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 4.8 (3.1). At the end of the preceding quarter, the ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 3.4.

Shareholders' equity amounted to SEK 1,623 million (1,331). At the end of the preceding quarter, shareholders' equity was SEK 1,636 million. The changes consisted of profit for the period of SEK 25 million, translation differences on translating foreign operations of SEK 20 million and dividends of SEK 58 million. The equity/assets ratio was 44.0 percent (51.4) at the end of the period.

Investments

April-June
Investments in intangible and tangible fixed assets amounted to SEK 14 million (5). These mainly comprised software in the form of business systems and an ongoing investment in a new production line in the German operations.

January-June
Investments in intangible and tangible fixed assets amounted to SEK 20 million (7), of which most pertained to software in the form of business systems.

Other information

Future prospects
Midsona expects sales growth and improved EBITDA in 2018.

Personnel
The average number of employees was 424 (325), while the number of employees at the end of the period was 528 (329). The increased number of employees at the end of the period was mainly related to the acquisition of Davert in May 2018. During the current quarter, the number of employees increased by 146.

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 20 million (16), and related primarily to invoicing of services provided internally within the Group. Profit before tax amounted to SEK 12 million (loss 2). Financial income increased significantly as a result of positive currency translation differences on financial receivables and liabilities in foreign currencies. The comparison period included dividends from subsidiaries of SEK 65 million and impairment of shares in subsidiaries by SEK 51 million before tax.

Cash and cash equivalents, including unutilised credit facilities, amounted to SEK 107 million (170). Borrowing from credit institutions was SEK 1,060 million (725) at the end of the period. In connection with the acquisition of Davert, new loans of SEK 375 million were raised. On the balance sheet date, there were 14 employees (11).

For the Parent Company, SEK 20 million (16), equivalent to 100 percent (100) of sales for the period and SEK 1 million (2), corresponding to 5 percent (9) of purchases for the period pertained to subsidiaries within the Group. Sales to subsidiaries pertained mainly to administrative services, while purchases from subsidiaries mainly pertained to consultancy services and other reimbursements for expenses. All pricing is conducted on market terms.

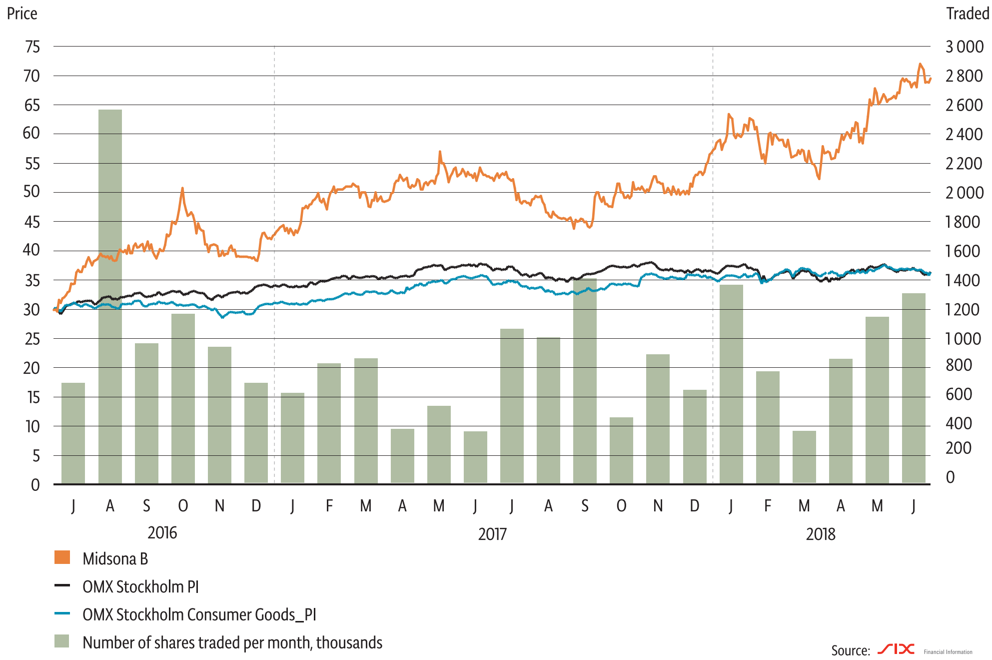
The share
Midsona's Series A and B shares are listed on Nasdaq Stockholm's Mid Cap List under the symbols MSON A and MSON B, respectively.

At the end of the period, the total number of shares was 46,008,064 (42,646,480), divided between 539,872 Series A shares (539,872) and 45,468,192 Series B shares (42,106,608). At the end of the period, the number of votes was 50,866,912 (47,505,328), where one Series A share carries ten votes and one Series B share carries one vote.

During the period January–June 2018, 5,806,612 shares (3,628,598) were traded. The highest price paid for Series B shares was SEK 73.00 (58.25), and the lowest was SEK 51.00 (42.40). On 30 June, the most recent price paid for the share was SEK 69.50 (52.00). 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 TO2016/2019 and TO2017/2020 series respectively, which can provide a maximum of 547,000 new Series B shares on full conversion. In the TO2016/2019 series, 50,000 warrants were repurchased in January 2018 and can now provide a maximum of 360,000 new Series B shares on full conversion. In the TO2017/2020 series, 187,000 warrants were outstanding and can provide a maximum of 187,000 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 about TO2016/2019 and TO2017/2020, see Note 9 on pages 80-82 of the 2017 Annual Report.

Strong price development for Midsona's shares, up 34 percent, compared with the corresponding period last year.



Ownership

Stena Adactum AB was the largest shareholder with 23.6 percent of the capital and 28.2 percent of the voting rights on 30 June 2018. 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	10,853,469	23.6	28.2
Handelsbanken Funds	3,611,623	7.8	7.1
The Second AP Fund	2,321,257	5.0	4.6
Nordea Investment Funds	2,125,121	4.6	4.2
Cliens Funds	1,850,000	4.0	3.6
LINC AB	1,705,302	3.7	3.4
Peter Wahlberg and companies	1,534,568	3.3	3.0
BPSS PAR/FCP ECHIQUIER	1,450,086	3.2	2.8
CBNY-OFI GLOBAL OPP FUND	1,000,000	2.2	2.0
Humle Kapitalförvaltning AB	849,055	1.8	1.7
Total	**27,300,481**	**59.2**	**60.6**
Other shareholders	18,707,583	40.8	39.4
Total	**46,008,064**	**100.0**	**100.0**

Source: Euroclear

Total number of shareholders (including nominee-registered) was 7,261 (6,014). In the current quarter, the number of shareholders increased by 377. Foreign ownership amounted to 24.1 percent (19.0) of the shares in the market. More information on the shareholder structure is available at www.midsona.com.

Risks and uncertainties

In its operations, the Group is subject to both operational and financial risks that may affect profits to a greater or lesser extent. The assessment is that no new significant risks or uncertainties have arisen. For a detailed discussion of risks and uncertainties, please refer to the 2017 Annual Report.

Distribution agreement

In the second quarter, the cooperation with HRA Pharma was expanded to include representing another of their brands in the Nordic market. Following this addition, the agreement is expected to generate total net sales of SEK 150 million on an annual basis.

The distribution agreement for the Alpro brand in the Swedish and Norwegian markets will end on 31 December 2018. The owner, Danone, has chosen to coordinate distribution under its own administration with its other products. In 2017, that sales assignment generated net sales of SEK 249 million.

Awards

The Kung Markatta brand was ranked Sweden's 12th most sustainable brand and the Urtekram brand was ranked Denmark's second most sustainable brand in the annual independent brand survey Sustainable Brand Index 2018. This is the largest Scandinavian sustainability survey, in which 40,000 Nordic consumers assess corporate sustainability efforts according to several criteria, including the UN principles of sustainability and social responsibility.

Annual General Meeting

The Annual General Meeting on 25 April addressed matters including dividends, the re-election of Board Members and the re-election of the auditing firm. A decision was made to pay a dividend to shareholders of SEK 1.25 per share, corresponding to a total SEK 58 million, which was paid on 3 May. The Annual General Meeting also resolved to re-elect Board Members Ola Erici, Henrik Stenqvist, Birgitta Stymne Göransson, Peter Wahlberg, Johan Wester and Kirsten Ægidius. Cecilia Marlow declined re-election. 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.

Business acquisitions

On 3 May, all of the shares in Davert GmbH were acquired, a company with a leading position in organic food in Germany. For a preliminary acquisition analysis, see Note 9 Acquisitions of operations on page 17.

Change in Group Management

On 28 May 2018, Erk Schuchhardt was appointed as the head of the newly established Business Area Germany and as a new member of Group Management.

Group Management consists of Peter Åsberg (President and CEO), Lennart Svensson (CFO), Anders Dahlin (Director Nordics), Tobias Traneborn (Supply Chain Director), Ulrika Palm (Business Area Manager Sweden), Christoffer Mørck (Business Area Manager Norway), Peter Overgaard (Business Area Manager Denmark), Markku Janhunen (Business Area Manager Finland) and Erk Schuchhardt (Business Area Manager Germany).

A selection of the acquired company Davert's product range.

Acquisition analysis Bringwell AB

The acquisition analysis for the 2017 acquisition of Bringwell AB, presented preliminarily in the interim report for January-September 2017, was adopted without any significant changes.

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, 20 July 2018
Midsona AB (publ)

Ola Erici
CHAIRMAN OF THE BOARD

Henrik Stenqvist
BOARD MEMBER

Birgitta Stymne Göransson
BOARD MEMBER

Peter Wahlberg
BOARD MEMBER

Johan Wester
BOARD MEMBER

Kirsten Aegidius
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 2018	April–June 2017	Jan–June 2018	Jan–June 2017	Rolling 12-month	Full year 2017
Net sales	3, 7, 8	**714**	**481**	**1,324**	**1,002**	**2,468**	**2,146**
Expenses for goods sold	7	-496	-328	-898	-682	-1,651	-1,435
Gross profit		**218**	**153**	**426**	**320**	**817**	**711**
Selling expenses	7	-119	-88	-229	-182	-440	-393
Administrative expenses		-56	-39	-104	-75	-208	-179
Other operating income		2	1	3	2	4	3
Other operating expenses		-11	-1	-15	-2	-21	-8
Operating profit	3, 7	**34**	**26**	**81**	**63**	**152**	**134**
Financial income		4	0	10	0	10	0
Financial expenses		-8	-7	-13	-13	-22	-22
Profit before tax		**30**	**19**	**78**	**50**	**140**	**112**
Tax on profit for the period		-5	-4	-14	-11	-31	-28
Profit for the period		**25**	**15**	**64**	**39**	**109**	**84**
Profit for the period is divided between:							
Parent Company shareholders (SEK million)		25	15	64	39	110	84
Earnings per share before dilution attributable to Parent Company shareholders (SEK)		0.55	0.35	1.39	0.90	2.40	1.91
Earnings per share after dilution attributable to Parent Company shareholders (SEK)		0.54	0.35	1.38	0.90	2.37	1.89
Number of shares (thousands)							
On the balance sheet date		46,008	42,646	46,008	42,646	46,008	46,008
Average during the period		46,008	42,646	46,008	42,646	45,821	44,141
Average during the period, after full dilution		46,555	43,036	46,555	43,036	46,308	44,548

Summary consolidated statement of comprehensive income

SEK million	April–June 2018	April–June 2017	Jan–June 2018	Jan–June 2017	Rolling 12-month	Full year 2017
Profit for the period	**25**	**15**	**64**	**39**	**109**	**84**
Items that have or can be reallocated to profit for the year						
Translation differences for the period on translation of foreign operations	20	-5	67	-10	61	-16
Other comprehensive income for the period	**20**	**-5**	**67**	**-10**	**61**	**-16**
Comprehensive income for the period	**45**	**10**	**131**	**29**	**170**	**68**
Comprehensive income for the period is divided between:						
Parent Company shareholders (SEK million)	45	10	131	29	170	68

Kung Markatta launched two new organic products, ketchup and oats, in Sweden.

Summary consolidated balance sheet

SEK million	Note	30 June 2018	30 June 2017	31 Dec 2017
Intangible fixed assets	4	2,475	1,921	2,129
Tangible fixed assets		214	54	58
Non-current receivables		3	3	3
Deferred tax assets		74	69	99
Fixed assets		**2,766**	**2,047**	**2,289**
Inventories		527	224	272
Accounts receivable		290	215	213
Tax receivables		9	3	1
Other receivables		13	0	9
Prepaid expenses and accrued income		41	27	19
Cash and cash equivalents		41	75	54
Current assets		**921**	**544**	**568**
Assets		**3,687**	**2,591**	**2,857**
Share capital		230	213	230
Additional paid-up capital		629	466	629
Reserves		82	21	15
Profit brought forward, including profit for the period		682	631	676
Shareholders' equity		**1,623**	**1,331**	**1,550**
Non-current interest-bearing liabilities		1,186	686	665
Other non-current liabilities	5	85	4	5
Deferred tax liabilities		215	204	221
Non-current liabilities		**1,486**	**894**	**891**
Current interest-bearing liabilities		47	41	41
Accounts payable		339	205	220
Other current liabilities	5	66	33	50
Accrued expenses and deferred income		126	87	105
Current liabilities		**578**	**366**	**416**
Liabilities		**2,064**	**1,260**	**1,307**
Equity and liabilities		**3,687**	**2,591**	**2,857**

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 January 2017	213	466	31	639	1,349
Profit for the period	-	-	-	39	39
Other comprehensive income for the period	-	-	-10	-	-10
Comprehensive income for the period	**-**	**-**	**-10**	**39**	**29**
Dividend	-	-	-	-47	-47
Transactions with the Group's owners	**-**	**-**	**-**	**-47**	**-47**
Closing shareholders' equity 30 June 2017	**213**	**466**	**21**	**631**	**1,331**
Opening shareholders' equity 1 July 2017	213	466	21	631	1,331
Profit for the period	-	-	-	45	45
Other comprehensive income for the period	-	-	-6	-	-6
Comprehensive income for the period	**-**	**-**	**-6**	**45**	**39**
New share issue	17	162	-	-	179
Issue expenses	-	0	-	-	0
Issue of warrant programme TO2017/2020	-	1	-	-	1
Transactions with the Group's owners	**17**	**163**	**-**	**-**	**180**
Closing shareholders' equity 31 December 2017	**230**	**629**	**15**	**676**	**1,550**
Opening shareholders' equity 1 January 2018	230	629	15	676	1,550
Profit for the period	-	-	-	64	64
Other comprehensive income for the period	-	-	67	-	67
Comprehensive income for the period	**-**	**-**	**67**	**64**	**131**
Repayment of warrant programme TO2016/2019	-	0	-	-	0
Dividend	-	-	-	-58	-58
Transactions with the Group's owners	**-**	**0**	**-**	**-58**	**-58**
Closing shareholders' equity 30 June 2018	**230**	**629**	**82**	**682**	**1,623**

Summary consolidated cash flow statement

SEK million	April-June 2018	April-June 2017	Jan-June 2018	Jan-June 2017	Rolling 12-month	Full year 2017
Profit before tax	30	19	78	50	140	112
Adjustment for items not included in cash flow	11	4	8	10	39	41
Income tax paid	-3	0	-4	-2	-9	-7
Cash flow from operating activities before changes in working capital	**38**	**23**	**82**	**58**	**170**	**146**
Increase (-)/Decrease (+) in inventories	-48	6	-62	21	-73	10
Increase (-)/Decrease (+) in operating receivables	24	8	-45	-14	-4	27
Increase (+)/Decrease (–) in operating liabilities	40	-3	81	1	49	-31
Changes in working capital	**16**	**11**	**-26**	**8**	**-28**	**6**
Cash flow from operating activities	**54**	**34**	**56**	**66**	**142**	**152**
Acquisitions of companies or operations	-281	-	-281	-	-345	-64
Acquisitions of intangible fixed assets	-9	-3	-14	-3	-29	-18
Acquisitions of tangible fixed assets	-5	-2	-6	-4	-11	-9
Divestments of tangible fixed assets	-	-	-	-	0	0
Cash flow from investing activities	**-295**	**-5**	**-301**	**-7**	**-385**	**-91**
Cash flow after investing activities	**-241**	**29**	**-245**	**59**	**-243**	**61**
Issue expenses	-	-	-	-	-1	-1
Loans raised	375	-	375	-	435	60
Amortisation of loans	-83	-1	-93	-1	-173	-81
Dividend paid	-58	-47	-58	-47	-58	-47
Cash flow from financing activities	**234**	**-48**	**224**	**-48**	**203**	**-69**
Cash flow for the period	**-7**	**-19**	**-21**	**11**	**-40**	**-8**
Cash and cash equivalents at beginning of the period	44	94	54	65	75	65
Translation difference in cash and cash equivalents	4	0	8	-1	6	-3
Cash and cash equivalents at end of the period	**41**	**75**	**41**	**75**	**41**	**54**

Summary income statement, Parent Company

SEK million	April-June 2018	April-June 2017	Jan-June 2018	Jan-June 2017	Rolling 12-month	Full year 2017
Net sales	**10**	**8**	**20**	**16**	**42**	**38**
Selling expenses	-	0	-	0	0	0
Administrative expenses	-16	-14	-29	-24	-54	-49
Other operating income	-	0	0	0	0	-
Other operating expenses	0	0	0	0	0	-
Operating profit	**-6**	**-6**	**-9**	**-8**	**-12**	**-11**
Profit from participations in subsidiaries	-	-	-	14	5	19
Financial income	12	6	33	11	43	21
Financial expenses	-4	-10	-12	-19	-25	-32
Loss after financial items	**2**	**-10**	**12**	**-2**	**11**	**-3**
Tax on profit for the period	-	0	-	0	4	4
Profit for the period	**2**	**-10**	**12**	**-2**	**15**	**1**

In the first half of 2018, Davert launched two vegetarian pasta sauces in the German market.

Summary balance sheet, Parent Company

SEK million	30 June 2018	30 June 2017	31 Dec 2017
Intangible fixed assets	29	1	15
Tangible fixed assets	3	0	3
Participations in subsidiaries	2,186	1,374	1,697
Receivables from subsidiaries	666	827	574
Deferred tax assets	7	3	7
Financial fixed assets	**2,859**	**2,204**	**2,278**
Fixed assets	**2,891**	**2,205**	**2,296**
Receivables from subsidiaries	21	26	19
Other receivables	20	19	16
Cash and bank balances	7	70	31
Current assets	**48**	**115**	**66**
Assets	**2,939**	**2,320**	**2,362**
Share capital	230	213	230
Statutory reserve	58	58	58
Profit brought forward, including profit for the period and other reserves	1,099	980	1,145
Shareholders' equity	**1,387**	**1,251**	**1,433**
Liabilities to credit institutions	1,020	685	665
Liabilities to subsidiaries	137	104	40
Other non-current liabilities	82	-	-
Non-current liabilities	**1,239**	**789**	**705**
Liabilities to credit institutions	40	40	40
Liabilities to subsidiaries	240	230	168
Other current liabilities	33	10	16
Current liabilities	**313**	**280**	**224**
Equity and liabilities	**2,939**	**2,320**	**2,362**

Notes to the financial statements

Note 1 Accounting principles

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC). 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). Disclosures in accordance with IAS 34 Interim Financial Reporting are provided throughout this document. 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.

The new standards and the amendments and revisions to standards and new interpretations (IFRIC) that came into effect on 1 January 2018 had no impact on the Group's accounting for financial year of 2018, with the exception of the new standards IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers.

IFRS 9 Financial instruments, replaces IAS 39 Financial Instruments: Classification and Measurement. IFRS 9 addresses the classification, valuation and accounting of financial assets and liabilities. A project has been carried out in 2017 based on the parts of IFRS 9 that were considered to have a bearing: the classification, valuation and documentation of financial liabilities and assets and the analysis of the effects on the transition to a new model for reporting of anticipated credit losses according to an "expected loss model". Based on this, the assessment is that the new standard will not have an impact on the Group's financial accounts in 2018. The complete accounting principles will be reported in the 2018 Annual Report.

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 Income and IAS 11 Construction Contracts. IFRS 15 contains a principle-based five-stage model of income recognition regarding customer contracts. Midsona has elected to apply a fully retrospective method as its transitional method upon introducing IFRS 15. The basic principle is that recognised income should reflect the anticipated compensation in connection with the fulfilment of the various undertakings under the contract with the customer. Accordingly, income should reflect the fulfilment of contractual commitments and correspond to the compensation to which Midsona is entitled to at the time at which the control of goods and services is transferred to the counterparty. During 2017, Midsona has assessed the effects of the new standard by identifying and analysing the most significant income streams within the Group. The analysis showed that income will essentially be reported at the same time as in the current standard and application, albeit with a reclassification of a non-material nature between the items Net sales, Expenses for goods sold and Sales expenses in the income statement as a result of clarifications of how, among other things, temporary fixed and variable discounts in connection with activities, as well as the right to return expired products in customer contracts, are to be addressed in the accounts. Accordingly, Midsona makes the assessment that the introduction of IFRS 15 will not imply any significant effects on the Group's accounting other than the comparison figures being reclassified in the income statement to improve comparability. That reclassification is presented in Note 7 Effects on net sales and operating expenses on recalculation to IFRS 15 in this interim report, see page 15. The application of IFRS 15 entails increased disclosures in the notes of income, as presented in Note 8 Breakdown of income in the interim report, see page 16. The complete accounting principles will be reported in the 2018 Annual Report. In other regards, the same accounting principles and calculation methods have been applied as in the latest annual report. For detailed information on the accounting principles, please see Note 1 on pages 69-77 of the 2017 Annual Report.

A number of new standards, amendments and interpretations of standards enter into force for fiscal years beginning after 1 January 2018 and have not been applied pre-emptively. None of these are expected to have any future impact on the Group's financial statements, except for IFRS 16 Leases, issued on 13 January 2016, replacing IAS 17 Leases. IFRS 16 has been approved by the EU. This standard will entail all leases to which Midsona is a party being recognised in the balance sheet, partly as a fixed asset (the right to use a leased item) and partly as a financial liability (commitment to pay future lease payments). For short-term leases and low-value leases, relief rules apply, under which such assets are exempt from being reported in the balance sheet. The standard will primarily affect the accounting of the Group's operating leases. A phase during which the new standard is implemented was initiated in the first quarter of 2018 with all lease agreements being collected and subjected to an impact assessment. The leases that will be reported in the balance sheet as a consequence of the introduction of IFRS 16 relate mainly to office and warehouse premises, production equipment, vehicles, forklifts and IT-related equipment. At present, management is unable to quantify the impact of the new standard on the Group's future financial reports or to determine the methodology that will be applied on implementation. Updates on the project's progress will be provided in future interim reports.

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 33 on page 94 of the 2017 Annual Report. No significant new estimates, assessment or assumptions have been added since the publication of the most recent annual report, with the exception of the estimates and assessments made when introducing the new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers effective from 1 January 2018. These standards were, however, deemed to have an immaterial impact on the financial statements.

Note 3 Operating segments

SEK million	Sweden		Norway		Finland		Denmark		Germany		Group functions		Group	
April–June	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net sales, external	294	217	160	127	54	42	103	95	103	-	-	-	714	481
Net sales, intra-Group	47	9	1	0	-	-	31	27	-	-	-79	-36	-	-
Net sales	**341**	**226**	**161**	**127**	**54**	**42**	**134**	**122**	**103**	**-**	**-79**	**-36**	**714**	**481**
Operating expenses (excluding depreciation/ amortisation and impairment), external	-284	-183	-122	-109	-16	-22	-124	-119	-95	-	-28	-14	-669	-447
Operating expenses, intra-Group	-21	-18	-25	-6	-32	-15	-8	-1	-	-	86	40	-	-
Operating expenses (excluding depreciation/ amortisation and impairment)	**-305**	**-201**	**-147**	**-115**	**-48**	**-37**	**-132**	**-120**	**-95**	**-**	**58**	**26**	**-669**	**-447**
EBITDA, undistributed	**36**	**25**	**14**	**12**	**6**	**5**	**2**	**2**	**8**	**-**	**-21**	**-10**	**45**	**34**
Depreciation/amortisation and impairment	-2	-1	-1	-2	-1	-1	-2	-1	-2	-	-3	-3	-11	-8
Operating profit, undistributed	**34**	**24**	**13**	**10**	**5**	**4**	**0**	**1**	**6**	**-**	**-24**	**-13**	**34**	**26**
Financial items													-4	-7
Profit before tax													**30**	**19**

SEK million	Sweden		Norway		Finland		Denmark		Germany		Group functions		Group	
January–June	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net sales, external	588	454	308	268	109	84	216	196	103	-	-	-	1,324	1,002
Net sales, intra-Group	77	16	2	1	-	-	61	56	-	-	-140	-73	-	-
Net sales	**665**	**470**	**310**	**269**	**109**	**84**	**277**	**252**	**103**	**-**	**-140**	**-73**	**1,324**	**1,002**
Operating expenses (excluding depreciation/ amortisation and impairment), external	-551	-382	-238	-233	-42	-43	-258	-243	-95	-	-38	-22	-1,222	-923
Operating expenses, intra-Group	-41	-37	-40	-10	-53	-32	-14	-1	-	-	148	80	-	-
Operating expenses (excluding depreciation/ amortisation and impairment)	**-592**	**-419**	**-278**	**-243**	**-95**	**-75**	**-272**	**-244**	**-95**	**-**	**110**	**58**	**-1,222**	**-923**
EBITDA, undistributed	**73**	**51**	**32**	**26**	**14**	**9**	**5**	**8**	**8**	**-**	**-30**	**-15**	**102**	**79**
Depreciation/amortisation and impairment	-4	-3	-2	-3	-1	-1	-4	-3	-2	-	-8	-6	-21	-16
Operating profit, undistributed	**69**	**48**	**30**	**23**	**13**	**8**	**1**	**5**	**6**	**-**	**-38**	**-21**	**81**	**63**
Financial items													-3	-13
Profit before tax													**78**	**50**

Note 4 Intangible assets

SEK million	30 June 2018	30 June 2017	31 Dec 2017
Brands	875	833	863
Goodwill	1,556	1,068	1,234
Other intangible fixed assets	44	20	32
Total	**2,475**	**1,921**	**2,129**

Note 5 Fair value and reported in the balance sheet, Group

SEK million	30 June 2018	30 June 2017	31 Dec 2017
Liabilities			
Financial assets measured at fair value via the income statement			
Interest rate swaps	1	1	1
Financial instruments not measured at fair value			
Other non-current and current liabilities	150	36	54
Total other non-current and current liabilities	**151**	**37**	**55**

The Group holds financial instruments such as forward currency contracts that are recorded at fair value in the balance sheet. For all contracts, fair value has been determined based directly or indirectly on observable market data, that is, level 2 in accordance with IFRS 13. Liabilities at fair value are recognised as other long-term liabilities and other current liabilities. In all material respects, the fair value of other financial instruments is consistent with their book value. For further information please refer to Note 32 on pages 92-94 of the 2017 Annual Report.

Note 6 Pledged assets and contingent liabilities, Group

SEK million	30 June 2018	30 June 2017	31 Dec 2017
Pledged assets			
Blocked bank balances	10	1	11
Net assets in subsidiaries	1,933	1,523	1,647
Others	241	3	4
Total	**2,184**	**1,527**	**1,662**
Contingent liabilities			
Guarantees	11	12	19
Total	**11**	**12**	**19**

Note 7 Effects on net sales and operating expenses on recalculation to IFRS 15, Group

SEK million	2017 Q1	Recalculation IFRS 15	Recalculated 2017 Q1	2017 Q2	Recalculation IFRS 15	Recalculated 2017 Q2	2017 Q3	Recalculation IFRS 15	Recalculated 2017 Q3	2017 Q4	Recalculation IFRS 15	Recalculated 2017 Q4	Full year 2017	Recalculation IFRS 15	Recalculated Full year 2017
Net sales[1, 2, 3]	**527**	**-6**	**521**	**488**	**-7**	**481**	**579**	**-6**	**573**	**579**	**-8**	**571**	**2,173**	**-27**	**2,146**
Expenses for goods sold [3, 4]	-354	0	-354	-328	0	-328	-374	-3	-377	-374	-2	-376	-1430	-5	-1435
Gross profit	**173**	**-6**	**167**	**160**	-7	**153**	**205**	**-9**	**196**	**205**	**-10**	**195**	**743**	**-32**	**711**
Selling expenses[1, 2, 4]	-100	6	-94	-95	7	-88	-118	9	-109	-112	10	-102	-425	32	-393
Administration expenses	-36	–	-36	-39	–	-39	-62	–	-62	-42	–	-42	-179	–	-179
Other operating income	1	–	1	1	–	1	0	–	0	1	–	1	3	–	3
Other operating expenses	-1	–	-1	-1	–	-1	-4	–	-4	-2	–	-2	-8	–	-8
Operating profit	**37**	**0**	**37**	**26**	**0**	**26**	**21**	**0**	**21**	**50**	**0**	**50**	**134**	**0**	**134**

[1] Agreements with fixed and variable compensation to customers in connection with activities where a contingent undertaking by a customer is reported as selling expense rather than as a reduction of net sales.
[2] Agreements with fixed and variable central compensation to customers are reported as a reduction in net sales rather than as selling expenses.
[3] Agreements under which the customer is entitled to return products are reported as a reduction of net sales rather than as expenses for goods sold.
[4] Distribution agreements that include profit sharing agreements are reported as part of expenses for goods sold rather than as selling expenses.

Note 8 Breakdown of income, Group

SEK million	Sweden		Norway		Finland		Denmark		Germany		Group functions		Group	
April–June	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Geographical areas[1]														
Sweden	286	216	1	1	-	-	20	18	-	-	-18	-15	**289**	**220**
Norway	23	5	160	126	-	-	2	3	-	-	-24	-5	**161**	**129**
Finland	17	4	-	-	54	42	13	12	-	-	-28	-16	**56**	**42**
Denmark	8	1	-	-	-	-	82	70	-	-	-9	-	**81**	**71**
Iceland	-	0	0	0	-	-	0	0	-	-	-	-	**0**	**0**
Rest of Europe	6	-	-	-	-	-	16	18	103	-	-	-	**125**	**18**
Other countries	1	-	-	-	-	-	1	1	-	-	-	-	**2**	**1**
Net sales	**341**	**226**	**161**	**127**	**54**	**42**	**134**	**122**	**103**	**-**	**-79**	**-36**	**714**	**481**
Sales channel														
Pharmacies	52	13	32	12	10	3	4	-	-	-	-	-	**98**	**28**
FMCG retail	181	161	85	76	39	33	55	69	-	-	-	-	**360**	**339**
e-trade/post order	14	6	4	3	1	1	9	6	-	-	-	-	**28**	**16**
Healthfood retailers	17	8	24	18	4	5	24	14	-	-	-	-	**69**	**45**
Other specialist retailers	14	18	13	10	-	-	5	1	-	-	-	-	**32**	**29**
Others[2]	16	11	2	7	0	0	6	5	103	-	-	-	**127**	**23**
Group-internal sales	47	9	1	1	-	-	31	27	-	-	-79	-36	**-**	**-**
Net sales	**341**	**226**	**161**	**127**	**54**	**42**	**134**	**122**	**103**	**-**	**-79**	**-36**	**714**	**481**

[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 Business Area Germany are not available at the time of reporting, and they are therefore allocated to Others.

SEK million	Sweden		Norway		Finland		Denmark		Germany		Group functions		Group	
January–June	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Geographical areas[1]														
Sweden	571	452	2	2	-	-	41	38	-	-	-36	-33	**578**	**459**
Norway	36	8	308	267	-	-	7	7	-	-	-38	-8	**313**	**274**
Finland	28	9	-	-	109	84	26	25	-	-	-52	-32	**111**	**86**
Denmark	14	1	-	-	-	-	171	148	-	-	-14	-	**171**	**149**
Iceland	0	0	0	0	-	-	0	0	-	-	-	-	**0**	**0**
Rest of Europe	14	-	-	-	-	-	31	33	103	-	-	-	**148**	**33**
Other countries	2	-	-	-	-	-	1	1	-	-	-	-	**3**	**1**
Net sales	**665**	**470**	**310**	**269**	**109**	**84**	**277**	**252**	**103**	**-**	**-140**	**-73**	**1,324**	**1,002**
Sales channel														
Pharmacies	92	22	50	25	15	6	7	-	-	-	-	-	**164**	**53**
FMCG retail	374	359	173	159	81	66	131	145	-	-	-	-	**759**	**729**
e-trade/post order	30	15	7	6	3	2	16	10	-	-	-	-	**56**	**33**
Healthfood retailers	41	18	48	41	9	9	42	30	-	-	-	-	**140**	**98**
Other specialist retailers	28	24	22	21	-	-	8	2	-	-	-	-	**58**	**47**
Others[2]	23	16	8	15	1	1	12	9	103	-	-	-	**147**	**41**
Group-internal sales	77	16	2	2	-	-	61	56	-	-	-140	-73	**-**	**-**
Net sales	**665**	**470**	**310**	**269**	**109**	**84**	**277**	**252**	**103**	**-**	**-140**	**-73**	**1,324**	**1,002**

[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 Business Area Germany are not available at the time of reporting, and they are therefore allocated to Others.

Dalblads launched banana-candy and fudge flavoured Swebar protein snacks in the Swedish market.

Note 9 Acquisitions of operations

On 3 May, all shares in the German company Davert GmbH were acquired, with offices, warehousing and production facilities in Ascheberg, North Rhine-Westphalia, Germany. The acquisition is an important step for Midsona in becoming a European leader in health and well-being. The total purchase consideration amounted to SEK 378 million (EUR 35.8 million), with SEK 281 million (EUR 26.6 million) being paid in cash on Midsona gaining control, and SEK 97 million (EUR 9.2 million) being the purchase consideration entered as a liability. Of the purchase consideration entered as a liability, SEK 47 million (EUR 4.5 million) was conditional and may be payable based on profit targets until December 2022, with its fair value being based on an assessment of the likelihood of achieving the set targets. The acquisition was financed entirely through a new credit facility. Through the acquisition, Midsona will gain access to the Davert brand, a broad customer base, a customised production facility with modern production lines and a fully automated warehouse.

Davert holds a leading position in the German market for organic foods. The company offers products under its own brand and through contract manufacturing (private label) in categories including snacks, superfoods and nuts, breakfast cereals, rice, beans and seeds. The company also trades in commodities. Net sales amounted to SEK 616 million (EUR 64.0 million) and EBITDA to SEK 32.7 million (3.4 million) in 2017. Of net sales, 28 percent derived from the company's own brands, 37 percent from contract manufacturing (private label) and 35 percent from trade in commodities. Customers are mainly found in the healthfood retail and FMCG retail segments, as well as among operators in the food service and the food industry. The acquisition is expected to provide synergies of approximately SEK 40 million annually, both in terms of increased income through cross-selling, and reduced expenses, primarily in production and purchasing, with full effect from 2022. At the time of acquisition, the company had 143 employees.

The acquired operations were consolidated into the Midsona Group effective from 3 May 2018, forming a distinct geographical business area and being reported as the Germany operating segment in segment reporting. From the acquisition date until 30 June 2018, the acquired operations contributed SEK 103 million to consolidated net sales and SEK 8 million to consolidated EBITDA. If the acquisition had occurred on 1 January 2018, estimated consolidated net sales for the period January-June 2018 would have been SEK 1,538 million and EBITDA would have been SEK 117 million.

The acquired company's net assets on the acquisition date, SEK million	Fair value
Intangible fixed assets	1
Tangible assets	158
Financial fixed assets	1
Inventories	182
Accounts receivable	50
Other receivables	7
Prepaid expenses and accrued income	10
Cash and equivalents	0
Non-current interest-bearing liabilities	-204
Current interest-bearing liabilities	-42
Accounts payable	-21
Other current liabilities	-18
Accrued expenses and deferred income	-18
Total	106
Consolidated goodwill	272
Total	378

Transferred consideration, SEK million	Fair value
Cash	281
Purchase consideration recognised as liability	50
Conditional additional purchase considerations entered as liability	47
Total	378

The analysis of the information required for a full allocation of the fair value of the identified assets and liabilities had not been completed by the presentation of this interim report. Accordingly, the entire value of SEK 272 million was allocated to consolidated goodwill, meaning that profit for the period was not affected by depreciation of consolidated surplus values. The final goodwill, following reallocation, is not expected to be tax deductible. The fair value of accounts receivable amounted to SEK 50 million and was, in all material regards, fully settled at the end of the period. A complete presentation of the acquired company's net assets at the time of acquisition will be presented in the interim report for January-September 2018.

Acquisition-related expenses amounted to SEK 10 million and are reported as other operating expenses in the period's earnings for the second quarter of 2018.

The integration of the acquired operations was initiated during the period and is not expected to entail any restructuring expenses.

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 each measure not defined under IFRS, please see pages 114–115 in the 2017 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 2018	April–June 2017	Jan–June 2018	Jan–June 2017	Rolling 12-month	Full year 2017
Operating profit	34	26	81	63	152	134
Amortisation of intangible assets	6	6	13	11	26	24
Depreciation of tangible fixed assets	5	2	8	5	14	11
EBITDA	45	34	102	79	192	169
Items affecting comparability[2,3]	12	-	12	-	33	21
EBITDA, before items affecting comparability	57	34	114	79	225	190
Net sales	714	481	1,324	1,002	2,468	2,146
EBITDA margin, before items affecting comparability	8.0%	7.1%	8.6%	7.9%	9.1%	8.9%

[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 2018	April–June 2017	Jan–June 2018	Jan–June 2017	Rolling 12-month	Full year 2017
Restructuring expenses, net	2	-	2	-	18	16
Acquisition-related expenses	10	-	10	-	15	5
Total	12	-	12	-	33	21

[3] Corresponding line in the consolidated income statement.

SEK million	April–June 2018	April–June 2017	Jan–June 2018	Jan–June 2017	Rolling 12-month	Full year 2017
Expenses for goods sold	2	-	2	-	2	-
Selling expenses	-1	-	-1	-	3	4
Administrative expenses	1	-	1	-	13	12
Other operating expenses	10	-	10	-	15	5
Total	12	-	12	-	33	21

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

SEK million	Rolling 12-month	Full year 2017
EBITDA	192	169
Acquisition-related restructuring expenses	16	16
Acquisition-related transaction expenses	15	5
Pro forma adjustment	23	-10
Adjusted EBITDA	246	180

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

SEK million	30 June 2018	30 June 2017	31 Dec 2017
Non-current interest-bearing liabilities	1,186	686	665
Current interest-bearing liabilities	47	41	41
Cash and cash equivalents[1]	-41	-75	-54
Net debt	1,192	652	652

[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 liabilities 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 2018	April–June 2017	Jan–June 2018	Jan–June 2017	Rolling 12-month	Full year 2017
Equity and liabilities	3,687	2,591	3,687	2,591	3,687	2,857
Other non-current liabilities	-85	-4	-85	-4	-85	-5
Deferred tax liabilities	-215	-204	-215	-204	-215	-221
Accounts payable	-339	-205	-339	-205	-339	-220
Other current liabilities	-66	-33	-66	-33	-66	-50
Accrued expenses and deferred income	-126	-87	-126	-87	-126	-105
Capital employed	2,856	2,058	2,856	2,058	2,856	2,256
Capital employed at the beginning of the period	2,332	2,095	2,256	2,076	2,058	2,076
Average capital employed	2,594	2,077	2,556	2,067	2,457	2,166

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

SEK million	Rolling 12-month	Full year 2017
Profit before tax	**140**	**112**
Financial expenses	22	22
Profit before taxes, excluding financial expenses	**162**	**134**
Average capital employed	2,457	2,166
Return on capital employed, %	**6.6**	**6.2**

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 2018	April-June 2017	Jan-June 2018	Jan-June 2017	Rolling 12-month	Full year 2017
Shareholders' equity	**1,623**	**1,331**	**1,623**	**1,331**	**1,623**	**1,550**
Shareholders' equity at the beginning of the period	1,636	1368	1,550	1,349	1,331	1,349
Average shareholder's equity	**1,630**	**1,350**	**1,587**	**1,340**	**1,477**	**1,450**

Return on equity – profit for the period in relation to average shareholders' equity

SEK million	Rolling 12-month	Full year 2017
Profit for the period	**109**	**84**
Average shareholder's equity	1,477	1,450
Return on equity, %	**7.4**	**5.8**

Free cash flow – cash flow from operating activities less cash flow from investing activities, excluding acquisitions/sales of operations and acquisitions/sales of trademarks and product rights

SEK million	April-June 2018	April-June 2017	Jan-June 2018	Jan-June 2017	Rolling 12-month	Full year 2017
Cash flow from operating activities	**54**	**34**	**56**	**66**	**142**	**152**
Cash flow from investing activities	-295	-5	-301	-7	-385	-91
Acquisitions of companies or operations	281	-	281	-	345	64
Free cash flow	**40**	**29**	**36**	**59**	**102**	**125**

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 2018	April-June 2017	Jan-June 2018	Jan-June 2017	Rolling 12-month	Full year 2017
Net sales	**714**	**481**	**1,324**	**1,002**	**2,468**	**2,146**
Net sales compared with the corresponding period in the preceding year	-481	-351	-1,002	-701	-2,045	-1,744
Net sales, change	**233**	**130**	**322**	**301**	**423**	**402**
Structural changes	-163	-147	-234	-317	-374	-457
Exchange rate changes	-22	-10	-26	-24	-20	-18
Organic change	**48**	**-27**	**62**	**-40**	**29**	**-73**
Organic change, %	10.0%	-7.7%	6.2%	-5.7%	1.4%	-4.2%
Structural changes, %	33.9%	41.9%	23.4%	45.2%	18.3%	26.2%
Exchange rate changes, %	4.5%	2.8%	2.5%	3.4%	1.0%	1.0%

Naturdiet launched the Swedish market's first LCD Low Sugar Mealbars, with toffee coconut and chocolate raspberry flavours.

Quarterly data[1]

SEK million	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3
Net sales	**714**	**610**	**571**	**573**	**481**	**521**	**521**	**522**	**351**	**350**	**352**	**367**
Expenses for goods sold	-496	-402	-376	-377	-328	-354	-337	-348	-223	-219	-219	-226
Gross profit	**218**	**208**	**195**	**196**	**153**	167	**184**	**174**	**128**	**131**	**133**	**141**
Selling expenses	-119	-110	-102	-109	-88	-94	-108	-107	-79	-83	-84	-95
Administrative expenses	-56	-48	-42	-62	-39	-36	-42	-44	-32	-31	-31	-27
Other operating income	2	1	1	0	1	1	3	0	1	1	5	0
Other operating expenses	-11	-4	-2	-4	-1	-1	-5	-7	-1	-1	0	-8
Operating profit	**34**	**47**	**50**	**21**	**26**	**37**	**32**	**16**	**17**	**17**	**23**	**11**
Financial income	4	6	0	0	0	0	0	1	0	0	1	0
Financial expenses	-8	-5	-4	-5	-7	-6	-7	-9	-5	-4	-2	-4
Profit before tax	**30**	**48**	**46**	**16**	**19**	**31**	**25**	**8**	**12**	**13**	**22**	**7**
Tax on profit for the period	-5	-9	-12	-5	-4	-7	-9	-1	-1	-2	-6	32
Profit for the period	**25**	**39**	**34**	**11**	**15**	**24**	**16**	**7**	**11**	**11**	**16**	**39**
Items affecting comparability												
Items affecting comparability included in operating profit	12	-	-1	22	-	-	7	19	1	-	-2	14
Operating profit, before items affecting comparability	**46**	**47**	**49**	**43**	**26**	**37**	**39**	**35**	**18**	**17**	**21**	**25**
Depreciation/amortisation and impairment												
Depreciation/amortisation and impairment included in operating income	11	10	10	9	8	8	7	7	5	6	6	6
EBITDA	**45**	**57**	**60**	**30**	**34**	**45**	**39**	**23**	**22**	**23**	**29**	**17**
Depreciation/amortisation, impairment and items affecting comparability												
Depreciation/amortisation, impairment and items affecting comparability included in operating profit	23	10	9	31	8	8	14	26	6	6	4	20
EBITDA, before items affecting comparability	**57**	**57**	**59**	**52**	**34**	**45**	**46**	**42**	**23**	**23**	**27**	**31**
Free cash flow	40	-4	49	17	29	30	53	8	-26	16	19	28
Number of employees as per the balance sheet date	528	382	384	386	329	326	322	341	275	285	294	284

[1] Quarterly data for 2015 and 2016 have not been recalculated for effects on net sales and operating expenses in connection with conversion to IFRS 15.

In the first half of 2018, Davert launched two protein-rich flour products in the German market.

Financial calendar

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

Interim Report
January–September 2018
25 October 2018

Year-end Report
2018
8 February, 2019

Interim Report
January–March 2019
3 May 2019

Interim report
January–June 2019
19 July 2019

Interim Report
January–September 2019
23 October 2019

This is Midsona

Strong brands

Midsona is the leading consumer goods company in the Nordic region operating in a growing market for health and well-being. Our attractive portfolio of well-known products, is focused on helping people lead a healthier life. 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. Midsona series A and B share have been listed on the OMX Nasdaq Stockholm exchange since 1999, in the FMCG sector.

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 current primary geographical markets of Sweden, Denmark, Norway and Finland. 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 continuously assess the product range from the perspective of profitability and in recent years, a large number of products have been removed that do not fit into the Group's strategy deemed not to meet the profitability requirements. A shared supply chain organisation has been implemented in the Nordic region as part of the strategy of establishing an efficient and sustainable value chain.
- *Selective acquisitions* – Acquisitions are an integral and fundamental part of our business. We have played a major role in consolidating the market in the Nordic region. Although we will continue to do that, our sights are now set primarily on the rest of Europe. We have demonstrated very good capacity in identifying appropriate acquisitions and in integrating and developing operations offering favourable synergies. A process has been conducted to map companies operating in markets in health and well-being in Western Europe.
- *Healthy and sustainable culture* – We offer products that help people achieve a healthier life and we seek to build on our strong position as the expert in health and well-being. Our brands and products play a fundamental role in those efforts. Being sustainable is growing increasingly important. Our customers and consumers impose continuously increasing demands on sustainable products. There are strong connections between their interest in organic products and their interest in sustainability. We now receive considerably more questions regarding sustainability than we did a few years ago. We presented our sustainability efforts in a Sustainability Report, included in Midsona's 2017 Annual Report.

Long-term financial targets

Long-term financial targets set by the Board of Directors of Midsona AB (publ) in the second quarter of 2013.

- Net sales growth of 10 percent, through organic growth and acquisitions.
- Operating margin >10 percent.
- A ratio between net debt/operating profit before amortisation/depreciation of intangible and tangible fixed assets (EBITDA) of a multiple <2.
- A dividend over time of >30 percent of profit after tax.

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.

Eight priority brands

Midsona's operations are based on strong proprietary brands. Six of these play a very central role in the Group's growth and account for a large portion of sales. These are Urtekram, Friggs, Dalblads, Naturdiet, Eskimo-3 and Kung Markatta. The Helios and Miwana brands are also prioritised.

Urtekram
A leading brand in organic food and organically certified body care products, with a broad product portfolio, available primarily through supermarkets in the Nordic region.

Friggs
A broad health products brand with a distinct FMCG profile, mainly available in supermarkets in Sweden, Finland and Norway.

Dalblads
A series of sports-related products for those who train regularly, as well as elite athletes – sold primarily in supermarkets and by other specialist retailers in Sweden and Norway.

Naturdiet
A series of meal alternatives for a healthy lifestyle – sold mainly in supermarkets in Sweden, Finland and Norway. The products are full of vitamins and minerals that the body needs, but always have a low energy content.

Kung Markatta
A leading brand in organic foods, with a broad product portfolio, available primarily through supermarkets in Sweden.

Eskimo-3
A range of high-quality dietary supplements naturally rich in omega-3 fatty acids, which are sold primarily through specialist healthfood retailers and pharmacies in the Nordic region.

Helios
A leading brand in organic food, with a product portfolio, available primarily through supermarkets and healthfood retailers in Norway.

Miwana
A series of natural products for the whole family for cold-related nose and throat problems – sold mainly through pharmacies in Sweden and Norway.