midsona

YEAR-END REPORT 2017

Increased turnover and significantly improved margins

October–December 2017 (fourth quarter)

- Net sales amounted to SEK 579 million (521).
- Operating profit before depreciation and amortisation, EBITDA, amounted to SEK 59 million (46), before non-recurring items, corresponding to a margin of 10.2 percent (8.8).
- Profit for the period was SEK 34 million (16), corresponding to earnings per share of SEK 0.74 (0.39) before dilution and SEK 0.74 (0.39) after dilution.
- Cash flow from continuing operations amounted to SEK 54 million (58).
- Midsona signed an agreement with HRA Pharma, to represent some of that company's brands in the Nordic region. The agreement is expected to generate net sales of slightly more than SEK 100 million on an annual basis.

January–December 2017 (full-year)

- Net sales amounted to SEK 2,173 million (1,744).
- Operating profit before depreciation and amortisation, EBITDA, amounted to SEK 190 million (134), before non-recurring items, corresponding to a margin of 8.7 percent (7.7).
- Profit for the period was SEK 84 million (45), corresponding to earnings per share of SEK 1.91 (1.42) before dilution and SEK 1.89 (1.42) after dilution.
- Cash flow from continuing operations amounted to SEK 152 million (69).
- For 2017, a dividend of SEK 1.25 per share (1.10) is proposed, corresponding to a total of SEK 57,510,080 (46,911,128).

Key figures [1]

	Oct–Dec 2017	Oct–Dec 2016	Full year 2017	Full year 2016
Net sales growth, %	11.1	48.0	24.6	48.6
Gross margin, %	35.4	35.3	34.2	35.4
EBITDA margin before non-recurring items, %	10.2	8.8	8.7	7.7
EBITDA margin, %	10.4	7.5	7.8	6.1
Operating profit before non-recurring items, %	8.5	7.5	7.1	6.3
Operating margin, %	8.6	6.1	6.2	4.7
Profit margin, %	7.9	4.8	5.2	3.3
Average capital employed, SEK million	2,274	2,103	2,166	1,636
Return on capital employed, %			6.2	5.1
Return on equity, %			5.8	4.0
Net debt, SEK million	652	662	652	662
Net debt/EBITDA, multiple			3.9	6.2
Net debt/equity ratio, multiple	0.4	0.5	0.4	0.5
Interest coverage ratio, multiple	12.5	4.6	6.1	3.3
Equity/assets ratio, %	54.3	51.5	54.3	51.5

Midsona presents certain financial measures in the Year-end Report that are not defined under IFRS. For definitions and checks against IFRS, please refer to page 16 of this Year-end Report and to page 108 in the 2016 Annual Report.

URTEKRAM FRIGGS DALBLADS SPORTS NUTRITION naturdiet TOLONEN KUNG MARKATTA HELIOS Miwana

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. The Year-end report was submitted under the auspices of Lennart Svensson for publication on 9 February 2018 at 8:00 a.m. CET.

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Peter Åsberg, President and CEO

FOURTH QUARTER

SEK 579 million

Sales

SEK 59 million

Earnings before depreciation and amortisation (EBITDA), before non-recurring items

10.2 percent

EBITDA margin, before non-recurring items

Comment by the CEO

Increased turnover and significantly improved margins

The year 2017 was another with favourable sales and earnings trends. Both our earnings in absolute terms and our margins rose significantly. For the first time, Midsona delivered a double-digit EBITDA margin for the fourth quarter of 10.2 percent (8.8) before non-recurring items. Net sales for the fourth quarter amounted to SEK 579 million (521) and EBITDA was SEK 59 million (46), before non-recurring items.

Effective acquisition model

Six or seven years ago, Midsona embarked on a Nordic journey of acquisition, gradually establishing a leading position in the Nordic region. Having refined our acquisition and integration model, we now have a structured template determining how we implement acquisitions, which companies we acquire and how we integrate them. The acquisition of Bringwell is a good example. Midsona took control at the start of the third quarter, and the integration commenced immediately. Realised synergies contributed positively to earnings already during the autumn. The integration will be completed in the first half of 2018, and we still envisage realising synergies of SEK 50–60 million on an annual basis.

Nordic platform

Midsona's efficient organisation is based on a broad Nordic platform. Not only have we successfully launched proprietary brands, such as Friggs across the Nordic region, we have also secured new distribution assignments. In December 2017, we signed an important agreement with HRA Pharma, a fast-growing French consumer health company, to represent some of its Nordic brands, among which Compeed® is the largest. The products suit our range, establishing us in the footcare category. The agreement is expected to contribute more than SEK 100 million to Midsona's annual sales, with profitability well in line with the rest of the portfolio. Midsona starts selling Compeed® in February 2018, another brand following in the second quarter.

Setting sights on Europe

In 2017, we revised our vision of *being the leader in the Nordic region* to *being one of the leaders in Europe* in health and well-being. The starting point for our European initiative is that there is much to suggest that the development in the Nordic region will be repeated elsewhere in Europe. Consumption of healthy and organic products is high in the Nordic region and the graph-curves are also pointing more clearly upwards in other parts of Europe. Six or seven years ago, the Nordic market for health and well-being was fragmented, with many small and medium-sized family companies. There are considerable structural similarities between Western Europe today and the Nordic region back then.

Focus on sustainability

Sustainability comes naturally to Midsona. In 2017, Urtekram was named Denmark's most sustainable brand, and Kung Markatta ranked ninth in Sweden's *Sustainable Brand Index* survey. As a responsible company, we work with these issues on a broad front but, in particular, we also work with them on a day-to-day basis. Ecology, health and sustainability form key parts of our offering that we deliver through our products and, during 2018, we will clarify our sustainability targets and how we plan to work to achieve them.

Improved cash flow and proposal for increased dividend

Cash flow from continuing operations is a key indicator of our progress and more than doubled to SEK 152 million (69) in 2017. We have thus begun to build scope for new expansive acquisitions. Strong cash flow is also a prerequisite for a generous dividend policy. The Board of Directors proposes that the dividend be increased to SEK 1.25 (1.10) per share for 2017.

Priorities for 2018

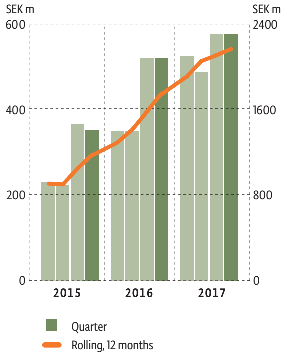
The main focus for 2018 will be optimising our Nordic platform, creating the best growth conditions for our brands. In parallel, the integration of Bringwell must be completed and the announced synergies fully realised. Midsona does not exclude additional acquisitions in the Nordic region, but will focus primarily on other parts of Western Europe. Midsona expects sales and EBITDA to increase in 2018.

Peter Åsberg

President and CEO

Financial information

Net sales



* Acquired brands, Kung Markatta and Helios, are compared in the period January–December with sales in the corresponding period the previous year, although Midsona did not yet own the brands in the period January–June.

Net sales

October–December

Net sales amounted to SEK 579 million (521), an increase of 11 percent. Adjusted for structural changes and currency translation effects, net sales decreased by 1 percent. Sales were favourable in all geographic markets in October and November, but slowed in December due to a calendar effect with two days less of retail trading. The Group's eight prioritised brands showed sales growth of 3 percent.

Acquired business volumes contributed strongly to increased sales for both Sweden and Denmark, while Finland remained on par with last year. In Norway, sales decreased due to currency translation effects. In local currency, sales were in line with the preceding year.

Several priority brands showed strong sales growth in the Swedish market. The market for organic products shows continued growth in Sweden, although at a slower pace than previously. The Norwegian market is changing and is characterised by restrained growth. Despite this, several brands showed stable sales growth. However, work in progress to reposition operations in relation to the Norwegian FMCG segment continued to affect sales negatively. The sales trend in Finland was relatively stable, despite increasingly stiff competition both from retailers' proprietary brands and from other brand companies. For Denmark, sales growth was stable. Export operations showed continued good growth, although not at the same high level as in previous quarters in 2017, with launch volumes to new customers. A manufacturing agreement generating annual sales of approximately SEK 28 million was terminated in Denmark. This will gradually be replaced by internal manufacturing volumes.

Midsona signed a letter of intent with HRA Pharma, to represent some of that company's brands in the Nordic region. The agreement is expected to generate net sales of slightly more than SEK 100 million on an annual basis.

January–December

Net sales amounted to SEK 2,173 million (1,744), an increase of 25 percent. Adjusted for structural changes and currency translation effects, the net sales decreased by 3 percent. The Group's eight prioritised brands showed growth of 3 percent*.

Sales rose significantly in both Sweden and Norway, mainly driven by acquired sales volumes. In addition, several priority brands strengthened their positions in the Nordic market.

Gross profit

October–December

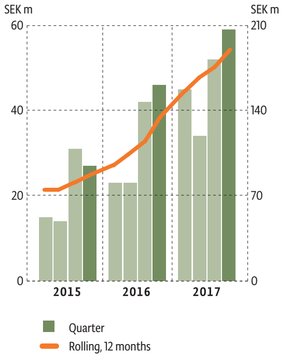
Gross profit amounted to SEK 205 million (184), corresponding to a gross margin of 35.4 percent (35.3). The gross margin was positively affected during the period by the integration of Bringwell, with its emphasis on categories that have generally higher gross margins. However, this was offset by higher expenses for purchases of goods due to the gradually weakening SEK and NOK against the EUR.

A shared Nordic supply chain organisation was implemented during the period as part of Midsona's strategy of establishing an efficient and sustainable value chain. The organisational change will gradually support the commercial operations better and lower the cost level with, for example, shared purchasing and transport.

January–December

Gross profit amounted to SEK 743 million (617), corresponding to a gross margin of 34.2 percent (35.4). The gross margin was negatively affected, primarily by the increased proportion of sales to the FMCG market, with generally lower margins related to the acquisition of Internatural. In addition, an unfavourable currency trend over part of the year exerted pressure on the gross margin. However, the gross margin improved during the second half of the year through the integration of Bringwell into the Group.

EBITDA, before non-recurring items



Operating profit

October–December

Operating profit before depreciation/amortisation and impairment, EBITDA, amounted to SEK 60 million (39), corresponding to a margin of 10.4 percent (7.5). EBITDA, before non-recurring items, amounted to SEK 59 million (46), corresponding to a margin of 10.2 percent (8.8). Amortisation and depreciation for the period amounted to SEK 10 million (7), divided between SEK 7 million (5) in amortisation of intangible fixed assets and depreciation of SEK 3 million (2) on tangible fixed assets. Operating profit amounted to SEK 50 million (32), with an operating margin of 8.6 percent (6.1).

EBITDA, before non-recurring items, and EBITDA margin improved significantly, which was mainly attributable to Sweden and Norway. In Sweden, this was attributable to both higher sales volumes and synergies realised from acquisitions that are progressing as planned. In Norway, it was attributable to good cost control and synergies realised according to plan, despite changing market conditions in the Norwegian FMCG segment. In Finland, it was slightly lower compared with the preceding year due to greater market investments. In Denmark it was slightly lower than in the preceding year, mainly due to higher sales expenses.

During the period, there was considerable focus on the integration of the acquired Bringwell operations in Sweden, Norway and Finland to ensure continued good processing of customers and markets.

January–December

Operating profit before depreciation/amortisation and impairment, EBITDA, amounted to SEK 169 million (107), corresponding to a margin of 7.8 percent (6.1). EBITDA, before non-recurring items, amounted to SEK 190 million (134), corresponding to a margin of 8.7 percent (7.7). Amortisation and depreciation for the period amounted to SEK 35 million (25), divided between SEK 24 million (16) in amortisation of intangible fixed assets and depreciation of SEK 11 million (9) on tangible fixed assets. Operating profit amounted to SEK 134 million (82), with an operating margin of 6.2 percent (4.7).

The improved operating profit, before non-recurring items, and the operating margin were mainly attributable to Sweden and Norway through both higher sales volumes and realised synergies from acquisitions.

Non-recurring items (items affecting comparability)

October–December

Operating profit included non-recurring items of a negative SEK 1 million (7) related to a reversed part of the restructuring reserve for the acquisition of Bringwell, following a settlement with the landlord for terminated leasing of office space. In the comparative period, non-recurring items related to the acquisition of Internatural were included.

January–December

Operating income included non-recurring items of SEK 21 million (27) related to the acquisition of Bringwell. In the comparative period, non-recurring items consisted mainly of the acquisition of Internatural.

Financial items

October–December

Net financial items amounted to a negative SEK 4 million (7), of which interest expenses on external loans to credit institutions amounted to SEK 5 million (5). Unrealised translation differences on financial receivables in foreign currency affected the net financial items positively by SEK 1 million.

January–December

Net financial items amounted to a negative SEK 22 million (24), of which interest expenses on external loans to credit institutions amounted to SEK 18 million (16). Interest expenses to credit institutions increased as a result of higher indebtedness from completed business combinations in 2016 and 2017. The comparative period was charged with financial expenses as a result of refinancing.

Profit for the period

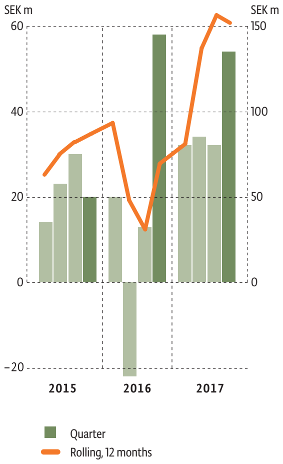
October–December

Profit for the period was SEK 34 million (16), corresponding to earnings per share of SEK 0.75 (0.39) before dilution and to SEK 0.74 (0.39) after dilution. Tax on the profit for the period amounted to a negative SEK 12 million (9), of which negative SEK 4 million (1) consisted of current tax and negative SEK 8 million (10) of deferred tax. The effective tax rate for the period was 24.9 percent. The effective tax rate differs from the current tax rate applicable to the Parent Company, mainly due to non-deductible costs.

January–December

Profit for the period was SEK 84 million (45), corresponding to earnings per share of SEK 1.91 (1.42) before dilution and to SEK 1.89 (1.42) after dilution. Tax on profit for the period amounted to a negative SEK 28 million (13), of which a negative SEK 7 million (7) consisted of current tax and negative SEK 21 million (6) of deferred tax. The effective tax rate for the period was 24.6 percent. The effective tax rate differs from the current tax rate applicable to the Parent Company, mainly due to non-deductible costs.

Cash flow from operating activities



Cash flow

October–December

Cash flow from continuing operations amounted to SEK 54 million (58). Cash flow from operating activities before changes in working capital continued to develop strongly, while changes in working capital weakened, primarily as a result of lower operating liabilities. Cash flow from investing activities amounted to a negative SEK 5 million (35) related to investments in tangible and intangible fixed assets. The comparative period included the acquisition of a brand at an expense of SEK 30 million. Cash flow from financing activities amounted to a negative SEK 70 million (58) related to amortisation of loans. The comparative period included a new share issue of SEK 402 million following deduction of issue expenses, amortisation of loans by SEK 400 million and a negative change in the utilisation of an existing overdraft facility of SEK 60 million.

January–December

Cash flow from continuing operations improved to SEK 152 million (69), as a result of both stronger continuing operations and improved working capital with less capital being tied up in both inventories and operating receivables. Cash flow from investing activities amounted to a negative SEK 91 million (848), consisting of business acquisitions for SEK 64 million (800) and investments in tangible and intangible fixed assets of SEK 27 million (48). Cash flow from financing activities was a negative SEK 69 million (positive 778) due to issue expenses of SEK 1 million, loans raised of SEK 60 million (1,250), amortisation of bank loans by SEK 80 million (795), amortisation of lease liabilities by SEK 1 million (1) and dividends paid of SEK 47 million (31). The comparative period also included a new share issue for SEK 402 million following deduction of issue expenses and a negative change in the utilisation of an existing overdraft facility by SEK 47 million.

Liquidity and financial position

Cash and equivalents amounted to SEK 54 million (65) and there were unused credit facilities of SEK 100 million (100) at the end of the period. Net debt amounted to SEK 652 million (662) at the end of the period and decreased during the quarter by SEK 51 million, mainly as a consequence of loans raised in connection with the acquisition of Bringwell being amortised. The net debt/equity ratio was a multiple of 0.4 (0.5) The ratio between net debt and EBITDA on a rolling 12-month basis was a multiple of 3.9 (6.2). At the end of the third quarter, the ratio between net debt and EBITDA on a rolling 12-month basis was a multiple of 4.8.

Shareholders' equity amounted to SEK 1,550 million (1,349). At the end of the preceding quarter, shareholders' equity was SEK 1,514 million. The changes consisted of profit for the period of SEK 34 million, deferred tax on new issue expenses of SEK 1 million, the issue of an options program (series TO2017/2020) for SEK 1 million and translation differences of SEK 0 million on the translation of foreign operations. The equity/assets ratio was 54.3 percent (51.5) at the end of the period.

Investments

October–December

Investments in intangible and tangible fixed assets amounted to SEK 5 million (35) and pertained mainly to software. The comparative period included an investment in a brand for SEK 30 million.

January–December

Investments in intangible and tangible fixed assets amounted to SEK 27 million (48) and consisted mainly of production-related investments and investments in software. Investments in software increased as a result of an ongoing project for a new Group-wide business system scheduled for implementation in 2018. In the Danish production facility, several smaller capacity- and efficiency-enhancing investments were made in the first half of the year. The comparative period included an investment in a brand for SEK 30 million.

Other information

Future prospects

Midsona expects sales growth and improved EBITDA in 2018.

Personnel

The average number of employees was 353 (308), while the number of employees at the end of the period was 384 (322). The increased number of employees at the end of the period was mainly related to the acquisition of Bringwell AB in July 2017. During the current quarter, the number of employees decreased by 2.

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 38 million (28), and related primarily to invoicing of services provided internally within the Group. Earnings before tax amounted to a loss of SEK 3 million (profit 243). Earnings before tax included dividends of SEK 70 million (284) from subsidiaries, of which SEK 5 million (284) was anticipated, and impairment of shares in subsidiaries by SEK 51 million (197). The comparative period also included Group contributions received of SEK 166 million. Financial expenses increased due to negative currency translation differences on financial investments and increased interest expenses for higher average debt to credit institutions over the year. Cash and cash equivalents, including unutilised credit facilities, amounted to SEK 131 million (125). Borrowing from credit institutions was SEK 705 million (725) at the end of the period. On the balance sheet date, there were 12 employees (9).

For the Parent Company, SEK 38 million (28), equivalent to 100 percent (100) of sales for the period and SEK 3 million (2), corresponding to 9 percent (6) 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 Board remunerations via their own companies. Beyond that, there have been no loans, purchases or sales involving members of the Board or senior executives.

Extraordinary General Meeting

At the Extraordinary General Meeting of 1 December 2017, a resolution was passed to issue and transfer, deviating from shareholders' preferential rights, a maximum of 630,000 warrants, distributed equally between the TO2017/2020, TO2018/2021 and TO2019/2022 series, to current and future senior executives in the Midsona Group. The CEO was offered to acquire 60,000 warrants, function managers to acquire 30,000 warrants each and business area managers to acquire 15,000 warrants each of the TO2017/2020 series. Each warrant entitles the holder to subscribe for one Series B share in Midsona. The period during which the warrants may be exercised will be from 1 August 2020 to 20 December 2020. The subscription price was SEK 57.40. The transfer of a total of 187,000 warrants to current senior management took place on market terms in December 2017, based on a calculation in accordance with the Black & Scholes model performed by PWC AB, which is considered to be independent of the company. On the transaction date, the fair value per warrant was SEK 7.30. The financial statements for 2017 were affected by SEK 1 million following deduction of costs for the option programme in shareholders' equity.

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.

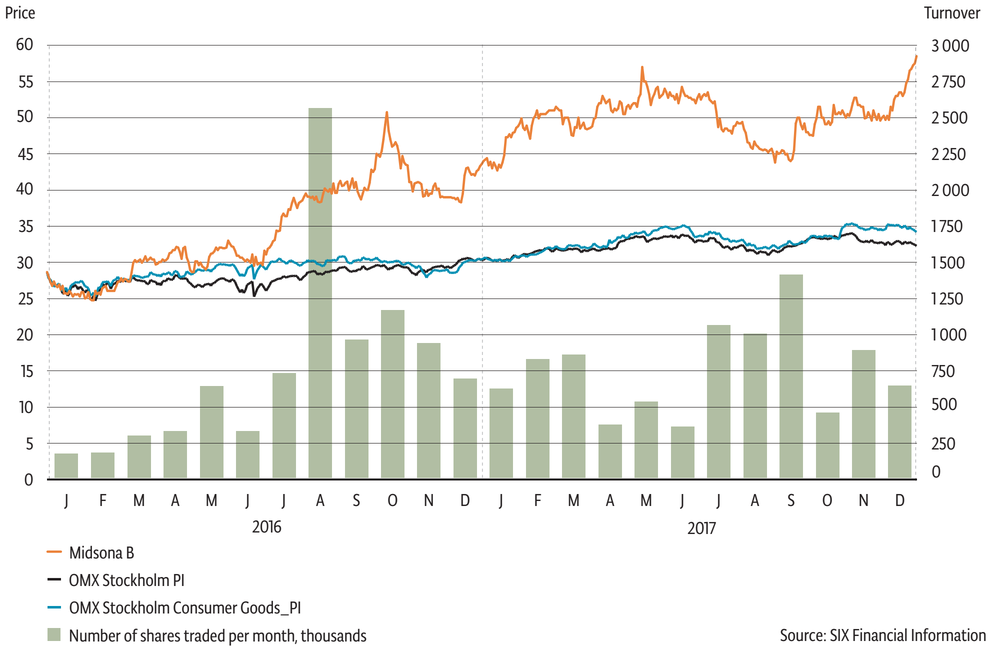
The total number of shares at the end of the period was 46,008,064 (42,646,480) distributed between 539,872 Series A shares (539,872) and 45,468,192 Series B shares (42,106,608). The number of votes at the end of the period was 50,866,912 (47,505,328), whereby one Series A share corresponds to ten votes and one Series B share to one vote. During July 2017, the number of shares and votes increased as a result of the issue in kind in connection with the acquisition of Bringwell AB.

Over the period January–December 2017, 9,098,376 shares (9,317,012) were traded. The highest price paid for Series B shares was SEK 58.50 (52.00), and the lowest was SEK 42.40 (24.40). On 29 December, the most recent price paid for the share was SEK 58.50 (44.00). 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. A further 20,000 warrants in the TO2016/2019 series were subscribed for in December

2017 and can now provide a maximum of 410,000 new Series B shares on full conversion (see the 2016 Annual Report for more information on TO2016/2019). On the transaction date, the fair value per warrant was SEK 7.80. The subscription price for the option programme has been recalculated in light of the dividend paid in May and has now been calculated at SEK 50.30 (previously SEK 51.00). At the end of the period there were a total of 597,000 warrants outstanding that could give a maximum of 597,000 new Series B shares. On the balance sheet date, the average price for Series B shares exceeded the subscription prices for the warrants outstanding, and accordingly the earnings per share after full dilution were calculated.

Strong price trend for Midsona shares in 2017, up 33 percent.



Ownership

Stena Adactum AB was the largest shareholder with 23.8 percent of the capital and 28.4 percent of the voting rights on 29 December 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	10,973,169	23.8	28.4
Handelsbanken Funds	3,579,270	7.8	7.0
The Second AP Fund	2,321,257	5.0	4.6
Nordea Investment Funds	2,184,499	4.8	4.3
LINC AB	2,083,482	4.5	4.1
BPSS PAR/FCP ECHIQUIER	1,919,000	4.2	3.8
Cliens Funds	1,844,900	4.0	3.6
Peter Wahlberg and companies	1,534,568	3.3	3.0
Humle Kapitalförvaltning AB	1,169,055	2.5	2.3
Insurance company, Avanza Pension	778,948	1.7	1.8
Total	**28,388,148**	**61.6**	**62.9**
Other shareholders	17,619,916	38.4	37.1
Total	**46,008,064**	**100.0**	**100.0**

Source: Euroclear

The total number of shareholders (including nominee-registered) was 6,430 (5,924). In the quarter at hand, the number of shareholders decreased by 117. Foreign ownership amounted to 22.9 percent (17.1) 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.

Public takeover bid

On 15 May, Midsona AB (publ) made a public takeover bid to the shareholders in Bringwell AB (publ) to transfer all shares to Midsona. The Bringwell share was traded on First North, OMX Nasdaq Stockholm. Midsona considered there to be a strong industrial and financial motive for the transaction. Bringwell's product portfolio and sales channels complemented Midsona well. For full terms of the public offer, see the press release of 15 May 2017 and the published prospectus of 12 June 2017, available at www.midsona.com.

Midsona announced on 4 July that all terms of the offer to the shareholders of Bringwell AB were fulfilled, which entailed the offer being completed. When the initial acceptance period expired on 4 July, shareholders in Bringwell had agreed to transfer a total of 243,625,709 shares due to the offer, corresponding to approximately 94.4 percent of the total number of shares and votes outstanding in Bringwell. Midsona also extended the acceptance period for the offer until 18 July. When the extended acceptance deadline expired, shareholders in Bringwell had agreed to transfer an additional 9,926,059 shares due to the offer, corresponding to approximately 3.8 percent of the total number of shares and votes outstanding in Bringwell. Under the offering, a total of 61.1 percent was transferred for payment in the form of shares and 37.1 percent in cash. After the extended acceptance period, Midsona requested forced redemption of the remaining shares. In connection with taking possession of the shares in Bringwell AB, the shares were delisted from First North, OMX Nasdaq Stockholm.

On 15 December, Midsona received advance access to the minority shares outstanding in Bringwell AB, in accordance with a special arbitration ruling. The arbitration tribunal ruled that Midsona was entitled and obliged to redeem the 4,673,412 shares outstanding in Bringwell AB at the agreed redemption price of SEK 1 per share. The payment for the minority shares outstanding was paid on 10 January 2018.

For the complete acquisition analysis of Bringwell, see Note 7 Acquisition of operations.

Changes in Group Management

Christoffer Mørck took over as the new manager of Business Area Norway on 1 December 2017 and is a member of Group Management. Peter Overgaard was appointed as the new manager of Business Area Denmark on 8 December 2017. He will formally take up that position on 1 February 2018 and is a 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) and Markku Janhunen (Business Area Manager Finland).

Dividend

The Board of Directors proposes a dividend for 2017 of SEK 1.25 per share (1.10), corresponding to SEK 57,510,080 (46,911,128).

Annual General Meeting

The 2018 Annual General Meeting will be held in Malmö on 25 April. The Board of Directors will publish its invitation to the Annual General Meeting by 30 March 2018.

Annual report

The Annual Report for 2017 will be available on the website www.midsona.com no later than 4 April 2018. The printed Annual Report will be available at the head office in Malmö on 11 April 2018 at the latest. Printed copies of the Annual Report will be sent to shareholders on request.

Significant events following the end of the report period.

Following the end of the reporting period, a binding distribution agreement was signed with HRA Pharma to represent some of its brands in the Nordic market, of which Compeed® is the largest individually. The agreement is expected to generate net sales of slightly more than SEK 100 million on an annual basis, starting in February 2018.

Malmö 9 February 2018
Midsona AB (publ)

Board of Directors

Report of Review of Interim Financial Information

Introduction

We have reviewed the year-end report (interim report) of Midsona AB (publ) for the period 1 January 2017 to 31 December 2017. The Board of Directors and the CEO are responsible for the preparation and presentation of the Interim Report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion regarding the Interim Report based on our review.

Scope and focus of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity.* A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is considerably smaller in scope than an audit conducted in accordance with ISA and other generally accepted auditing standards. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Consequently, the conclusion based on a review does not give the same level of assurance as a conclusion based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Malmö 9 February 2018
Deloitte AB

Per-Arne Pettersson
AUTHORISED PUBLIC ACCOUNTANT

Financial statements

Summary consolidated income statement

SEK million	Note	Oct–Dec 2017	Oct–Dec 2016	Full year 2017	Full year 2016
Net sales	3	**579**	**521**	**2,173**	**1,744**
Expenses for goods sold		-374	-337	-1,430	-1,127
Gross profit		**205**	**184**	**743**	**617**
Selling expenses		-112	-108	-425	-377
Administrative expenses		-42	-42	-179	-149
Other operating income		1	3	3	5
Other operating expenses		-2	-5	-8	-14
Operating profit	3	**50**	**32**	**134**	**82**
Financial income		0	0	0	1
Financial expenses		-4	-7	-22	-25
Profit before tax		**46**	**25**	**112**	**58**
Tax on profit for the period		-12	-9	-28	-13
Profit for the period		**34**	**16**	**84**	**45**
Profit for the period is divided between:					
Parent Company shareholders (SEK million)		34	16	84	45
Earnings per share before and after dilution attributable to Parent Company shareholders (SEK)		0.75	0.39	1.91	1.42
Earnings per share after dilution attributable to Parent Company shareholders (SEK)		0.74	0.39	1.89	1.42
Number of shares (thousands)					
On the balance sheet date		46,008	42,646	46,008	42,646
Average during the period		46,008	40,897	44,141	31,547
Average during the period, after full dilution		46,467	40,897	44,548	31,547

Summary consolidated statement of comprehensive income

SEK million	Oct–Dec 2017	Oct–Dec 2016	Full year 2017	Full year 2016
Profit for the period	**34**	**16**	**84**	**45**
Items that have or can be reallocated to profit for the year				
Translation differences for the period on translation of foreign operations	0	-12	-16	56
Other comprehensive income for the period	**0**	**-12**	**-16**	**56**
Comprehensive income for the period	**34**	**4**	**68**	**101**
Comprehensive income for the period is divided between:				
Parent Company shareholders (SEK million)	34	4	68	101

In Sweden, Naturdiet launched two flavours with 30 percent lower sugar content in its meal-bar range.

Summary consolidated balance sheet

SEK million	Note	31 December 2017	31 December 2016
Intangible fixed assets	4	2,129	1,940
Tangible fixed assets		58	55
Non-current receivables		3	2
Deferred tax assets		99	82
Fixed assets		**2,289**	**2,079**
Inventories		272	244
Accounts receivable		213	209
Tax receivables		1	1
Other receivables	5	9	0
Prepaid expenses and accrued income		19	22
Cash and cash equivalents		54	65
Current assets		**568**	**541**
Assets		**2,857**	**2,620**
Share capital		230	213
Additional paid-up capital		629	466
Reserves		15	31
Profit brought forward, including profit for the period		676	639
Shareholders' equity		**1,550**	**1,349**
Non-current interest-bearing liabilities		665	696
Other non-current liabilities	5	5	4
Deferred tax liabilities		221	207
Non-current liabilities		**891**	**907**
Current interest-bearing liabilities		41	31
Accounts payable		220	212
Other current liabilities	5	50	38
Accrued expenses and deferred income		105	83
Current liabilities		**416**	**364**
Liabilities		**1,307**	**1,271**
Equity and liabilities		**2,857**	**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	–	–	–	45	45
Other comprehensive income for the period	–	–	56	–	56
Comprehensive income for the period	**–**	**–**	**56**	**45**	**101**
New share issue	71	341	–	–	412
Issue expenses	–	-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 1 January 2017	213	466	31	639	1,349
Profit for the period	–	–	–	84	84
Other comprehensive income for the period	–	–	-16	–	-16
Comprehensive income for the period	**–**	**–**	**-16**	**84**	**68**
New share issue	17	162	–	–	179
Issue expenses	–	0	–	–	0
Issue of warrant programme TO2017/2020	–	1	–	–	1
Dividend	–	–	–	-47	-47
Transactions with the Group's owners	**17**	**163**	**–**	**-47**	**133**
Closing shareholders' equity 31 December 2017	**230**	**629**	**15**	**676**	**1,550**

Summary consolidated cash flow statement

SEK million	Oct–Dec 2017	Oct–Dec 2016	Full year 2017	Full year 2016
Profit before tax	46	25	112	58
Adjustment for items not included in cash flow	4	14	41	52
Income tax paid	–4	1	–7	–7
Cash flow from operating activities before changes in working capital	**46**	**40**	**146**	**103**
Increase (–)/Decrease (+) in inventories	–7	–11	10	–22
Increase (–)/Decrease (+) in operating receivables	42	47	27	–15
Increase (+)/Decrease (–) in operating liabilities	–27	–18	–31	3
Changes in working capital	**8**	**18**	**6**	**–34**
Cash flow from operating activities	**54**	**58**	**152**	**69**
Acquisitions of companies or operations	–	–	–64	–800
Acquisitions of intangible fixed assets	–4	–30	–18	–35
Acquisitions of tangible fixed assets	–1	–5	–9	–13
Divestments of tangible fixed assets	0	0	0	0
Cash flow from investing activities	**–5**	**–35**	**–91**	**–848**
Cash flow after investing activities	**49**	**23**	**61**	**–779**
New share issue	–	412	–	412
Issue expenses	–	–10	–1	–10
Loans raised	–	–	60	1,250
Amortisation of loans	–70	–460	–81	–843
Dividend paid	–	–	–47	–31
Cash flow from financing activities	**–70**	**–58**	**–69**	**778**
Cash flow for the period	**–21**	**–35**	**–8**	**–1**
Cash and cash equivalents at beginning of the period	74	101	65	61
Translation difference in cash and cash equivalents	1	–1	–3	5
Cash and cash equivalents at end of the period	**54**	**65**	**54**	**65**

Summary income statement, Parent Company

SEK million	Oct–Dec 2017	Oct–Dec 2016	Full year 2017	Full year 2016
Net sales	**14**	**11**	**38**	**28**
Selling expenses	0	0	0	0
Administrative expenses	–13	–9	–49	–37
Other operating income	0	0	0	3
Other operating expenses	0	0	0	–4
Operating profit	**1**	**2**	**–11**	**–10**
Profit from participations in subsidiaries	5	87	19	87
Financial income	4	1	21	19
Financial expenses	–6	–7	–32	–19
Loss after financial items	**4**	**83**	**–3**	**77**
Allocations	–	166	–	166
Profit before tax	**4**	**249**	**–3**	**243**
Tax on profit for the period	4	–32	4	–32
Profit for the period	**8**	**217**	**1**	**211**

Summary statement of comprehensive income, Parent Company

SEK million	Oct–Dec 2017	Oct–Dec 2016	Full year 2017	Full year 2016
Profit for the period	**8**	**217**	**1**	**211**
Other comprehensive income for the period	**–**	**–**	**–**	**–**
Comprehensive income for the period	**8**	**217**	**1**	**211**

Summary balance sheet, Parent Company

SEK million	31 Dec 2017	31 Dec 2016
Intangible fixed assets	15	1
Tangible fixed assets	3	0
Participations in subsidiaries	1,697	1,405
Receivables from subsidiaries	574	742
Deferred tax assets	7	3
Financial fixed assets	**2,278**	**2,150**
Fixed assets	**2,296**	**2,151**
Receivables from subsidiaries	19	462
Other receivables	16	8
Cash and bank balances	31	25
Current assets	**66**	**495**
Assets	**2,362**	**2,646**
Share capital	230	213
Statutory reserve	58	58
Profit brought forward, including profit for the period and other reserves	1,145	1,029
Shareholders' equity	**1,433**	**1,300**
Liabilities to credit institutions	665	695
Liabilities to subsidiaries	40	481
Non-current liabilities	**705**	**1,176**
Liabilities to credit institutions	40	30
Liabilities to subsidiaries	168	133
Other current liabilities	16	7
Current liabilities	**224**	**170**
Equity and liabilities	**2,362**	**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 Year-end 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.

A number of new standards, amendments and interpretations of standards enter into force for fiscal years beginning after 1 January 2017 and are not applied when preparing these financial reports. Effective from 1 January 2018, Midsona applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

IFRS 9 addresses the classification, valuation and accounting of financial assets and liabilities. This standard supersedes IAS 39 Financial Instruments, which addresses the classification and valuation of financial instruments. A project has been carried out within Midsona 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 a significant impact on the Midsona Group's accounts. Due to the immaterial impact of the new standard, no recalculation will be made of previous periods.

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 outcome of this analysis is that income will essentially be recognised at the same time as in accordance with the current standard and application. Accordingly, Midsona makes the assessment that the introduction of IFRS 15 will not imply any significant effects on the Group's accounting. This standard supersedes IAS 18 Revenue and IAS 11 Construction Contracts.

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. No new significant estimates and assessments and assumptions have been added since the publication of the most recent annual report.

Note 3 Operating segments

SEK million	Sweden		Norway		Finland		Denmark		Group functions		Group	
October-December	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Net sales, external	285	230	136	143	45	45	113	103	–	–	579	521
Net sales, intra-Group	19	7	0	1	–	0	29	34	-48	-42	–	–
Net sales	**304**	**237**	**136**	**144**	**45**	**45**	**142**	**137**	**-48**	**-42**	**579**	**521**
Operating expenses (excluding depreciation/amortisation and impairment), *external	-246	-201	-112	-123	-20	-21	-132	-127	-9	-10	-519	-482
Operating expenses, intra-Group	-19	-23	-11	-5	-21	-18	-2	-1	53	47	–	–
Operating expenses (excluding depreciation/amortisation and impairment)	**-265**	**-224**	**-123**	**-128**	**-41**	**-39**	**-134**	**-128**	**44**	**37**	**-519**	**-482**
EBITDA, undistributed	**39**	**13**	**13**	**16**	**4**	**6**	**8**	**9**	**-4**	**-5**	**60**	**39**
Depreciation/amortisation and impairment	-2	-1	-1	-1	0	0	-2	-2	-5	-3	-10	-7
Operating profit, undistributed	**37**	**12**	**12**	**15**	**4**	**6**	**6**	**7**	**-9**	**-8**	**50**	**32**
Financial items											-4	-7
Profit before tax											**46**	**25**
Significant income and expense items reported in the income statement:												
Non-recurring items included in operating profit	–	-8	-3	1	–	1	–	–	4	-1	1	-7

SEK million	Sweden		Norway		Finland		Denmark		Group functions		Group	
January-December	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Net sales, external	1,014	687	555	471	173	162	431	424	–	–	2,173	1,744
Net sales, intra-Group	55	41	3	4	–	2	113	113	-171	-160	–	–
Net sales	**1,069**	**728**	**558**	**475**	**173**	**164**	**544**	**537**	**-171**	**-160**	**2,173**	**1,744**
Operating expenses (excluding depreciation/amortisation and impairment), external	-868	-599	-476	-418	-85	-80	-514	-498	-61	-42	-2,004	-1,637
Operating expenses, intra-Group	-74	-73	-32	-27	-71	-66	-6	-4	183	170	–	–
Operating expenses (excluding depreciation/amortisation and impairment)	**-942**	**-672**	**-508**	**-445**	**-156**	**-146**	**-520**	**-502**	**122**	**128**	**-2,004**	**-1,637**
EBITDA, undistributed	**127**	**56**	**50**	**30**	**17**	**18**	**24**	**35**	**-49**	**-32**	**169**	**107**
Depreciation/amortisation and impairment	-7	-5	-5	-3	-1	-1	-8	-8	-14	-8	-35	-25
Operating profit, undistributed	**120**	**51**	**45**	**27**	**16**	**17**	**16**	**27**	**-63**	**-40**	**134**	**82**
Financial items											-22	-24
Profit before tax											**112**	**58**
Significant income and expense items reported in the income statement:												
Non-recurring items included in operating profit	-6	-8	-4	-12	-1	-1	–	–	-10	-6	-21	-27

Note 4 Intangible assets

SEK million	31 Dec 2017	31 Dec 2016
Brands	863	840
Goodwill	1,234	1,082
Other intangible fixed assets	32	18
Total	**2,129**	**1,940**

Note 5 Fair value and reported in the balance sheet

SEK million	31 Dec 2017	31 Dec 2016
Assets		
Financial assets measured at fair value via the income statement		
Forward exchange contracts, in foreign currency	–	0
Financial instruments not measured at fair value		
Other receivables	9	0
Total other receivables	**9**	**0**
Liabilities		
Financial assets measured at fair value via the income statement		
Forward exchange contracts, in foreign currency	–	0
Interest rate swaps	1	2
Financial instruments not measured at fair value		
Other non-current and current liabilities	54	40
Total other non-current and current liabilities	**55**	**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 recognised as other non-current 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 Dec 2017	31 Dec 2016
Pledged assets		
Blocked bank balances	11	4
Net assets in subsidiaries	1,647	1,394
Others	4	3
Total	**1,662**	**1,401**
Contingent liabilities		
Guarantees	19	15
Total	**19**	**15**

Note 7 Acquisitions of operations

On 4 July, a controlling influence over Bringwell AB and its subsidiaries was acquired, which have a leading position in personal care products (food supplements, health foods, skin care and herbal medicines) and OTC drugs(non-prescription drugs) in the Nordic countries, see section Public Takeover Bid, page 8. The acquisition strengthens Midsona's position in the pharmacy and healthcare specialised retail trade in the Nordic market and creates significant synergies. The acquisition will provide Midsona with, among other things, access to the brands Eskimo-3, Kan Jang, Mivitotal and Movo.

The acquisition analysis was prepared such that 100 percent of the shares in Bringwell AB were acquired. The purchase consideration amounted to SEK 279 million, which was partly paid in cash at SEK 96 million, and partly with newly issued shares valued at SEK 179 million. The remaining consideration transferred of SEK 4 million comprises a debt to shareholders in Bringwell, which holds shares subject to compulsory redemption. The acquisition was financed through existing credit facilities, an expansion of existing credit facilities of SEK 60 million and a non-cash issue of 3,361,584 Series B shares in Midsona at a price of SEK 53.25 per share. Issue expenses, including estimated deferred tax, affected shareholders' equity by SEK 0 million.

The acquired operations are consolidated in the Midsona Group as of 4 July 2017 and are included in all five operating segments in the segment reporting – Sweden, Norway, Finland, Denmark and Group-wide operations. From the acquisition date until 31 December 2017, the acquired business contributed SEK 140 million to the Group's net sales. If the acquisition had occurred on 1 January 2017, estimated consolidated net sales would have amounted to SEK 2,314 million for the period January–December 2017.

Effects of acquisitions

The acquired company's net assets on the acquisition date, SEK million	Fair value
Intangible fixed assets	40
Tangible fixed assets	5
Financial fixed assets	0
Deferred tax assets	32
Inventories	39
Trade receivables	32
Other receivables	4
Prepaid expenses and accrued income	4
Cash and cash equivalents	32
Deferred tax liabilities	-10
Other non-current liabilities	-2
Current interest-bearing liabilities	-13
Accounts payable	-31
Other current liabilities	-4
Accrued expenses and deferred income	-23
Total	**105**
Consolidated goodwill	174
Total	**279**

Transferred consideration, SEK million	Fair value
Cash	96
Shares	179
Debt for shares under compulsory redemption	4
Total	**279**

The fair value of identified assets and liabilities net amounted to SEK 205 million, of which SEK 40 million was attributed to brands, SEK 9 million to deferred tax liabilities and SEK 174 million to goodwill after the reduction of existing surplus values in Bringwell of SEK 201 million and a deferred tax liability of SEK 19 million. Brands valued at SEK 40 million are estimated to have a useful life of 20 years. The goodwill of SEK 174 million reported is not expected to be tax deductible. This corresponds to the acquired the company's market position in the Nordic market for personal care products and OTC drugs, employee competence and experience in the industry as well as expected synergies of a total of approximately SEK 50–60 million annually. The fair value of accounts receivable amounted to SEK 32 million and was fully settled. Acquisition-related expenses amounted to SEK 5 million and are reported as other operating expenses in the period's earnings for the third quarter of 2017.

The acquired operations will be integrated gradually with the Midsona Group's existing businesses. The integration resulted in restructuring expenses of SEK 17 million, which affected the period's earnings for the third quarter of 2017.

The acquisition analysis that has been prepared is preliminary.

Definitions

Midsona presents certain financial measures in the Year-end 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 assets[1]

SEK million	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
Operating profit	**50**	**32**	**134**	**82**
Amortisation of intangible assets	7	5	24	16
Depreciation of tangible fixed assets	3	2	11	9
EBITDA	**60**	**39**	**169**	**107**
Non-recurring items[2]	-1	7	21	27
EBITDA, before non-recurring items	**59**	**46**	**190**	**134**

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

[2]Specification of non-recurring items

SEK million	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
Restructuring expenses	-1	7	16	20
Acquisition-related expenses	–	–	5	7
Total	**-1**	**7**	**21**	**27**

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

SEK million	31 Dec 2017	31 Dec 2016
Non-current interest-bearing liabilities	665	696
Current interest-bearing liabilities	41	31
Cash and cash equivalents[1]	-54	-65
Net debt	**652**	**662**

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

Average capital employed – Total equity and liabilities less interest-bearing liabilities and deferred tax liability at the end of the period plus total shareholders' equity and liabilities less interest-bearing liabilities and deferred tax liability at the beginning of the period divided by 2

SEK million	Oct–Dec 2017	Oct–Dec 2016	Full year 2017	Full year 2016
Equity and liabilities	**2,857**	**2,620**	**2,857**	**2,620**
Other non-current liabilities	-5	-4	-5	-4
Deferred tax liabilities	-221	-207	-221	-207
Accounts payable	-220	-212	-220	-212
Other current liabilities	-50	-38	-50	-38
Accrued expenses and deferred income	-105	-83	-105	-83
Capital employed	**2,256**	**2,076**	**2,256**	**2,076**
Capital employed at the beginning of the period	**2,291**	2,129	2,076	1,196
Average capital employed	**2,274**	**2,103**	**2,166**	**1,636**

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

SEK million	Full year 2017	Full year 2016
Profit before tax	**112**	**58**
Financial expenses	22	25
Profit before taxes, excluding financial expenses	**134**	**83**
Average capital employed	2,166	1,636
Return on capital employed, %	**6.2**	**5.1**

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	Oct–Dec 2017	Oct–Dec 2016	Full year 2017	Full year 2016
Shareholders' equity	**1,550**	**1,349**	**1,550**	**1,349**
Shareholders' equity at the beginning of the period	1,514	943	1,349	877
Average shareholder's equity	**1,532**	**1,146**	**1,450**	**1,113**

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

SEK million	Full year 2017	Full year 2016
Profit for the period	**84**	**45**
Average shareholder's equity	1,450	1,113
Return on equity, %	**5.8**	**4.0**

Urtekram launched a complete range of lavender-scented organic body care products in Denmark.

Quarterly data

SEK million	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Net sales	**579**	**579**	**488**	**527**	**521**	**522**	**351**	**350**	**352**	**367**	**223**	**232**
Expenses for goods sold	-374	-374	-328	-354	-337	-348	-223	-219	-219	-226	-121	-133
Gross profit	**205**	**205**	**160**	**173**	**184**	174	**128**	**131**	**133**	**141**	**102**	**99**
Selling expenses	-112	-118	-95	-100	-108	-107	-79	-83	-84	-95	-69	-75
Administrative expenses	-42	-62	-39	-36	-42	-44	-32	-31	-31	-27	-21	-24
Other operating income	1	0	1	1	3	0	1	1	5	0	3	1
Other operating expenses	-2	-4	-1	-1	-5	-7	-1	-1	0	-8	-2	0
Operating profit	**50**	**21**	**26**	**37**	**32**	**16**	**17**	**17**	**23**	**11**	**13**	**1**
Financial income	0	0	0	0	0	1	0	0	1	0	0	0
Financial expenses	-4	-5	-7	-6	-7	-9	-5	-4	-2	-4	-2	-2
Profit before tax	**46**	**16**	**19**	**31**	**25**	**8**	**12**	**13**	**22**	**7**	**11**	**-1**
Tax on profit for the period	-12	-5	-4	-7	-9	-1	-1	-2	-6	32	1	0
Profit for the period	**34**	**11**	**15**	**24**	**16**	**7**	**11**	**11**	**16**	**39**	**12**	**-1**
Non-recurring items												
Non-recurring items included in operating profit	-1	22	–	–	7	19	1	–	-2	14	-2	10
Operating profit before non-recurring items	**49**	**43**	**26**	**37**	**39**	**35**	**18**	**17**	**21**	**25**	**11**	**11**
Depreciation/amortisation and impairment												
Depreciation/amortisation and impairment included in operating income	10	9	8	8	7	7	5	6	6	6	3	4
EBITDA	**60**	**30**	**34**	**45**	**39**	**23**	**22**	**23**	**29**	**17**	**16**	**5**
Depreciation/amortisation, impairment and non-recurring items												
Depreciation/amortisation, impairment and non-recurring items included in operating profit	9	31	8	8	14	26	6	6	4	20	1	14
EBITDA, before non-recurring items	**59**	**52**	**34**	**45**	**46**	**42**	**23**	**23**	**27**	**31**	**14**	**15**
Cash flow from operating activities	54	32	34	32	58	13	-22	20	20	30	23	14
Number of employees as per the balance sheet date	384	386	329	326	322	341	275	285	294	284	156	163

In Sweden, Dalblads launched four new flavours in its protein-bar range.

Financial calendar

APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC

Interim Report
January–March 2018
25 April 2018

Interim report
January-June 2018
20 July 2018

Interim Report
January–September 2018
25 October 2018

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 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 priority 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.
- *Cost-effective 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. 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 part of our operations. In recent years, we have played a major part in consolidating the market in the Nordic region. 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. Our principal focus is now on Europe, where we have completed a mapping of companies.
- *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 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 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. 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 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.

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.

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