



midsona

INTERIM REPORT, JANUARY-MARCH 2017

Increased sales and synergies gave significantly higher operating margin

January-March 2017 (first quarter)

- Net sales amounted to SEK 527 million (350).
- Operating profit before amortisation/depreciation and impairment, EBITDA was SEK 45 million (23) corresponding to a margin of 8.5 percent (6.6).
- Profit for the period was SEK 24 million (11), corresponding to earnings per share, before and after dilution, of SEK 0.56 (0.37).
- Cash flow from continuing operations amounted to SEK 32 million (20).
- Danish consumers voted the Urtekram brand as Denmark's most sustainable business and brand in the Sustainable Brand Index 2017 survey.

Key figures¹

	Jan-Mar 2017	Jan-Mar 2016	Rolling 12-month	Full year 2016
Net sales growth, %	50.6	50.9	48.7	48.6
Gross margin, %	32.8	37.4	34.3	35.4
EBITDA margin before non-recurring items, %	8.5	6.6	8.1	7.7
EBITDA margin, %	8.5	6.6	6.7	6.1
Operating profit before non-recurring items, %	7.0	4.9	6.7	6.3
Operating margin, %	7.0	4.9	5.3	4.7
Profit margin, %	5.9	3.7	4.0	3.3
Average capital employed, SEK million	2,086	1,194	1,643	1,636
Return on capital employed, %	1.8	1.4	6.3	5.1
Return on equity, %	1.8	1.2	5.1	4.0
Net debt, SEK million	633	242	633	662
Net debt/EBITDA, multiple			4.9	6.2
Net debt/equity ratio, multiple	0.5	0.3	0.5	0.5
Interest coverage ratio, multiple	6.2	4.3	3.8	3.3
Debt/equity ratio, %	51.9	57.6	51.9	51.5

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 12 of this interim report and to the 2016 Annual Report.



naturdiet



Miwana®

Note: This is information such that Midsona AB (publ) is required to publish under the EU Market Abuse Regulation. The information was submitted under the auspices of Lennart Svensson for publication on 26 April 2017 at 8.00 a.m. CET.

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Peter Åsberg, President and CEO

Comment by the CEO

Significantly improved operating margin

In the first quarter, Midsona's sales rose by 51 percent to SEK 527 million (350). Operating profit before amortisation/depreciation and impairment (EBITDA) rose by 96 percent to SEK 45 million (23). Operating profit (EBIT) rose by 116 percent to SEK 37 million (17). Accordingly, the EBIT margin increased to 7.0 percent (4.9). The improvement was a direct result of our long-term development process and a major step in the right direction toward our financial target of an operating margin of 10 percent.

Synergies through integration

The fact that, in percentage terms, earnings at all levels are rising significantly more than net sales is mainly because we are now experiencing a clear synergistic impact from the integration of acquired companies. An important part of Midsona's strategy is to acquire companies, integrate them and achieve synergies. In the autumn and winter, intensive integration efforts were carried out for the acquired Internatural, with the brands Kung Markatta and Helios. Gradually, we are now seeing the results of the synergies and stand by our commitment to realise at least SEK 25 million in administrative synergies on an annual basis with full effect from the second half of 2017. Another SEK 10 million will be achieved through joint purchasing, relocation of the production of parts of the product range of King Markatta and Helios, to its own factory, and coordinated logistics. These will begin to appear in late 2017 and will take full effect in 2018.

Success for Urtekram

Urtekram is the Group's largest brand by far, with market-leading positions in organic groceries in both Denmark and Finland. In addition, it holds strong positions in the other Nordic countries and rapidly growing exports with good profitability outside the Nordic region.

During the quarter, the brand received a number of prestigious awards. Urtekram was named Denmark's most sustainable brand. Sustainability is an important part of Midsona's strategy and the fact that our largest brand received this award in its home market shows that our efforts to become a more sustainable company are recognised and appreciated by consumers. Urtekram Nordic Berries was voted as the best new haircare product at Vivanness 2017, an international trade fair for natural beauty products co-arranged with the world's largest trade fair for organic products, Biofach 2017. Finally, a product from Urtekram's skincare line for men won the award for *Best new male grooming product 2017* at the Natural Products fair in London.

Focus on leading brands in priority categories

In recent years, Midsona has chosen to substantially focus the brand portfolio with the ambition of building market-leading brands in three major product categories: organic, health food products and OTC/supplements. This focus has been necessary and will continue as an overly complex brand portfolio impacts profitability negatively. This has meant that we have had weak or even negative organic growth as we cleared non-performing products and brands. The focus is on the Group's eight priority proprietary brands and a number of priority licensed brands. These brands show strong growth in the quarter. The top 8 proprietary brands grew by 6 percent*. Of the Group's total of ten major brands, which represent a mix of proprietary and licensed brands, eight showed growth over the quarter.

Priorities during 2017

Midsona's operations are based on our priority brands and a number of strategic sales assignments in the Nordic region. The principal focus in 2017 will be on continuing to develop these through product-innovation, consumer marketing and effective sales processing. Midsona sees growth opportunities in the Nordic region for our brands, as well as through acquisitions. The synergies from the acquisition of Internatural are starting to have effect and should be achieved fully during the year. In late 2016 and early 2017, we have secured a number of new strategic export customers for Urtekram. Products are now gradually being launched with these customers. Midsona expects its net sales and profit before depreciation and amortisation (EBITDA) to increase in 2017.

Peter Åsberg
President and CEO

FIRST QUARTER

SEK 527 million

Sales

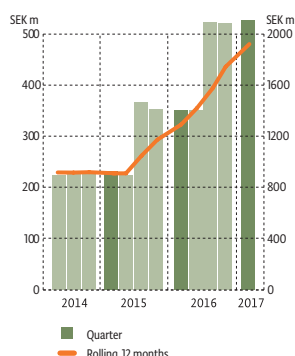
SEK 45 million

Profit before amortisation, depreciation and impairment (EBITDA)

*Acquired brands, Kung Markatta and Helios, are compared in the first quarter with the same period last year in which Midsona did not yet own the brands.

Financial information

Net sales



* Acquired brands, Kung Markatta and Helios, are compared in the first quarter with the same period last year in which Midsona did not yet own the brands.

Net sales

Net sales amounted to SEK 527 million (350), an increase of 51 percent. Adjusted for structural changes, net sales rose by 2 percent. The Group's eight prioritised brands showed growth of 6 percent*.

Sales rose significantly in both Sweden and Norway, mainly driven by acquired sales volumes. Several priority brands showed good sales growth in the Swedish market, despite increasing competition from retailers' own brands. In the Norwegian market, however, sales for some brands were negatively affected by the rationalisation of product ranges by one of the larger customers. Finland experienced a stable sales trend for several priority brands due to increased distribution to retailers. In Denmark, sales declined, and this was attributable entirely to a changed accounting model in the first quarter of 2016 for the Urtekram brand in the Swedish market. The sales trend in the Danish market was relatively stable, despite a major customer's streamlining of its product ranges and increased focus on its proprietary brands. Export operations outside the Nordic region showed continued strong sales growth, primarily attributable to the geographical markets of the UK, Belgium and Portugal. For segment reporting, see Note 3 Operating segments on page 11.

Two sales assignments, with annual net sales of approximately SEK 10 million, were signed during the period. The sales assignments are for the Finnish market, and both are expected to commence in the third quarter of 2017.

Gross profit

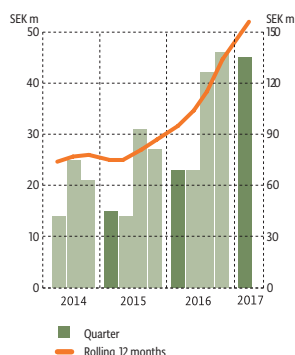
Gross profit amounted to SEK 173 million (131), corresponding to a gross margin of 32.8 percent (37.4). The gross margin was affected negatively, primarily by the increased proportion of sales to the FMCG market, with lower overall margins related to the acquisition of Internatural. A somewhat unfavourable currency trend also exerted pressure on the gross margin. In addition, recent years' substantial growth in the organic market began to result in a certain scarcity of commodities, resulting in rising commodity prices, which affected the Group negatively, since about 50 percent of the Group's sales consists of organic products.

Operating profit

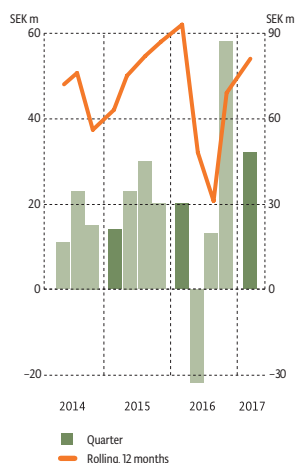
Operating profit before depreciation/amortisation and impairment, EBITDA, amounted to SEK 45 million (23), corresponding to a margin of 8.5 percent (6.6). Amortisation and depreciation for the period amounted to SEK 8 million (6), divided between SEK 5 million (4) in amortisation of intangible fixed assets and depreciation of SEK 3 million (2) on tangible fixed assets. Operating profit amounted to SEK 37 million (17), with an operating margin of 7.0 percent (4.9).

The significant improvement in operating profit and operating margin was mainly attributable to Sweden and Norway, both through higher sales volumes and synergies achieved through acquisitions. In addition, cost management was favourable in all business areas. In Sweden, there was a strong focus on integration, with a new operational organisation, located in Malmö and Örebro, being implemented. Norway was also pervaded by continued efforts with internal processes enhance efficiency following completion of the integration. Finland had stable earnings growth, although slightly weaker margins due to an unfavourable product mix and an increasing proportion of sales to the FMCG segment with lower margins. For Denmark, operating profit was lower than last year, mainly as a result of the change in the accounting model for the Swedish market in the first quarter of 2016 for the Urtekram brand, with a higher proportion of internal sales at lower margins. For segment reporting, see Note 3 Operating segments on page 11.

EBITDA, before non-recurring items



Cash flow from continuing operations



Financial items

Net financial items amounted to an expense of SEK 6 million (4) and were primarily affected by higher interest expenses to credit institutions as a result of significantly higher debt due to the acquisitions that have been made.

Profit for the period

Profit for the period was SEK 24 million (11), corresponding to earnings per share of SEK 0.56 (0.37) before and after dilution. Tax on profit for the period amounted to a negative SEK 7 million (2), of which a negative SEK 2 million (2) consisted of current tax and a negative SEK 5 million (0) in deferred tax. The effective tax rate for the period was 22.5 percent.

Cash flow

Cash flow from continuing operations improved to SEK 32 million (20) through a stronger continuing operations before changes in working capital. Capital tied up in inventories decreased in line with the measures taken, but was offset by more capital being tied up in receivables as a result of strong sales in March. Cash flow from investing activities amounted to a negative SEK 2 million (4), consisting of net investments in tangible and intangible fixed assets. Cash flow from financing activities amounted to

SEK 0 million (negative 27). The comparison period included loans raised of SEK 25 million, amortisation of loans for SEK 5 million and a change in the use of the existing overdraft facility by a negative SEK 47 million.

Liquidity and financial position

Cash and equivalents amounted to SEK 94 million (51) and there were unused credit facilities of SEK 100 million (87) at the end of the period. Net debt amounted to SEK 633 million (242) at the end of the period and was reduced during the quarter by SEK 29 million, through strong cash flow. The net debt/equity ratio was a multiple of 0.5 (0.3). The ratio between net debt and EBITDA on a rolling 12-month basis was a multiple of 4.9 (2.8). At the end of the preceding quarter, the ratio between net debt and EBITDA on a rolling 12-month basis was a multiple of 6.2.

Shareholders' equity amounted to SEK 1,368 million (898). At the end of the preceding quarter, shareholders' equity was SEK 1,349 million. The changes consisted of profit for the period of SEK 24 million and exchange rate differences of a negative SEK 5 million on the translation of foreign operations. The equity/assets ratio was 52 percent (58) at the end of the period.

Investments

Investments in intangible and tangible fixed assets amounted to SEK 2 million (4) and consisted mainly of production-related investments.

Other information

Future prospects

Consumer demand for products in the areas of health and well-being in general, and ecological produce in particular, is expected to continue increasing. Midsona is well-positioned in attractive growth segments and the assessment is that the Group will grow over the year with improved EBITDA.

Personnel

The average number of employees was 322 (287), while the number of employees at the end of the period amounted to 326 (285). The increased number of employees at the end of the period was mainly related to the acquisition of Internatural AB in July 2016. During the current quarter, the number of employees increased by four.

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 8 million (6), and related primarily to invoicing of services provided internally within the Group. Profit before tax amounted to SEK 8 million (loss 1). Profit before tax included dividends from subsidiaries of SEK 65 million and impairment of shares in subsidiaries by SEK 51 million. Financial expenses increased due to higher debt to credit institutions and negative currency translation effects on long-term debt in foreign currencies. Cash and equivalents, including unutilised credit facilities, amounted to SEK 174 million (87). Borrowing from credit institutions was SEK 725 million (230) at the end of the period. On the balance sheet date, there were 10 employees (9).

For the Parent Company, SEK 8 million (6), equivalent to 100 percent (100) of sales for the period and SEK 1 million (1), corresponding to 10 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.

Three of the Board Members invoice their Board fees via their own companies. Beyond that, there have been no loans, purchases or sales involving members of the Board or senior executives.



In Sweden, Friggs launched a new flavour, blackberry-lavender, in its series of organic premium teas.

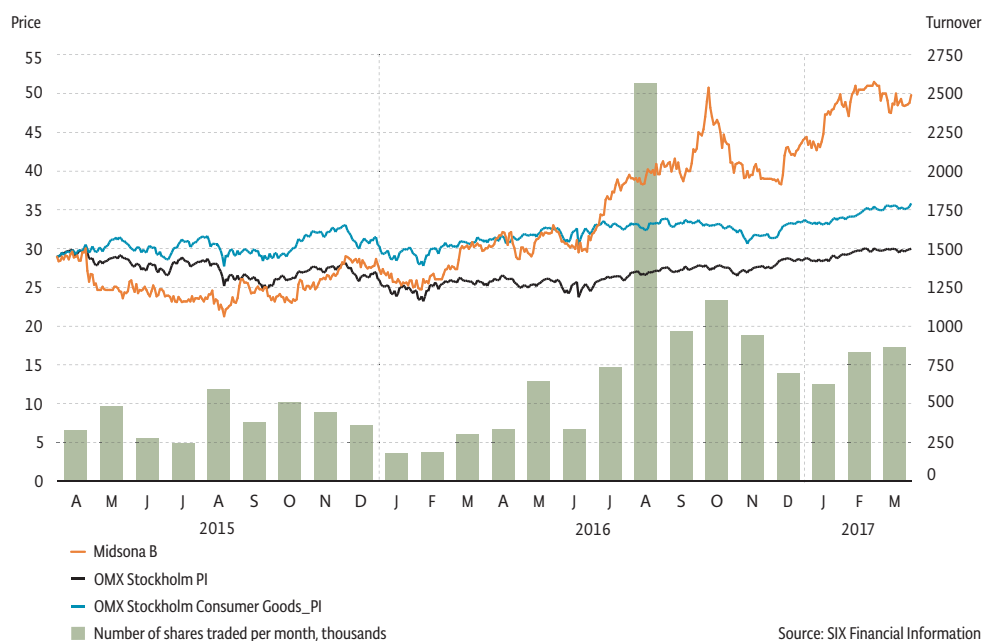
The share

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

The total number of shares at the end of the period was 42,646,480 shares (28,430,987) distributed as 539,872 series A shares (474,915) and 42,106,608 series B shares (27,956,072). The number of votes at the end of the period amounted to 47,505,328 (32,705,222), where a series A share corresponds to ten votes and a series B share to one vote.

In January–March 2017, 2,327,768 shares (655,987) were traded. The highest price paid for Series B shares was SEK 52.00 (31.27), and the lowest was SEK 42.40 (24.40). On 31 March, the most recent price paid for the share was SEK 49.80 (30.40). For the comparison year, the share price has been adjusted for the new share issue.

There was an option programme outstanding at the end of the period (see the 2016 Annual report). The subscription price for outstanding warrants exceeded the average share price of Series B shares on the closing date, which is why earnings per share after dilution were not calculated.



Strong performance by the Midsona share.

Ownership

Stena Adactum AB was the largest shareholder with 25.3 percent of the capital and 30.0 percent of the voting rights on 31 March 2017. 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	10,773,169	25.3	30.0
Handelsbanken funds	4,123,013	9.7	8.7
Second AP funds	2,521,257	5.9	5.3
BPSS PAR/FCP ECHIQUIER	1,700,000	4.0	3.6
Peter Wahlberg and companies	1,534,568	3.6	3.2
Clients funds	1,466,917	3.4	3.1
LINC AB	1,444,482	3.4	3.0
Nordea Investment Funds	1,329,256	3.1	2.8
Lannebo Funds	1,325,318	3.1	2.8
Insurance company Avanza Pension	922,467	2.2	2.2
Total	27,140,447	63.7	64.7
Other shareholders	15,506,033	36.3	35.3
Total	42,646,480	100.0	100.0

Source: Euroclear

Total number of shareholders (including nominee-registered) was 5,988 (4,540). In the current quarter, the number of shareholders increased by 64. Foreign ownership amounted to 18.6 percent (34.9) 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 2016 Annual Report.

Award

The new organic body care range, Urtekram Nordic Berries, was voted as the best new body and haircare product at Vivaness, an international trade fair for natural beauty products co-arranged with the world's largest trade fair for organic products, Biofach 2017.

Significant events following the end of the report period.

The new organic body care range for men, Urtekram Men Face & Body Lotion, won a prestigious award at the Natural Products trade fair in London for best male hair and body care product.

Malmö, 26 April 2017

Midsona AB (publ)

Board of Directors

Review by Auditor

This interim report has not been subject to review by the Company's Auditor.



Urtekram Nordic Berries, best new body and hair care product at the Vivaness trade fair.



Urtekram Men Face & Body Lotion, best male hair and body care product at the Natural Products trade fair.

Financial statements

Summary consolidated income statement

SEK million	Note	Jan-Mar 2017	Jan-Mar 2016	Rolling 12-month	Full year 2016
Net sales	3	527	350	1,921	1,744
Expenses for goods sold		-354	-219	-1,262	-1,127
Gross profit		173	131	659	617
Selling expenses		-100	-83	-394	-377
Administrative expenses		-36	-31	-154	-149
Other operating income		1	1	5	5
Other operating expenses		-1	-1	-14	-14
Operating profit	3	37	17	102	82
Financial income		0	0	1	1
Financial expenses		-6	-4	-27	-25
Profit before tax		31	13	76	58
Tax on profit for the period		-7	-2	-18	-13
Profit for the period		24	11	58	45

Profit for the period is divided between:

Parent Company shareholders (SEK million)	24	11	58	45
Earnings per share before and after dilution attributable to Parent Company shareholders (SEK)	0.56	0.37	1.65	1.42

Number of shares (thousands)

On the balance sheet date	42,646	28,431	42,646	42,646
Average during the period	42,646	28,431	35,101	31,547

Summary consolidated statement of comprehensive income

SEK million	Jan-Mar 2017	Jan-Mar 2016	Rolling 12-month	Full year 2016
Profit for the period	24	11	58	45
<i>Items that have or can be reallocated to profit for the year</i>				
Translation differences for the period on translation of foreign operations	-5	10	41	56
Other comprehensive income for the period	-5	10	41	56
Comprehensive income for the period	19	21	99	101
<i>Comprehensive income for the period is divided between:</i>				
Parent Company shareholders (SEK million)	19	21	99	101

Summary consolidated balance sheet

SEK million	Note	31 March 2017	31 March 2016	31 December 2016
Intangible fixed assets	4	1,929	1,076	1,940
Tangible fixed assets		54	47	55
Non-current receivables		3	2	2
Deferred tax assets		74	79	82
Fixed assets		2,060	1,204	2,079
Inventories		227	151	244
Accounts receivable		222	134	209
Tax receivables		7	3	1
Other receivables	5	0	1	0
Prepaid expenses and accrued income		25	14	22
Liquid assets		94	51	65
Current assets		575	354	541
Assets		2,635	1,558	2,620
Share capital		213	568	213
Additional paid-up capital		466	166	466
Reserves		26	-15	31
Profit brought forward, including profit for the period		663	179	639
Shareholders' equity		1,368	898	1,349
Non-current interest-bearing liabilities		686	271	696
Other non-current liabilities	5	5	-	4
Deferred tax liabilities		204	136	207
Non-current liabilities		895	407	907
Current interest-bearing liabilities		41	22	31
Accounts payable		207	129	212
Other current liabilities	5	41	26	38
Accrued expenses and deferred income		83	76	83
Current liabilities		372	253	364
Liabilities		1,267	660	1,271
Equity and liabilities		2,635	1,558	2,620

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 2016	568	166	-25	168	877
Profit for the period	-	-	-	11	11
Other comprehensive income for the period	-	-	10	-	10
Comprehensive income for the period	-	-	10	11	21
Closing shareholders' equity 31 March 2016	568	166	-15	179	898
Opening shareholders' equity 1 April 2016	568	166	-15	179	898
Profit for the period	-	-	-	34	34
Other comprehensive income for the period	-	-	46	-	46
Comprehensive income for the period	-	-	46	34	80
New share issue	71	341	-	-	412
Issue costs	-	-10	-	-	-10
Reduction of share capital as resolved at the Annual General Meeting 2016	-426	-	-	426	-
Dividend	-	-31	-	-	-31
Transactions with the Group's owners	-355	300	-	426	371
Closing shareholders' equity 31 December 2016	213	466	31	639	1,349
Opening shareholders' equity 01 April 2017	213	466	31	639	1,349
Profit for the period	-	-	-	24	24
Other comprehensive income for the period	-	-	-5	-	-5
Comprehensive income for the period	-	-	-5	24	19
Closing shareholders' equity 31 March 2017	213	466	26	663	1,368

Summary consolidated cash flow statement

SEK million	Jan-Mar 2017	Jan-Mar 2016	Rolling 12-month	Full year 2016
Profit before tax	31	13	76	58
Adjustment for items not included in cash flow	6	9	49	52
Income tax paid	-2	-2	-7	-7
Cash flow from operating activities before changes in working capital	35	20	118	103
Increase (-)/decrease (+) in inventories	15	1	-8	-22
Increase (-)/decrease (+) in operating receivables	-22	-4	-33	-15
Increase (+)/decrease (-) in operating liabilities	4	3	4	3
Changes in working capital	-3	0	-37	-34
Cash flow from current operations	32	20	81	69
Acquisitions of companies or operations	-	-	-800	-800
Acquisitions of intangible fixed assets	-	-2	-33	-35
Acquisitions of tangible fixed assets	-2	-2	-13	-13
Divestments of tangible fixed assets	-	0	0	0
Cash flow from investing activities	-2	-4	-846	-848
Cash flow after investing activities	30	16	-765	-779
New share issue	-	-	412	412
Issue costs	-	-	-10	-10
Loans raised	-	25	1,225	1,250
Amortisation of loans	0	-52	-791	-843
Dividend paid	-	-	-31	-31
Cash flow from financing activities	0	-27	805	778
Cash flow for the period	30	-11	40	-1
Cash and equivalents at beginning of period	65	61	51	61
Translation difference in cash and equivalents	-1	1	3	5
Cash and equivalents at end of period	94	51	94	65

Summary income statement, Parent Company

SEK million	Jan-Mar 2017	Jan-Mar 2016	Rolling 12-month	Full year 2016
Net sales	8	6	30	28
Selling expenses	0	0	0	0
Administrative expenses	-10	-9	-38	-37
Other operating income	0	1	2	3
Other operating expenses	0	-1	-3	-4
Operating profit	-2	-3	-9	-10
Profit from participations in subsidiaries	14	0	101	87
Financial income	5	4	20	19
Financial expenses	-9	-2	-26	-19
Loss after financial items	8	-1	86	77
Allocations	-	-	166	166
Profit before tax	8	-1	252	243
Tax on profit for the period	-	-	-32	-32
Profit for the period	8	-1	220	211

Summary statement of comprehensive income, Parent Company

SEK million	Jan-Mar 2017	Jan-Mar 2016	Rolling 12-month	Full year 2016
Profit for the period	8	-1	220	211
Other comprehensive income for the period	-	-	-	-
Comprehensive income for the period	8	-1	220	211

Summary balance sheet, Parent Company

SEK million	31 March 2017	31 March 2016	31 December 2016
Intangible fixed assets	1	1	1
Tangible fixed assets	0	0	0
Participations in subsidiaries	1,354	790	1,405
Receivables from subsidiaries	709	217	742
Deferred tax assets	3	35	3
Financial fixed assets	2,066	1,042	2,150
Fixed assets	2,067	1,043	2,151
Receivables from subsidiaries	302	6	462
Other receivables	10	4	8
Cash and bank balances	74	0	25
Current assets	386	10	495
Assets	2,453	1,053	2,646
Share capital	213	568	213
Statutory reserve	58	58	58
Profit brought forward, including profit for the period and other reserves	1,037	91	1,029
Shareholders' equity	1,308	717	1,300
Liabilities to credit institutions	685	210	695
Liabilities to subsidiaries	223	0	481
Non-current liabilities	908	210	1,176
Liabilities to credit institutions	40	20	30
Liabilities to subsidiaries	189	100	133
Other current liabilities	8	6	7
Current liabilities	237	126	170
Equity and liabilities	2,453	1,053	2,646

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 2017 had no impact on the Group's accounting for financial year of 2017. 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 page 62 of the 2016 Annual Report.

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 on page 89 of the 2016 Annual Report.

Note 3 Operating segments

SEK million	Sweden		Norway		Finland		Denmark		Group functions		Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
January-March												
Net sales, external	237	101	142	89	42	39	106	121	-	-	527	350
Net sales, intra-Group	7	12	1	1	-	1	29	19	-37	-33	-	-
Net sales	244	113	143	90	42	40	135	140	-37	-33	527	350
Operating expenses (excluding depreciation/amortisation and impairment), external	-199	-95	-125	-77	-21	-19	-129	-127	-8	-9	-482	-327
Operating expenses, intra-Group	-19	-9	-4	-6	-17	-16	0	-3	40	34	-	-
Operating expenses (excluding depreciation/amortisation and impairment)	-218	-104	-129	-83	-38	-35	-129	-130	32	25	-482	-327
EBITDA, undistributed	26	9	14	7	4	5	6	10	-5	-8	45	23
Depreciation/amortisation and impairment	-2	-1	-1	-1	0	-1	-2	-2	-3	-1	-8	-6
Operating profit, undistributed	24	8	13	6	4	4	4	8	-8	-9	37	17
Financial items											-6	-4
Profit before tax											31	13

Note 4 Intangible assets

SEK million	31 March 2017	31 March 2016	31 December 2016
Brands	834	534	840
Goodwill	1,078	522	1,082
Other intangible fixed assets	17	20	18
Total	1,929	1,076	1,940

Note 5 Fair value and reported in the balance sheet

SEK million	31 March 2017	31 March 2016	31 December 2016
Assets			
<i>Financial assets measured at fair value via the income statement</i>			
Transactions in foreign currencies	-	0	0
<i>Financial instruments not measured at fair value</i>			
Other receivables	0	1	0
Total other receivables	0	1	0
Liabilities			
<i>Financial assets measured at fair value via the income statement</i>			
Transactions in foreign currencies	0	-	0
Interest rate swaps	1	1	2
<i>Financial instruments not measured at fair value</i>			
Other non-current and current liabilities	45	25	40
Total other non-current and current liabilities	46	26	42

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. Assets at fair value are recognised as other receivables in the consolidated balance sheet. Liabilities at fair value are reco-

gnised 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 page 86 of the 2016 Annual Report.

Note 6 Pledged assets and contingent liabilities

SEK million	31 March 2017	31 March 2016	31 December 2016
Pledged assets			
Property mortgages	-	26	-
Chattel mortgages	-	13	-
Blocked bank balances	4	2	4
Net assets in subsidiaries	1,452	685	1,394
Others	3	104	3
Total	1,459	830	1,401
Contingent liabilities			
Guarantees, external	14	-	15
Total	14	-	15

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 each measure not defined under IFRS, please see page 108 in the 2016 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 assets¹

SEK million	Jan-Mar 2017	Jan-Mar 2016	Rolling 12-month	Full year 2016
Operating profit	37	17	102	82
Amortisation of intangible assets	5	4	17	16
Depreciation of tangible fixed assets	3	2	10	9
EBITDA	45	23	129	107
Non-recurring items ²	-	-	27	27
EBITDA, before non-recurring items	45	23	156	134

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

²Specification of non-recurring items

SEK million	Jan-Mar 2017	Jan-Mar 2016	Rolling 12-month	Full year 2016
Restructuring costs	-	-	20	20
Acquisition-related costs	-	-	7	7
Total	-	-	27	27

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

SEK million	31 March 2017	31 March 2016	31 December 2016
Non-current interest-bearing liabilities	686	271	696
Current interest-bearing liabilities	41	22	31
Liquid assets ¹	-94	-51	-65
Net liabilities	633	242	662

¹There were no short-term investments equivalent to cash and cash equivalents at the end of the respective period.

Capital employed – total shareholders' equity and liabilities less non-interest-bearing liabilities and deferred tax liabilities

SEK million	31 March 2017	31 March 2016	31 December 2016
Equity and liabilities	2,635	1,558	2,620
Other non-current liabilities	-5	-	-4
Deferred tax liabilities	-204	-136	-207
Accounts payable	-207	-129	-212
Other current liabilities	-41	-26	-38
Accrued expenses and deferred income	-83	-76	-83
Capital employed	2,095	1,191	2,076

Quarterly data

SEK million	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4	2014 Q3	2014 Q2
Net sales	527	521	522	351	350	352	367	223	232	228	228	223
Expenses for goods sold	-354	-337	-348	-223	-219	-219	-226	-121	-133	-124	-123	-119
Gross profit	173	184	174	128	131	133	141	102	99	104	105	104
Selling expenses	-100	-108	-107	-79	-83	-84	-95	-69	-75	-65	-64	-71
Administrative expenses	-36	-42	-44	-32	-31	-31	-27	-21	-24	-22	-20	-23
Other operating income	1	3	0	1	1	5	0	3	1	1	1	2
Other operating expenses	-1	-5	-7	-1	-1	0	-8	-2	0	-1	0	0
Operating profit	37	32	16	17	17	23	11	13	1	17	22	12
Financial income	0	0	1	0	0	1	0	0	0	1	0	0
Financial expenses	-6	-7	-9	-5	-4	-2	-4	-2	-2	-3	-2	-2
Profit before tax	31	25	8	12	13	22	7	11	-1	15	20	10
Tax on profit for the period	-7	-9	-1	-1	-2	-6	32	1	0	10	-2	-2
Profit for the period	24	16	7	11	11	16	39	12	-1	25	18	8
<i>Non-recurring items</i>												
Non-recurring items included in operating profit	-	7	19	1	-	-2	14	-2	10	-	-	-2
Operating profit before non-recurring items	37	39	35	18	17	21	25	11	11	17	22	10
<i>Depreciation/amortisation and impairment</i>												
Depreciation/amortisation and impairment included in operating income	8	7	7	5	6	6	6	3	4	4	3	4
EBITDA	45	39	23	22	23	29	17	16	5	21	25	16
<i>Depreciation/amortisation, impairment and non-recurring items</i>												
Depreciation/amortisation, impairment and non-recurring items included in operating profit	8	14	26	6	6	4	20	1	14	4	3	2
EBITDA, before non-recurring items	45	46	42	23	23	27	31	14	15	21	25	14
Cash flow from current operations	32	58	13	-22	20	20	30	23	14	15	23	11
Number of employees as per the balance sheet date	326	322	341	275	285	294	284	156	163	167	152	150



Kung Markatta extended its range with six new organic, "real-deal"-labelled drinks – two flavoured green teas, a finely ground green tea powder and three drinks.

Financial calendar



This is Midsona

Strong brands with a focus on organic

Midsona is one of the leading consumer goods companies in the Nordic region operating in a growing market for health and well-being. Our attractive product portfolio, with well-known products, focuses on making it easier for all people to make their own contribution to a healthier everyday 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 Nasdaq Stockholm exchange since 1999, in the FMCG sector.

Clear vision

Our vision is to become the Nordic region's leading company in health and well-being.

Clear strategies

- *Leading brands in prioritised categories* – We prioritise strong proprietary brands together with a select number of licensed brands, on which we are focusing in the primary markets of Sweden, Denmark, Norway and Finland. Our brands are to hold the first or second position in their categories. The main reason for this is the existence of internal brands within the retail industry, private label, which will have a leading brand that drives sales within a category.
- *Cost-efficient value chain* – We work continuously to adapt and streamline the organisation. We continually evaluate our product range in terms of profitability. In recent years, the range has been reduced by a large number of products that do not fit into the Group's strategy or that are not deemed able to meet the profitability requirements.

- *Selective acquisitions* – Acquisitions are an integral part of our business. In recent years, we have played a major role in consolidating the market in the Nordic region – and we will continue to do so. We will continue to make acquisitions, and with those that we have made we have shown that we can integrate and develop them with great credibility.
- *Healthy and sustainable culture* – We offer products that contribute to helping people achieve a healthier life, and we strive to promote healthy ideals, both internally and externally. We want to further develop our position as the expert in the health and well-being in our markets. Our brands and products obviously play a key role in this work. Being sustainable is becoming increasingly important, and our consumers are continually placing increasing demands on us. There is a strong link between customers' and consumers' interest in organic products and their interest in sustainability and the environment. Effective from 2017, we will report on our sustainability efforts.

Long-term financial targets

Long-term financial targets were established 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. Five 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 and Kung Markatta. The Tri Tolonen, 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 product brand with a clear food profile, which is 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.



Tri Tolonen

A series of high-quality dietary supplements, including vitamins, minerals and antioxidants – sold in supermarkets, healthfood shops and pharmacies in Finland.



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.

