MIDSONA 2017

Midsona

ANNUAL REPORT 2017

In focus

Strong, sustainable brands

With a taste for Europe

Organic beats all records

Our acquisition process

He we acquire and integrate operations

The recipe for success

midsona

Contents

Information about the Annual General Meeting
The Annual General Meeting of Midsona AB (publ) will be held on 25 April 2018 at 3.00 p.m. at Malmö Börshus, Skeppsbron 2, Malmö, Sweden. Registration of voting rights will commence at 2.00 p.m. Before the meeting, the company will offer light refreshments.

Right to participate
To be entitled to participate in the Annual General Meeting, shareholders must be included in the share register maintained by Euroclear Sweden AB no later than 19 April 2018, and shall have registered their intention to participate by 19 April 2018 at 4.00 p.m. at the latest. Shareholders whose shares are nominee registered must temporarily re-register the shares in their own name at Euroclear Sweden AB in order to be permitted to participate in the meeting. Such registration must be completed by 19 April 2018 at the latest and should be requested of the nominee in good time before this date.

Notification of participation
Notification can be submitted in writing to Midsona AB, c/o Fredersen Advokatbyrå AB, Turning Torso, SE-211 15 Malmö, Sweden, or by email to: midsona@fredersen.se. Notification should include the name, address, personal or corporate identity number, daytime phone number of the participant and, if applicable, the number of assistants (maximum two). Admission cards will be distributed a few days before the meeting and shall be presented at the entrance to the meeting.

Dividend
The Board has decided to propose to the Annual General Meeting that a dividend of SEK 1.25 per share be paid for the 2017 financial year.

This is the image of strong brands

Midsona's rapid growth in recent years is based on developing and acquiring strong brands with leading products in health and well-being. Our aim is to be a leader in the market by developing current brands and bringing in new ones, enabling us to meet, even better, existing and new trends.

Urtekram, Kung Markatta, Friggs, Helios, Dalblads, Naturdiet, Eskimo-3 and Miwana are our eight priority brands.


Floradix
Blutsaft®
Mango
ALWAYS ORGANIC
KUNG MARKATTA
GRANOLA
Blåbär & kokos
OLIVOLJA
Ta tex
ORGANIC VEGETARIAN PÂTÉ
asan
shower & shave
KUNG MARKATTA
VEGOKORV
Quinoa
hvit
naturdiet
BOUNCE
COCONUT MACADAMIA
PROTEIN ENERGY BALL
250 g

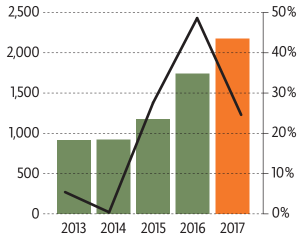
2017 in brief

- Midsona acquired Bringwell, a company with a leading position in self care products in the Nordic market.
- Danish consumers voted the Urtekram brand as Denmark's most sustainable brand in the Sustainable Brand Index™ 2017 survey.
- Urtekram Nordic Berries was voted as the best new haircare product at Vivaness 2017, an international trade fair for natural beauty products co-arranged with the world's largest trade fair for organic products, Biofach 2017.
- 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.
- Tobias Traneborn was appointed the Supply Chain Director for Midsona Group. Tobias most recently worked in the role as the Chief Operating Officer at CDON.COM. He previously held positions as the Operating Manager at HKC and the Logistics Manager at Lantmännen Cerealia and Kjell & Company.
- Peter Overgaard was appointed the new manager for Midsona's Business Area Denmark and a member of Group Management. He held leading positions in Cadbury, Scandic Food, Hjem Is and Jensens Bøfhus, among others. He most recently worked as the Commercial Director in Kompan A/S.
- Christoffer Mørck was appointed the new manager for Midsona's Business Area Norway and a member of Group Management. Christoffer has been the Commercial Director for Midsona Noway since 2016 and an employee since 2006.
- At an Extraordinary General Meeting, a resolution was made to issue and transfer warrants to senior executives. The resolution means that Midsona AB will issue a maximum of 630,000 warrants distributed over the series 2017/2020, 2018/2021 and 2019/2022 in equal parts.
- Midsona reached an agreement with HRA Pharma, a fast-growing and innovative French consumer health company, to represent some of its brands in the Nordic region. The agreement is expected to generate net sales of slightly more than SEK 100 million on an annual basis.

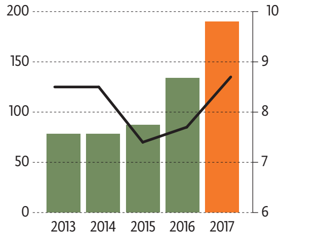
After the end of the year

- Nasdaq Stockholm decided to move Midsona from Small Cap to Mid Cap. The change entered into effect on 1 January 2018.

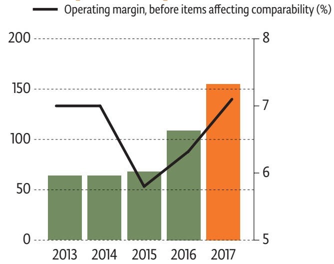
Net sales (SEK m)



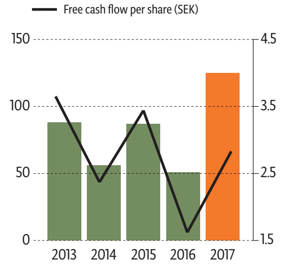
EBITDA, before items affecting comparability (SEK m)

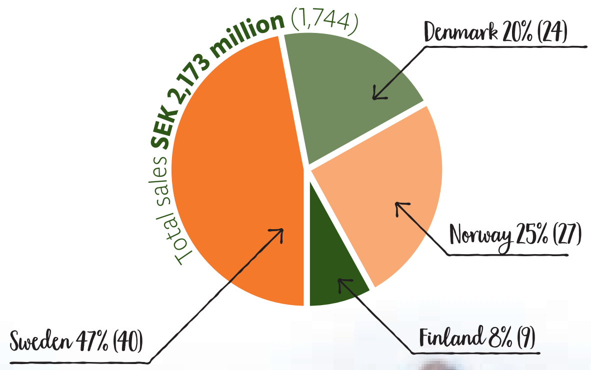


Operating profit, before items affecting comparability (SEK m)



Free cash flow (SEK m)



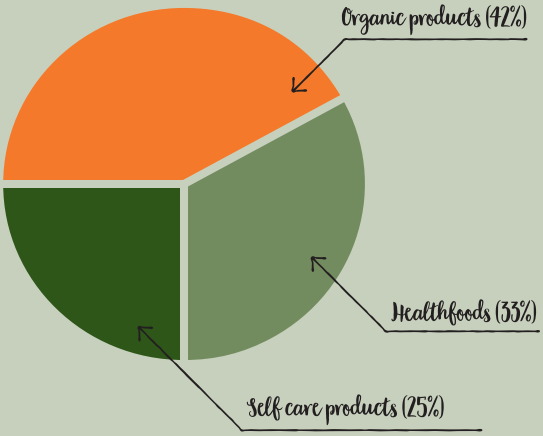


This is Midsona

Midsona develops, produces and markets products that make it easier for people to live a healthy life. The company's vision is to be one of the the European leaders in health and well-being.

Three priority product categories

Midsona's estimates.



Vision

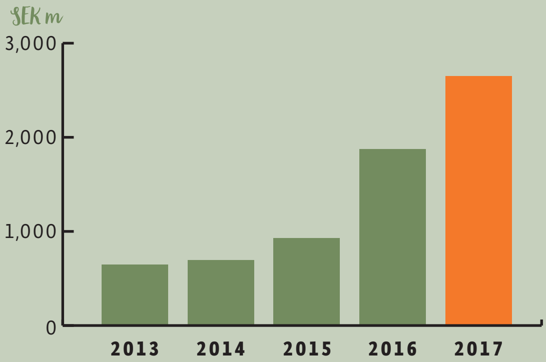
One of the leaders in Europe within health and well-being.

Mission

We help people achieve a healthier life.

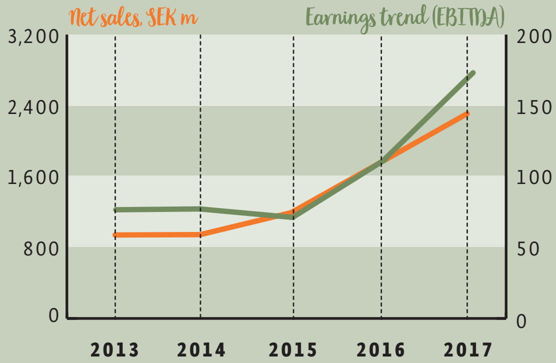
Generating shareholder value

In the past six years, Midsona has generated significant shareholder value. Market capitalisation increased from SEK 305 million in 2012 to SEK 2.6 billion at the end of 2017, which is more than an eight-fold increase in value.



High growth

Growth in recent years has taken place profitably and with a gradually improved EBITDA margin. Midsona achieves economies of scale in all functions, from purchasing to sales, which will strengthen the EBITDA margin. An improved product mix and synergies from acquisitions are expected to increase the margin.

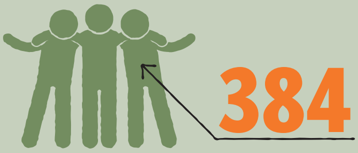


Leading in the Nordic region

Today, Midsona is the leader in the Nordic region in health and well-being. This also opens up opportunities for us in the rest of Europe. In 2017, Bringwell was acquired as a strategically important acquisition to strengthen the company's position in self care products.

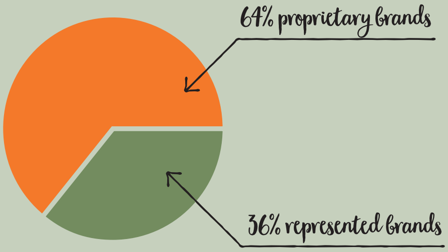
Employees

In 2017, the number of employees increased to 384 (322).



Strong brands

Midsona focuses on developing and marketing powerful brands. Operations are based on a portfolio of proprietary brands plus international clients' brands which we represent in all or parts of the Nordic region. The proprietary brands are our backbone and, together with client brands, they form a strong and broad portfolio.



Priority brands

Midsona has eight priority brands: Urtekram, Kung Markatta, Friggs, Helios, Dalblads, Naturdiet, Eskimo-3 and Miwana.

A word from the CEO – sights set on Europe

In recent years, Midsona has had a good sales and earnings trend, which continued in 2017. Both our earnings in absolute terms and our margins have risen. Since 2012, we have provided significant shareholder value every year, proof that our strategy is working.

Six or seven years ago, we began a journey of Nordic acquisitions. Through a thorough analysis of the Nordic market for health and well-being, we saw that it was fragmented, with a large number of small and medium-sized family firms. We decided to get involved in consolidating the market. Since then, we have continuously conducted acquisitions in all markets in the Nordic region, corresponding to a total increase in sales of around SEK 1.3 billion. This has given us a leading position in health and well-being in the Nordic region.

We have refined our acquisition and integration model and have a structured and clear template today that determines how we implement acquisitions, which companies we acquire and how we integrate them. Today, our brands are focused on three priority product categories: organic products, healthfoods and self care products.

Three major acquisitions were made in 2015-2017 and integrating these businesses has been a gradual process, but we now have an effective internal organisation based on a broad Nordic platform. At the same time, we are not ruling out further supplementary acquisitions in the Nordic region.

Towards the end of 2017, we signed an important agreement with HRA Pharma, a fast-growing French company. The agreement is evidence of our broad Nordic strength and shows that it is strong enough for a large international actor to choose us as a partner. The agreement is expected to contribute more than SEK 100 million to Midsona's sales on an annual basis, with profitability well in line with the rest of the portfolio.

New vision: being one of the leaders in Europe

In 2017, we adjusted our vision from *being the leader in the Nordic region* to *being one of the leaders in Europe* in our market. This means that we are now setting our sights on the rest of Europe. We have analysed the European market and see several interesting opportunities. The basic starting point for our European initiative is that there is much to suggest that the development that has occurred in the Nordic region will be repeated in Europe.

There are major similarities between the European market today and the Nordic market in 2012. We have identified some 1,000 companies active in our potential markets in Western Europe. An extensive list that emphasises how fragmented the market is.

If we look at the trends that generally control Midsona's market, interest in products for a healthy lifestyle today is significantly greater in the Nordic region than in the rest of Europe. However, we see clear signs that a corresponding development will take place out in Europe; interest is gradually increasing.

Out in Europe, healthfood stores are still dominant, but there are tendencies, mainly in Germany, that products in our categories are beginning to move into supermarkets. A few years ago, our products were alternative food; today, they are a part of the daily diet in the Nordic region. Our assessment is that the trend in the rest of Europe is heading in the same direction.

Sustainability is a natural part of our daily work

Sustainability is an important, high-priority area that is also growing in significance for us and our stakeholders: employees, customers, end consumers, shareholders and others. Sustainability is a natural part of our daily work as a large part of our business, which we provide through our products. Since autumn 2016, we conduct fundamental structured sustainability work and in this year's annual report, there is more extensive reporting on this work (pages 46-55).

Midsona has a competent and experienced organisation with employees who did a fantastic job during the year under very tough circumstances. At the same time, we have strengthened the organisation with central functions to be able to take on the European initiative.

We are excited and confident as we look forward to the opportunity to use Midsona's recipe for success in the European markets beyond the Nordic region.

Malmö, March 2018

Peter Åsberg
President and CEO

Our strategy – a recipe for success

One of the leaders in Europe in health and well-being.

Today, Midsona is the leader in the Nordic region in health and well-being and the goal is to become one of the leaders in Europe. To succeed in this, we are monitoring and analysing trends. Through them, we identify the customers' new or changed needs.

We continuously develop, acquire and nurture successful brands with strong market positions and chooses the best channel strategy for each product.

Our strategies – implemented in 2017

Leading brands in prioritised categories

Midsona works with strong proprietary brands and a select number of licensed brands in the currently primary markets of Sweden, Denmark, Norway and Finland. Our brands should hold position number one or two in their categories and should be in the right channels, where we have the best knowledge and where there are opportunities for strong growth.

In recent years, Midsona has launched numerous new product variations and innovations. In addition, the Group has renewed its packaging so that products are more visible and meet both consumers' and retailers' requirements. In 2017, Midsona:

- Conducted the strategically important acquisition of Bringwell, which significantly strengthens the company's position in the product category of self care products with a number of strong proprietary brands, such as Eskimo-3, Mivitotal and Kan Jang. They also represent ProbiMage and Membrasin.
- Increased focus on innovation and increasing the pace of innovation even further, which entails that we have launched more new products than ever before. Most under the Urtekram, Friggs and Kung Markatta brands.
- Established corn cakes under the Friggs brand in several markets.

Cost-efficient value chain

Midsona works continuously to adapt and streamline its organisation. The Group is evaluating the product range from a profitability perspective and, in recent years, it 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.

To streamline operations, Midsona has been working to outsource production to national or international suppliers. Existing suppliers are evaluated on an ongoing basis to ensure the best terms and quality. This provides cost-efficient, flexible production that can be adjusted to trends and demands, without compromising on quality. In 2017, Midsona:

- Removed a number of unprofitable items and smaller sales assignments.
- Started work to create a Group-wide IT platform.
- Continued the review of the coordination of production and purchasing begun in autumn 2016. Products under the brands Kung Markatta and Helios are currently produced by third-party suppliers and the majority of these products can be made in proprietary production facilities in the long term.
- Began a review of warehousing and logistics. Today, there are six distribution centres in the Group. There should be a coordination opportunity and significant savings potential.
- Established the new Supply Chain Director position and hired Tobias Traneborn to fill the position.

Selective acquisitions

Acquisitions are an integral and fundamental part of Midsona's business. Midsona played a major part in consolidating the market in the Nordic region. It will continue to do so, but Midsona is now mainly setting its sights on the rest of Europe. Midsona has shown a very good ability to find the right acquisitions and integrate and develop businesses with good synergies. In 2017, Midsona:

- Acquired Bringwell, which significantly strengthens the Group's position in self care products.
- Consolidated and integrated the acquisition of Internatural with the brands Kung Markatta and Helios.
- Continued to seek out suitable acquisition opportunities in priority areas.
- Carried out a detailed survey of possible acquisitions in Europe, outside the Nordic region.

Sustainable and healthy culture

Midsona has products that help people achieve a healthier life. We want to build further on the Group's strong position as experts in health and well-being. Midsona's brands and products play a key role in this work.

Being sustainable is becoming increasingly important and Midsona's consumers are continually placing increasing demands on sustainable products. There is a strong relationship between their interest in organic products and sustainability. We receive significantly more questions about sustainability today than a few years ago. Beginning in 2017, Midsona is reporting its sustainability work in a fundamental way (see pages 46–55). In 2017, Midsona:

- Continued the work to develop a sustainability strategy with concrete objectives in a fundamental and structured manner.
- Prepared to issue an integrated annual and sustainability report for 2017.
- Received recognition by its brand Urtekram being named Denmark's most sustainable brand in the Sustainable Brand Index™ survey. In the same survey, the Kung Markatta brand came in ninth place in Sweden.
- Implemented Position Green, a system that facilitates the reporting of sustainability data.

OUR STRATEGY – A RECIPE FOR SUCCESS

Growth recipe

Select brands in priority product categories

Based on a well-defined strategy, Midsona is being streamlined towards developing and marketing products that help improve the health and well-being. The goal is to generate growth by further developing existing and new proprietary brands and continuously seeking complementary acquisitions with strong brands.

Since 2012, we have grown in a profitable way and sales have increased from SEK 800 million to nearly SEK 2.2 billion, meaning that Midsona is now almost three times larger and an important player in our priority product categories.

When the strategy was launched, the market was fragmented with few strong actors. In recent years, Midsona has acquired one to two companies a year in the Nordic region and had an active role in the consolidation of the market. The acquisitions have been integrated and significant synergies have been realised.

Through careful analysis, a clear acquisition agenda and a well-developed process of integration, the company has in recent years implemented planned synergies in all acquisitions. The acquisitions have contributed to building a stronger Midsona with the aim of leading the ongoing market consolidation.

Resources and competencies in place

Midsona is a growth-oriented company with resources and competencies to drive time- and resource-consuming acquisition processes. We seek companies with strong brands in health and well-being that add value. This involves companies with positions in complementary categories or geographies, meaning companies in the same product groups as Midsona, but in other countries. Good examples are Internatural and Urtekram, where Urtekram was strong in Denmark and Finland and Internatural in Sweden and Norway.

Between 2012 an 2017, our focus was on consolidating and thereby generating growth at the same time that cost savings were made, and we are the leader in the Nordic region in health and well-being today. Midsona is continuing to seek growth opportunities, particularly through acquisitions and collaboration in the Nordic region, at the same time that we recently analysed the possibilities of expansion in the rest of Europe.

Main focus in the Nordic region on organic growth

The acquired brands have been refined and launched in new channels and new geographic markets. We see continued opportunities for supplemental acquisitions, but the main focus in the Nordic region will be to create organic growth for our prioritised brands in the future. In addition, cost-effectiveness will gradually be improved through a long-term change process. Through careful analysis, a clear acquisition agenda and a well-developed process of integration, the company has in recent years implemented planned synergies in all acquisitions. The acquisitions have contributed to building a stronger Midsona with the aim of leading the ongoing market consolidation.

Continued opportunities for sales growth and earnings improvement

In spite of the strong development, our assessment is that there are opportunities for continued sales growth and earnings improvement through accelerating the growth of our priority brands, continuing the long-term change efforts, integrating the acquired Bringwell and making further acquisitions

We have achieved our vision of becoming the leader in health and well-being in the Nordic region, a successful journey that has continuously created shareholder value.

Setting sights on the rest of Europe

Backed by a market-leading platform in the Nordic region, it is now natural to lift our sights to the rest of Europe. The market is fragmented, in a similar way as the Nordic market was when we began our journey of acquisitions.

In autumn 2017, we conducted an in-depth analysis of a large number of European markets to understand the market and the companies' market positions and hope to be able to be involved in integrating the fragmented European market in the same way we did in the Nordic region.

Urtekram is a good example of a brand that was strong in a complementary geographic area.

OUR STRATEGY – A RECIPE FOR SUCCESS

Midsona's acquisition process

Midsona acquires companies with strong brands in health and well-being. We have developed an effective and structured acquisition process for analysis and implementation. Through this process, we ensure the quality of various dimensions in the acquisitions we carry out. All acquisitions that Midsona has made since 2012 have been successful and have all been implemented and integrated through a structured approach.

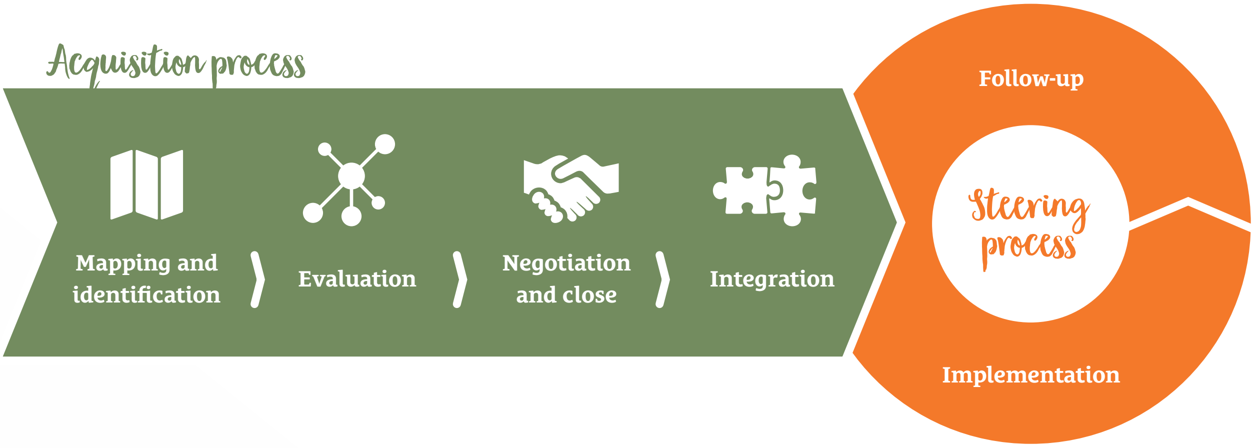
The process can be divided into the following four steps:

1. Mapping and identification

The basis is identifying preferably family owned companies and having a direct dialogue with them. It is important to establish contacts with several companies and to have patience; it involves long processes. We meet the companies' management teams and owners and are then clear about what Midsona wants to do. This creates the conditions for a rapid integration process in a possible deal. When Midsona signs agreements, both parties have a clear picture of what will be done. We can then often proceed quickly in that the activities are well rooted.

2. Evaluation

Midsona continuously assesses Nordic companies with complementary product segments and clear cost and growth synergies. Potential acquisitions are evaluated based on parameters, such as brands, market position, market segment activity, customers, competitors, financial position, history, the continued involvement of key people and what added value the company can create for Midsona and our shareholders. A thorough evaluation reduces the operating and financial risks that are always associated with acquisitions.



3. Negotiation and close

The main goals of the negotiation phase are that:

- The acquisition can be carried out at a price that means that the deal creates value. Midsona acquires with multiples, which means that the businesses contribute to the Group's development from day one.
- Key people have a continued involvement after the acquisition.

4. Integration

In connection with an acquisition, a plan is prepared for how the business can be further developed and how synergies can be realised. The most important thing at the beginning is to secure customers and representation assignments.

Then, Midsona works according to a set synergy plan with predetermined measures, especially to be able to make organisational changes to take a possible restructuring reserve as early as possible.

Then, the process to integrate the business begins based on the new structure; it is primarily a matter of creating the right legal structures. It is important to act quickly. If it takes too much time, it is difficult to achieve set synergy effects.

Acquired companies should, to the extent possible and reasonable, become a natural part of Midsona to create a uniform strength in the Group. At the same time, there is a respect for the new company's integrity and expertise, which can and will be spread to the rest of the Group.

Acquisitions 2012–2017

Year	Company	Country	Sales*	Priority product category
2012	Nordsveen AS	Norway	NOK 74 million	Healthfoods, self care products
2012	Dalblads Nutrition AB	Sweden	SEK 51 million	Healthfoods
2013	Supernature AS	Norway	NOK 49 million	Healthfoods
2013	Elivo**	Finland	EUR 1.3 million	Self care products
2014	Soma Nordic AS	Norway	NOK 51 million	Organic products
2015	Urtekram Intl A/S	Denmark	DKK 368 million	Organic products
2016	Internatural AB	Sweden	SEK 637 million	Organic products
2016	Biopharma**	Norway	NOK 30 million	Self care products
2017	Bringwell AB (publ)	Sweden	SEK 335 million	Self care products

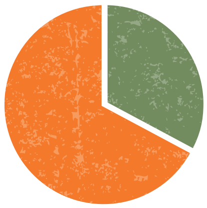
* At the time of acquisition
** Trademark acquisition

Trends and external development

The Nielsen Global Health and Ingredient-Sentiment Survey

Four overall social trends contribute to greater focus on health and well-being:

- ageing population
- increasing proportion of chronic diseases
- increase in self-care and prevention
- increasingly well-informed consumers



Almost two-thirds of respondents say they follow a diet that limits or prohibits the use of certain foods or ingredients.

Picking up early on trends and changes in consumer behaviour is fundamental to how Midsona helps people live a healthy life. This requires knowledge of trends, consumer behaviour and the products' effects. Midsona has well-developed methods and processes to actively monitor the outside world and identify new trends.

Better health is a global challenge

Overall, Midsona's products currently benefit from continued growing interest in how food choices affect human health. Health and well-being are linked to development, prosperity and growth. In keeping with growing prosperity and rapid urbanisation, the proportion of the population able to pursue a modern lifestyle is increasing. At the same time, there is increasing recognition of the value of a balanced diet, as well as the willingness to pay for various health products. These trends have a positive effect on Midsona's market, particularly the trend of increased willingness among individuals to invest in their own health.

Interest in health and well-being can be broken down into several trends that guide consumption patterns, for example, the desire to live an active life, the rise of the organic and the sustainable, for products to be natural, fresh and preferably locally produced, and free from additives.

We are what we eat

This manifests itself partly in the form of an increased distrust of processed foods, as well as an increased interest in the origins of raw ingredients, what food contains and what a balanced and healthy diet entails.

In 2016, the research company Nielsen presented a comprehensive international study, *The Nielsen Global Health and Ingredient-Sentiment Survey* in which 30,000 consumers from 63 countries responded to questions about food and health.

The responses show that many consumers are cutting back on certain unhealthy foods, particularly those high in fat, sugar or sodium, and that they focus on simple ingredients and fewer processed foods. More than half say they avoid artificial ingredients, hormones, antibiotics and genetically modified organisms (GMOs). The survey shows that there is a clear opportunity for food companies to meet consumer needs in an even better way. Among those who said they are sensitive to a food product or follow a special diet, less than half said they think their needs are fully met by the current product offerings.

Consumers are taking a more active role in their care. 70 percent of respondents in the Nielsen survey said they actively make food choices to prevent obesity, diabetes, high cholesterol and high blood pressure.

Choice of brands strengthen one's personal brand

Food and drink will increasingly contribute to creating or strengthening one's personal brand. Choosing organic foods creates an image that what you eat is healthy and good for the planet. The personal branding trend also encompasses what shops one chooses.

Nordic consumers are generally trend-sensitive and thus pioneers who embrace new trends early. According to Ekoweb, the market for organic foods in Sweden increased by 9.8 percent in 2017, to over SEK 27.9 billion. For Denmark, the corresponding increase was estimated at between 10 and 16 percent. This means that organic food is assessed to account for around 11 percent of the total Danish food market, making Denmark the first country to surpass 10 percent organic food.

Sales of vegetarian food growing the most

Consumers are buying increasing amounts of vegetarian food, health bars and non-alcoholic beer, according to the 2017 Nielsen market report.

The measurements show that it is the vegetarian alternatives that are growing the fastest in the FMCG segment, both in the categories of fresh and frozen food.

Goods such as health bars, peas, beans and lentils are also growing strongly. The latter are in both dried and canned form. Within dairy products, refrigerated desserts are growing fastest, largely driven by the protein puddings.

Source: Nielsen market report 2017 (Nielsen ScanTrack, sales in value, total FMCG segment, full-year 2016).

These product groups grew the most in value in 2016:

- Fresh vegetarian food +36%
- Health bars +30%
- Frozen vegetarian food +28%
- Non-alcoholic beer +23%
- Ready-made dough +20%

Sports nutrition and dietary supplements growing, weight control declining

Growth for the Swedish self care market is stable. As the number of sales channels has grown, competition has increased. According to the Egenvårdsmarknaden 2016 market report, growth in Sweden was around 2.4 percent. The only category to decline comprises weight control products.

Statistics show that there are three dominant sales channels: FMCG retail, pharmacies and healthfood retailers. In the sports nutrition category, the Internet is the dominant purchasing channel, however.

Even if international comparisons are difficult to make, available statistics show that consumers in our neighbouring countries spend more money on self care products than the average Swedish consumer does.

Growth for self care products in 2016 by category:

- Dietary supplements and vitamins 3.5%
- Weight control –9.1%
- Sports nutrition 4.8%
- Plant-based medicines 1.2%

Growth for the Swedish personal care market is stable.

Vegetarian takes a strong hold*

Vegetarian remains a strong trend. The percentage of people who eat a vegetarian meal at least once a week increased from 41 to 44 percent. This trend is led by women where 51 percent eat a vegetarian meal at least once a week compared with 37 percent of the men. Age also plays a role. The share for vegetarian decreases the higher in age people are.

It is clear that vegetarian as a meal is really moving when asking what the trendiest dish is. Pulled Pork's time at the top is over and vegetarian is the trendiest. This trend is mainly driven by younger women, aged 15-24, who are very interested in food and cooking.

Cooking from scratch

In the past year, the focus on added value, such as local, locally produced and fair-practice produced food, has decreased, while interest is increasing in the quality of the raw materials and cooking from scratch. Here, different age groups diverge, for example 15–24 year-olds place significantly greater emphasis on fair-practice produced food than the older target groups.

The transition to a more vegetarian diet is reflected in how many are considering reducing their meat consumption: 31 percent this year, 26 percent last year. But what people say and what they do are two different things. The Swedish Board of Agriculture has compiled consumption for 2016 and writes that "consumption rose to a Swedish record of 87.7 kg per person and year". A change may be further out in time; the ambitions are more distinct among the younger here as well.

Myth that food cannot take time

A food myth is that we are spending less time cooking. We continue to spend around 35 minutes on weekday food and 45 minutes on weekend food preparation. At first glance, the changes for what is most important when buying food are conflicting: both focus on the raw materials' quality and a low price are increasing. Looking at differences in age, there are explanations, however: 29 percent of those who are 55+ say raw material quality is crucial, while 32 percent of the group aged 15-24 say price is most important.

Eating healthy mainly means three things: cutting back on sugar, eating more vegetables and eating more varied. All age groups agree on this.

* This is shown by a relatively new trend meter for the Swedish market, Matrapporten 2017, which is compiled by Food and Friends. More than 1,000 Swedes between 15 and 74 years of age are asked about their eating habits.

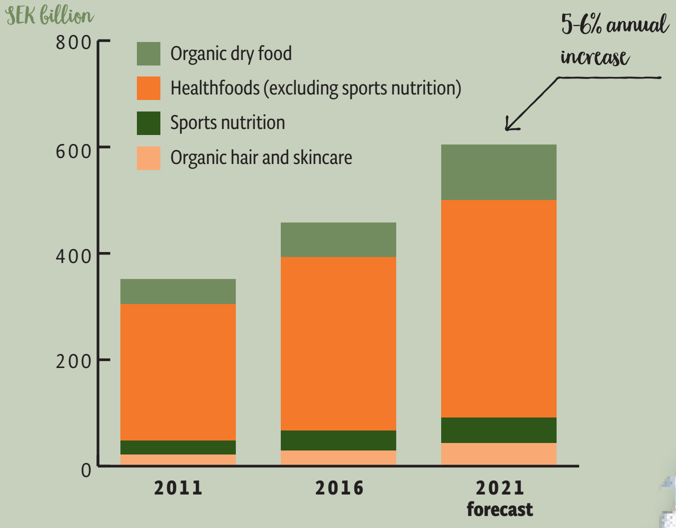
TRENDS AND EXTERNAL DEVELOPMENT

Health development

The interest in health and well-being has increased in recent years and is expected to continue to increase. This entails opportunities for Midsona's three priority product categories of organic products, healthfoods and self care products.

Organic continues to grow quickly

The European market is expected to grow by between 5 and 6 percent per year until 2021. In pace with the rising awareness among consumers, increasing amounts of healthier food are being bought.



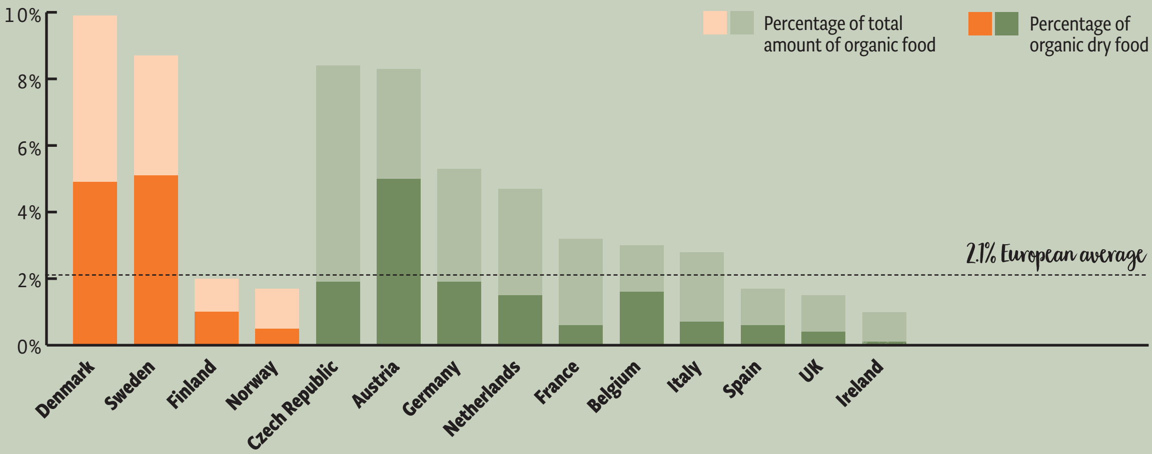
"The consumers' growing health awareness will increase growth for "Lifestyle food" in the next few years.
– Euromonitor

"European consumers, even in mature markets, are spending increasing amounts of money on organic products every year.
– AMI

"In the European market, consumers are increasing their expenditure on natural and organic products, especially in the hair care segment.
– Technavio

Organic big in Sweden and Denmark

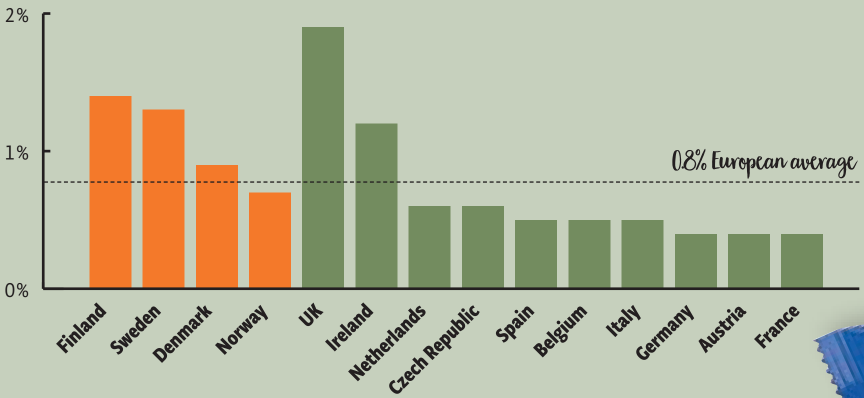
Sweden and Denmark are at the top in Europe in terms of packaged dry, organic food, but the trend in organic food is rising in many other European countries.



> **The Nordic countries are far ahead compared with most of the rest of Europe in terms of awareness of the advantages of organic food. I believe the rest of Europe will follow suit.**
> - Industry expert, KRAV

Sports nutrition

The UK, Finland and Sweden lead the way in Europe in sports nutrition; there is also growing interest in many other European countries. This table shows sports nutrition's share of total packaged food.



> **Sports nutrition is no longer something reserved for elite athletes, but is continuously used by the population in the entire EU.**
> – ESSNA

Source: Internal market surveys.

"Interest in health and well-being has never been greater"

Björn Jälén, Business Team Manager Sports & Weight

What is Midsona's recipe for success?
When I began at Midsona in August 2017, I noticed directly a high level of commitment and expertise in every department, as well as a pride and strong desire to share knowledge and insight with me as a new person in the company. I couldn't ask for better conditions for succeeding in my mission as the head of Midsona's brands in sports nutrition and weight control.

How do you hope that Midsona will contribute to success in the future?
The interest in health and well-being has never been greater and within Midsona, there is a passion to help people achieve a healthier life. Our future looks bright both for Midsona in general and for the brands I am responsible for in sports nutrition and weight control. Together with colleagues and partners, we will continue to develop Dalblads and Naturdiet with good tasting and functional products, and inspiring communication. We will also make sure that the products to an even greater extent contribute to health and well-being in sports and weight contexts.

What is your best Midsona recipe?
Good taste and high quality runs like a unifying factor through Midsona's range and I have many favourite products and recipes. An especially well-liked dish is vegetarian hash with Kung Markatta's marinated tofu, topped with fresh parsley and a handful of roasted sunflower seeds.

Focus on priority categories

Midsona's products are within three categories: organic products, healthfoods and self care products. The organic products and healthfoods are two growing product categories at the same time that self care products show lower growth.

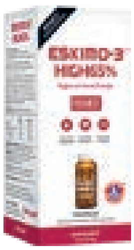
Organic products


Product category's sales
Approx. SEK 1,000 million
Examples of brands
▸ Urtekram ▸ Kung Markatta ▸ Helios ▸ Soma

Healthfoods


Product category's sales
Approx. SEK 800 million
Examples of brands
▸ Friggs ▸ Naturdiet ▸ Alpro ▸ Dalblads

Self care products



Product category's sales
Approx. SEK 600 million
Examples of brands
▸ Esberitox ▸ Eskimo-3 ▸ Miwana ▸ Kan Jang

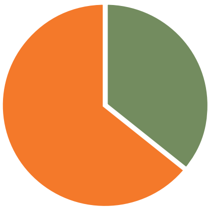
* Pro forma full year after the acquisition of Bringwell.

Focus on strong brands

Midsona's broad range of strong brands with leading products in health and well-being can satisfy many consumers' needs. We are the leader by developing existing brands and bringing in new brands so that we can address new and existing trends even better.

We develop our brands by continuously reviewing the range and being innovative with exciting new flavours, relevant ingredients and new categories to constantly be up-to-date. We also develop our brands through the way we communicate and where we communicate about them; for example, the largest part of the market advertising has been shifted over to digital and social media. Digital development demands that we are constantly present, are easy to find, can answer our consumers' questions and begin a dialogue with them.

Midsona made the strategic choice to invest in leading, distinct brands. In 2017, proprietary brands accounted for a total of approximately 64 percent (66) of the Group's sales of products. Many have strong and leading positions in selected segments in the respective product category.



Midsona's proprietary brands accounted for 64 percent (66) of the Group's product sales in 2017.

Midsona's strategic goal is to have brands that are number one or two in their markets in the Nordic region. This creates opportunities for increased exposure in shops, making it even easier for consumers to choose these products. Midsona prioritises eight of its proprietary brands: Urtekram, Kung Markatta, Friggs, Helios, Dalblads, Naturdiet, Eskimo-3 and Miwana.

In addition, we work with additional brands of our own with good profitability, and we represent a number of clients' brands.

For all brands, we must be relevant and credible in everything we do in order for our existing consumers to continue to be loyal and to attract new consumers. We have to be present where our consumers are and communicate with them when and where they are receptive to our messages. We have to develop products that mean that we are constantly interesting and create a relationship that makes them want to talk about us in their networks.

Midsona's acquisitions of Bringwell in 2017, Kung Markatta and Helios in 2016 and Urtekram in 2015 have many dimensions. One of the most important is the fact that the brands are strong and clearly niched, personal and individual. Therefore, they fit very well into Midsona's branding strategy.

Through the brands Kung Markatta, Urtekram and Helios, we have leading positions in the organic market in all Nordic markets and by choosing products from Kung Markatta or Urtekram, one tells the surroundings that one is an aware consumer who eats organic food and takes responsibility for the future. Here is a description of how four of our prioritised brands worked in 2017 to strengthen market position and brand awareness.

Kung Markatta

In 2017, Kung Markatta prioritised making a stand for really good food that both has a good impact and tastes good. Organic vegetarian products that can simplify everyday life for the consumers have been the focus of the innovation work, which will also continue to have an impression on the market in the future. During the year, healthy new snacks and beverages have been launched among other products. More consumers, 55 percent (52) aged 18 to 60 who like organic food and buy it sometimes or often, continue to choose Kung Markatta.

Urtekram

Urtekram has focused on creating a clear sustainability profile and has continued to maintain a high pace of innovation in its category. In 2017, Urtekram was elected as Denmark's most sustainable brand in the Sustainable Brand Index™ survey, which strengthens the brand's sustainable profile, as it is the consumers' nominations that determine who takes home the prize. Urtekram also worked with the production of bodycare products and during the year was recognised for the best haircare product for its shampoo in the Nordic Berries series during the Vivaness trade fair in Nürnberg. The new haircare series for men received the award Best New Grooming Product at the Natural Products Expo in London. Among others, the launch of Urtekram's organic haircare products in Europe was a success.

Friggs

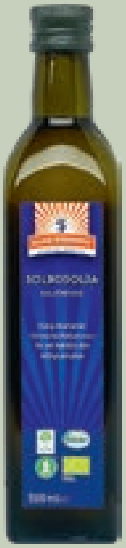
Friggs developed strongly in 2017, which is mainly driven by the development of corn cakes, which are now available as several big-selling flavours and as organic alternatives. In this category, Friggs has further strengthened its market leadership with a value share of nearly 80 percent. During the year, the innovation work was focused on corn cakes for continued success in future years. Friggs has every opportunity to continue to develop in more channels and for more consumption occasions linked to its strong brand. 76 percent are familiar with Friggs and 36 percent say that they bought aFriggs-product in the past year. In the tea category, Friggs is the leader in healthy teas and is the Swedish player that has been in the market the longest. In 2018, Friggs is celebrating 50 years.

Dalblads

In 2017, Dalblads continued to develop strongly in FMCG retail. This is even though the competition is increasing and that the sports nutrition category sometimes increasingly approaches confectionery in how the products are developed in terms of taste and consistency. A major focus in 2017 was therefore to lower the sugar content in the products and make the brand more relevant in the communication mix and to be visible in the right context where the target group is.

FOCUS ON STRONG BRANDS

Our priority brands



Urtekram

Urtekram is a leading brand in organic food and hygiene products. The range is broad and is mainly sold in supermarkets and grocery stores. Urtekram offers a wide range of dried fruits, nuts, oils, spices, fruit cream, muesli, rice and pasta. Urtekram was one of the first to offer products for consumers seeking vegan alternatives. It also offers a broad range of gluten-free items. Urtekram's hair and bodycare products are ecologically certified and offer several series with contemporary fragrances. The range is exported to 30 countries and is continuously developed. In 2017, Urtekram's food portfolio was also launched outside the Nordic region in earnest.

Kung Markatta

Kung Markatta is the leader in organic food. With a broad range of food products for all kinds of cooking and baking, such as oils, grains, pasta, bouillon and various kinds of flour, Kung Markatta offers food that both tastes good and has a good impact. Through strong campaigns, Kung Markatta wants to call attention to the significance of cooking more vegetarian dishes, thinking of the importance of avoiding food waste and cooking in a climate smart way. In 2017, major focus was on developing vegetarian products from mixes that are used to make one's own veggie beef patties to ready-to-cook refrigerated products. A Japanese range was also added.

Friggs

Friggs is a broad health brand that focuses on the latest trends and strives for ingredients with documented health effects. The product range is mainly available in supermarkets and grocery stores. Friggs has a leading position on the market in corn and rice cakes and in 2017, developed new organic variants and corn cakes covered in chocolate. Major focus on innovations awaits in 2018. Friggs' range of teas focuses on good taste with ingredients that have strong health ties. The dietary supplements have a leading position in the Swedish market. In 2018, Friggs is celebrating 50 years. A strong brand with a given place in the hearts of many consumers.

Helios

Helios is a leading brand in organic food with Norway's most extensive range of select organic and bio-dynamic products, such as breads, beverages, cold cuts, dinner, accessories, pasta sauce, pesto, oil, sugar, syrup, nuts, seeds, flour and tea. Helios was launched as early as 1969 as Norway's first organic brand in food. The brand has since worked to offer pure, honest products of a high quality. Today, Helios' products are in Norwegian grocers throughout the country.

Midsona's business builds on strong proprietary brands that are continuously developed in new channels, with relevant communication and innovation to speak to its consumers and attract new buyers. Urtekram, Kung Markatta, Friggs, Helios, Dalblads, Naturdiet, Eskimo-3 and Miwana are prioritised and many of them have sales in several of the Group's markets. Urtekram, Kung Markatta, Friggs, Dalblads and Naturdiet play an important part in the Group's growth and together they account for a significant part of Midsona's total sales.

DALBLADS® Sports Nutrition

naturdiet®

ESKIMO-3®

Miwana®

Dalblads

Dalblads develops and markets products for the everyday exerciser and those who exercise regularly to get stronger and increase their endurance. The products are suitable before, during and after exercise. During the year, extensive focus was on developing entirely new kinds of Swebars with a low sugar content. Interest in sports nutrition is growing strongly and Dalblads grew in the FMCG retail segment during the year. The products are also marketed in sports and gym channels, mainly in e-commerce.

Naturdiet

Naturdiet offers weight control products. Common to all products is their low calorie content, at the same time that they contain the vitamins and minerals needed in meal replacements. The range consists of shakes and smoothies, bars and drink mixes. During the year, focus has been on developing new beverage flavours and reducing the sugar content in bars. Naturdiet is mainly sold in supermarkets and grocery stores.

Eskimo-3

High-quality omega products are sold and marketed under the brand Eskimo-3. The brand is characterised by stable oils with a lox oxidation rate thanks to Pufanox, which is in most Eskimo-3 products. Fish oils in Eskimo-3 are certified by Friends of the Sea, which means that the fish is caught responsibly with consideration of the method, stocks and social responsibility. The range includes both natural and highly concentrated fish oils. Eskimo-3 is available in the Nordic region and in some ten other markets around the world.

Miwana

Miwana comprises cold remedies with salt solutions that are marketed under the Renässans brand in Sweden. The products are available as nasal drops and nasal sprays and are mainly sold in the pharmacy channel. The products are a good alternative to rinsing the nose during the cold and allergy season. Renässans Plus, with a higher salt content, is a natural alternative for nasal congestion that is not addictive like conventional nasal sprays classed as medication. Thanks to its mild profile, Renässans is a given product for pregnant women and parents of young children seeking a mild alternative.

"We inspire better public health"

— Anna Popper Swane, Key Account Manager for ICA

What is Midsona's recipe for success?
Midsona offer healthy products that help people feel better in a time when growing numbers care about their health and well-being. As the Key Account Manager for the business with ICA, it's inspiring that they also want to actively contribute to better public health. ICA has an explicit corporate goal of being the actor in the market by 2020 that according to the consumers is best at helping them make healthy choices. Here, we at Midsona together with ICA can contribute to better public health in Sweden by offering our products, inspiring the consumers and helping them find our healthier alternatives.

How do you hope Midsona will contribute to success in the future?
I hope that Midsona will continue to help and inspire more people to feel even better, through higher sales of both our existing range and the exciting innovations we will launch. The more we sell, the better people will feel and that is truly positive evidence of success.

What is your best Midsona recipe?
A favourite at home with us is Kung Markatta's miso, which we use for various kinds of Ramen noodles; after all, the Japanese live the longest in the world. As parent to a young child, Friggs' corn cakes in every flavour are also a much appreciated, tasty and healthy snack.

On page 45, Anna shares her favourite recipe for Tikka Masala.

FOCUS ON STRONG BRANDS

Relevant and fast product innovation

Innovations have become increasingly important for Midsona as we have approached categories of consumers with a significant interest in nutrition, high product standards and interest in testing new products. Innovation and staying abreast of trends is part of building consumer trust and loyalty. This entails reacting quickly to new trends, which requires a streamlined innovation process.

Midsona's innovation forum decides on initiating projects for new product development. Once an idea is approved by the innovation forum, we continue working on it in local project groups. In presenting the idea, market trends and competition conditions have been analysed to best determine why Midsona should develop the product.

Several factors decide

Several factors decide whether an idea will be developed into a new product. This may be production costs and choice of suppliers to meet quality requirements. The market analysis may indicate that there is no room for the idea, but by adjusting it, such as making it a niche product by being gluten-free or organic, it may become interesting. It’s all about the right timing, both internally and externally.

Several of Midsona's brands, such as Kung Markatta, Helios and Urtekram, are known for their high rate of innovation. Every year, hundreds of new products and product variations are launched. Friggs and Naturdiet also have a successful innovation process with several new products per year.

Fast innovation and development

To satisfy customers’ and end-consumers’ rapidly changing needs, Midsona has to work simply and smoothly with innovations. The goal is to create a simple process, a structure in everyday activities to be able to quickly nurture ideas and evaluate if they have market potential.

In 2017, Midsona worked on innovations within entire new categories. This involves refrigerated and frozen food, an important part of the store since the consumers frequent areas where staple items like milk and butter are located. The products that Midsona develops for this are vegetarian hamburgers, sausages and meatballs, to name a few. Vegetarian food is a trend at the same level as organic food in recent years; the ambition is to develop products that are in both of the categories.

Another important development area is finding possibilities to geographically broaden the marketing and distribution of existing products. Midsona has many brands that are in one or two of the four Nordic countries and we are developing internal tools to be able to efficiently launch them in all four countries. There are strong brands, products and campaigns to work from and there is major potential in launching them in all countries.

FOCUS ON STRONG BRANDS

A few launches in 2017

First quarter

- Friggs launched a new flavour, Blackberry Lavender, in its series of organic premium teas.
- 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.

Second quarter

- Kung Markatta expanded its range with ten new organic and Fairtrade-labelled products, two flavours in the tofu beef series, three kinds of natural candy, three kinds of small candies and two variants of chocolate-coated corn cakes.
- Drop It launched two eye sprays in Sweden, one for tired eyes and one to clean the eyes.
- Naturdiet launched a new flavour, pear & vanilla, in its series of shakes and a new flavour, double chocolate, in its series of meal bars.
- Friggs launched a new series of organic corn cakes in the flavours Parmigiana and Wild Garlic/Sour Cream in Sweden.

Third quarter

- Some 140 grocery items were launched under the Urtekram brand on the Portuguese market.
- Urtekram launched a new organic series of 18 different superfood products on the Danish market, which are abundant in natural nutrients.
- Kung Markatta expanded its range by several new organic and Fairtrade-labelled products in the Swedish market, including unpolished rice, Japanese tamari, smoked and mild veggie sausage and white miso.
- One of Frigg's product launches in Sweden is thin organic corn cakes topped with chocolate in two varieties – milk chocolate and dark chocolate sea salt.
- Eskimo-3, Mivitotal and Movo launched dietary supplements on the Swedish market.
- Kan Jang launched an OTC drug on the Norwegian market.

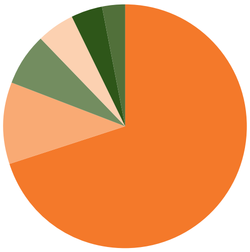
Fourth quarter

- In Sweden, Dalblads launched four new flavours in its series of protein bars: Banana Toffee, Chocolate Peanut Butter, Chocolate Ball and Rocky Road.
- Urtekram launched a complete range of lavender-scented organic body care products in Denmark.
- In Sweden, Naturdiet launched two flavours with 30 percent lower sugar content in its meal-bar range.

FOCUS ON STRONG BRANDS

We should be where the consumers are

Product sales by sales channel, Group



- Supermarkets 70% (72)
- Healthfood retailers 11% (12)
- Pharmacies 7% (6)
- Other specialist retailers 5% (3)
- e-commerce/post order 4% (4)
- Other sales channels 3% (3)

The basis for Midsona is strong brands in health and well-being. The primary function of Midsona's sales work is to ensure a flow of products at customers' outlets that continuously meets the effects of the marketing department's activities directed at consumers. The more channels Midsona has and the more aggressive its marketing communications, the higher the demands on sales and distribution.

Sales channels

Midsona should be where the consumers are. We do not exclude any channels, but assign priority to certain channels based on size. The sales department is structured according to the size of each customer or channel – or the scope of the potential.

Midsona has a well-defined structure for the sales processes in all business areas. The basis entails working centrally with large customers in FMCG and healthfood retail. Other significant channels are pharmacy chains and other specialist retailers. E-commerce sales are growing strongly with virtually a doubling of sales every year.

Introducing products

Developing customer relations and introducing new products to them is handled centrally. The supply chain then makes sure that the products reach the shops with Midsona's help. This means Midsona must do both central processing and development of customer relations at shops out in the field.

To achieve optimal distribution, clear planning and structure are important. Midsona works on the basis of seven sales cycles per year, with each cycle lasting six to eight weeks. The year commences with a sales conference, including education and training in sales calls, as well as the planning of the sales cycle.

Shelf exposure

In parallel with the introduction activities, the sales staff also work to create an effective exposure of the products on the store shelves. This involves creating activities in various ways that support the shops in how they sell the products. What is of most interest to the shops – and also to Midsona of course – is naturally selling to end consumers. We must continuously have creative ideas, displays and shelf exposure.

Midsona mainly works with its own sales force, which streamlines the management of the sales process. Since the information paths are becoming simpler and shorter, salespeople can change or refocus their sales activities more quickly.


ALWAYS ORGANIC
BOUILLON
Kylling
Kyckling
Kana
88 g
EKO
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ALWAYS ORGANIC
BOUILLON
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New Nordic supply chain organisation

In 2017, extensive work began in the Group to build up a new overall supply chain organisation, with the aim of increasing cooperation between Midsona's various units in the Nordic countries. Midsona previously worked based on four independent companies that conducted business in the scope of the respective countries. At the same time, there was a need to increase cooperation to create synergy effects.

Beginning in January 2018, Midsona has an integrated Nordic supply chain organisation. The establishment of a matrix organisation is a natural and necessary step in Midsona's strategy to create a uniform, efficient and sustainable value chain for the future. The goal of the organisational change is to better support the commercial units and reduce the cost level through joint purchasing and coordination of logistics. The new supply chain organisation will be built over two years.

One organisation, one system, one plan

In autumn 2016, work began to build a common platform to create a uniform Nordic approach. The new system is being brought into operation on a continuous basis as of the first quarter of 2018. Through a common business system, a simpler and more efficient way of working is ensured. Previously, there were five different systems in the Group, where the respective Nordic company and Bringwell worked with their own solutions. All of the systems have been replaced by the new business system.

On 1 January 2018, the Group began working from a common organisational structure, which is a natural step since several of the Group's brands are now sold in all of the Nordic countries. A new supply chain organisation can thereby support all commercial units in the respective countries in which Midsona is active today. Through the Group's continuous sustainability work, a Supplier Code of Conduct is being prepared that involves Midsona setting requirements on all suppliers based on how they relate to a sustainability perspective.

Through the new structure, Midsona will harmonise its plans, which is ultimately about the financial forecast, sales plan and purchasing forecasts achieving better agreement. Through a harmonised plan that takes into account all aspects, a higher degree of service to customers and a better cash flow are made possible.

Collaboration has begun where part of Kung Markatta's products are produced in Midsona's Danish factory.

Common purchasing structure

In 2017, work began on creating a common purchasing structure between the Nordic countries, which involves finding efficient logistics and reducing costs in the supply chain. The ambition is also to become a stronger purchaser by merging our volumes between the countries. Through the right cooperation and a better forecast work, it is easier to maintain optimal stock and thereby keep costs down.

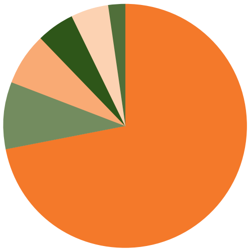
An example of common purchasing is Kung Markatta and Urtekram where the cooperation has already begun. Some of Kung Markatta's products are now produced in Midsona's facility in Mariager, Denmark. In the future, it will be seen as a Midsona factory through the on-going work where the Group will optimise its supply chain structure. In the future supply chain organisation, focus will be on categories and business segments rather than brands, which will facilitate contact with existing and future customers.

Business areas

Sweden

Sales channels

external product sales



- Supermarkets 72%
- Pharmacies 9%
- Healthfood retailers 7%
- e-commerce/post order 5%
- Other specialist retailers 5%
- Other sales channels 2%

Key figures	2017	2016
Net sales, SEK million	1,069	728
Net sales growth, %	46.8	72.9
EBITDA, before items affecting comparability, SEK million	133	64
Operating profit, before items affecting comparability, SEK million	126	59
Items affecting comparability included in operating profit, SEK million	-6	-8
Operating profit, SEK million	120	51
Operating margin, %	11.2	7.0

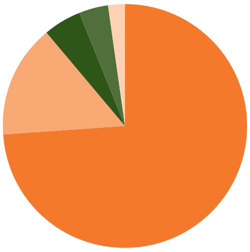
Significant events in 2017

- High pace of innovation and launches for priority brands
- Major focus on integration of Kung Markatta, a part of the acquisition of Internatural, whereby a new operating organisation located in Malmö and Örebro was implemented.
- Synergies were realised from the Kung Markatta acquisition.
- Kung Markatta was ranked as Sweden's ninth most sustainable brand in 2017, according to the Sustainable Brand Index™ survey.
- Production disruptions at suppliers and a system integration with fine-tuning of internal processes entailed some delivery problems to customers during a period of time.
- The SEK weakened against the EUR during the year, which entailed higher costs or product purchases.
- The market for organic products is still experiencing growth, although at a lower rate than in earlier years.
- A major focus was on the integration of the acquired Bringwell's Swedish operation, which was ongoing at year-end.

Denmark

Sales channels

external product sales



- Supermarkets 74%
- Healthfood retailers 15%
- e-commerce/post order5%
- Other sales channels 4%
- Other specialist retailers 2%
- Pharmacies 0%

Key figures	2017	2016
Net sales, SEK million	544	537
Net sales growth, %	1.3	89.1
EBITDA, before items affecting comparability, SEK million	24	35
Operating profit, before items affecting comparability, SEK million	16	27
Items affecting comparability included in operating profit, SEK million	–	–
Operating profit, SEK million	16	27
Operating margin, %	2.9	5.0

Significant events in 2017

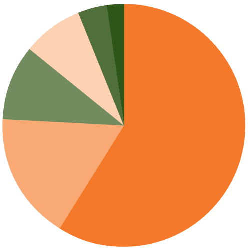
- High pace of innovation and launches for the Urtekram brand.
- Export operations outside the Nordic region had a very strong sales growth, among other things, some 140 of Urtekram's products were launched in Portugal.
- In the Danish production facility, several smaller capacity – and efficiency-enhancing investments were made in the first half of the year.
- High fixed sales costs in the Danish market, which were not fully absorbed by a corresponding sales growth, negatively impacted earnings.
- Temporary additional costs linked to both own production and a change of sub-suppliers to ensure continued high product quality.
- An agreement for contract manufacture with a turnover of around SEK 28 million on an annual basis was cancelled and will gradually be replaced with internal production volumes.
- Danish consumers voted the Urtekram brand as Denmark's most sustainable business and brand in the Sustainable Brand Index™ 2017 survey.
- Peter Overgaard was appointed as the new manager of Business Area Denmark. He took office on 1 February 2018.

Business operations are conducted in four business areas that are close to customers in each market, providing optimum conditions for being able to combine the Group's economies of scale with flexible and efficient business decisions.

Norway

Sales channels

external product sales



Key figures	2017	2016
Net sales, SEK million	558	475
Net sales growth, %	17.5	18.5
EBITDA, before items affecting comparability, SEK million	54	42
Operating profit, before items affecting comparability, SEK million	49	39
Items affecting comparability included in operating profit, SEK million	-4	-12
Operating profit, SEK million	45	27
Operating margin, %	8.1	5.7

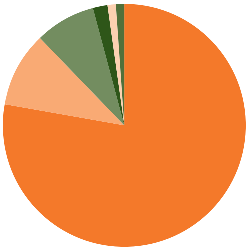
Significant events in 2017

- Several priority brands strengthened their position in the market, despite an assortment rationalisation among one of the larger customers.
- A major focus on the integration of Alma Norge, a part of the acquisition of Internatural, whereby the operation was concentrated to Oslo. Hard work was done to make internal processes more efficient after completed integration.
- Synergies were realised from the acquisition of Alma Norge.
- The NOK weakened against the EUR during the year, which entailed higher costs or product purchases.
- The brand Urtekram was successfully launched on a broad front in one of the major healthfood retail chains.
- A major focus was on the integration of the acquired Bringwell's Norwegian operation, which was ongoing at year-end.
- Christoffer Mørck took office as the new Business Area Manager on 1 December.

Finland

Sales channels

external product sales



Key figures	2017	2016
Net sales, SEK million	173	164
Net sales growth, %	5.5	60.8
EBITDA, before items affecting comparability, SEK million	18	18
Operating profit, before items affecting comparability, SEK million	17	17
Items affecting comparability included in operating profit, SEK million	-1	–
Operating profit, SEK million	16	17
Operating margin, %	9.2	10.4

Significant events in 2017

- Positive growth signals coming from the retail segment, following an extended period of negative development.
- Strong sales growth for several priority brands as a result of greater distribution. The Friggs brand had a sales growth of 47 percent.
- The margins declined slightly as a result of a higher share of sales to the FMCG retailing trade.
- The sales and marketing organisation was reorganised to create a more efficient customer and market cultivation.
- Two sales assignments were signed with net sales totalling SEK 10 million on an annual basis. They began in the third quarter.
- A major focus was on the integration of the acquired Bringwell's Finnish operations. The the integration was completed at the end of the year.

"We make health readily available to the consumer"

— Anna Block, Business Team Manager

What is Midsona's recipe for success?
I joined Midsona through the purchase of Bringwell. Regardless of which department one belongs to, there's an insight and commitment to working for the same thing and everyone makes a contribution. This way, there is a close cooperation between the departments and an understanding of the needs of everyone in the chain. I believe that a recipe for success is precisely the close cooperation between the different departments and the insight that we are one Midsona.

How do you hope Midsona will contribute to success in the future?
By becoming a part of Midsona, Bringwell becomes a part of the larger category of self care products. In connection with the merger, we can take advantage of the broad expertise that exists in Midsona, which enables development for our already strong brands. A close cooperation between different departments means that we can offer good, high-quality and safe products in most sales channels. This way, health becomes more readily available to the consumer.

What is your best Midsona recipe?
A good start to the day is Overnight Oats with Probi Mage: 1 dl of Urtekram organic fibre oats, 2 dl Alpro fresh almond drink, 1 tbsp Kung Markatta chia sees, 1 tbsp Kung Markatta linseed, ½ tbsp cinnamon, ½ tbsp cardamom and 1 capsule of Probi Mage (opened without the capsule casing). Mix everything and leave it in the refrigerator overnight. Eat it with a sliced banana and fresh berries!

Financial targets

The financial targets facilitate the management of the company, but also help the financial market monitor the Group's development. The targets show the Group's long-term development regardless of the economy and the Group's current phase. In individual years, the fulfilment of certain targets may therefore deviate.

Growth: more than 10 percent on average per year

The growth target is to be achieved by focusing on the established vision and strategies. Growth will be achieved organically, through acquisitions and through new partnerships or alliances. For the long term, this entails Midsona growing significantly faster than the underlying market (2-4 percent annually).

Goal completion 2017: Through the acquisition of Bringwell and strong development for our largest brands, the Group achieved growth of 25 percent.

EBIT margin >10 percent

The target aims to provide scope for developing the operations in the long term and generating a stable return for shareholders. As a focused brand company, Midsona achieves economies of scale in all functions, from purchasing to sales, strengthening the EBIT margin. An improved product mix is also expected to affect the margin positively. Synergies from implemented and future acquisitions are also expected to increase the EBIT margin.

Goal completion 2017: EBIT margin before items affecting comparability increased to 7.1 percent (6.2) through greater efficiency and synergies from earlier acquisitions.

Net debt/EBITDA: less than 2 times

The target links borrowing to earnings capacity and has been set to define a reasonable level of risk. The target is to be achieved through active but responsible investments and a clear focus on operating cash flow.

Goal completion 2017: multiple of 3.9. Net debt/EBITDA continues downwards through Midsona's strong cash flow and improved earnings. The ratio between net debt and EBITDA on a rolling 12-month basis can be significantly higher than the target during the period following an acquisition, before the acquisition has reached reach full impact.

Dividend >30 percent of profit after tax

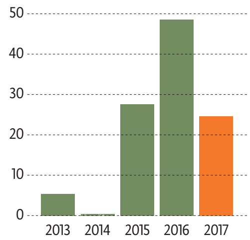
The target is a well-considered proportion, providing shareholders a reasonable return while ensuring that the company has funds to aggressively develop its operations.

Goal completion 2017: The Board's proposal of SEK 1.25 corresponds to just over 68 percent, meaning that the dividend target has been surpassed over the past five years. A continued favourable dividend (and, this year higher) is a measure of Midsona's development and belief in the future.

Midsona manages the business based on four financial targets:

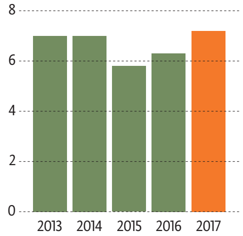
- Growth
- EBIT margin
- Net debt/EBITDA
- Dividend

Growth (%)

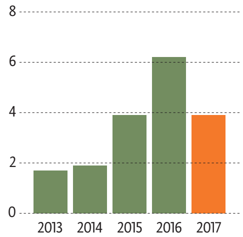


EBIT margin (%)

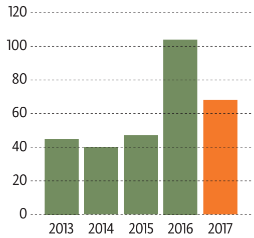
before items affecting comparability



Net debt/EBITDA



Dividend (%)



Risks and risk management

All business operations must manage uncertainty regarding future events that could affect the operations positively, bringing opportunities to generate increased value, or negatively, incurring a risk that targets will not be reached, with reduced value being generated for shareholders and other stakeholders as a consequence. Consequently, risk management is an important element in the governance and control of the operations.

Midsona is affected by the general economic situation, currency exchange fluctuations and other company-specific external factors. This section details the most significant risks affecting the capacity to achieve set operational, financial and sustainability targets for the Group, as well as the management of each risk. Midsona actively seeks to minimise risks through preventive efforts and, where this is not possible, to hedge or insure against the risk in as cost-efficient and balanced a manner as possible, with well-considered risk taking within set limits.

Risk management is governed at an overarching level by the Board of Directors and the Audit Committee, as well as at an operational level by the CEO, management team and other employees.

The account of risk factors presented below does not claim to be exhaustive, nor is it ranked by order of importance. Not all factors are described in detail, and a complete assessment must include other information and a general assessment of external conditions.

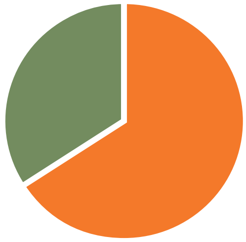
Operational risks

DISTRIBUTION AGREEMENT

Description of risk
A considerable proportion of the Group's sales of goods derives from distribution agreements, according to which Midsona holds an exclusive right to market, sell and distribute other companies' products in a defined market. Normally, such distribution agreements extend over a period of one to five years and can, under certain circumstances, be cancelled prematurely if, for example, agreed minimum sales volumes cannot be achieved. There is always a risk that Midsona will not manage to extend distribution agreements or enter new distribution agreements with acceptable terms.

Risk management
Midsona has extensive experience of marketing, selling and distributing products on customers' behalf in the Nordic health and self care market. In such partnerships, relations with the customer are built up in the long term through continuous follow-up meetings and other joint activities at different levels in the organisation, generating mutual trust. With access to the Group's market expertise, licensed products are afforded favourable opportunities for growth and favourable profitability, which normally provides a good foundation for long-term cooperation.

Comment
A distribution agreement was entered into with a large European actor to represent some of their brands in the Nordic region. The agreement is expected to generate net sales of slightly more than SEK 100 million on an annual basis. Several smaller distribution agreements both signed and discontinued in 2017. In Bringwell, which was acquired in 2017, a number distribution agreements were entered into. The proportion of licensed brands accounted for around 53 percent of Bringwell's product sales at the time of acquisition.



- Proprietary brands 64% (66)
- Licensed brands 36% (34)

PRODUCT RESPONSIBILITY

PROBABILITY

EFFECT

Description of risk
Handling foods imposes rigorous demands on traceability, hygiene and handling. Poor control can lead to contamination, allergic reactions or various kinds of injuries. Deficiencies in food handling could lead to confidence in Midsona and its brands decreasing and defective products having to be recalled or repurchased. Recalls can be costly and damage the Group's reputation while preventing inventories from being sold. Midsona could also be subject to product responsibility demands if its products are claimed to have caused personal injury.

Risk management
Midsona applies rigorous quality requirements in all processes to minimise the risk of all types of faults, product recalls or other damage claims. Agreements with suppliers impose requirements for documentation and traceability to safeguard the quality of products. Suppliers are scrutinised through inspections in accordance with a rolling schedule and all raw ingredients and semi-manufactured goods undergo laboratory testing to ensure that they are the right raw ingredients of the right quality before being used in the products. In Midsona's quality assurance system, possible complaint flows can be captured at an early stage for proactive purposes.
In addition, Midsona adheres to relevant legislation, regulations and industry guidelines that are applicable to each of its product categories. Midsona also holds insurance against possible product responsibility demands.

Comment
Midsona had 15 unplanned withdrawals of products (6) in 2017. These withdrawals had no material impact on the company's results and financial position. Steps have been taken to significantly reduce unplanned withdrawals of products.

PRODUCTION

PROBABILITY

EFFECT

Description of risk
Midsona has a production facility in Denmark for the production of ecological foods and bodycare products, as well as a production facility in Sweden for the production of dietary supplements. The production unit in Denmark is certified for organic production. The risk is purely in terms of the production technology. That is to say, an unplanned interruption to production could directly affect deliveries to customers, since a large part of production is conducted to order.

Risk management
For the large volume products, production can be transferred to other machines. Machines are maintained continuously in accordance with established schedules, and larger maintenance measures are normally scheduled during the summer months. Investments in new machines or to replace older ones are made continuously as needed.

Comment
No significant production disruptions in the Group's production facilities occurred in 2017. Several minor capacity increasing investments were made in the Danish production facility.

PRICES FOR RAW MATERIALS

PROBABILITY

EFFECT

Description of risk
Trends in prices for raw materials depend largely on supply and demand, which are beyond Midsona's control. The prices of certain raw materials that Midsona purchases are also affected by agricultural policy decisions, subsidies, trade barriers and activity on commodity exchanges.

Risk management
Midsona continuously monitors price trends for all key raw materials. To safeguard both availability and price, supplier agreements are normally signed, covering the need for essential raw materials over a horizon of 6–12 months. Midsona's guiding principle is to offset increased prices for raw materials through price increases to customers.

Comment
Price revisions normally take place once a year. It is often difficult for Midsona to achieve price increases to customers immediately following a demonstrable rise in prices for raw materials. In certain special cases, discussions are continuously held with the customer during the year if there is a drastic change in the price of a raw material.

CUSTOMER DEPENDENCY AND CUSTOMER CREDIT RISK

Description of risk
Midsona has some 350 active customers, of whom the ten largest account for 62 percent (63) of net sales. If Midsona is unable to live up to the demands imposed by its largest customers, and if customers fail to meet their payment obligations, Midsona could be negatively affected.

Risk management
Customers are primarily pharmacies, FMCG chains and healthfood retailers with whom customer relations are generally rather long-term. Increasingly, Midsona offers its products directly to the end consumer through e-commerce/post order, as well as other specialist retailers. By extending its customer base, Midsona can reduce its dependency on a small number of customers. Customer credit risk is managed on an on-going basis by each subsidiary through credit checks and internal credit limits for each customer. Bank guarantees or other sureties are required for customers with low creditworthiness or insufficient credit history.

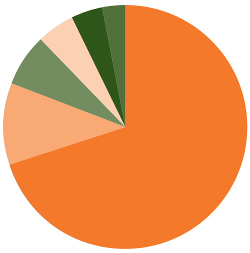
Comment
At year-end, trade accounts receivable amounted to SEK 213 million (209), corresponding to an average customer credit period of 38 days (47). The average customer credit period was reduced by 9 days, among other things as a result of a more efficient account ledger management in Sweden. Customer losses amounted to SEK 0 million (1) and has been at a low level in recent years.

COMPETITORS – AND, AT THE SAME TIME, CUSTOMERS

Description of risk
Customers are primarily pharmacy, FMCG and healthfood retail chains. To a varying extent, these players offer competing products that they sell under their proprietary brands (private label), which are growing stronger each year and that occupy an increasingly large share of the product range on shop shelves. If these players continue to broaden their product ranges under their proprietary brands, this could lead to further competition and increased price pressure, which would affect Midsona's sales and results negatively.

Risk management
Midsona works actively with continuous development and innovation in its brands and products to earn its shelf place in shops and, at the same time, to convey a clear and accurate message to consumers at the point of sale. Customers' and end-consumers' confidence in Midsona's products are of crucial importance to the company's long-term development. Without strong confidence in the company's brands, it would be difficult to capture market shares and to grow. Thorough development, innovations and sustainability processes enhance conditions for winning and retaining the confidence of customers and end-consumers.

Comment
Proportion of sales of goods for each sales channel:



- Supermarkets 70% (72)
- Healthfood retailers 11% (12)
- Pharmacies 7% (6)
- Other specialist retailers 5% (3)
- e-commerce/post order 4% (4)
- Other sales channels 3% (3)

RENEWAL OF PERMITS, CERTIFICATIONS AND LICENCES

Description of risk
Midsona conducts operations requiring permits and holds permits that must be renewed at regular intervals. In addition, a number of important certifications and licenses are held that must be continuously renewed. Operations could be adversely affected in the event that Midsona fails to meet the set requirements in inspections by the authorities or other organisations, with permits, certifications and licenses being revoked as a result.

Risk management
Midsona works continuously with quality assurance according to a management system that includes quality and environmental management. The purpose of the management system includes continuously addressing quality and the development of operations while adhering to relevant legislation and guidelines to maintain official permits, certifications and licences. The management system is authorised by the CEO.

Comment
All permits, certifications and licenses were renewed in 2017 after inspections were carried out.

SUPPLIERS

PROBABILITY EFFECT

Description of risk
Midsona conducts proprietary production of goods and also uses external suppliers, primarily within Europe. Supplier disruptions are a risk for the Group, taking its commitment to customers into account.

Risk management
The Group works actively with sourcing issues, with close cooperation with suppliers being necessary for reliable deliveries. Where possible, the Group also works with alternative suppliers for critical products.

Comment
Product sales were also negatively impacted in 2017 to some extent by some delivery problems to customers as a result of production disruptions at some suppliers. However, this did not affect relationships with customers to any greater extent. A common Nordic supply chain organisation was implemented in the fourth quarter of 2017 to, among other things, ensure good delivery reliability from suppliers.

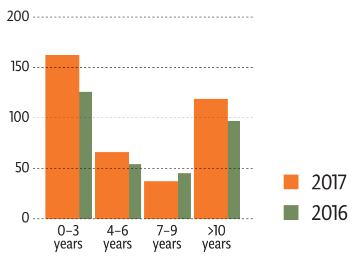
COMPETENCE – A CRITICAL RESOURCE

PROBABILITY EFFECT

Description of risk
The operations require both business and product-specific expertise. The Group's development is affected by the availability of competent and motivated employees, as well as the knowledge, experience and commitment of management and other key individuals. Development could be negatively affected if one or more of these key individuals were to leave the Group or if the Group is unable to recruit and retain qualified employees.

Risk management
By placing considerable emphasis on a good working environment, health-promoting measures and good leadership, Midsona nurtures its brand as an employer.
Midsona has effective procedures in recruitment to mitigate such negative consequences. It is the company's view that it can attract and retain qualified employees.

Comment
Employment period number of employees:



Financial risks

FINANCING RISK

PROBABILITY EFFECT

Description of risk
Financing risk refers to the risk that future capital procurement and refinancing of maturing loans could be difficult or costly.

Risk management
The ensure that the Group always has access to necessary external financing at a reasonable expense, the guideline is that confirmed credit commitments should have an average remaining maturity of at least 12 months.

Comment
The current funding agreement extends to 30 June 2019 with a possible one year extension. At year-end, the average remaining maturity on the Group's confirmed loan commitments was 32 months (45).

LIQUIDITY RISK

PROBABILITY EFFECT

Description of risk
Liquidity risk means the risk that the Group cannot meet its payment obligations as a consequence of inadequate access to cash and equivalents.

Risk management
According to the finance policy, the Group's liquidity reserve, consisting of unutilised credit facilities, cash and equivalents, shall, at any given time, exceed the Group's loan maturities for the next six months.

Comment
The liquidity reserve amounted to SEK 154 million (165) at the end of the year and was allocated to cash and cash equivalents of SEK 54 million (65) and the unutilised part of the overdraft facility of SEK 100 million (100). Loan maturity, including principal and interest, to credit institutions, over the next six months amounts to SEK 27 million (18).

CURRENCY RISK – TRANSACTION EXPOSURE

PROBABILITY

EFFECT

Description of risk

The Group's sales of goods are conducted primarily in the currencies SEK, NOK and EUR, while procurement of goods is made primarily in SEK, NOK, EUR, GBP and USD. The net exposure in EUR is considerable because purchases exceed sales.

Risk management

The Board of Directors of Midsona decided in 2017 to not hedge forecast currency exposure. According to the policy, potential currency risks shall be managed in the respective supplier and customer agreement through currency clauses. With the aim of reducing the earnings impact of changed exchange rates, Midsona works continuously with price adjustments to customers and suppliers based on the exchange rate development primarily tied to EUR.

Comment

At the end of 2017, there were no outstanding forward currency contracts. An isolated shift in exchange rates against the SEK by ± 5 percentage points for the four currencies with the largest estimated net flows is calculated to have an effect on profit before tax of ± SEK 23 million (18). In the comparison period, the earnings effect after tax was calculated including the effect of derivatives.

INTEREST RATE RISK

PROBABILITY

EFFECT

Description of risk

Interest rate risk refers to the impact on profits of a change in interest rates. How quickly a change in interest rates affects profits depends on the periods of fixed interest on loans and investments. As the Group is a net borrower and does not invest funds in listed instruments, it is mainly the Group's interest-bearing liabilities to credit institutions that are exposed to interest rate changes.

Risk management

The guideline is that the average period of fixed interest for the Group's interest-bearing liabilities to credit institutions should be three months. To avoid uncertainty regarding future interest rate levels and to gain knowledge of future interest expenses over a given period, the Group applies interest rate hedging in the form of interest rate swaps.

Comment

The average duration of the Group's interest-bearing liabilities to credit institutions was 3 months (3). If the Group's entire loan portfolio were to mature with a variable interest rate, a change in the interest rate of ± 1 percentage point would lead to an effect on profit of ± SEK 7 million (7) calculated on the debt to credit institutions of SEK 705 million (725) at year-end. Loans of SEK 100 million were interest rate hedged at year-end, of which SEK 50 million matures on 30 June 2018, and SEK 50 million on 30 June 2020.

FINANCIAL CREDIT RISK

PROBABILITY

EFFECT

Description of risk

Financial credit risk refers to the risk of losses if the counterparties with whom the Group has placed cash and equivalents, financial investments or derivative instruments are unable to meet their payment obligations.

Risk management

Midsona's finance policy defines how possible liquid surpluses can be invested. As long as the Group is a net borrower, any surplus liquidity shall be used to reduce loan debt. The subsidiaries shall place their surplus liquidity in bank accounts belonging to Group account systems or in bank accounts approved by the finance function.

Comment

The financial credit risk regarding cash and equivalents in bank accounts amounted to SEK 54 million (65) at year-end.

Sustainability risks

Personal and social conditions

EMPLOYEE HEALTH – A HEALTHY CULTURE

PROBABILITY

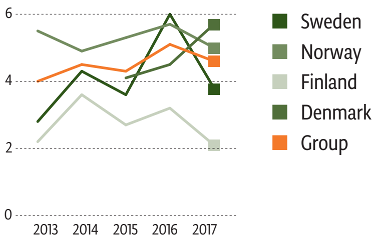
EFFECT

Description of risk
High sickness absence and other kinds of absence can have consequences for Midsona's operations both in the ability to implement and the ability to recruit new employees through the impact on Midsona's reputation.

Risk management
Midsona actively works for the employees to have a healthy, creative and developing work environment and tries in various ways to stimulate health-promotion activities, such as through Midsona's Health and Well-being Policy. During the year, the Policy for Organisational and Social Work Environment, which among other things concerns how Midsona will handle situations with a high sickness absence, was implemented. Midsona cooperates with occupational health services in every location where we have operations.

Comment
Sickness absence is registered and all absence is discussed with the individual based on his or her needs. Midsona regularly reviews the organisation in various ways, such as compulsory development discussions with the employees and employee surveys.

Absence due to illness, %



Environment

CLIMATE CHANGES

PROBABILITY

EFFECT

Description of risk
The consequences of climate change can have consequences on Midsona's ability to secure raw materials and thereby affect the operations and profitability.

Risk management
Midsona works based on the respective brand's character with these issues, such as climate compensation for transports, eco-labelling and ensuring suppliers' quality assurance work. At a company level, eco driving courses are held for salespeople.

Comment
Four training sessions in eco driving were held in 2017, two in Sweden and two in Denmark. Midsona performs carbon offsets for transports for the Kung Markatta brand. In 2017, 11,494 tonnes of carbon dioxide emissions were offset through the planting of trees.

Respect for human rights

DIVERSITY AND EQUALITY

PROBABILITY

EFFECT

Description of risk
A lack of diversity and equality can have consequences for Midsona's business in that valuable competence would be lost, thereby decreasing the innovative capacity. It can also have consequences on Midsona's reputation in society.

Risk management
Midsona's Code of Conduct determines important primary principles, including diversity and equality principles. Midsona actively works with these issues, for example based on the Policy for Organisational and Social Work Environment.

Comment
Midsonas Code of Conduct has been published in five languages, including Swedish, English, Danish, Norwegian and Finnish.

SUPPLIER WORKING CONDITIONS

Description of risk
Poor conditions at Midsona's suppliers can have major consequences not only for Midsona's reputation, but also for business relationships, product quality and ultimately Midsona's profitability.

Risk management
A shared Nordic supply chain organisation was implemented as part of Midsona's strategy of establishing an efficient and sustainable value chain. Audits are always done of new suppliers and regular audits are done of existing suppliers on a continuous basis. Midsona actively works with various certifications, including KRAV and Fairtrade.

Comment
Midsona conducted 10 audits of suppliers during the year. There were 77 Fairtrade-labelled products and 229 KRAV-labelled products in Midsona's assortment at year-end. A Supplier Code of Conduct is being prepared that concerns Midsona setting requirements on all suppliers based on how they relate to a sustainability perspective.

Combating corruption

CORRUPTION RISK

Description of risk
Besides Midsona's reputation, corruption can impact Midsona's business relationships and, by extension, profitability and cause socioeconomic consequences.

Risk management
Midsona implemented a Code of Conduct policy that all employees must sign. It states that Midsona has zero tolerance of corruption. In connection with this, a whistle-blower policy was also prepared in 2017. In the relationship to suppliers, a Supplier Code of Conduct is also under preparation.

Comment
No reported incidents in 2017.

"We contribute to better public health by inspiring and helping the consumers"

As the leading company in the Nordic region in health and well-being, Midsona helps people daily to choose a healthier life. Anna Popper Swane, who is interviewed on page 26, offers here one of her favourite recipes with Midsona's products!

Chicken Tikka Masala

Feeds 4 people
600–800 g chicken

Marinade
2 dl cooking yoghurt
2 tsp Urtekram lemon juice
2 tsp Urtekram cumin
1 tsp Urtekram chilli flakes
2 tsp Urtekram black pepper
1 tsp Urtekram cinnamon
1 tsp salt
3 cm chopped ginger

Sauce
Butter
2 chopped cloves of garlic
1 chopped jalapeño
2 tsp coriander
1 tsp Urtekram cumin
1 tsp Urtekram sweet paprika
1 tsp garam masala
1/2 tsp salt
1 can of Kung Markatta crushed tomatoes
1 can of Kung Markatta coconut cream

Do this
Cut the chicken into roughly 3 cm pieces. Mix the marinade and stir in the chicken. Put it in the refrigerator for at least one hour. Melt butter on medium heat, add the garlic and jalapeño, fry one minute. Mix in the coriander, cumin, paprika, garam masala and salt. Fry one minute. Increase the heat, add the chicken and fry it for 5–10 minutes until it has colour. Mix in crushed tomatoes, lower the heat and simmer for 15 minutes. Mix in coconut cream, simmer until it thickens a little, around 5 minutes. Garnish with fresh coriander and serve with freshly baked nan bread.

Urtekram launched several new spices in 2017.

Sustainability Report

In-depth sustainability work

Sustainability is becoming increasingly important, especially in the food industry. It is therefore important that Midsona maintains control of its operations and resources such that we take responsibility for future generations while being able to help our customers and consumers with their sustainability work.

Midsona's sustainability work

Midsona's work with sustainability is based on the sustainability mission *We help people achieve a healthier life.* Through several of our brands, such as Urtekram, Kung Markatta and Helios, we have products that are leaders in sustainable food.*

Focused sustainability work commenced in autumn 2016. The project was initiated by the Midsona Board and involved both Group Management and representatives from the business areas. As its starting point, the work mainly used the sustainability profile of the Group's priority brands, the aspirations of Group Management as well as key stakeholder perspectives of sustainability issues. Inspiration was gathered from the GRI (Global Reporting Initiative) guidelines.

* Danish consumers voted Urtekram as the most sustainable brand in the Sustainable Brand Index™ 2017 survey. Kung Markatta came ninth in the corresponding voting in Sweden. This is very strong evidence that Midsona is gradually advancing its positions in sustainability.

Sustainability work built on responsibility

Midsona acting responsibly is based on the individual employee's behaviour in the daily operations. As a guide, Midsona has developed several policies and compliance is followed up annually by Group Management. The goal is to review in detail and when necessary revise two to five policies every year.

i This section addresses disclosures linked to Midsona's work with the sustainability area *Combating corruption* as per *Chapter 6 Section 12 of the Annual Accounts Act (ÅRL).* References are also given to sections where other sustainability areas are addressed.

Midsona's Code of Conduct explains the Group's position in central areas of sustainability. The Code is thereby a central steering document that clarifies how the employees should act and is included as a natural part of the introduction of new employees. Everyone in Midsona is expected to be familiar with its contents.

In 2017, the Group adopted a whistle-blower policy, which makes it easier for employees to report illegal or unethical conduct. The policy is an important tool to quickly call attention to and combat conduct that is not in line with Midsona's values.

Respect for human rights

Midsona supports and works according to international conventions regarding human rights. Midsona does not accept any form of discrimination and respects employee freedoms and rights and in its operations will work to eliminate all forms of forced labour and child labour. This also applies to the Group's suppliers, which must also live up to applicable labour legislation in the respective country. Midsona's work and policies on human rights are described in more detail under the sections *Promoting a healthy lifestyle* and *Product safety and quality*.

A healthy and sustainable culture

Midsona prioritises employee health and safety and offers a creative and developing social working environment. Midsona's work and policies regarding staff and social conditions are described in more detail under the section *Promoting a healthy lifestyle*.

A healthy and sustainable environment

Midsona works to reduce its negative impact on the environment, takes consideration of the environment and health in the development of products and processes and prioritises environmentally friendly technology. The the Group's work and policies regarding the environment are described in more detail under the section *Sustainable use of resources*.

Communication and zero tolerance of corruption

In all contexts, Midsona seeks to encourage and act in line with sound competition principles. All communication should take place in accordance with applicable legislation and Midsona's policies. Midsona's employees are expected to act in an ethical manner in relation to the Group's shareholders, customers and other stakeholders. Midsona's Code of Conduct emphasises that the Group does not accept any form of corruption.

Midsona's materiality analysis

For Midsona, the consumers are the focus. In that the Group's products are a part of the consumers' daily lives, Midsona has a direct impact on their lives and well-being. Therefore, it has been natural in the development of Midsona's sustainability work to proceed from the consumers' as well as other stakeholders' perspective, since it provides crucial insights into what direction the Group's sustainability work should take.

Midsona has worked based on the Global Reporting Initiative's framework (GRI Standards) in the development of the Group's sustainability strategy and report. A central part of GRI is the materiality analysis, which contributes to identifying the most important sustainability issues. The analysis has been the starting point for the process of formulating the direction of Midsona's sustainability work.

The analysis process was begun with several internal workshops with representatives from Midsona's corporate management. The analysis involved the stakeholders' perspectives through a survey based on a web-based questionnaire, where 1,100 consumers expressed which sustainability issues they consider to be most important for Midsona to work on.

Only people who were familiar with one of Midsona's largest product brands were asked. In the analysis, only sustainability issues were chosen that the stakeholders said were of large to very large importance for them. Group Management then did a prioritisation based on the issues' financial, environmental and social impact and their significance to Midsona's business strategy and competitive situation.

In the past year, the sustainability strategy was implemented in the Group. Among other things, this meant that measurement points for the significant sustainability issues were worked out and that a structure for reporting was formulated. In 2017, important steps were taken to introduce a common reporting procedure among Group companies. The work has come far and will continue in 2018 with the goal of being able to present complete sustainability data in accordance with GRI for the entire Group in next year's sustainability report.

Midsona's work with the most significant sustainability issues is presented below.

Midsona's work on the most significant sustainability issues takes place based on the following focuses:

Promoting a healthy lifestyle	Product safety and quality	Sustainable use of resources
▸ Sustainable brands ▸ Fair business model	▸ Safe products ▸ Responsible purchasing	▸ Efficient resource use ▸ Transports

Three primary areas of focus

Midsona's sustainability work is conducted towards three primary areas of focus: *Promoting a healthy lifestyle*, *Product safety and quality* and *Sustainable use of resources*. The goal of the areas of focus is to help Midsona steer sustainability efforts to the areas where the Group can do the most good and where the sustainability commitments can be carried out in a credible fashion, both for Midsona and its stakeholders. On the following pages, Midsona's sustainability work is described in more detail based on these areas of focus.

Promoting a healthy lifestyle

One of Midsona's foremost goals is to produce sustainable products that help people live a healthier life. Midsona also believes in a healthy culture among its employees and works in several areas to create such a culture.

i This section addresses disclosures linked to Midsona's work with the sustainability areas *Personal, Social conditions* and *Respect for human rights* according to *Chapter 6 Section 12 of the Annual Accounts Act (ÅRL).*

Sustainable brands

Midsona has developed a thorough understanding of the role that diet and nutrition play in health and well-being. This knowledge-base determines the Group's strategic decisions regarding business acquisitions or other investments, while it also serves as the basis for innovation work and product development.

During the year, important sustainability initiatives were taken. The Group has developed and launched several new products where efforts were made to reduce the amount of sugar and increase the amount of fibre in existing products. For example, Dalblads Swebar with lower sugar content.

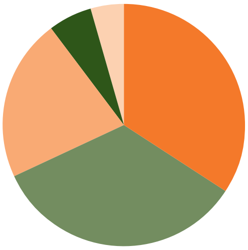
As a further way to promote a healthy lifestyle, Midsona is involved in various events to create social and environmental benefits. The sponsorship is guided by the Group's sponsorship policy. The selection of activities is done based on an agreement with Midsona's values and attractiveness to the Group's mean target groups. In 2017, the brand Dalblads was the main sponsor of all of the races of the competition Toughest, where the competitors were able to try Dalblads' products at the finish line. In addition to this, several sponsorship involvements also take place at a local level, guided by the Group's sponsorship policy.

In 2017, two of the Group's brands were highly ranked on the Sustainable Brand Index™ list of sustainable brands. In Denmark, consumers voted Urtekram as the most sustainable brand and, in Sweden, Kung Markatta was one of the top ten most sustainable brands.

Fair business model

Midsona's sustainability vision should also be reflected at the workplaces. We strive to work for a healthier life, both internally and externally. Therefore, Midsona offers a good working environment, an inspiring corporate culture, health promotion measures and leadership based on open communications and dialogue. This creates a good foundation for success and is above all a prerequisite for Midsona to keep and attract employees in the future.

Employees by business area on the balance sheet date



- Denmark, 132
- Sweden, 130
- Norway, 83
- Finland, 22
- Others, 17

A welcoming company

A well-planned introduction is important to new recruits feeling welcome and appreciated and quickly being able to perform well. All new employees are informed of Midsona's vision, mission, strategy, the key core areas and policies. Midsona's Code of Conduct is a natural part of the introduction of new employees. Every employee in the Group is responsible for being familiar with its contents.

A developing company

Midsona is to be an attractive company, where the employees feel appreciated and have opportunities for development. The Group's competence and development policy provides guidance in building, developing and maintaining competence in the organisation. The employees are encouraged to develop their expertise in relevant areas and the need for competence development is discussed at regular follow-up talks.

A healthy and sustainable culture

Midsona works actively for employees to have a working environment that is as healthy, creative and developing as possible, with a favourable balance between work and leisure. In 2017, a new policy was developed for the organisational and social work environment. Among other things, this regulates issues that concern work-related stress and work load and clarifies Midsona's and the employees' responsibility for a good and safe working environment. For Midsona, systematic work environment efforts mean creating a work environment that respects the rights of the individual, is stimulating and where there is no risk of becoming ill or injured. All employees are therefore offered a flexibility in their work to the furthest possible extent.

Midsona offers various health promotion activities that increase long-term health prospects for employees. The Group's health policy ensures continuous commitment to improving health at the workplace throughout the organisation. Midsona has the goal of being a tobacco-free workplace and also pays for the employees' tobacco cessation treatment upon request. Employees are also offered the possibility to buy healthy products from parts of Midsona's product range at favourable prices. In every business area, health promotion grants are offered and walk-and-talk meetings are encouraged when possible. The ambition is to include a health promotion activity at internal conferences. The Group also encourages and sponsors the employees' participation in various fun runs and in 2017, employees from three of Midsona's business areas participated in the obstacle course race called Toughest.

An equal-opportunity company

Midsona values the creative dynamic that a workplace characterised by diversity provides.

All Group companies should strive to be an equal-opportunity and inclusive organisation, as stated in the Group's Policy for Organisational and Social Work Environment. Among other things, it states that discrimination of employees based on gender, ethnicity, age, disability, religion or sexual orientation is not acceptable. There is also a plan of action to quickly resolve cases of harassment and discrimination. The employees have a right to be members in labour unions and the right to collective bargaining agreements.

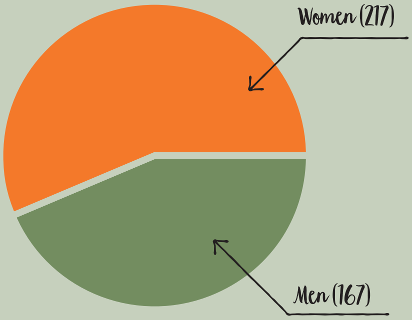
PROMOTING A HEALTHY LIFESTYLE

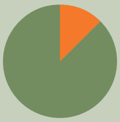
Midsona's employees

For Midsona, it is important that the employees have a healthy, creative and stimulating work environment, with a good balance between work and leisure. Through health-promoting activities, we improve the conditions for long-term healthy employees and create commitment throughout the organisation.

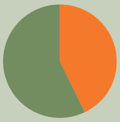
Gender distribution

On the balance sheet date.





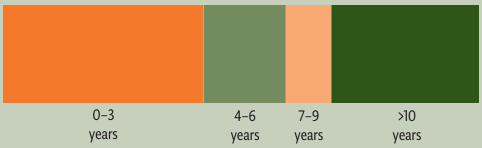
Management
- Women: 1
- Men: 7



Board of Directors
- Women: 3
- Men: 4

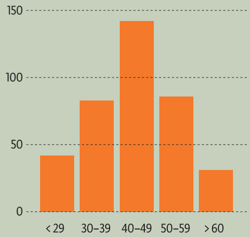
Length of employment

Number of employees. For a comparison to 2016, see page 41.



Age structure

Number of employees.



Employment procedures shall take gender distribution into account.

384

employees

4.64%

sickness absence in the Group.
For detailed data, see page 43.

Product safety and quality

The foundation for companies in health and well-being is that the products are safe and maintain a high level of quality. At Midsona, this is ensured through careful controls so that the raw materials included in the products maintain the highest possible quality and are produced under sustainable conditions. The controls take place through a close cooperation with the network of suppliers.

Safe products

Midsona's consumers must be able to rely on the Group's products being safe and maintaining the highest quality possible. Control and documentation of what is included in the food are therefore significant parts of the quality assurance work. It is also a significant factor in Midsona's vision to help people live a healthy life.

An important part of the quality assurance and safety work is to make sure that the products are correctly labelled. A majority of the Group's consumers demand accurate product information, which is something that Midsona has long prioritised. Correct product labelling contributes to the consumers receiving the necessary information on contents and origin that they need to be able to make well-informed choices based on their health and lifestyle.

Midsona's quality assurance work is governed by the business areas' quality policies, which regulate how control and follow-up should be conducted. The Group has long worked with several different certifications, such as KRAV and Fairtrade. They place among other things requirements on how the Group works with both purchasing and quality controls. By the certifications being visible on the product packages, the consumers get further guidance in the purchase decision.

Responsible purchasing

Midsona's controls of purchasing are based on the Group's close relationships with its suppliers and broad knowledge of health. This ensures that Midsona's products hold an even, high quality. Midsona's supplier control is also an important tool in setting clear requirements on the suppliers' work environment and environmental impact.

In 2017, an important step was taken in Midsona's sustainability work. A shared Nordic supply chain organisation was implemented 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. This will particularly make it possible for the Group to set higher requirements on the supply chain. The objective is to improve important processes in the Group that in turn can contribute to the Group's sustainability work being able to be conducted successfully.

Safe products also mean that the production should take place in a safe and responsible manner. In the past year, Midsona developed a Group-wide Supplier Code of Conduct that will clarify the expectations on the suppliers' work based on a sustainability perspective. The policy addresses areas such as human rights/labour law, business ethics and animal husbandry. The Group-wide Supplier Code of Conduct will be under further development in 2018 and will constitute an important component in the relationship with the Group's suppliers.

Some of Midsona's certifications

KRAV: Renewed annually. Issued by Kiwa, Uppsala, Sweden.

Fairtrade: An independent certification, which through controls and criteria for sustainable development gives people in countries with widespread poverty an opportunity to improve their conditions.

Eco-cert: Used only on bodycare products, new approval every year. Issued by Ecocert Group, France.

Nordic Swan Ecolabel: Environmental label. Issued by Miljømærkning, Denmark.

Vegan: The product does not contain ingredients derived from animals.

Äkta vara: Swedish labelling that the products are free from additives.

i This section addresses disclosures linked to Midsona's work with the sustainability areas *Social conditions* and *Respect for human rights* according to *Chapter 6 Section 12 of the Annual Accounts Act (ÅRL).*

Sustainable use of resources

Midsona seeks to contribute to health and well-being and create value and benefit for all of its stakeholders. This entails a long-term commitment, where the Group must review and control that the operations use resources in a sustainable manner so that people will be able to live and feel well in the future as well.

i This section addresses disclosures linked to Midsona's work with the sustainability area *Environment* as per *Chapter 6 Section 12 of the Annual Accounts Act (ÅRL).*

Efficient resource use

Emissions and energy consumption affect the environment and thereby people's health and well-being. Midsona wants to help people live a healthier life and it is therefore important that the Group take responsibility for both production and products having the least possible negative impact. This is stated in the Group's environmental policy, which also forms the basis of the work to seek new production methods and packaging solutions.

Midsona's environmental efforts

In line with Midsona's environmental policy, source sorting and recycling now takes place at all of the Group's offices and double-sided printing has been introduced as a standard. Midsona's head office in Malmö has shifted to a supplier of sustainable office supplies. During the year, the move was completed of the Group's Norwegian organisation into Oslo's greenest office building – The Monier – which is certified according to BREEAM-NOR Very Good.

Active work in several areas of sustainability takes place at the Group's existing offices, production locations and warehouse facilities. Several projects linked to waste, water, energy, materials and transports were initiated in 2017 and are continuing in the upcoming year. An important part of these various efforts is the Group-wide measurement structure that is being implemented in the organisation. The work to put the structure into place is continuing and the goal is to be able to report complete sustainability data, linked among other things to the environment, in the 2018 sustainability report.

Several efforts in the environmental field bore fruit in 2017. Business Area Denmark shifted to electricity production and 20,000 kWh of renewable electricity was produced through solar cells in 2017. In Denmark, all lighting was also switched to LED lamps in the warehouses, which provided savings of around 60,000 kW in 2017. Midsona's warehouse in Örebro signed an agreement during the year with GodEl, which means that the operation is now run on 100 percent renewable energy.

Sustainable initiatives

Midsona Denmark's cooperation with the Vegetarian Society of Denmark was deepened in 2017. The objective of the cooperation has been to strengthen the interest in vegetarian food and at the same time, increase awareness of the Group's products. The cooperation has contributed to supporting the growth of Nutana's vegetarian meals and Urtekram's vegan products. The organisation's logo is now visible on these brands' packaging.

Midsona welcomes the vegetarian trend

Midsona is a member of the paper recycling organisation FTI (Förpacknings- och tidnings-insamlingen) and the package recycling organisation Returpack.

Environmental and health consideration is a natural part of the Group's product development. In 2017, several products became KRAV and Fairtrade labelled, which means that the production takes into consideration both the environmental impact and the working conditions on site at the producers. Examples of products that became Fairtrade labelled during the year are parts of Kung Markatta's range of green tea.

In 2017, a project was begun to develop the Group's innovation processes linked to packaging solutions. The selection of packaging reflects a central role in the food industry and affects a wide number of aspects concerning the food's sustainability, quality, storage and transport possibilities. The goal of the project is to create and distribute important efficiency and sustainability gains within the entire Midsona Group. Through new packaging innovations, the project will primarily reduce the Group's transport costs and through improved recyclability at the same time contribute positively to the consumers' own environmental impact.

Both Kung Markatta and Urtekram have made important efforts for several years to find and develop sustainable packaging. Cooperation takes place today with organisations such as KRAV, Nordic Swan Ecolabel, Ecolabel, FSC (Forest Stewardship Council), FTI (Förpacknings- och tidningsinsamlingen), SGÅ (Svensk Glasåtervinning) and also Returpack.

Transports

Within the food industry, freight transports are often the largest source of environmental impact. Midsona's largest possibility of being able to contribute to people being able to live a healthy life is by producing and selling its products and that they are available to the consumers every day. Since this means a constant flow of products, Midsona works actively on the transport issue to reduce the impact this entails on the environment.

Midsona's new supply chain organisation* will also contribute to the Group being able to streamline its flows of goods on a Nordic level. Through a common structure, Midsona is estimated to take a broader approach to the work with important sustainability issues, including that linked to transports.

Transports not only involve goods, but also people. In 2017, the Group resolved to conduct training in eco-driving for all sales personnel, starting in Sweden and Denmark. In addition to this, all employees are offered the opportunity to borrow bicycles at local meetings.

To reduce Midsona's general travel needs, video conferencing equipment was introduced as a standard at the Group's offices. In 2017, a number of Nordic Group projects were conducted. Thanks to the video conferencing equipment, the Group has been able to make significant travel savings that entailed a generally reduced environmental impact at the same time that the effectiveness in the project was able to be preserved.

* Read more about Midsona's supply chain organisation on pages 32–33.

Urtekram's honey and cocoa are both Fairtrade labelled.

Sustainable initiatives

Green Kitchen Stories inspired with vegetarian in the climate/food fight

Kung Markatta's initiative for more vegetarian and less food waste

In 2017, Kung Markatta took two important initiatives for health and the environment.

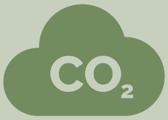
With the climate/food fight, the goal was to challenge the Swedish people's dinner favourites and inspire more vegetarian alternatives in everyday life. Therefore, four inspiring culinary innovators were asked to present their two best vegetarian dishes that suit a regular weekday dinner. The Swedish people were also asked to share their best suggestions to get more vegetarian options into the everyday puzzle.

Together with Green Kitchen Stories, Kung Markatta developed a number of good, organic meals that are easily converted into a new dish the next day. The aim was to give consumers inspiring suggestions on how to use yesterday's leftovers for new meals and thereby avoid throwing out food unnecessarily.

Grilled flat bread from the Vegetarian Grill School

Kung Markatta's carbon offset

For the past several years, Kung Markatta has done careful calculations of the environmental impact from its freight and person transports. The calculations take into account transports by air, road and sea and employee business travel. This information then forms the basis for Kung Markatta's carbon offset efforts, which are shown on the company's products.



11,494

Tonnes carbon dioxide emissions in 2017.

Auditor statement on the statutory sustainability report

To the Shareholders of Midsona AB (publ), corporate identity number 556241-5322.

Assignment and responsibilities

The Board of Directors is responsible for the sustainability report for 1 January 2017–31 December 2017 on pages 46-55 and for it being prepared in accordance with the Annual Accounts Act.

Review focus and scope

Our review has been conducted in accordance with FAR's recommendation RevR 12 Auditor's statement on the statutory sustainability report. This means that our statutory examination of the sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our statement.

Statement

A sustainability report has been prepared.

Malmö, 28 March 2018

Deloitte AB

Per-Arne Pettersson

Authorised Public Accountant

Share and ownership structure

Midsona's shares were introduced on the Stockholm Stock Exchange in 1999. Series A and series B shares are listed on the Nasdaq Stockholm Small Cap list during 2017 in the FMCG segment under the tickers MSON A and MSON B.

Segment

In November 2017, Nasdaq Stockholm decided to move Midsona from Small Cap to Mid Cap. The change entered into effect on 1 January 2018.

Share capital

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 non-cash issue in connection with the acquisition of Bringwell AB. The Board of Directors of Midsona AB decided on 14 May 2017 – with support of the AGM's authorisation – on a non-cash issue of Series B shares, where the allocation of Series B shares was made in accordance with the coverage that took place through payment of a contribution in kind in the form of shares in Bringwell AB. In July 2017, the changed number of shares and votes resulting from the non-cash issue was registered with the Swedish Companies Registration Office. The total number of shares increased by 3,361,584 Series B shares to 45,468,192 Series B shares. The number of votes increased by 3,361,584 to 50,866,912 votes.

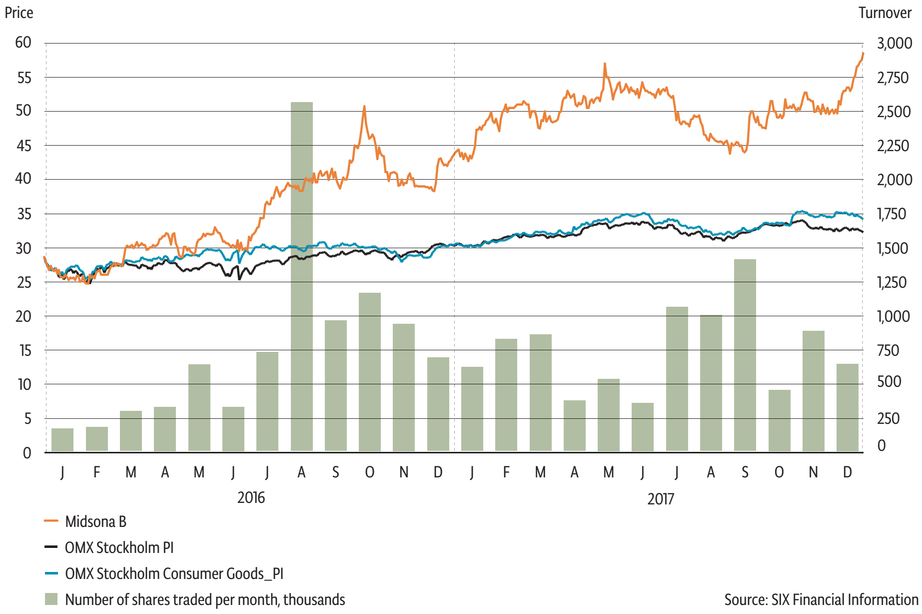
All shares convey equal rights to the company's net assets and profits.

Capital development is reported on www.midsona.com/investerare/aktien.

Share turnover and bid price

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 31 December, the most recent price paid for the share was SEK 58.50 (44.00). The total value of trade in Series B shares was SEK 311 million (341). The average daily turnover for both Series A shares and Series B shares together was 36,282 shares (37,062), corresponding to SEK 1,804,797 (1,504,063).

Over 2017, Series B shares rose from SEK 44.00 to SEK 58.50, equivalent to 33 percent (53.5). The stock market as a whole, as indicated by the OMX Stockholm PI (OMXSPI), rose by about 6.4 percent (5.8). The index for the FMCG segment rose by approximately 12.0 percent (6.5).



Warrants programme

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 executives took place at market terms in December 2017 based on a calculation according to the so-called Black & Scholes model done by PWC AB, which is to be considered independent in relation to 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 equity.

Accordingly, 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. 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.

Ownership

The largest shareholder in Midsona AB (publ) was Stena Adactum AB, which, at 31 December 2017, held 385,641 Series A shares and 10,587,528 Series B shares, corresponding to 23.8 percent of the capital and 28.4 percent of votes. No other shareholder held 10 percent or more of the total number of shares as per 31 December 2017. The ten largest shareholders in Midsona AB (publ) are detailed in the current shareholder list, as of 31 December 2017.

Current shareholder list 31 December 2017

Source: Euroclear Sweden AB

	Number of shares	Share of capital, %	Share of votes, %
Stena Adactum AB	10,973,169	23.8	28.4
Handelsbanken Fonder	3,579,270	7.8	7.0
Second Swedish National Pension 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
Försäkringsaktiebolaget 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**

The ten largest shareholders accounted for 61.6 percent (63.8) of the capital and 62.9 percent (64.7) of the votes.

The members of Group Management held a total of 164,310 Series B shares (164,306) at year-end. Board members held 2,482,943 Series B shares (2,447,893) at year-end. Neither Midsona AB (publ) nor its subsidiaries held any treasury shares at the end of 2017.

Of the total number of shares, foreign shareholders accounted for 22.9 percent of the capital and 20.9 percent of the votes, which was an increase of 5.8 percentage points and 5.3 percentage points respectively since last year. Of the Swedish shareholders, legal entities held 60.4 percent of the capital and 62.1 percent of votes, while physical persons held 39.6 percent of the capital and 37.9 percent of the vote.

The total number of shareholders (including nominee-registered) was 6,430, which was an increase of 506 on the preceding year. The distribution of shareholdings within various intervals is shown in the Distribution of shares in intervals as of 31 December 2017.

Distribution of shares in intervals, 31 December 2017

Source: Euroclear Sweden AB

Number of shares	Number of shareholders	Shareholder, %	Number of holdings	Holdings, %
1-500	4993	77.6	577,653	1.3
501-1,000	576	9.0	443,163	1.0
1,001-5,000	592	9.2	1,283,777	2.8
5,001-10,000	90	1.4	676,069	1.5
10,001-15,000	38	0.6	477,940	1.0
15,001-20,000	18	0.3	332,014	0.7
20,001–	123	1.9	42,217,448	91.8
Total	**6,430**	**100.0**	**46,008,064**	**100.0**

Dividend policy and dividends

The dividend policy is for dividends to exceed 30 percent of profit after tax over the long term. Dividends are adjusted to take into aspects including profit levels, financial position and future development opportunities.

The Board of Directors proposes that a dividend of SEK 1.25 per share (1.10) be paid for the 2017 financial year, equivalent to SEK 57,510,080 (46,911,128). The proposed dividend represents a pay-out ratio of 68.2 percent (104.5) and a yield of 2.1 percent (2.5) on the shares.

Key figures per share [1]

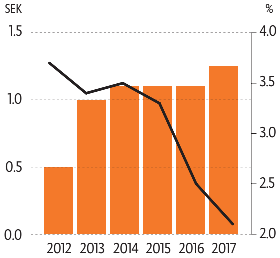
		2017	2016	2015	2014	2013
Profit attributable to Parent Company shareholders	SEK	1.91	1.42	2.71	2.75	2.24
Shareholders' equity	SEK	33.69	31.63	30.85	33.02	31.22
Cash flow from operating activities	SEK	3.44	2.19	3.56	2.46	3.87
Free cash flow	SEK	2.83	1.62	3.44	2.37	3.65
Share price on balance sheet date (Series B shares)	SEK	58.50	44.00	33.00	31.00	29.00
Dividend[2]	SEK	1.25	1.10	1.10	1.10	1.00
Yield	%	2.1	2.5	3.3	3.5	3.4
Pay-out ratio	%	68.2	104.5	47.2	40.0	44.6
P/E ratio	multiple	30.6	30.9	12.2	11.3	12.9

[1] Midsona presents certain financial measures in the Annual Report that are not defined under IFRS. For definitions and reconciliation to IFRS, see page 114–117.

[2] Dividend for 2017 relates to the proposal by the Board of Directors.

Dividend per share and yield

The distribution of shareholdings in various intervals is presented by the table below.



Dividend (dividend for 2017 relates to the proposal by the Board of Directors)

Yield

Stock market data

The publication of information is guided by the information policy adopted by the Board of Directors. Annual and interim reports, as well as press releases are published in Swedish. Annual Report and interim reports are published in English. Information meetings, conferences with analysts, fund managers and the media are held on an on-going basis over the year.

Annual reports, interim reports and the Corporate Governance Report are available from the website, www.midsona.com, where it is also possible to subscribe for reports and order specific information. The 2017 annual report is published as a PDF on Midsona's website no later than 28 March 2017 and the printed report will be available from Midsona's headquarters in Malmö by 12 April 2018 and can be ordered via www.midsona.com.

Analysts and other monitoring

Johan Dahl (johan.dahl@seb.se) is an analyst at SEB and continuously monitors Midsona.

Remium Nordic AB compiles and distributes information on Midsona on its website www.introduce.se, where, for example, key performance indicators, press releases, shareholder data and technical analyses can be accessed.

Erik Penser Bankaktiebolag monitors Midsona through its EP Access service at www.penser.se.

Silent periods

Midsona observes a silent period of at least 30 days before the publication of its interim reports. During this silent period, Group representatives do not meet with the financial press, analysts or investors.

Financial calendar 2018

- Interim Report\January–March 2018: 25 April 2018
- Annual General Meeting in Malmö: 25 April 2018 at 3:00 p.m.
- Interim report\January-June 2018: 20 July 2018
- Interim Report\January–September 2018: 25 October 2018
- Year-end report 2018: February 2019

Administration Report

The Board of Directors and President of Midsona AB (publ), corporate identity number 556241-5322, headquartered in Malmö, Sweden, hereby presents its annual and consolidated accounts for the 2017 financial year.

Operations

Midsona is the leading consumer goods company in the Nordic region in health and well-being with proven products in the product categories organic products, healthfoods and self care products. A growing proportion of the product portfolio has an organic profile. The products are aimed at helping people achieve a healthier life. The business model is based on strong brands with good market positions, innovation and an effective marketing and distribution structure.

The brand portfolio consists of both proprietary brands and international brands that Midsona represents. The proprietary brands form the backbone of the operations and, together with client brands, these form a strong and broad brand portfolio that is marketed to both customers and end-consumers. Customers are primarily FMCG, pharmacy and healthfood retail chains and other specialist retailers. In addition, the Group also sells to a large number of private individuals, therapists and smaller, independent shops via on-line sales and post-order.

Midsona is represented in four countries through wholly-owned subsidiaries, with sales predominantly in the Nordic market for health and well-being. Operations are divided into four operating segments: the geographical areas Sweden, Norway, Finland and Denmark, which bear the operational responsibility for marketing, sales and distribution to customers. There are also two production facilities, one in Sweden and one in Denmark. Group-wide management, administration and IT are operated as Group functions in the Parent Company Midsona AB. For more information on the four operating segments, see Note 3 Operating Segments, page 77.

Significant events

First quarter

Danish consumers voted the Urtekram brand as Denmark's most sustainable business and brand in the Sustainable Brand Index 2017 survey.

Second quarter

The new 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.

Tobias Traneborn became Supply Chain Manager and is a member of Group Management.

A public takeover bid was submitted to the shareholders of Bringwell AB (publ) to transfer all shares to Midsona AB (publ).

Third quarter

A total 98.2 percent of the shares in Bringwell AB (publ) were acquired, a company with a leading position in self care products in the Nordic region, with brands including Eskimo-3, Kan Jang, Mivitotal and Movo. 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, who held 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. For further information on the acquisition, please see Note 4 Acquisitions of operations on page 78.

Fourth quarter

Christoffer Mørck took over as the new manager of Business Area Norway and is a member of Group Management. Peter Overgaard was appointed new manager of Business Area Denmark. He will formally take up that position on 1 February 2018 and is a member of Group Management.

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

A shared Nordic supply chain organisation was implemented 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 expense level with, for example, shared purchasing.

Net sales and profit

financial overview[1]	2017	2016
Net sales, SEK million	2,173	1,744
Net sales growth, %	24.6	48.6
Organic change, net sales, %	-2.6	-3.8
Gross margin, %	34.2	35.4
EBITDA, before items affecting comparability, SEK million	190	134
EBITDA margin, before items affecting comparability, %	8.7	7.7
EBITDA SEK million	169	107
EBITDA margin, %	7.8	6.1
Operating profit, before items affecting comparability, SEK million	155	109
Operating margin, before items affecting comparability, %	7.1	6.3
Operating profit, SEK million	134	82
Operating margin, %	6.2	4.7
Profit for the year, SEK million	84	45
Earnings per share for the year before dilution, SEK	1.91	1.42

[1] Midsona presents certain financial measures in the Annual Report that are not defined under IFRS.For definitions and reconciliations to IFRS, see page 114–117.

Net sales amounted to SEK 2,173 million (1,744), an increase of 24.6 percent. Structural transactions contributed to the positive sales trend. However, a process of repositioning in Norwegian FMCG retailing affected sales negatively. The organic change in net sales decreased by 2.6 percent.

Gross profit amounted to SEK 743 million (617), corresponding to a 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 International. 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.

Operating profit before depreciation/amortisation and impairment, EBITDA, amounted to SEK 190 million (134), before items affecting comparability, representing a margin of 8.7 percent (7.7). The improvement was mainly attributable to acquisitions of operations, favourable sales in priority brands, synergies achieved with acquired units and good cost control in the operations. EBITDA amounted to SEK 169 million (107), corresponding to a margin of 7.8 percent (6.1). Amortisation and depreciation for the year 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). Items affecting comparability of SEK 21 million (27) were charged against operating profit , consisting of restructuring expenses SEK 16 million (20) and acquisition-related expenses of SEK 5 million (7).

Profit before tax amounted to SEK 112 million (58). Net financial items amounted to a negative SEK 22 million (24), of which interest expenses on external loans to credit institutions amounted to a negative SEK 18 million (16). Interest expenses to credit institutions increased as a result of higher indebtedness to credit institutions from completed business combinations in 2016 and 2017.

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 was 24.6 percent (22.9). The effective tax rate differs from the current tax rate applicable to the Parent Company, mainly due to non-deductible expenses. Profit for the year 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, liquidity and financial position

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 a negative SEK 27 million (48). The comparative year included the acquisition of a brand at an expense of a negative SEK 30 million. Unrestricted cash flow in the Group was SEK 125 million (51).

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.

Cash and equivalents amounted to SEK 54 million (65) and there were unutilised credit facilities of SEK 100 million (100) at the end of the year.

Summary of capital and liquidity structure[1]	31 December 2017	31 December 2016
Average capital employed, SEK million	2 166	1,636
Return on capital employed, %	6.2	5.1
Equity ratio	54.3	51.5
Net debt, SEK million	652	662
Net debt/EBITDA, multiple	3.9	6.2
Net debt/adjusted EBITDA, multiple	3.6	3.9
Shareholders' equity, SEK million	1,550	1,349
Net debt/equity ratio, multiple	0.4	0.5
Interest coverage ratio, multiple	6.1	3.3

[1] Midsona presents certain financial measures in the Annual Report that are not defined under IFRS.For definitions and reconciliations to IFRS, see page 114–117.

Net debt amounted to SEK 652 million (662). 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) and the ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 3.6 (3.9).

Shareholders' equity increased to SEK 1,550 million (1,349). The change in shareholders' equity over the year consisted of profit for the year of SEK 84 million, translation differences on the translation of foreign operations of a negative SEK 16 million, dividends of SEK 47 million, a non-cash issue of SEK 179 million and the issue of a warrants program (TO2017/2020) of SEK 1 million. The equity/assets ratio was 54.3 percent (51.5) at the end of the year.

Investments

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.

Risks and risk management

For risks and risk management, refer to pages 38–44. For financial risks, see also Note 29 Financial risk management, on page 91.

Guidelines for remunerations to senior executives

The Board of Directors' proposed guidelines for remunerations to senior executives to be presented for approval by the Annual General Meeting of 25 April 2018 agree to all intents and purposes with the previous year's guidelines. For information on the guidelines for remunerations to senior executives adopted by the 2017 Annual General Meeting, see Note 9 Employees, personnel expenses and senior executives' remunerations on page 80.

Share and shareholders

There were a total 46,008,064 shares (42,646,480), distributed between 539,872 Series A-shares (539,872) and 45,468,192 Series B shares (42,106,608), at the end of the year. At the Annual General Meeting, each series A share conveys ten votes and each series B share conveys one vote. The number of votes at the end of the year amounted to 50,866,912 (47,505,328). During July, the number of shares and votes increased as a result of the issue in kind in connection with the acquisition of Bringwell.

All shares convey equal rights to the Company's net assets and profits. Neither the Company nor its subsidiaries hold any treasury shares. The Articles of Association contain no restrictions on the transferability of shares.

The largest shareholder in the Company was Stena Adactum AB, which held 385,641 series A shares (385,641) and 10,587,528 series B shares (10,387,528), representing 23.8 percent of capital (25.3) and 28.4 percent of the voting rights (30.0) on 31 December 2017. No other shareholder held 10 percent or more of the total number of shares as per 31 December 2017. To the Company's knowledge, there are no agreements between shareholders that could entail limitations to the right to transfer shares.

The Annual General Meeting appoints and dismisses members of the Board of Directors and amends the Articles of Association.

The Company has no commercial agreements that could be affected if control of the Company were to change as a consequence of a public takeover bid, beyond valid applicable credit facilities. There are agreements between the company and senior executives that prescribe compensation if these individuals are dismissed without due cause or if their employment is terminated as a consequence of a public takeover bid for shares in the company. Agreements between the company and other employees regulating resignations or dismissal by the company follow normal practices in the labour market.

For more information about the issue, see the section Shares and shareholders, pages 56–59.

Environmental information

The basis for reducing Midsona's environmental impact lies in organised environmental efforts. The greatest environmental impact is caused by water and energy consumption, waste, wastewater and transportation. Midsona complies with statutory environmental requirements and is not involved in any environmentally-related disputes. Midsona had the use of two production facilities at the end of 2017, one in Sweden and one in Denmark. The Swedish production facility in Falköping conducts operations that it is required to register in accordance with the Swedish Environmental Code. Each year, an audit is performed by the local environmental authority regarding compliance with the Swedish Environmental Code.

The production facility in Denmark adjusts its operations, applies for the required permits and reports to authorities in accordance with local legislation.

The Group's production facilities conduct organised environmental efforts, including action plans and review in a number of areas. Environmental efforts form an integral part of Midsonas' business and decision making always takes environmental considerations into account. For more information on Midsona's environmental work, see the Sustainability Report section on pages 46–55.

Corporate Governance

For the Corporate Governance Report, please see pages 102–109.

Sustainability Report

For the Sustainability Report, please see pages 46–55.

Future prospects

Midsona expects sales growth and improved EBITDA in 2018.

Parent Company

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). Profit before tax included impairment of shares in subsidiaries by SEK 51 million (197) and dividends from subsidiaries of SEK 70 million (284), of which SEK 5 million (284) comprised anticipated dividends. 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.

Investments in tangible and intangible fixed assets amounted to SEK 18 million (0) and were mainly related to software for an ongoing project regarding a new group-wide business system that is planned to be rolled out in the Group in 2018. Depreciation and amortisation for the year on tangible and intangible fixed assets amounted to SEK 1 million (0).

Cash and cash equivalents, including unutilised credit facilities, amounted to SEK 131 million (125). At year-end, borrowing from credit institutions amounted to SEK 705 million (725).
In connection with the acquisition of Bringwell, new loans were raised of SEK 60 million, which were amortised in full during the fourth quarter.

Shareholders' equity amounted to SEK 1,433 million (1,300), of which restricted equity amounted to SEK 1,145 million (1,029). The changes in equity during the year consisted of profit for the year of SEK 1 million, dividends of SEK 47 million and a new non-cash issue of SEK 179 after issue expenses.

At year-end, the Parent Company had twelve employees (nine).

Proposed appropriation of profit or loss

The following amounts in SEK are at the disposal of the Annual General Meeting:

Share premium reserve	SEK 580,723,600
Profit brought forward	SEK 562,365,902
Profit for the year	SEK 1,573,061
Total	**SEK 1,144,662,563**

The Board of Directors proposes that the unrestricted shareholders' equity in the Parent Company, amounting to SEK 1,144,662,563 be appropriated as follows:

Dividend, SEK 1.25 per share	SEK 57,510,080
Carried forward	SEK 1,087,152,483
Total	**SEK 1,144,662,563**

Statement by the Board of Directors regarding the proposed dividend

At the 2018 Annual General Meeting, shareholders shall take a position regarding matters including the dividend proposed by the Board of Directors.

The proposed dividend decreases the equity/assets ratio in the Parent Company to 58 percent and the consolidated equity/assets ratio to 52 percent. The proposed measure does not affect the Company's capacity to meet current and foreseen payment obligations in a timely manner. The Company's liquidity forecast includes contingencies for managing variations in on-going payment obligations. The Company's financial position does not give rise to any assessment other than that the Company can continue its operations and that it can be expected to meet its obligations in both the short and long term.

It is the assessment of the Board of Directors that the scope of the shareholders' equity as reported in the latest annual report is in reasonable proportion to the scope of the Company's operations and the risks associated with the conduct of the operations taking the proposed dividend into account.

With reference to the above and to information that has otherwise come to the attention of the Board of Directors, it is the Board's view that a comprehensive assessment of the financial position of the Company and the Group indicates that the dividend is defensible in accordance with Chapter 17, Section 3, paragraphs 2 and 3 of the Companies Act, that is, with reference to requirements imposed by the nature, scope and risks of the operations on consolidated shareholders' equity, as well as the Group's consolidation needs, liquidity and position in other regards.

The financial accounts were approved for publication by the Board of Directors of the Parent Company on 28 March 2018.

With regard to the Company's profits and position in other regards, please see the ensuing financial accounts and associated notes to the financial statements.

Financial statements

Consolidated income statement

SEK million	Note	2017	2016
Net sales	2, 3, 4	2,173	1,744
Expenses for goods sold		–1,430	–1,127
Gross profit		**743**	**617**
Selling expenses		–425	–377
Administrative expenses		–179	–149
Other operating income	5	3	5
Other operating expenses	6	–8	–14
Indirect expenses, net		**–609**	**–535**
Operating profit	3, 4, 7, 8, 9, 14, 15, 16, 26	**134**	**82**
Financial income		0	1
Financial expenses		–22	–25
Net financial items	10	**–22**	**–24**
Profit before tax		**112**	**58**
Tax	12	–28	–13
Profit for the year		**84**	**45**
Attributable to			
Parent Company shareholders (SEK million)		84	45
Earnings per share to Parent Company shareholders, before and after dilution (SEK)	13	1.91	1.42
Earnings per share to Parent Company shareholders, before and after dilution (SEK)	13	1.89	1.42
Number of shares (thousands)	13		
On the balance sheet date, before and after dilution		46,008	42,646
Average for the period, before dilution		44,141	31,547
Average during the period, after full dilution		44,548	31,547

Consolidated statement of comprehensive income

SEK million	Note	2017	2016
Profit for the year		**84**	**45**
Items that have or can be reallocated to profit for the year			
Translation differences for the year on translation of foreign operations		–16	56
Items that have or can be reallocated to profit for the year		**–16**	**56**
Other comprehensive income for the year		**–16**	**56**
Comprehensive income for the year		**68**	**101**
Attributable to			
Parent Company shareholders (SEK million)		68	101

Consolidated balance sheet

SEK million	Note	31 December 2017	31 December 2016
Assets			
Intangible fixed assets	14	2,129	1,940
Tangible assets	15, 16	58	55
Non-current receivables	19	3	2
Deferred tax receivables	12	99	82
Fixed assets		**2,289**	**2,079**
Inventories	20	272	244
Tax receivables		1	3
Accounts receivable	21	213	209
Other receivables	19	9	0
Prepaid expenses and accrued income	22	19	22
Cash and equivalents	29, 34	54	65
Current assets		**568**	**541**
Assets	3, 4, 30, 32	**2,857**	**2,620**
Shareholders' equity			
Share capital		230	213
Additional paid-up capital		629	466
Reserves		15	31
Profit brought forward, including profit for the year		676	639
Shareholders' equity	23	**1,550**	**1,349**
Liabilities			
Non-current interest-bearing liabilities	24, 29, 34	665	696
Other non-current liabilities	25	1	-
Other provisions	27	4	4
Deferred tax liabilities	12	221	207
Non-current liabilities		**891**	**907**
Current interest-bearing liabilities	24, 29, 34	41	31
Accounts payable		220	212
Other current liabilities	25	37	28
Accrued expenses and deferred income	28	105	83
Other provisions	27	13	10
Current liabilities		**416**	**364**
Liabilities		**1,307**	**1,271**
Equity and liabilities	3, 4, 30, 32	**2,857**	**2,620**

Changes in consolidated shareholders' equity

Note 23 SEK million	Share capital	Additional paid-up capital	Reserves	Profit brought forward,including profit for the year	Total shareholders' equity
Opening shareholders' equity 1 January 2016	**568**	**166**	**-25**	**168**	**877**
Comprehensive income for the year					
Profit for the year	–	–	–	45	45
Other comprehensive income for the year	–	–	56	–	56
Comprehensive income for the year	–	–	**56**	**45**	**101**
Transactions with the Group's owners					
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**
Comprehensive income for the year					
Profit for the year	–	–	–	84	84
Other comprehensive income for the year	–	–	-16	–	-16
Comprehensive income for the year	–	–	**-16**	**84**	**68**
Transactions with the Group's owners					
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**

Consolidated cash flow statement

SEK million	Note	2017	2016
OPERATING ACTIVITIES			
Profit before tax		112	58
Adjustment for items not included in cash flow	34	41	52
Income tax paid		-7	-7
Cash flow from continuing operations before changes in working capital		**146**	**103**
Cash flow from changes in working capital			
Increase (–)/decrease (+) in inventories		10	-22
Increase (–)/decrease (+) in operating receivables		27	-15
Increase (+)/decrease (–) in operating liabilities		-31	3
Changes in working capital		**6**	**-34**
Cash flow from current operations		**152**	**69**
Investing activities			
Acquisitions of companies or operations	34	-64	-800
Acquisitions of intangible fixed assets		-18	-35
Acquisitions of tangible fixed assets		-9	-13
Divestments of tangible fixed assets		0	0
Cash flow from investing activities		**-91**	**-848**
Cash flow after investing activities		**61**	**-779**
Financing activities			
New share issue		–	412
Issue expenses		-1	-10
Loans raised	34	60	1,250
Amortisation of loans	34	-81	-843
Dividend paid		-47	-31
Cash flow from financing activities		**-69**	**778**
Cash flow for the year		**-8**	**-1**
Cash and equivalents			
Cash and equivalents at beginning of year		65	61
Translation difference in cash and equivalents		-3	5
Cash and equivalents at end of year	34	**54**	**65**

Income Statement, Parent Company

SEK million	Note	2017	2016
Net sales	2	38	28
Selling expenses		0	0
Administrative expenses		-49	-37
Other operating income	5	–	3
Other operating expenses	6	–	-4
Operating profit/loss	8, 9, 14, 15, 16, 26	**-11**	**-10**
Profit from participations in subsidiaries	10	19	87
Financial income	10	21	19
Financial expenses	10	-32	-19
Profit/loss after financial items		**-3**	**77**
Allocations	11	–	166
Profit/loss before tax		**-3**	**243**
Tax	12	4	-32
Profit for the year		**1**	**211**

Balance Sheet, Parent Company

SEK million	Note	31 December 2017	31 December 2016
Fixed assets			
Intangible fixed assets	14	15	1
Tangible assets	15, 16	3	0
Participations in subsidiaries	17	1,697	1,405
Receivables from subsidiaries	18, 31	574	742
Deferred tax receivables	12	7	3
Financial fixed assets		**2,278**	**2,150**
Fixed assets		**2,296**	**2,151**
Current assets			
Receivables from subsidiaries	18, 31	19	462
Other receivables	19	9	1
Prepaid expenses and accrued income	22	7	7
Current receivables		**35**	**470**
Cash and bank balances	29, 34	31	25
Current assets		**66**	**495**
Assets	30, 32	**2,362**	**2,646**
Shareholders' equity			
Restricted shareholders' equity			
Share capital		230	213
Statutory reserve		58	58
Restricted shareholders' equity		**288**	**271**
Unrestricted shareholders' equity			
Share premium reserve		581	419
Profit brought forward		563	399
Profit for the year		1	211
Unrestricted shareholders' equity		**1,145**	**1,029**
Shareholders' equity	23	**1,433**	**1,300**
Non-current liabilities			
liabilities to credit institutions	24, 29, 34	665	695
Liabilities to subsidiaries	18, 31, 34	40	481
Non-current liabilities		**705**	**1,176**
Current liabilities			
liabilities to credit institutions	24, 29, 34	40	30
Accounts payable		3	2
Liabilities to subsidiaries	18, 31, 34	168	133
Other current liabilities	25	6	0
Accrued expenses and deferred income	28	7	5
Current liabilities		**224**	**170**
Equity and liabilities	30, 32	**2,362**	**2,646**

Changes in equity for the Parent Company

Note 23	Restricted shareholders' equity		Unrestricted shareholders' equity			
SEK million	Share capital	Statutory reserve	Share premium reserve	Fair value fund	Profit brought forward, including profit for the year	Total shareholders' equity
Opening shareholders' equity 1 January 2016	**568**	**58**	**119**	**22**	**-49**	**718**
Profit for the year	–	–	–	–	211	211
Comprehensive income for the year	–	–	–	–	**211**	**211**
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
Conversion according to the new accounting principle	–	–	–	-22	22	–
Closing shareholders' equity 31 December 2016	**213**	**58**	**419**	**–**	**610**	**1,300**
Opening shareholders' equity 1 January 2017	**213**	**58**	**419**	**–**	**610**	**1,300**
Profit for the year	–	–	–	–	1	1
Comprehensive income for the year	–	–	–	–	**1**	**1**
New share issue	17	–	162	–	–	179
Issue expenses	–	–	0	–	–	0
Dividend	–	–	–	–	-47	-47
Closing shareholders' equity 31 December 2017	**230**	**58**	**581**	**–**	**564**	**1,433**

Parent Company cash flow statement

SEK million	Note	2017	2016
Operating activities			
Profit/loss after financial items		-3	77
Adjustment for items not included in cash flow	34	-18	-86
Cash flow from continuing operations before changes in working capital		**-21**	**-9**
Cash flow from changes in working capital			
Increase (–)/decrease (+) in operating receivables		-1	-10
Increase (+)/decrease (–) in operating liabilities		5	2
Changes in working capital		**4**	**-8**
Cash flow from current operations		**-17**	**-17**
Investing activities			
Acquisitions of companies or operations	34	-101	-834
Acquisitions of intangible fixed assets		-15	0
Acquisitions of tangible fixed assets		-3	–
Change in financial assets		175	26
Cash flow from investing activities		**56**	**-808**
Cash flow after investing activities		**39**	**-825**
Financing activities			
New share issue		–	412
Issue expenses		-1	-10
Loans raised	34	95	1,361
Amortisation of loans	34	-80	-887
Dividend paid		-47	-31
Cash flow from financing activities		**-33**	**845**
Cash flow for the year		**6**	**20**
Cash and equivalents			
Cash and equivalents at beginning of year		25	5
Cash and equivalents at end of year	34	**31**	**25**

Notes to the financial statements

Note 1 Accounting principles

Group accounting principles

Compliance with standards and regulations

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRIC) as approved by the European Commission for application within the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 *Supplementary Accounting Rules for Groups has been* applied.

The Parent Company applies the same accounting principles as the Group except in the cases listed below under "Parent Company accounting principles".

Basis of valuation applied in the preparation of the financial statements

Assets and liabilities are reported at historical cost except for certain financial assets and liabilities measured at fair value. Financial assets and liabilities measured at fair value consist of derivatives and financial assets classified as financial assets at fair value through profit for the year

Functional and presentation currency

The Parent Company's functional currency is the Swedish krona (SEK), which is also the reporting currency for the Parent Company and the Group. This means that the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded off to the nearest million.

Estimates and assumptions in the financial statements

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.

Assumptions made by management in the application of IFRS that have a significant impact on the financial statements and estimates that can result in significant adjustments in future financial statements are described in more detail in Note 33 Significant estimates and assumptions.

Accounting principles applied

With the exceptions described in closer detail, the following accounting principles have been consistently applied in the reporting consolidation of the Parent Company and subsidiaries in the consolidated financial statements.

Changes in accounting principles due to new or amended IFRS

The following changes in accounting principles are effective from 1 January 2017 and have had an impact on the consolidated financial statements.

- Amendments to IAS 7 Statement of Cash Flows ("Disclosure Initiative"). The changes imply additional disclosure requirements to enable an understanding of changes in liabilities whose cash flows are reported under Financing activities. The Group's liabilities attributable to financing activities consist of non-current interest-bearing liabilities and current interest-bearing liabilities. A reconciliation between the opening and closing balances for these items is contained in Note 34 Supplementary disclosures to cash flow analyses. Comparative information has not been provided.

Other amended or new IFRS standards taking effect from 2017 have not had any material impact on the Group's financial reports for the 2017 financial year.

New IFRS that have yet to begin being applied

The following new standards are published by the IASB, but have either not yet come into force or not been adopted by the EU.

- IFRS 9 *Financial instruments*, issued on 24 July 2014 will replace IAS 39 *Financial instruments: Classification and Measurement*. IFRS 9 addresses the classification, valuation and accounting of financial assets and liabilities. A project has been carried out 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 Group's financial accounts. Midsona applies the standard to financial years beginning 1 January 2018 and it has been adopted by the EU. IFRS 15 *Revenue from Contracts with Customers*, Issued on 28 May 2014 to replace IAS 18 *Income* and IAS 11 *Construction Contracts*. IFRS 15 contains a principle-based five-stage model of income recognition regarding customer contracts. Midsona has elected to apply a fully retrospective method as its transitional method upon introducing IFRS 15. The basic principle is that recognised income should reflect the anticipated compensation in connection with the fulfilment of the various undertakings under the contract with the customer. Accordingly, income should reflect the fulfilment of contractual commitments and correspond to the compensation to which Midsona is entitled to at the time at which the control of goods and services is transferred to the counterparty. During 2017, Midsona has assessed the effects of the new standard by identifying and analysing the most significant income streams within the Group. The analysis showed that income will essentially be reported at the same time as in the current standard and application, albeit with a reclassification of a non-material nature between the items Selling expenses and Net sales in the income statement as a result of clarifications of how, among other things, temporary fixed and variable discounts in connection with activities, as well as right of return in customer contracts, are to be addressed in the accounts. Accordingly, Midsona makes the assessment that the introduction of IFRS 15 will not imply any significant effects on the Group's accounting other than the comparison figures being reclassified in the income statement to improve comparability. However, the application of IFRS 15 will entail expanded disclosure of income in the notes. Midsona applies the standard to financial years beginning 1 January 2018 and it has been adopted by the EU.

IFRS 16 *Leases*, issued on 13 January 2016, will replace IAS 17 *Leases*. For the lessee, IFRS 16 implies that virtually all leases are to be reported in the balance sheet. The classification of operating and financial leases should therefore no longer be made. In the income statement, the depreciation is recognised separately from interest expense related to the lease liability. Midsona applies the standard to financial years beginning 1 January 2019 and it has been adopted by the EU. Management has yet to conduct a detailed analysis of the effects of implementing IFRS 16 and cannot therefore quantify the effects.

Other new and amended standards and interpretations are not deemed to have any effect on the consolidated financial statements in the initial period of application.

Classification

Fixed assets consist essentially of amounts expected to be recovered or paid after more than 12 months of the balance sheet date, while current assets consist essentially of amounts expected to be recovered or paid within 12 months of the balance sheet date. Non-current liabilities consist essentially of amounts for which Midsona has, as per the end of the reporting period, an unconditional right to choose to pay later than 12 months following the end of the reporting period. If Midsona does not have that right as per the end of the reporting period – or if the asset is held for trade or expected to be settled within the normal business cycle – the amount of the liability is reported as current.

Consolidated accounts

Subsidiaries are all companies over which Midsona AB (publ) has a controlling influence. A controlling influence exists if Midsona AB (publ) has influence over the object of investment, is exposed or entitled to variable returns from its commitment and can exert its influence over the investment to affect yield.

In assessing whether a controlling influence exists, shares conveying potential voting rights are taken into account, as is the existence of de facto control. All subsidiaries within the Group are wholly owned subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from the consolidated financial statements from the date on which that controlling influence ceases.

The acquisition method is applied for the accounting of business combinations. The cost of an acquisition is measured as the fair value of the transferred assets, liabilities and shares issued by the Group. Transaction expenses that are directly attributable to an acquisition are expensed in consolidated profit for the year. Identifiable acquired assets and liabilities assumed in a business combination are initially measured at their fair value on the acquisition date.

In the case of acquisitions where the transferred consideration exceeds the fair value of the identifiable acquired net assets, the difference is recognised as goodwill. When the difference is negative – a bargain purchase – this is recognised directly in profit for the year.

Group-internal receivables and liabilities, income and expenses, as well as unrealised gains and losses arising from Group-internal transactions between Group companies are eliminated in full when preparing the consolidated financial statements.

Where valuations of assets and liabilities differ at the Group and company levels, the tax effect is taken into account and recognised as a deferred tax asset or deferred tax liability. However, deferred tax is not taken into account with regard to goodwill.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the highest executive decision maker. The highest executive decision maker is the function responsible for allocating resources and assessing performance of the operating segment's results. In the Group, this function has been identified as Group Management. The principal basis for the division is geographical areas. See Note 3 Operating Segments for further details of the division and a presentation of the operating segments.

Foreign currency

Transactions in foreign currencies

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing on the transaction date. Functional currency is the currency of the primary economic environments in which the Group companies operate. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing on the balance sheet date. Exchange rate differences arising on translation are recognised in profit for the year. Exchange gains/losses on operating receivables/liabilities recognised in other operating income/expenses and gains/losses on financial assets and liabilities are recognised in financial income/expenses.

Foreign operations' financial statements

Assets and liabilities in foreign operations, including goodwill and other consolidated surplus and deficit values, are translated from their functional currency to the Group's reporting currency, SEK , at the exchange rate prevailing on the balance sheet date. Income and expenses in foreign operations are translated to SEK at an average rate that approximates the exchange rates prevailing on the respective transaction dates. Translation differences arising in connection with the translation of foreign operations are reported in other comprehensive income and accumulated in a separate component in equity, titled translation reserve.

On divestment of a foreign operation, the accumulated translation differences attributable to the operations are realised in profit for the year.

Income

Goods
Income is recognised in profit for the year after the significant risks and rewards of ownership have been transferred to the buyer and no disposition or possibility of effective control over the goods remains. If there is considerable uncertainty surrounding the payment, associated expenses or the risk of returns, no income is recognised. In most cases, this means that income is recognised upon delivery of goods to the customer in accordance with the agreed terms of delivery. Income is recognised at fair value after deducting VAT, chain discounts or other discounts, returns and shipping.

Services
Income from sales assignments and other similar services are recognised in profit for the year as the work is performed.

Operating expenses

Expenses for goods sold
Expenses for goods sold encompass direct and indirect expenses for functions attributable to generated income (manufacturing, warehousing, inventory coordination).

Selling expenses
Selling expenses encompass both expenses for activities and functions connected directly to the consumer (marketing, product manager, marketing coordinator), and expenses for activities and functions connected with customers (sales, key account manager, order reception).

Administrative expenses
Administrative expenses encompass expenses for functions such as purchasing, IT, finance and administration, product and packaging development, quality systems and quality assurance, as well as Group Management.

Other operating income and expenses
Other operating income and expenses include income and expenses not normally considered to belong to the actual business, for example, exchange gains/losses on operating assets/liabilities and capital gains/losses on disposal of assets. Exchange rate gains/losses are reported net.

Items affecting comparability
Items affecting comparability comprise significant items that, because of their size or incidence, are reported separately to enable a better understanding of the Group's financial development. Items affecting comparability are reported in the function to which they belongs, depending on the nature of the item, and consist of restructuring expenses and acquisition-related expenses.

Leasing

Operating leases
Expenses associated with operating leases are recognised in profit for the year over the lease term. Benefits received in connection with the signing of a contract are recognised in net income as a reduction of the lease payments over the lease agreement. Variable expenses are expensed in the period they are incurred.

Financial leases
Minimum lease fees are allocated between interest expense and amortisation of the outstanding liability. The interest expense is distributed across the leasing period so that each accounting period is burdened by an amount equal to a fixed interest rate for the liability reported in each period. Variable expenses are expensed in the period they are incurred.

Financial income and expenses

Financial income comprises interest income on funds invested, dividend income, gain on changes in the value of financial assets at fair value through profit and gains on hedging instruments that are recognised in profit for the year.

Interest income on financial instruments is recognised using the effective interest method (see below). Dividend income is recognised when the right to receive payment is established. Profit from sale of financial instruments is recognised when the risks and rewards associated with ownership are transferred to the buyer and the Group no longer has control over the instrument.

Financial expenses consist of interest expenses on loans, revaluation losses on financial assets at fair value through profit, impairment of financial assets, and losses on hedging instruments that are recognised in profit for the year. Borrowing expenses are not recognised in profit to the extent they are directly attributable to the acquisition, construction or production of assets that take a substantial period of time to complete for their intended use or sale. In these cases, they are included in the cost of the assets. The Group currently has no assets duly qualified.

Foreign exchange gains/losses on financial assets/liabilities are recognised net.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts during a financial instrument's expected life at the reported net value of the financial asset or liability. The calculation includes all fees paid or received between parties that are a part of the effective interest rate, transaction expenses and all other premiums or discounts.

Taxes

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except when the underlying transaction is recognised in other comprehensive income or shareholders' equity, in which case it is recognised in other comprehensive income or in shareholders' equity.

Current tax
Current tax is the tax payable or refundable for the current year using the tax rates that have been enacted or substantively enacted as per the balance sheet date. Current tax also includes adjustments of current tax attributable to previous periods.

Deferred tax
Deferred tax is calculated using the balance sheet method, providing for temporary differences between the reported values and tax bases of assets and liabilities. Temporary differences are not recognised in consolidated goodwill, or for differences arising on the initial recognition of assets and liabilities that are not business combinations that, at the time of the transaction, affect neither accounting nor taxable profit. Nor are temporary differences taken into account that relate to participations in subsidiaries that are not expected to be reversed within the foreseeable future. The assessment of deferred tax is based on how the underlying assets or liabilities

are expected to be realised or settled. Deferred tax is calculated applying the tax rates and regulations in force or substantively approved on the balance sheet date.

Deferred tax is reported together with current tax in profit for the year. Deferred tax assets are recognised among fixed assets and deferred tax liabilities are recognised among non-current liabilities in the consolidated balance sheet.

Deferred tax assets pertaining to deductible temporary differences and tax loss carryforwards are recognised only to the extent that it is probable that they will be utilised. The value of deferred tax assets is reduced when it is no longer probable that they can be utilised.

Any additional income tax incurred on payment of dividends is recognised at the same time as the dividend is recognised as a liability.

Financial instruments

Financial instruments recognised in the balance sheet include cash and equivalents, loans receivable, accounts receivable, financial investments and derivatives. Liabilities include accounts payable, borrowings and derivatives.

Recognition in and derecognition from the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the Company becomes party to the contractual terms. A receivable is recognised when the Company has performed and a contractual obligation exists for the other party to pay, even if the invoice has not been sent. Accounts receivable are recognised in the balance sheet once an invoice has been sent. Liabilities are recognised when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not been received. Accounts payable are recognised when invoices are received.

A financial asset is derecognised when the rights according to the agreement are realised, expire or the Company loses control over them. This also applies for parts of a financial asset. A financial liability is derecognised from the balance sheet when the contractual obligation is discharged or otherwise extinguished. The same applies to part of a financial liability.

Financial assets and financial liabilities are offset and the net amount is recognised in the balance sheet only when there is a legally enforceable right to offset the amounts and there is an intention to settle the items by a net amount or to simultaneously realise the asset and settle the liability.

The acquisition or sale of financial assets is reported on the transaction date, which is the date on which the Company pledges to acquire or sell the asset.

Classification and measurement

Financial instruments that are not derivatives are initially recognised at cost, representing fair value plus transaction expenses for all financial instruments except those classified as financial assets at fair value through profit for the year, which are recognised excluding transaction expenses.

On initial recognition, a financial instrument is classified based on the purpose for which it was acquired. The classification determines how the financial instrument is measured after initial recognition, as described below.

Derivatives are initially recognised at fair value, meaning that transaction expenses are charged to profit for the period. After initial recognition, the derivative is recognised as income or expense in operating profit or in net financial items based on the intended use of the derivative instrument and whether the use is related to an operating item or a financial item.

The Group does not apply hedge accounting under IAS 39.

Financial assets at fair value through profit for the year

This category includes the Group's derivatives with a positive fair value.

Financial assets in this category are measured at fair value with changes in value recognised in profit for the year.

Derivatives included in the sub-category are held for trade.

Loans and receivables

Loans and accounts receivable are financial assets that are not derivatives, that have fixed or determinable payments and that are not listed in an active market.

These assets are measured at amortised cost. Amortised cost is determined using the effective interest rate calculated at the time of acquisition, although accounts receivable normally have a short expected duration and are therefore recognised at their nominal amounts without discounting.

Accounts receivable are recognised at the amount estimated to be paid, i.e.with a deduction for doubtful receivables.

Cash and equivalents

Cash and equivalents consist of cash and immediately available balances with banks and similar institutions, as well as current, highly-liquid investments with maturities of less than three months, which are subject to only an insignificant risk of fluctuations in value.

Financial liabilities at fair value through profit

This category includes the Group's derivatives with negative fair value.

Financial liabilities in this category are measured at fair value with changes in value recognised in profit for the year.

Derivatives included in the sub-category are held for trade.

Other financial liabilities

Borrowings, accounts payable and other liabilities are included in this category.

Borrowings are measured at amortised cost, net after transaction expenses. Amortised cost is determined using the effective interest rate calculated when the liability was incurred. This means that surplus and deficit values , as well as direct issue expenses are periodised over the maturity of the liability. Non-current borrowings have an expected duration of more than one year and current borrowings have a maturity of less than one year.

Accounts payable are measured at amortised cost. However, accounts have a short expected maturity and are therefore normally measured at nominal value without discounting.

Derivatives

The Group's derivative instruments have been acquired to financially hedge its interest and exchange exposures. The Group does not apply hedge accounting under IAS 39.

Receivables and liabilities in foreign currencies

To hedge receivables or liabilities against exchange rate risk, currency futures are used. Hedge accounting is not applied to provide protection against exchange rate risk, since a financial hedge is reflected in the accounts in that both the under lying asset or liability and the hedging instrument are recognised at the exchange rate on the balance sheet date and exchange rate fluctuations are recognised in profit for the year.

Exchange rate differences arising pertaining to operating receivables and liabilities are recognised in operating profit, while exchange rate differences pertaining to financial assets and liabilities are recognised in net financial items.

Management of exchange rate risk in forecasted sales in foreign currencies
Currency futures are used to hedge probable forecast sales in foreign currencies. Hedge accounting is not used to provide protection against exchange rate risk in forecast sales. These forward exchange contracts are instead measured at fair value on each reporting date with changes in value being recognised in profit for the year. This means that profit for the year will be charged with changes in the value of the forward exchange contracts, despite the hedged transaction not yet having taken place.

Changes in the value of forward exchange contracts are recognised in operating profit. The Board of Directors of Midsona decided in 2017 to not hedge forecast currency exposure. According to the finance policy, potential currency risks shall be managed in the respective supplier and customer agreement through currency clauses. At the end of 2017, there were no outstanding forward currency contracts.

Management of interest in forecasted interest payments
For hedges of probable forecasted interest payments on existing loans, interest rate swaps are used, by which the Company receives a variable rate and pays fixed interest. For protection against interest rate risk in forecasted interest payments are not used hedge accounting. These forward exchange contracts are instead measured at fair value on each reporting date with changes in value being recognised in profit for the year.

Changes in value of interest rate swaps are recognised in net interest income.

Tangible fixed assets

Owned assets
Tangible fixed assets are recognised as assets in the consolidated balance sheet if it is probable that future economic benefits will flow to the Group and the cost of the asset can be measured reliably.

Tangible assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenses directly attributable to the acquisition of the asset to put it in place and bring it to such a condition that it can be used in accordance with the purpose of the acquisition. Such expenses include purchase consideration, shipping and handling, installation, registration of title, consulting and legal services.

Tangible fixed assets consisting of components with different useful lives are treated as separate components of tangible assets.

Leased assets
Leases are classified as either financial or operating leases. Financial leasing is when the risks and rewards associated with ownership are substantially transferred to the lessee. Where this is not the case, the lease is considered to be an operational lease.

Assets leased under finance leases are recognised as fixed assets in the balance sheet and are initially measured at the leased asset's fair value or the present value of the minimum lease payments at the start of the contract, whichever is lower. The obligation to pay future lease payments is recognised in the balance sheet under non-current interest-bearing liabilities and current interest-bearing liabilities.

Assets leased under operating leases are generally not recognised as assets in the balance sheet. Nor do operating leases give rise to a liability.

Additional expenses
Additional expenses for acquiring replacement components are added to the fixed asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced component is derecognised. All other types of repairs and maintenance are expensed in profit for the year in the period in which they arise.

Amortisation principles
Depreciation is applied on a linear basis over the asset's estimated useful life. Land is not depreciated because its useful life is considered indefinite. Leased assets are also depreciated over their estimated useful life or, if shorter, over the agreed lease period.

In calculating depreciation, tangible fixed assets are classified on the basis of their expected useful life according to the following groups:

Operating properties 10–40 years
Plant and equipment 8–12 years
Equipment, fixtures and fittings 3–10 years
Leasing 3–10 years
Land improvements 10–20 years
Expenses for improvements to property owned by another 3–5 years

The depreciation methods, residual values and useful lives of the assets are reviewed at least annually and adjusted if necessary. The assets are typically depreciated without any remaining residual value.

Capital gains and losses on divestments of intangible fixed assets are determined by comparing the proceeds with the carrying amount of the asset, less direct selling expenses. Capital gains and losses are recognised in profit for the year as other operating income and other operating expenses.

Intangible fixed assets

Intangible assets are classified into two groups, with assets with a determinable useful life being amortised over a predetermined useful life and assets with an indeterminate useful life not being depreciated.

Goodwill
Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see accounting principle Impairment).

Expenses incurred for internally generated goodwill are recognised in profit for the year or when incurred.

Brands
Brands with a determinable useful life are recognised at cost less accumulated depreciation and any accumulated impairment losses. Brands with an indeterminate useful life are tested for impairment annually and carried at cost less accumulated impairment losses.

Expenses incurred for internally generated brands are not recognised in the balance sheet but in profit for the year when incurred.
The reason for this is that such expenditures cannot be distinguished from expenditures for the development of the entire business.

Other intangible assets
Other intangible assets with a finite useful life and are carried at cost less accumulated depreciation and any accumulated impairment.

Other intangible fixed assets consist of customer relations, software and other intangible assets. Expenses incurred for internally developed customer relations are not recognised in the balance sheet but in profit for the year when incurred. Software has been capitalised based on the expenses incurred when the software in question was acquired and put into operation.

Additional expenses
Additional expenditures for capitalised intangible assets are recognised as an asset in the balance sheet only when they increase the future economic benefits of the specific asset to which they relate. All other expenditures are expensed as they are incurred.

Amortisation principles
Amortisation is applied on a linear basis over the asset's estimated useful life, unless the useful life is indeterminate.

Goodwill and trademarks with an indeterminate useful life are tested for impairment annually or whenever circumstances indicate that the asset concerned may be impaired. Intangible assets with determinable useful lives are amortised from the date on which they become available for use.

For the calculation of amortisation, intangible fixed assets are classified on the basis of their expected useful life in accordance with the following groups:

Trademarks 5–20 years
Customer relations 8 years
Software 5 years
Other intangible assets 3–5 years

The residual values and useful lives of the assets are reviewed annually and adjusted if necessary. The assets are typically amortised without any remaining residual value.

Capital gains and losses on divestments of intangible fixed assets are determined by comparing the proceeds with the carrying amount of the asset, less direct selling expenses. Capital gains and losses are recognised in profit for the year as other operating income and other operating expenses.

Inventories

Inventories are valued at cost or net realisable value, whichever is lower, with cost being calculated using the first-in, first-out method (FIFO). In calculating cost, a weighted average value is normally applied to approximate FIFO.

The net realisable value is the estimated normal selling price less estimated expenses for completion and the achievement of a sale. For raw materials, replacement expense is applied as the best measure of net realisable value. Raw materials are depreciated below cost if the finished products in which they are included are expected to be sold at a price that exceeds the expense of production. Products in progress and inventories of finished goods are valued at production cost or net realisable value, whichever is lower. Necessary provisions for the risk of obsolescence are made on a continuous basis.

The cost of inventories includes all expenses for purchases, manufacturing and other expenses to bring the inventories to their present location and condition.

Impairment

The Group's recognised assets are assessed on each balance sheet date to determine whether there is any indication of impairment. IAS 36 is applied for the impairment of assets other than financial assets, which are recognised in accordance with IAS 39, assets held for sale, inventories and deferred tax assets. For the exempt assets in accordance with the above, the carrying amount is assessed according to the relevant standard.

Impairment of tangible and intangible assets
If an indication of impairment exists, the asset's recoverable amount is calculated (see below). For goodwill, other intangible assets with indeterminate useful lives and intangible assets not yet ready for use, the recoverable amount is calculated annually or as soon as there is an indication that impairment is necessary. If it is not possible to determine significant independent cash flows for an individual asset and its fair value less sales expenses cannot be used, assets are grouped, when testing for impairment, at the lowest level where it is possible to identify significant independent cash flows – a so-called cash-generating unit.

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit (group of units) exceeds the recoverable amount. Impairment is recognised as an expense in profit for the year. When impairment has been identified for a cash-generating unit (group of units) the impairment need is primarily allocated to goodwill. Other assets included in the unit (group of units) are then impaired proportionally.

The recoverable amount is the higher of fair value less sales expenses and value in use. In calculating the value in use, future cash flows are discounted applying a discount rate that reflects a risk-free interest rate and the risk associated with the specific asset.

The Group's cash-generating units consist of the operating segments, since their payment flows are considered independent of other assets in all material regards.

Impairment of financial assets
On each reporting date, the Group assesses whether there is any objective evidence that a financial asset or group of assets is impaired. Objective evidence consists of observable events that have occurred and that have a negative impact on the ability to recover the cost, and a significant or prolonged decline in the fair value of an investment in a financial instrument classified as a financial asset available for sale.

The decrease in value recognised in profit for the year is the difference between cost and current value, less any previously recognised impairments.

The recoverable amount of assets in the category loan receivables and accounts receivable, which are recognised at amortised cost is calculated as the present value of future cash flows discounted at the effective rate applicable when the asset was initially recognised. Assets with short maturities are not discounted. Impairment is recognised as an expense in profit for the year.

Reversal of impairment
Impairment of assets within the scope of application of IAS 36 are reversed if there is an indication that the need for impairment no longer exists and there has been a change in the assumptions underlying the calculation of the recoverable amount. However, impairment of goodwill is never reversed. A reversal is applied only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognised (less depreciation where applicable) if no impairment loss been recognised.

Impairment losses on loan receivables and accounts receivable carried at amortised cost are reversed if the previous reasons for the impairment no longer exist, and full payment is expected from the customer.

Payment of capital to shareholders

Dividends
Dividends are recognised as a liability after the Annual General Meeting has approved the dividend.

Earnings per share
The calculation of earnings per share is based on consolidated profit attributable to Parent Company shareholders and the weighted average number of shares outstanding during the year. There was an outstanding option programme at year end, which can cause effects of dilutive potential 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.

Employee benefits

Pensions
Employees in the Group are mainly covered by defined contribution plans.

In Sweden, commitments for retirement pensions and family pensions for salaried employees are secured through an insurance plan with Alecta. Such insurance comprises a defined benefit plan covering several employers. For the 2017 financial year, there has been no access to information making it possible to report this as a defined benefit plan. Consequently, this pension obligation is reported as a defined contribution plan.

In Norway, a special pension agreement is in place, the AFP scheme, which has been agreed between the social partners as a supplement to retirement pension. Such insurance comprises a defined benefit plan covering several employers. For the 2017 financial year, there has been no access to information making it possible to report this as a defined benefit plan. Consequently, this pension obligation is reported as a defined contribution plan.

A defined contribution pension plan is one whereby the Group pays fixed contributions to a separate legal entity. The Group has no legal or informal obligations to pay further contributions if this legal entity lacks sufficient assets to pay all employee benefits relating to employee's service in current and prior periods.

A defined benefit pension plan is one that is not a defined contribution plan. Typically, defined benefit pension plans state an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary.

Termination benefits
An expense related to staff redundancies is reported at the earliest date on which Midsona can no longer withdraw the offer to employees or when Midsona reports its restructuring expenses. Compensation expected to be settled after 12 months is reported at its present value. Compensation not expected to be fully settled within 12 months is reported as non-current compensation.

Short-term benefits
Short-term employee benefits are calculated without discounting and are recognised as an expense when the relevant benefits are paid.

A provision is recognised for the expected expense of bonus payments when the Group has a present legal or informal obligation to make such payments as a result of services rendered by employees and the obligation can be estimated reliably.

Provisions
Provisions are recognised when the Group has an obligation as a result of a past event, and it is probable that payments will be required to settle that obligation. A further requirement is that it should be possible to reliably estimate the amount to be paid.

Restructuring
A provision for restructuring is recognised when there is an established, detailed and formal restructuring plan and the restructuring has either commenced or has been publicly announced. No provisions are made for future operating expenses.

Contingent liability
A contingent liability is recognised when there is a possible obligation arising from past events and the existence of which is substantiated only by one or more uncertain future events, or when there is an obligation which is not recognised as a liability or provision because it is not likely that an outflow of resources will be needed.

Cash flow statement
The cash flow statement is prepared using the indirect method. The reported cash flow only includes transactions entailing receipts and disbursements.

Parent Company accounting principles

Compliance with standards and regulations
The Parent Company has prepared its financial statements in accordance with the Annual Accounts Act (1995:1554) and the Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The Financial Reporting Board's statements relating to listed companies are also applied. RFR 2 entails the Parent Company applying, in the annual accounts of the legal entity, all EU-approved IFRS and statements as far as this is possible within the framework of the Annual Accounts Act, the Pension Protection Act and taking into account the relationship between accounting and taxation. The recommendation specifies which exceptions and additions to IFRS apply.

Differences between the accounting principles of the Group and Parent Company
The differences between the accounting principles of the Group and Parent Company are described below. The accounting principles of the Parent Company have been applied consistently to all periods presented in the Parent Company's financial statements.

Changes in accounting principles
The Parent Company's accounting principles changed in 2017 as detailed under Group accounting principles.

Others amendments to RFR 2 *Accounting for legal entities* that have entered into force for the 2017 financial year have had no impact on the Parent Company's financial statements.

Changes in accounting principles not yet been applied
Management's assessment is that the agreed changes in RFR 2 relating to the financial year 2018 and onward will not have any material effect on the Parent Company's financial reports when they first apply.

Classification and presentation
The Parent Company's income statement and balance sheet are presented in accordance with the Annual Accounts Act, while the statement of comprehensive income, changes in shareholders' equity and cash flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences compared with the consolidated accounts that are evident in the Parent Company's income statement and balance sheet consist primarily of the accounting of financial income and expenses, fixed assets, shareholders' equity and the inclusion of provisions as a separate heading in the balance sheet.

Subsidiaries
Participations in subsidiaries are recognised according to the cost method. This means that transaction expenses are included in the carrying value of holdings in subsidiaries. In the consolidated accounts, transaction expenses are recognised directly in profit or loss as they are incurred.

Conditional purchase considerations are measured based on the probability that the purchase consideration will be paid. Any changes to the provision/receivable are added to/deducted from the cost. In the consolidated financial statements, conditional purchase considerations are measured at fair value with changes in value in profit for the year.

Bargain acquisitions equivalent to expected future losses and expenses are dissolved over the anticipated periods in which the losses and expenses incurred. Bargain acquisitions for other reasons are recognised as provisions to the extent they do not exceed the fair value of acquired identifiable non-monetary assets. The part exceeding this value is immediately recognised as income. The part that does not exceed the fair value of acquired identifiable non-monetary assets is systematically recognised as income over a period calculated as the remaining weighted average useful life of those acquired identifiable assets that are depreciable. In the consolidated accounts bargain acquisitions are recognised immediately in net income.

Financial instruments
Because of the connection between accounting and taxation, the rules for financial instruments in IAS 39 are not applied in the Parent Company as a legal entity.

In the Parent Company, financial fixed assets are measured at cost less and impairment and financial current assets are measured at the lower of cost or market.

Financial guarantees
The Parent Company's financial guarantee contracts consist primarily of guarantees on behalf of subsidiaries. Financial guarantees entail the Company having an obligation to compensate the holder of a debt instrument for losses that holder incurs because a specified debtor fails to make payment when due in accordance with contractual terms. In the reporting of financial guarantee contracts, the Parent Company applies a relief rule permitted by the Financial Reporting Board compared with the rules in IAS 39. This rule applies to financial guarantee contracts issued on behalf of subsidiaries. The Parent Company recognises financial guarantees as provisions in the balance sheet when there is an obligation for which payment will probably be required to settle the obligation.

Anticipated dividends
Anticipated dividends from subsidiaries are recognised if the Parent Company alone is entitled to determine the size of the dividend and the Parent Company has determined the size of the dividend before publishing its financial statements.

Segment reporting
The Parent Company does not report segments according to the same division as the Group or to the same extent, and instead discloses the distribution of net sales according to the Parent Company's business lines.

Tangible fixed assets
Tangible fixed assets are recognised at cost less accumulated depreciation and any impairment in the same manner as the Group, albeit with the addition of any revaluations.

Leased assets
In the Parent Company, all leases are recognised in accordance with the regulations for operating leases.

Borrowing expenses
In the Parent Company, borrowing expenses are charged against profit in the period to which they relate. No borrowing expenses are capitalised on assets.

Intangible fixed assets
Goodwill and other intangible assets with indeterminate useful lives that, within the Group are not subject to amortisation, are amortised in the Parent Company in accordance with the Annual Accounts Act. This normally entails amortisation over a period of five years. In specific cases, the amortisation period may be longer than five years.

Employee benefits
The Parent Company applies a different basis for the calculation of defined benefit plans than that specified in IAS 19. The Parent Company complies with the provisions of the Pension Protection Act and the Finansinspektionen's regulations (Swedish Financial Supervisory Authority) since these is a condition for tax deductibility. The most significant differences compared to IAS 19 is the how the discount rate is determined, the fact that the calculation of the defined benefit obligation is based on current salary level without taking future salary increases into account, and the fact that all actuarial gains and losses are recognised in the income statement as they occur.

Taxes
In the Parent Company's balance sheet, untaxed reserves are recognised without being divided between shareholders' equity and deferred tax liabilities, in contrast to the Group. Similarly, the Parent Company income statement does not specify any part of appropriations as deferred tax expenses.

Shareholder contributions
Shareholder contributions are recognised directly in the shareholders' equity of the recipient and are capitalised in the shares and participations of the contributor, to the extent that no impairment is required.

Group contributions
Group contributions are recognised as appropriations.

Note 2 Net sales by major income category

SEK million	Group		Parent Company	
	2017	2016	2017	2016
Sale of goods	2,158	1,720	–	–
Service assignments	13	22	–	–
Other income	2	2	38	28
Total	**2,173**	**1,744**	**38**	**28**

No income is included, neither in the Group nor the Parent Company, that is attributable to the exchange of goods or services.

Note 3 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the highest executive decision maker. The highest executive decision maker is the function responsible for allocating resources and assessing performance of the operating segment's results. In the Group, this function has been identified as Group Management.

The division is based on geographical areas. The acquired company Bringwell AB (and its subsidiaries) is included in all operating segments as of 4 July 2017. For more information regarding the acquired operations, see Note 4 Acquisitions of operations.

Four geographic segments have currently been identified:

- **Sweden:** The operations are conducted directly through proprietary companies performing production, marketing and sales of products within the three product categories healthfoods, self care products and organic products to and through pharmacies, FMCG retailers, e-commerce/mail order, healthfood retailers and other specialist retailers in both the Swedish market and markets beyond the Nordic region.
- **Norway:** The operations are conducted directly through proprietary companies performing production, marketing and sales of products within the three product categories healthfoods, self care products and organic products to and through pharmacies, FMCG retailers, healthfood retailers and other specialist retailers in the Norwegian market.
- **Finland:** The operations are conducted directly through proprietary companies performing production, marketing and sales of products within the three product categories healthfoods, self care products and organic products to and through pharmacies, FMCG retailers, healthfood retailers and other specialist retailers in the Finnish market.
- **Denmark:** The operations are conducted directly through proprietary companies performing production, marketing and sales of products within the three product categories healthfoods, self care products and organic products to and through pharmacies, FMCG retailers, e-commerce, healthfood retailers and other specialist retailers in both the Danish market and markets beyond the Nordic region.

Segment consolidation is based on the same principles as for the Group as a whole.

The operating segments' profit, assets and liabilities include directly attributable items and items that can be allocated in a reasonable and reliable way. The items recognised in the operating segments' operating profit, assets and liabilities are measured in accordance with the operating profit, assets and liabilities followed up by Group Management. Assets and liabilities are not allocated to the two segments are deferred tax assets, deferred tax liabilities, financial investments and financial liabilities.

Internal pricing policy
For the pricing of goods between the Group's sales companies, an internal pricing model is applied based on the purchasing sales company receiving a predetermined gross margin. The method, called TNMM (Transactional Net Margin Method) is an accepted model for pricing. In addition to this also receives companies, as owners of select brands, a sales-based royalty to cover investments and risks in relation to the brand's development.

For pricing of services between Group companies, TNMM (Transactional Net Margin Method) is applied, based on the full coverage of expenses and a profit margin. The method is applied to both manufacturing services as well as central services.

For pricing of capital, an internal rate is charged, which entails the borrower receiving an interest rate based on a reference rate in the local country with a risk premium.

Information about major customers
In 2017, the Group's largest customer generated income totalling SEK 377 million (259). This income recognised in the operating segment Sweden.

Other information
The Group does not monitor its activities in such a way that sales information by product or by group of related products is immediately available. The Group has concluded that the expense of producing such information cannot be considered commensurate with its usefulness. Instead, the Group reports sales by channel.

External net sales by sales channel

SEK million	Group	
	2017	2016
Pharmacies	157	111
FMCG retail	1,501	1,241
e-trade/post order	84	58
Healthfood retailers	249	200
Other specialist retailers	103	50
Others	64	60
Total	**2,158**	**1,720**
Service assignments	13	22
Other sales	2	2
Total	**2,173**	**1,744**

External net sales of geographical areas[1]

SEK million	Group	
	2017	2016
Sweden	1,009	710
Norway	571	487
Finland	176	169
Denmark	340	334
Iceland	1	0
Rest of Europe	73	43
Other countries	3	1
Total	**2,173**	**1,744**

[1] Income from external customers are allocated to individual countries according to the country in which the customer is domiciled.

Operating segments

SEK million	Sweden		Norway		Finland		Denmark		Group-wide functions, Group adjustments		Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net sales, external	1,014	687	555	471	173	162	431	424	0	0	2,173	1,744
Net sales, intra-Group	55	41	3	4	0	2	113	113	-171	-160	–	–
Net sales	**1,069**	**728**	**558**	**475**	**173**	**164**	**544**	**537**	**-171**	**-160**	**2,173**	**1,744**
Operating expenses, external	-875	-604	-481	-421	-86	-81	-522	-505	-75	-51	-2,039	-1,662
Operating expenses, intra-Group	-74	-73	-32	-27	-71	-66	-6	-5	183	171	–	–
Operating expenses	**-949**	**-677**	**-513**	**-448**	**-157**	**-147**	**-528**	-510	**108**	**120**	**-2,039**	**-1,662**
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:												
Acquisition costs	–	–	–	–	–	–	–	–	-5	-7	-5	-7
Provision, expenses for restructuring of operations	-6	-8	-4	-12	-1	–	–	–	-5	–	-16	-20
Significant non-cash items:												
Amortisation/depreciation	-7	-5	-5	-3	-1	-1	-8	-8	-14	-8	-35	-25
Impairment losses on inventories	-1	-2	-1	–	0	–	0	–	–	–	-2	-2
Impairment of accounts receivable	0	-1	0	0	–	–	0	0	0	0	0	-1
Segment assets	1628	1736	1303	1175	121	103	495	431	-789	-907	2,758	2,538
Unallocated assets											99	82
Total assets											**2,857**	**2,620**
Segment liabilities	488	833	405	370	54	43	135	93	-703	-1003	379	336
Unallocated liabilities											928	935
Shareholders' equity											1,550	1,349
Total shareholders' equity and liabilities											**2,857**	**2,620**
Investments in intangible and tangible fixed assets	3	5	1	33	0	0	5	10	18	0	27	48
Average number of employees	110	76	80	80	24	23	126	120	13	9	353	308
Number of employees as per the balance sheet date	130	93	83	79	22	22	132	119	17	9	384	322

Fixed assets by geographic area[1],

SEK million	Group	
	2017	2016
Sweden	1,343	1,160
Norway	582	579
Finland	58	53
Denmark	306	287
Total	**2,289**	**2,079**

[1]Fixed assets by individually significant countries.

Note 4 Acquisitions of operations

Acquisitions in 2017

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. On 4 July, it was announced that all terms of the offer to the shareholders of Bringwell were fulfilled, which entailed the offer being completed. When the extended acceptance deadline expired, shareholders in Bringwell had agreed to transfer 253,551,768 shares, corresponding to approximately 98.2 percent of the total number of shares and votes outstanding in Bringwell. After the extended acceptance period, Midsona requested forced redemption of the remaining shares. In connection with taking possession of the shares in Bringwell, the shares were delisted from First North, OMX Nasdaq Stockholm.

The acquisition analysis was prepared such that 100 percent of the shares in Bringwell were acquired. The purchase consideration amounted to SEK 279 million, which was partly paid in cash at SEK 96 million, and partly with new shares issued on a non-cash basis 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.

Bringwell holds a leading position in self care products (dietary supplements, skin care and herbal medicines) in the Nordic region. The acquisition strengthens the 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 acquired operations were consolidated into the Midsona Group as of 4 July 2017 and are included in all operating segments in the in the reporting of the operating segments. From the acquisition date until 31 December 2017, the acquired operations contributed SEK 140 million to consolidated net sales and SEK 5 million to consolidated operating profit. If the acquisition had occurred on 1 January 2017, estimated consolidated net sales for the period January–December 2017 would have been SEK 2,314 million and consolidated operating income SEK 122 million.

The acquisition analysis that has been prepared is preliminary.

Effects of acquisitions

The acquiring Company's net assets on the acquisition date, SEK million	Fair value
Intangible fixed assets	40
Tangible assets	5
Financial fixed assets	0
Deferred tax receivables	32
Inventories	39
Accounts receivable	32
Other receivables	4
Prepaid expenses and accrued income	4
Cash and 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 self 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 recognised as other operating expenses in profit for the year.

On 15 December, Midsona received advance access to the minority shares outstanding in Bringwell, 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 received on 10 January 2018.

Integration

The acquired operations will be integrated gradually with the Midsona the Group's existing businesses. The integration is expected to be completed in 2018. The integration incurred restructuring expenses of SEK 16 million that were charged against profit for the year in 2017, of which SEK 6 million for Sweden, SEK 4 million for Norway, SEK 1 million for Finland and SEK 5 million for Group-wide operations.

Acquisitions in 2016

On 5 July 2016, 100 percent of the votes and shares in Internatural AB were acquired, with the two wholly owned subsidiaries Kung Markatta AB and Alma Norge AS, together Internatural. The total purchase consideration amounted to SEK 690 million and was paid in cash at closing, representing SEK 810 million on a debt-free basis, as well as a result of compensation of SEK 10 million to the seller for the period between the date for establishing the debt and the completion date.

Among other things, the acquisition provides access to the Kung Markatta and Helios brands in the category of organic groceries, significantly strengthening the position in the Nordic market for organic foods. The Kung Markatta and Helios Brands will be two of the Group's priority brands. At the time of acquisition, Internatural had 71 employee (full-time annual equivalents), of whom 43 in Sweden and 28 in Norway.

The acquired business will be consolidated into the Midsona Group from 5 July 2016, and will be included in the Sweden and Norway operating segments in segment reporting. From the acquisition date to 31 December 2016, the operations contributed SEK 329 million to consolidated net sales and SEK 26 million to the Group's operating profit. If the acquisition had occurred on 1 January 2016, estimated consolidated net sales for the period January–December 2016 would have been SEK 2,082 million and consolidated operating income SEK 117 million.

The acquisition analysis that has been prepared has been approved.

Effects of acquisitions

The acquiring Company's net assets on the acquisition date, SEK million	Fair value
Intangible fixed assets	269
Tangible assets	6
Financial fixed assets	0
Deferred tax receivables	1
Inventories	64
Accounts receivable	67
Other receivables	1
Prepaid expenses and accrued income	2
Cash and equivalents	29
Deferred tax liabilities	-60
Non-current interest-bearing liabilities	-89
Current interest-bearing liabilities	-50
Accounts payable	-60
Other current liabilities	-9
Accrued expenses and deferred income	-13
Total	**158**
Consolidated goodwill	532
Total	**690**

Transferred consideration, SEK million	Fair value
Cash	690
Total	**690**

The fair value of accounts receivable amounted to SEK 67 million and was fully settled. Acquisition-related expenses amounted to SEK 5 million and were recognised as other operating expenses in profit for the year.

Integration

Acquired operations were gradually integrated, with this process being completed in 2017.The integration incurred restructuring expenses of SEK 20 million that were charged against profit for the year in2016, of which SEK 12 million for Norway and SEK 8 million for Sweden.

Note 5 Other operating income

SEK million	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Capital gains on divestments of tangible fixed assets	0	0	–	–
Rent	2	2	–	–
Exchange rate gains relating to operations	0	–	–	3
Royalty	1	1	–	–
Other	0	2	–	–
Total	**3**	**5**	**–**	**3**

Note 6 Other operating expenses

SEK million	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Capital gains on divestments of intangible fixed assets	0	-2	–	–
Capital loss on divestments of tangible fixed assets	-1	-1	–	–
Exchange rate losses relating to operations	-2	-3	–	-2
Expenses incurred in acquisitions of operations	-5	-5	–	–
Other	0	-3	–	-2
Total	**-8**	**-14**	**–**	**-4**

Note 7 Operating expenses by expense category

Operating expenses are presented in the consolidated income statement using a classification based on the functions "Expenses for goods sold", "Sales expenses", "Administrative expenses" and "Other expenses". The sum of the expenses divided by function is distributed among the following expense categories.

SEK million	Group 2017	Group 2016
Expenses for goods and materials	-1,360	-1,077
Personnel expenses	-248	-206
Selling expenses	-104	-104
Marketing expenses	-108	-90
Rental and other property expenses	-40	-29
Purchase of services	-65	-44
Amortisation/depreciation	-35	-25
Impairment	-2	-4
Other direct and indirect expenses	-72	-74
Other operating expenses	-8	-14
Total	**-2,042**	**-1,667**

Note 8 Auditors' fees and reimbursements

SEK million	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Deloitte				
Audit assignment	-2	-1	0	0
Auditing tasks beyond the audit assignment	0	-1	0	0
Tax advice	0	0	0	0
Other assignments	0	-2	0	-1
Total	**-2**	**-4**	**0**	**-1**

Audit assignments involve the examination of the annual accounts and the accounting procedures, as well as the administration by the Board of Directors and the CEO, other tasks incumbent on the Company's auditors and advice or other assistance resulting from observations made during the audit or the performance of such other tasks.

Note 9 Employees, personnel expenses and senior executives' remunerations

Employees

Average number of employees by country	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Sweden	123	85	10	9
of whom women	66	50	2	2
Norway	80	80	–	–
Finland	24	23	–	–
Denmark	126	120	–	–
Total abroad	**230**	**223**	–	–
of whom women	142	120	–	–
Total	**353**	**308**	**10**	**9**
of whom women	208	170	2	2

Number of women in Company management teams	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Boards of Directors , %	17	26	43	50
CEO and management team,%	37	48	13	14

Personnel expenses

Personnel expenses, SEK million	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Salaries and other remuneration				
Board of Directors, CEO and management team[1]	-47	-35	-10	-7
of which variable salary	-3	-3	-2	0
of which severance pay	-3	–	–	–
Other employees	-146	-124	-4	-4
of which variable salary	-2	-3	0	0
Total salaries and other remuneration	**-193**	**-159**	**-14**	**-11**
Pension expenses, defined contribution plans[2]				
Board of Directors, CEO and management team[1]	-6	-5	-2	-2
Other employees	-14	-11	-1	-1
Total pension expenses	**-20**	**-16**	**-3**	**-3**
Social security expenses				
Board of Directors, CEO and management team[1]	-9	-8	-4	-3
Other employees	-23	-20	-1	-1
Total social security expenses	**-32**	**-28**	**-5**	**-4**
Other personnel expenses				
Board of Directors, CEO and management team[1]	0	0	0	–
Other employees	-3	-3	0	0
Total other personnel expenses	**-3**	**-3**	**0**	**0**
Total personnel expenses	**-248**	**-206**	**-22**	**-18**

[1] With regard to the Group, "Board of Directors" refers to all boards of Group companies. Members of the Boards of subsidiaries consist of employees who do not receive Board fees for their services. With regard to the Group, "President" refers to all persons holding the position of President in any Group company. "Management team" includes all management teams in Group companies. An individual can have more than one Board assignment while being included in more than one management team within the Group. Collectively, the Boards of Directors, Presidents and management teams consist of 80 individuals (78) in the Group and 15 individuals (13) in the Parent Company.

[2] For more information on pension expenses, see Note 26 Provisions for pensions, page 90

Remuneration to senior executives

Remuneration to members of the Board of the Parent Company

Definitions
The Board consists since the Annual General Meeting April 26, 2017 by Ola Erici (Chairman), Cecilia Marlow, Henrik Stenqvist, Birgitta Stymne Göransson, Peter Wahlberg, Johan Wester and Kirsten Aegidius.

Principles for remuneration of Board
The 2017 Annual General Meeting resolved that fees for 2017/2018 should be paid to the Chairman in the amount of SEK 500 thousand (including committee work) and to the other members of the Board who are not employees of the company in the amount of SEK 200 thousand each. In addition, SEK 20 thousand shall be paid to each member of the Board, other than the Chairman, who is a member of a committee. Authorised fees totalled SEK 1,820 thousand. Beyond these remunerations, members of the Board are not entitled to any other compensation other than for travel and lodging. Remuneration of members of the Board is prepared by the Nominating Committee and approved by the Annual General Meeting.

Board fees
Three of the Board Members invoice Board remunerations via their own companies.The following fees were paid to the Board of Directors over the year.

Board of Directors SEK thousand	Parent Company 2017 Directors' fees	Fee Remunerations Committee	Fee Audit Committee	Total
Ola Erici (Chairman)	500	–	–	500
Cecilia Marlow	200	–	20	220
Birgitta Stymne Göransson	200	20	–	220
Peter Wahlberg	200	–	20	220
Johan Wester	200	20	20	240
Kirsten Ægidius	200	–	–	200
Henrik Stenqvist	200	–	20	220
Total	**1,700**	**40**	**80**	**1,820**

Board of Directors SEK thousand	Parent Company 2016 Directors' fees	Fee Remunerations Committee	Fee Audit Committee	Total
Ola Erici (Chairman)	400	–	–	400
Cecilia Marlow	200	–	20	220
Birgitta Stymne Göransson	200	20	–	220
Peter Wahlberg	200	–	20	220
Johan Wester	200	–	20	220
Kirsten Aegidius	200	–	–	200
Total	**1,400**	**20**	**60**	**1,480**

Remuneration to senior executives

Definitions
Senior executives are those who, together with the CEO Peter Åsberg, were included in Group Management during all or part of the year. Senior executives
are Lennart Svensson, Vidar Eskelund (until 30 November 2017), Markku Janhunen, Lars Börresen, Ulrika Palm, Anders Dahlin, Tobias Traneborn (effective from 1 May 2017) and Christoffer Mørck (effective from 1 December 2017).

Principles for remunerations to senior executives
Principles for remunerations to senior executives are determined by the Annual General Meeting. Senior executives are considered to be the CEO and other members of the management team.

The 2017 Annual General Meeting approved the following guidelines for remunerations to senior executives. Senior executives are to be offered competitive remunerations in line with the market. Remuneration levels for individual executives are to be based on factors including position, competence, experience and performance. Remunerations consist of fixed salary and pension, and shall additionally be able to include variable pay, severance pay and non-monetary benefits. Variable pay shall be based on quantitative and qualitative targets being achieved. It shall be possible for the President to earn variable remuneration of at most 50 percent of basic salary and for other members of Group Management to earn variable remuneration of at most 30 percent of basic salary. Severance pay shall amount to at most six months' salary if notice is given by the Company. Salary during the period of notice and severance pay shall be limited to at most 24 months' salary. Pension benefits shall be defined-contribution benefits and normally entitle the individual to pension from the age of 65. On termination of employment by the company, 6 to 12 months' salary normally applies. Remuneration and other terms of employment for the President are prepared by the Remunerations Committee and approved by the Board of Directors. Remunerations and other terms of employment for other members of the management team are determined by the Remunerations Committee in consultation with the CEO. The Board of Directors is kept continuously up-to-date regarding remuneration levels for other senior executives. The Board of Directors is entitled to diverge from these guidelines if there are specific reasons in individual cases.

Remuneration and other benefits
The following remunerations and other benefits were paid to senior executives over the year.

Remuneration and other benefits to the CEO and Group Management	Basic salary	Variable Remuneration	Other benefits	Pension expenses	Other remuneration[1]	Total
	2017					
Peter Åsberg, CEO	3,525	357	115	1,420	–	5,417
Group Management (8 individuals)	11,203	1,008	615	2,240	3,316	18,382
Total	**14,728**	**1,365**	**730**	**3,660**	**3,316**	**23,799**
	2016					
Peter Åsberg, CEO	3,253	218	130	1,184	–	4,785
Group Management (6 individuals)	8,810	1,976	423	1,238	–	12,447
Total	**12,063**	**2,194**	**553**	**2,422**	**–**	**17,232**

[1] Other remuneration refers to severance payments.

Comments on the table

- For the financial year 2017, variable remuneration of SEK 937 thousand was paid to the CEO, of which SEK 580 thousand was allocated to pension benefits. The variable remuneration accounted for 27 percent of base salary.
- For the 2017 financial year, variable remuneration of SEK 1,008 thousand was paid to the other members of Group Management, which corresponded to 9 percent of base salary.
- For the 2016 financial year, variable remuneration of SEK 638 thousand was paid to the CEO, of which SEK 420 thousand was allocated to pension benefits. The variable remuneration accounted for 20 percent of base salary.
- For the 2016 financial year, variable remuneration of SEK 1,976 thousand was paid to the other members of Group Management, which corresponded to 22 percent of base salary.
- Pension expenses refer to the expenses that affected profit for the year, excluding income tax.
- Other benefits primarily refer to company cars and telephones.

Share-related benefits

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 TO2020/2020, 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 expenses for the option programme from shareholders' equity.

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. 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.

Note 10 Net financial items

SEK million	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Profit from participations in subsidiaries				
Dividends from subsidiaries[1]			70	284
Impairment of shares in subsidiaries			-51	-197
Total			**19**	**87**
Financial income				
Interest income[2]	0	1	0	0
Interest income, subsidiaries			21	8
Exchange rate gains	–	–	–	11
Other financial income	–	0	–	–
Total	**0**	**1**	**21**	**19**
Financial expenses				
Interest expenses[2]	-18	-17	-17	-14
Interest expenses, subsidiaries			-3	-1
Exchange rate losses	-1	-3	-10	0
Other financial expenses	-3	-5	-2	-4
Total	**-22**	**-25**	**-32**	**-19**
Total financial items	**-22**	**-24**	**8**	**87**

[1] The dividends from subsidiaries of SEK 70 million (284), include SEK 5 million (284) in anticipated dividends.
[2] All interest income and interest expense is attributable to financial instruments measured at amortised cost.

Note 11 Appropriations

SEK million	Parent Company 2017	Parent Company 2016
Group contributions received	–	166
Total	**–**	**166**

Note 12 Taxes

Recognised in profit for the year, SEK million	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Current tax				
Current tax	-7	-7	–	–
Adjustment of tax relating to previous years	0	0	–	–
	-7	**-7**	**–**	**–**
Deferred tax				
Deferred tax relating to temporary differences	-10	1	0	0
Deferred tax resulting from changes in tax rates	1	1	–	–
Deferred tax income in tax loss carryforwards capitalised during the year	4	3	4	–
Deferred tax expense resulting from utilisation of previously capitalised tax loss carryforwards	-16	-11	–	-32
Adjustment of deferred tax relating to previous years	0	–	0	–
	-21	**-6**	**4**	**-32**
Total	**-28**	**-13**	**4**	**-32**

Current tax

Reconciliation of tax SEK million	Group		Parent Company	
	2017	2016	2017	2016
Profit before tax	**112**	**58**	**–3**	**243**
Tax at the applicable tax rate for the Parent Company of 22.0% (22.0)	–25	–13	1	–53
Non-taxable dividends from subsidiaries	–	–	15	62
Non-deductible impairment of shares in subsidiaries	–	–	–11	–43
Other non-deductible expenses/ other non-taxable income	–3	–1	–1	2
Effect of other tax rates on foreign subsidiaries	0	0	–	–
Effect of changed tax rates	1	1	–	–
Decrease/increase in deductible temporary differences without corresponding capitalisation of deferred tax	0	0	–	–
Tax attributable to previous years	–1	0	0	–
Total	**–28**	**–13**	**4**	**–32**
Reported effective tax rate, %	24.6	22.9	162.3	13.2

The applicable corporate tax rate in Sweden is 22.0 percent, while subsidiaries in Norway, Finland and Denmark apply local corporate tax rates. The reported effective tax rate for the Group was 24.6 percent (22.9). The effective tax rate differs from the current tax rate applicable to the Parent Company, mainly due to non-deductible expenses. The effective tax rate for the Parent Company was 162.3 percent (13.2) as a consequence of non-taxable income and not deductible expenses.

Changed tax rates

In Norway, a decision was made to lower the Norwegian corporate tax rate from 24.0 percent to 23.0 percent from 1 January 2018. In line with this change deferred tax assets/liabilities were revalued.

In Norway, a decision was made to lower the Norwegian corporate tax rate from 25.0 percent to 24.0 percent from 1 January 2017. In line with this change deferred tax assets/liabilities were revalued.

Deferred tax assets and deferred tax liabilities have been measured based on the nominal tax rate. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred taxes relate to the same tax authority. The amounts in the table have been reported gross.

Temporary differences

Temporary differences arise in cases where the carrying amounts and taxable values of assets and liabilities differ. Temporary differences are attributable to items in the balance sheet and have resulted in deferred tax assets and liabilities according to the table below.

Deferred tax

Changes in deferred tax in temporary differences and , SEK million	Group					Parent Company		
	Opening balance 1 January 2016	Recognised in the income statement	Translation differences	Change through acquisition of operations	Closing balance 31 December 2016	Opening balance 1 January 2016	Recognised in the income statement	Closing balance 31 December 2016
Deferred tax liability								
Intangible fixed assets	139	3	1	60	203	–	–	–
Tangible assets	5	–2	0	–	3	–	–	–
Inventories	–1	0	0	–	–1	–	–	–
Provisions	0	–1	0	–	–1	–	–	–
Tax allocation reserve	–	3	–		3			
Tax loss carryforwards	–8	8	0	–	–	–	–	–
Total	**135**	**11**	**1**	**60**	**207**	**–**	**–**	**–**
Deferred tax assets								
Intangible fixed assets	2	1	0	–	3	0	0	–
Tangible assets	–	0	0	–	–	–	0	0
Inventories	1	–1	0	–	0	–	–	–
Provisions	0	3	0	–	3	–	–	–
Tax loss carryforwards	76	0	0	0	76	36	–33	3
Total	**79**	**3**	**0**	**0**	**82**	**36**	**–33**	**3**
Total net deferred tax liability	**56**	**8**	**1**	**60**	**125**	**–36**	**33**	**–3**

Changes in deferred tax in temporary differences and , SEK million	Opening balance 1 January 2017	Recognised in the income statement	Translation differences	Change through acquisition of operations	Closing balance 31 December 2017	Opening balance 1 January 2017	Recognised in the income statement	Closing balance 31 December 2017
Deferred tax liability								
Intangible fixed assets	203	–4	–2	9	206	–	–	–
Tangible assets	3	0	0	–	3	–	–	–
Inventories	–1	1	0	–	0	–	–	–
Provisions	–1	–1	0	–	–2	–	–	–
Tax allocation reserve	3	10	–	1	14	–	–	–
Total deferred tax liability	**207**	**6**	**–2**	**10**	**221**	**–**	**–**	**–**
Deferred tax assets								
Intangible fixed assets	3	1	0	0	4	–	–	–
Tangible assets	–	0	0	0	–	0	0	0
Inventories	0	0	0	0	0	–	–	–
Provisions	3	–2	0	–	1	–	–	–
Tax loss carryforwards	76	–14	0	32	94	3	4	7
Total	**82**	**–15**	**0**	**32**	**99**	**3**	**4**	**7**
Total net deferred tax liability	**125**	**21**	**–2**	**–22**	**122**	**–3**	**–4**	**–7**

No deferred tax is recognised regarding temporary differences attributable to investments in subsidiaries. Any future effects (withholding taxes and other deferred tax on profit taking within the Group) are recognised when Midsona is no longer able to control the reversal of such differences or it is for other reasons no longer probable that the reversal will occur in the foreseeable future.

Tax loss carryforwards

The total losses in the Group amounted to SEK 427 million (339) at 31 December 2017. They increased as a result of significant loss carryforwards in acquired Bringwell. All loss carryforwards were capitalised on both 31 December 2017 and 31 December 2016. The maturities of the tax loss carryforwards are undetermined.

Management believes that, given the Group's current and future structure, the opportunities to utilise the tax loss carryforwards are well founded.

Note 13 Profit and earnings per share

Earnings per share are calculated by dividing the profit attributable to Parent Company shareholders by the weighted average number of shares outstanding during the period.

Earnings per share before and after dilution, SEK million	Group	
	2017	2016
Profit for the year, SEK million	84	45
Number of shares on balance sheet date, thousands	46,008	42,646
Average number of shares during the period, before dilution, thousands	44,141	31,547
Average number of shares during the period, after dilution, thousands	44,548	31,547
Earnings per share before dilution, SEK	1.91	1.42
Earnings per share after dilution, SEK	1.89	1.42

The weighted average number of shares was affected by the non-cash issue in July 2017.

Instruments that may result in future dilution and changes after the balance sheet date

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.

Dividend

The Board of Directors proposes that a share dividend of SEK 1.25 per share (1.10) be paid for the 2017 financial year, equivalent to SEK 57,510,080 (46,991,128) in total.

Note 14 Intangible fixed assets

SEK million	Group				Parent Company
	Goodwill	Brands	Other intangible assets	Total	Other intangible assets
Accumulated cost					
Opening balance 1 January 2016	685	586	36	1,307	5
Acquired through business combinations	531	270	1	802	–
Other acquisitions/investments	–	30	5	35	0
Sales/scrappings	-4	–	-2	-6	–
Translation difference for the year	51	18	1	70	–
Closing balance 31 December 2016	**1,263**	**904**	**42**	**2,209**	**5**
Accumulated depreciation, amortisations and impairment					
Opening balance 1 January 2016	-169	-53	-18	-240	-4
Acquired through business combinations	–	–	-1	-1	–
Depreciation for the year	–	-10	-6	-16	0
Sales/scrappings	4	–	2	6	–
Translation difference for the year	-16	-1	-1	-18	–
Closing balance 31 December 2016	**-181**	**-64**	**-24**	**-269**	**-4**
Carrying amount, 31 December 2016	**1,082**	**840**	**18**	**1,940**	**1**

SEK million	Group				Parent Company
Accumulated cost					
Opening balance 1 January 2017	1,263	904	42	2,209	5
Acquired through business combinations	174	40	–	214	–
Other acquisitions/investments	–	–	18	18	15
Sales/scrappings	-1	–	0	-1	–
Reclassification	-20	–	-3	-23	–
Translation difference for the year	-30	2	0	-28	–
Closing balance 31 December 2017	**1,386**	**946**	**57**	**2,389**	**20**
Accumulated depreciation, amortisations and impairment					
Opening balance 1 January 2017	-181	-64	-24	-269	-4
Acquired through business combinations	–	–	0	0	–
Depreciation for the year	–	-19	-5	-24	-1
Sales/scrappings	1	–	0	1	–
Reclassification	20	–	3	23	–
Translation difference for the year	8	0	1	9	–
Closing balance 31 December 2017	**-152**	**-83**	**-25**	**-260**	**-5**
Carrying amount, 31 December 2017	**1,234**	**863**	**32**	**2,129**	**15**

The carrying amount for the item other intangible assets includes SEK 9 million (10) for customer relations, SEK 23 million (7) for software and SEK 0 million (1) for other intangible assets.

There were no internally generated intangible assets at year-end.

Borrowing expenses

No borrowing expenses are included in the cost of assets, either for 2017 or for 2016.

Amortisation/depreciation

All intangible fixed assets (other than goodwill and acquired brands that are considered to have an indeterminate useful life) are amortised. Amortisation is included in the following items in the income statement.

Amortisation for the year included in the income statement, SEK million	Group		Parent Company	
	2017	2016	2017	2016
Expenses for goods sold	0	–	–	–
Selling expenses	–21	–12	–	–
Administrative expenses	–3	–4	–1	0
Total	**–24**	**–16**	**–1**	**0**

For information on depreciation, see Note 1 Accounting principles.

Impairment testing

Goodwill and brands with indeterminate useful lives have been allocated to cash-generating units for which there are identifiable cash flows in accordance with the commercial organisation. Identified cash-generating units agree with the Group's operating segments, see Note 3 Operating segments. An assessment has been made that the cash flows attributable to brands cannot be distinguished from other cash flows within the cash-generating units, and brands and goodwill are, accordingly, tested annually for impairment jointly by calculating the recoverable amount for the cash-generating unit. Goodwill and brands with indefinite useful lives are divided into operating segments as follows.

Goodwill and brands with indeterminate useful lives by operating segment	Average discount rate before tax 2017 (2016),%	2017	2016
Sweden	10.1 (9.9)	1,140	1,030
Norway	10.5 (10, 2)	482	463
Finland	10.4 (10.2)	35	29
Denmark	10.5 (10.5)	250	228
Total		**1,907**	**1,750**

The cash-generating unit Sweden includes goodwill of SEK 685 million (575) and brands with indeterminate useful lives of SEK 455 million (455). Brands with indefinite life refers to Friggs and Kung Markatta,which are well-established brands on the market that the Group intends to maintain and further develop. The cash-generating unit Denmark includes goodwill of SEK 32 million (16) and brands with indeterminate useful lives of SEK 218 million (212). Brands with indeterminate useful lives refers to Urtekram, which is well-established in its market and which the Group intends to maintain and further develop. In the cash-generating units Norway and Finland, there are no brands of indeterminate useful lives.

The recoverable amount of each cash-generating unit has been determined based on calculations of value in use. These calculations are based on the actual performance of the operations and the business plan established by Group Management and subsequently approved by the Board for the next five years. Assumptions in the business plan based on market share, market growth, current market prices, current expense levels plus additions for real price increases and cost inflation, efficiency enhancements and the trend in the operating margin of each operating segment. Assumptions regarding volumes normally follow average growth of 3–5 percent, depending on the operating segment. The growth rate applied is consistent in all material respects with the forecasts included in sector reports on future market growth.

Effects of expansion investments are excluded in the impairment test. The basis for the calculation consists of projected future cash flows in accordance with the business plan, with a sustained growth rate of 2 percent (2). Cash flows for the period beyond five years have been calculated by applying a multiple to estimated sustainable cash flow.

When calculating the present value of anticipated future cash flows, the weighted average cost of capital (WACC) is applied that has been determined for each operating segment. The discount rate applied is stated pre-tax and reflects specific risks applicable to the various operating segments. Discounted cash flows are then compared to the book value of the assets, provisions and liabilities associated with each operating segment.

Impairment testing is normally conducted in the third quarter or whenever the need arises. Impairment testing conducted for the 2017 financial year showed, with the assumptions made, there was no need to recognise impairment in brands with indeterminate useful lives.

Impairment

No impairment was applied to intangible fixed assets in 2017 or 2016, neither in the Group nor the Parent Company. For information on impairment, see Note 1 Accounting principles.

Sensitivity analysis

Management believes that no reasonable changes in key assumptions will lead to the total estimated recoverable amount of each cash-generating unit will be lower than their total carrying amount.

Note 15 Tangible fixed assets

SEK million	Group						Parent Company
	Operating properties	Plant and equipment	Equipment, fixtures and fittings	Leasing[1]	Other tangible fixed assets	Total	Equipment, fixtures and fittings
Accumulated cost							
Opening balance 1 January 2016	39	17	53	14	7	130	3
Acquired through business combinations	–	–	13	–	2	15	–
Other acquisitions/investments	1	–	10	–	2	13	–
Sales/scrappings	–	-1	-3	–	-3	-7	–
Reclassification	–	4	–	-4	-1	-1	–
Translation difference for the year	2	2	3	0	0	7	–
Closing balance 31 December 2016	42	**22**	**76**	**10**	**7**	**157**	**3**
Accumulated depreciation							
Opening balance 1 January 2016	-13	-15	-40	-10	-5	-83	-3
Acquired through business combinations	–	–	-8	–	0	-8	–
Depreciation for the year	-1	-1	-5	-1	-1	-9	0
Sales/scrappings	–	0	2	–	1	3	–
Reclassification	–	-3	–	3	–	0	–
Translation difference for the year	-1	-1	-2	-1	0	-5	–
Closing balance 31 December 2016	-15	**-20**	**-53**	**-9**	**-5**	**-102**	**-3**
Carrying amount 31 December 2016	27	**2**	**23**	**1**	**2**	**55**	**0**

SEK million	Group						Parent Company
Accumulated cost							
Opening balance 01 January 2017	42	22	76	10	7	157	3
Acquired through business combinations	–	19	21	–	0	40	–
Other acquisitions/investments	1	0	8	0	0	9	3
Sales/scrappings	–	0	-7	-1	0	-8	–
Reclassification	0	0	-1	0	0	-1	–
Translation difference for the year	1	1	1	0	0	3	–
Closing balance 31 December 2017	**44**	**42**	**98**	**9**	**7**	**200**	**6**
Accumulated depreciation							
Opening balance 1 January 2017	-15	-20	-53	-9	-5	-102	-3
Acquired through business combinations	–	-18	-17	–	0	-35	–
Depreciation for the year	-1	-1	-7	-1	-1	-11	0
Sales/scrappings	–	–	5	1	1	7	–
Reclassification	–	0	1	0	0	1	–
Translation difference for the year	-1	-1	0	0	0	-2	–
Closing balance 31 December 2017	**-17**	**-40**	**-71**	**-9**	**-5**	**-142**	**-3**
Carrying amount 31 December 2017	**27**	**2**	**27**	**0**	**2**	**58**	**3**

[1] For further information see Note 16 Leases

The carrying amount for the item other tangible fixed assets includes SEK 2 million (2) for improvements to property owned by another entity.

Borrowing expenses

No borrowing expenses are included in the cost of assets, either for 2017 or for 2016.

Amortisation/depreciation

All tangible fixed assets are depreciated. Amortisation is included in the following items in the income statement:

Amortisation for the year included in the income statement, SEK million	Group		Parent Company	
	2017	2016	2017	2016
Expenses for goods sold	-7	-5	–	–
Selling expenses	-1	-2	–	–
Administrative expenses	-3	-2	0	0
Total	**-11**	**-9**	**0**	**0**

For information on depreciation, see Note 1 Accounting principles.

Impairment

No impairment was applied to tangible fixed assets in 2017 or 2016, neither in the Group nor the Parent Company. For information on impairment, see Note 1 Accounting principles.

Note 16 Leases

Financial leasing

The Group leases production, office and IT equipment under several financial leases. When the leases expire, there are options to purchase the equipment at an attractive price. The leases include indexesclauses. On the balance sheet date, the carrying amount of the leased assets totalled SEK 0 million (1). The leased assets serve as collateral for the lease liabilities. The leases contain no restrictions on opportunities to pay dividends, raise new loans and enter into new leases. There is no subleasing of assets used under financial leases.

Depreciation of the assets leased under financial leases amounted to SEK 1 million (1). Lease payments amounted to SEK 1 million (1).

Future minimum lease fees and their present values under non-cancellable financial leases amounted to the following:

Due dates for future minimum lease payments, SEK million	Nominal values	Present values
Within one year	0	0
Later than one year but within five years	1	1
Later than 5 years	–	–
Total	**1**	**1**

The present value of future minimum lease payments is recognised as liabilities to credit institutions, partly as a current liability and partly as a non-current liability.

Operating leases

The Group leases warehouse and office space, computers and other equipment. Certain contracts include renewal options for varying periods of time. Part of a leased office and warehouse has been sub-let.

Expensed operating lease fees, SEK million	Group[1]		Parent Company	
	2017	2016	2017	2016
Expenses for operating leases	-32	-30	-5	-5
Total	**-32**	**-30**	**-5**	**-5**
Lease income for sub-let items amount to	2	1	–	–

[1] Pertains to expensed operating lease fees.

Nominal value of future minimum lease payments under non-cancellable leases, SEK million	Group[1]		Parent Company	
	2017	2016	2017	2016
Matures for payment within one year	64	24	5	4
Matures for payment after more than one year but within five years	47	63	5	1
Mature for payment after more than five years	37	43	0	0
Total	**148**	**130**	**10**	**5**

[1] Pertains to the nominal value of future minimum lease payments under non-cancellable leases.

Note 17 Participations in subsidiaries

	Corporate identity number	Domicile	Number of shares	Proportion of capital/ voting rights	Book value, SEK million
Anjo A/S	24156710	Søborg, Denmark	1,250	100%	67
Bioglan AS	970 968 660	Oslo, Norway	1,400	100%	333
Bringwell Norge AS[1]	883 632 842	Oslo, Norway	–	100%	–
Midsona Norge AS	979 473 559	Oslo, Norway	–	100%	–
Soma Nordic AB	556585-7942	Laholm, Sweden	–	100%	–
Bringwell AB	556484-3232	Stockholm, Sweden	258,225,180	100%	203
Bringwell Finland Oy	0805401-1	Salo, Finland	–	100%	–
Bringwell Sverige AB	556518-6789	Falköping, Sweden	–	100%	–
Dalblads Nutrition AB	556542-8264	Lerum, Sweden	1,000	100%	–
International AB	556925-0961	Malmö, Sweden	358,712	100%	–
Midsona Denmark A/S[2]	31493994	Mariager, Denmark	6,000,000	100%	192
Midsona Finland Oy	1732881-1	Salo, Finland	16,000	100%	43
Midsona Sverige AB	559037-5951	Malmö, Sweden	15,937,684	100%	859
Trettiosjucorp AB	556480-0224	Malmö, Sweden	165,797	100%	–
Urtekram Sverige AB	556420-6646	Malmö, Sweden	2,000	100%	–
Bioglan Pharma AB	556594-2025	Lund, Sweden	–	100%	–
Vitalas AB	556572-5040	Malmö, Sweden	–	100%	–
Total book value in the Parent Company					**1,697**

[1] As of 1 January, 2018, the company Bringwell Norge AS was merged into Midsona Norge AS.
[2] As of 1 January 2017, the company changed name to Midsona Danmark A/S from Urtekram International A/S

SEK million	Parent Company	
	2017	2016
Accumulated cost		
Opening balance	2,704	1,892
Acquisitions of subsidiaries	323	807
Shareholder contributions in subsidiaries	20	5
Closing balance	**3,047**	**2,704**
Accumulated depreciation		
Opening balance	-1,299	-1,102
Impairment for the year on shares in subsidiaries	-51	-197
Closing balance	**-1,350**	**-1,299**
Book value	**1,697**	**1,405**

Impairment for the year on shares in subsidiaries is recognised in the income statement under "Profit from participations in subsidiaries".

Note 18 Receivables from, and liabilities to, subsidiaries

SEK million	Parent Company	
	2017	2016
Fixed assets		
Interest-bearing receivables	574	742
Total	**574**	**742**
Current assets		
Interest-bearing receivables[1]	–	4
Other receivables	19	458
Total	**19**	**462**
Total	**593**	**1,204**
Non-current liabilities		
Interest-bearing liabilities	40	481
Total	**40**	**481**
Current liabilities		
Interest-bearing liabilities1	168	132
Other liabilities	0	1
Total	**168**	**133**
Total	**208**	**614**

[1] Interest-bearing receivables and liabilities refer to the consolidated accounts with internal interest.

Note 19 Other non-current receivables and other receivables

SEK million	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Other non-current receivables that are fixed assets				
Deposits	3	2	–	–
Other financial assets	0	0	–	–
Total	**3**	**2**	**–**	**–**
Other receivables that are current assets				
Deposits	8	–	8	–
Other receivables	1	0	1	1
Total	**9**	**0**	**9**	**1**

Note 20 Inventories

SEK million	Group 2017	Group 2016
Raw materials and consumables	51	38
Products in process	0	0
Completed products and goods for resale	221	206
Total	**272**	**244**

The consolidated income statement included impairment of inventories in the item expenses for goods sold by SEK 0 million (-) and in the item selling expenses of SEK 2 million (2), due to an increase of the obsolescence reserve.

Note 21 Accounts receivable

Midsona has some 350 active customers, of whom the ten largest accounted for 62 percent (63) of net sales. Customers are primarily pharmacy chains, FMCG and healthfood retailers and other specialist retailers. In addition to these customers , the Group also makes direct sales to, among others, a large number of private individuals, therapists and smaller, independent shops via on-line sales and post-order. Most net sales derive from the Nordic market.

A large part of sales is based on a framework agreement that specifies general terms and discounts for a year at a time. Normally, assortment evaluations are performed a couple of times a year, in connection with which price levels can also be adjusted if there is evidence of this through, for example, higher commodity prices.

Accounts receivable, SEK million	Group 2017	Group 2016
Accounts receivable, gross	214	210
Allocation for doubtful accounts receivable	-1	-1
Total	**213**	**209**

Provision for doubtful accounts receivable, SEK million	Group 2017	Group 2016
Provision at beginning of year	-1	-1
Allocation for feared bad debt losses	0	-1
Confirmed bad debt losses	0	1
Total	**-1**	**-1**

Age analysis, accounts receivable, SEK million	Group 2017	Group 2016
Accounts receivable not past due	190	186
Past due 1-30 days	21	22
Past due 31-90 days	1	1
Past due > 90 days	1	0
Total	**213**	**209**

The fair value of accounts receivable is consistent with the reported value.

Note 22 Prepaid expense and accrued Income

SEK million	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Prepaid rent	3	5	1	1
Prepaid insurance	1	1	1	1
Deferred leasing expenses	0	0	1	0
Prepaid marketing expenses	2	2	–	–
Prepaid commission	1	1	–	–
Prepaid purchases of goods and services	7	7	3	4
Other prepaid expenses	5	6	1	1
Total	**19**	**22**	**7**	**7**

Note 23 Shareholders' equity

Group

Share capital

Share capital consists of the Parent Company's share capital. See the Parent Company of this note.

Additional paid-up capital

Other capital consists of equity contributed by the owners.Includes share premium reserves transferred to the statutory reserve at 31 December 2005. Provision to the share premium reserve from 1 January 2006 and forward, are also recognised as paid-up capital.

Reserves

The item consists of a translation reserve, which comprises all exchange rate differences arising on the translation of the financial statements of foreign operations that have prepared their financial statements in a currency other than that in which the consolidated financial statements are presented. This includes exchange differences on monetary items receivable from or payable to the foreign operations, for which settlement is neither planned nor likely in the foreseeable future.

Profit brought forward, including profit for the year

Profit brought forward/accumulated losses, including profit for the year consists of earned profits/accumulated losses in the Parent Company and its subsidiaries. Provisions to the statutory reserve, excluding transferred share premium reserves, were previously included in this item. Also included is the amount of reduction of share capital.

Parent Company

Restricted shareholders' equity

Share capital

On 31 December 2017, the number of shares amounted to 46,008,064 divided between 539,872 Series A shares and 45,468,192 Series B shares. Holders of shares are entitled to dividends as determined by the Annual General Meeting. A shareholding entitles voting rights at the Annual General Meeting of 10 votes for each series A share and one vote for each series B share. All shares convey equal rights to the Company's net assets and profits. The Articles of Association contain no restrictions on the transferability of shares. Upon written request from a holder of series A shares in the Company, conversion of specified series A shares to series B shares will be granted.

Change in number of shares, number	Series A shares	Series B shares	Total
Number of shares 1 January 2016	474,915	27,956,072	28,430,987
Reclassification	–115,000	115,000	0
New share issue	179,957	14,035,536	14,215,493
Number of shares 31 December 2016	**539,872**	**42,106,608**	**42,646,480**
Number of shares 1 December 2017	539,872	42,106,608	42,646,480
Non-cash issue	0	3,361,584	3,361,584
Number of shares 31 December 2017	**539,872**	**45,468,192**	**46,008,064**
Quota value per share, SEK			5.00
Share capital on the balance sheet date, SEK			230,040,320

No own shares held or have been held during the year by Midsona AB (publ) or its subsidiaries.

Statutory reserve

The item consists of amounts that, prior to 1 January 2006, had been transferred to the share premium reserve when shares were issued at a premium, that is, at an amount exceeding the quota value of the shares.

Unrestricted shareholders' equity

Share premium reserve:

The item consists of amounts transferred to the share premium reserve as of 1 January 2006 when shares were issued at a premium, that is, at an amount beyond the quota value of the shares.

Fair value fund

Until 2015, the fair value fund consisted of a change in value due caused by a price fluctuation arising on a monetary item forming part of the net investment in a foreign unit.

The previous exception, entailing that exchange differences on monetary items that constitute a net investment in subsidiaries are recognised in the fair value has been removed. This item has been transferred to profit brought forward in 2016 in accordance with IAS 21.

Profit brought forward/accumulated losses

Profit brought forward/accumulated losses consists of earned profits/ accumulated losses in the Parent Company Also included is the amount of reduction of share capital. Profit brought forward, together with the share premium reserve and the profit total unrestricted equity available for distribution to shareholders.

Warrants

Two of the Company's stock option programmes were outstanding at the end of the year – see Note 9 Employees, personnel expenses and senior executives' remunerations.

Proposed appropriation of profit or loss

The following amount in SEK is at the disposal of the Annual General Meeting:

Share premium reserve	SEK 580,723,600
Profit brought forward/accumulated losses	SEK 562,365,902
Profit for the year	SEK 1,537,061
Total	**SEK 1,144,662,563**

The Board of Directors proposes that the unrestricted shareholders' equity in the Parent Company, amounting to SEK 1,144,662,563 be appropriated as follows:

Dividend, SEK 1.25 per share	SEK 57,510,080
Carried forward	SEK 1,087,152,483
Total	**SEK 1,144,662,563**

Note 24 Liabilities to credit institutions

Interest-bearing liabilities, SEK million	Group		Parent Company	
	2017	2016	2017	2016
Non-current interest-bearing liabilities				
Bank loans	665	695	665	695
Financial lease liabilities	0	1	–	–
Total	**665**	**696**	**665**	**695**
Current interest-bearing liabilities				
Bank loans	40	30	40	30
Financial lease liabilities	1	1	–	–
Total	**41**	**31**	**40**	**30**
Total	**706**	**727**	**705**	**725**

In June 2016, Midsona AB (publ) signed a financing agreement with Danske Bank regarding credit facilities totalling SEK 425 million, including a complete cash management solution for the entire Nordic region.

The financing consists of a revolving credit facility of SEK 325 million, which is for three years with a possible one-year extension and an overdraft facility of SEK 100 million to be reviewed on an annual basis with a possible one-year extension. The new financing arrangement and cash management solution provide a complete Group-wide structure whereby capital is used more efficiently, leading to lower expenses. In connection with the acquisition of Internatural AB, new loans of SEK 400 million were raised. The acquisition loan has a ten-year amortisation schedule with an amortisation commitment of SEK 10 million per quarter starting 30 September 2017. In connection with the acquisition of Bringwell AB, new loans of SEK 60 million were raised, which were repaid in full in the fourth quarter.

Two financial covenants are linked to the financing agreement, which must be met during the maturity of the contract. These terms require that the key figures "net debt/adjusted EBITDA" and "interest coverage" shall not, on a rolling 12-month basis, deviate from agreed levels.

Interest on facilities is calculated at the applicable base interest rate plus a margin based on the key figure "net debt/adjusted EBITDA" on a rolling 12-month basis.

Financial lease liabilities mature with contracted interest over the lease term.

Credit terms interest-bearing liabilities, SEK million	Nominal amount	Utilised amount	Unutilised amount	Interest terms[1]	Maturity
Bank loans					
Acquisition loan	380	380	0	STIBOR + 2.063 percent	June 2016–June2027-06
Facility	325	325	0	STIBOR + 2.063 percent	June 2016–June 2019
Total	**705**	**705**	**0**		
Overdrafts					
Overdrafts	100	0	100	STIBOR + 1.175 percent	July 2017–June 2018
Total	**100**	**0**	**100**		
Total	**805**	**705**	**100**		

[1] The margin represents an average percentage over the 2017 financial year for credit facilities and overdraft facility.

Note 25 Other non-current and current liabilities

SEK million	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Other non-current liabilities				
Other liabilities	1	–	–	–
Total	**1**	**–**	**–**	**–**
Other current liabilities				
VAT liabilities	20	15	0	0
Settlement personnel taxes and fees	11	9	1	0
Debt for shares under compulsory redemption	4	–	4	–
Other liabilities	2	4	1	0
Total	**37**	**28**	**6**	**0**

Note 26 Provisions for pensions

Defined benefit pension plans

In Norway, a special pension agreement is in place, the AFP scheme, which has been agreed between the social partners as a supplement to retirement pension. Such insurance comprises a defined benefit plan covering several employers. For the 2017 financial year, the Group does not have access to information making it possible to report this as a defined benefit plan. Consequently, this pension obligation is reported as a defined contribution plan.

In Sweden, commitments for retirement pensions and family pensions for salaried employees are secured through an insurance plan with Alecta. According to statement UFR 10, from the Financial Reporting Board, this is a defined benefit plan that covers several employers. For the 2017 financial year, the Group does not have access to information making it possible to report this as a defined benefit plan. Pension in accordance with the ITP plan and secured through insurance with Alecta is consequently recognised as a defined contribution plan.

The year's fees for pension insurance secured through Alecta amounted to SEK 3 thousand (2) in the Group, and SEK 0 thousand (0) in the Parent Company. For the next reporting period, the charges expected for ITP 2 insurance with Alecta amount to SEK 3 million for the Group and SEK 0 million for the Parent Company.

Alecta's surplus may be distributed to policyholders and/or the beneficiaries. At the end of 2017, Alecta's surplus in the form of the collective funding ratio was 154 percent (149). The collective consolidation level consists of the market value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's actuarial assumptions, which do not comply with IAS 19.

Defined contribution pension plans

For employees in Sweden, the Group has defined contribution pension plans paid entirely by the Group companies. In other countries, there are defined contribution plans that are paid partly by the subsidiaries and that are partly covered by fees paid by the employees. Payments to these plans are on-going, in accordance with the regulations for each of the plans.

SEK million	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Expenses for defined contribution plans[1]	-20	-16	-3	-3

[1] The ITP plan funded in Alecta is included as an expense of SEK 3 million (2) for the Group and SEK 0 million (0) for the Parent Company.

Note 27 Other provisions

SEK million	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Provisions that are non-current				
Expenses for restructing measures	4	4	–	–
Total	**4**	**4**	–	–
Provisions that are current				
Expenses for restructuring measures	13	10	–	–
Total	**13**	10	–	–
Total	**17**	14	–	–
Expenses for restructuring measures				
Carrying amount at beginning of period	14	3	–	–
Provisions made during the year	16	20	–	–
Amounts utilised during the year	-13	-9	–	–
Total	17	**14**	–	–
Total provisions				
Carrying amount at beginning of period	14	3	–	–
Provisions made during the year	16	20	–	–
Amounts utilised during the year	-13	-9	–	–
Total	**17**	**14**	**–**	–
Amount by which the provision is expected to be paid after more than twelve months	4	4	–	–

Restructuring measures

A provision amounting to SEK 17 million was made during the third quarter of 2017 for the integration of the acquired Bringwell companies in Sweden, Norway and Finland. After a re-evaluation of redundant leases the fourth quarter returned SEK 1 million. At the end of the year, SEK 4 million of the provision had been utilised.

Note 28 Accrued expenses and deferred Income

SEK million	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Accrued expenses for goods	19	11	–	–
Accrued personnel expenses	35	30	5	4
Accrued marketing expenses	7	9	–	–
Accrued customer bonus expenses	21	16	–	–
Other accrued expenses	23	17	2	1
Total	**105**	**83**	**7**	**5**

Note 29 Financial risk management

The Group's activities expose it to a variety of financial risks. Financial risk refers to fluctuations in the income statement, balance sheet and cash flow due to changes in exchange rates, interest rates, credit and refinancing risks.

The management of the Group's financial risks is centralised in the Parent Company finance function. Operations are conducted based on a financial policy adopted by the Board of Directors of Midsona AB.

Financing risk

Financing risk refers to the risk that future capital procurement and refinancing of maturing loans could be difficult or costly.

The ensure that the Group always has access to necessary external financing at a reasonable expense, the guideline is that confirmed credit commitments should have an average remaining maturity of at least 12 months.

A new financing agreement was signed in June 2016 with Danske Bank regarding overdraft facilities of SEK 425 million. The financing consists of a revolving credit facility of SEK 325 million, maturing 30 June 2019 with the possibility of a one-year extension and an overdraft facility of SEK 100 million. In addition, in July 2016, an acquisition loan of SEK 400 million was raised, extending until 30 June 2027. During 2017, SEK 20 million of the acquisition loan was amortised. At the end of the year, the average remaining maturity on confirmed loan commitments was 32 months (45).

The maturity structure for all of the Group's financial liabilities, including principal and interest, is shown in the table below.

Liquidity risk

Liquidity risk means the risk that the Group cannot meet its payment obligations as a consequence of inadequate access to cash and equivalents.

In order to control and plan the Group's cash requirements, the finance function uses liquidity forecasts that the Group's subsidiaries report in on a monthly basis for the ensuing six months.

According to the finance policy, the Group's liquidity reserve, that is, the sum of unutilised credit facilities, cash and equivalents, shall, at any given time, exceed the Group's total loan maturities for the ensuing six months.

The liquidity reserve amounted to SEK 154 million (165) at the end of the year and was allocated to cash and cash equivalents of SEK 54 million (65) and the unutilised part of the overdraft facility of SEK 100 million (100). Loan maturity, including principal and interest, to credit institutions, over the next six months amounts to SEK 27 million (18).

Currency risk

Currency risk refers to the risk that changes in exchange rates affect the Group's income statement, balance sheet and/or cash flows negatively.

Currency risks arise in part from the operational and financial transactions that are conducted in currencies other than the functional currency (transaction exposure) and in part by the currency exposure that occurs in the translation of foreign subsidiaries' net assets to the Parent Company's functional currency (translation exposure).

Transaction exposure

The Group's sales of goods are conducted primarily in the currencies SEK, NOK, DKK and EUR, while procurement of goods is made primarily in EUR. The net exposure in EUR is considerable because purchases exceed sales.

The finance function in the Parent Company makes monthly assessments of future currency exposure based on cash flow forecasts reported in. Estimated net flows for 2018 in the four currencies with the greatest net exposure are shown in the table.

Amounts are in millions in each currency[3]	Group	
	2017[1]	2016[2]
EUR	-92	-80
DKK	186	84
NOK	262	246
USD	-6	-6

[1] Transaction exposure is based on estimated net flows for the ensuing 12 months, i.e. for 2018.

[2] Transaction exposure is based on estimated net flows for the ensuing 12 months, i.e. for 2017.

[3] A positive net flow means that the flow in each currency exceeds outflow and a negative net flow means that the outflow in each currency exceeds inflow.

The Board of Directors of Midsona decided in 2017 to not hedge forecast currency exposure. According to the policy, potential currency risks shall be managed in the respective supplier and customer agreement through currency clauses. With the aim of reducing the earnings impact of changed exchange rates, Midsona works continuously with price adjustments to customers and suppliers based on the exchange rate development primarily tied to EUR. At the end of 2017, there were no outstanding forward currency contracts.

An isolated shift in exchange rates against the SEK by ± 5 percentage points for the four currencies with the largest estimated net flows is calculated to have an effect on profit before tax of ± SEK 23 million (18). In the comparison period, the earnings effect after tax was calculated including the effect of derivatives.

Translation exposure

The Parent Company has holdings in foreign subsidiaries, whose net assets are exposed to currency translation risk. Currency exposure of net assets in the Group's subsidiaries can, for example, be managed by borrowing in the foreign currencies that are exposed.

Interest rate risk

Interest rate risk refers to the impact on profits of a change in interest rates. How quickly a change in interest rates affects profits depends on the periods of fixed interest on loans and investments. Since the Group is a net borrower and does not invest funds in listed instruments, it is primarily the Group's loans that are affected by changes in interest rates.

Maturity profile of financial liabilities – undiscounted cash flows

Nominal amounts, SEK million	0–3 months		4–6 months		7–12 months		1–5 years		5 years <	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Bank loans	14	4	13	14	27	28	509	522	188	222
Financial lease liabilities	0	0	0	0	1	1	0	1	–	–
Accounts payable	220	212	–	–	–	–	–	–	–	–
Other current liabilities	0	0	0	0	1	2	–	–	–	–
Total	**234**	**216**	**13**	**14**	**28**	**29**	**509**	**523**	**188**	**222**

The guideline is that the average period of fixed interest for the Group's interest-bearing liabilities to credit institutions should be three months. The average period of fixed interest for the Group's interest-bearing liabilities to credit institutions was three months (three) at year-end. A change in interest rates of ± 1 percentage point causes an impact of SEK ± 7 million (7) calculated in debt to credit institutions of SEK 705 million (725) at year-end if the entire loan portfolio were to mature with a variable interest rate. Financial lease liabilities mature with contracted interest over the lease term.

To avoid uncertainty regarding future interest rate levels and to gain knowledge of future interest expenses over a given period, the Group applies interest rate hedging in the form of interest rate swaps. Loans of SEK 100 million were interest rate hedged at year-end, of which SEK 50 million matures on 30 June, 2018, and 50 million on 30 June, 2020.

The average interest on the Group's bank loans and overdrafts amounted to 2.0 percent (2.2) for 2017.

Financial credit risk

Financial credit risk refers to the risk of losses if the counterparties with whom the Group has placed cash and equivalents, financial investments or derivative instruments are unable to meet their payment obligations.

The finance function has no mandate to enter into financial investments. Since the Group is a net borrower, any surplus liquidity shall be used to reduce loan debt. The subsidiaries shall place their surplus liquidity in bank accounts belonging to Group account systems or in bank accounts approved by the finance function.

The financial credit risk regarding cash and equivalents in bank accounts amounted to SEK 54 million (65) at year-end.

Capital management

The Group's objective with its capital management is to safeguard the Group's capacity to continue its operations to generate reasonable returns for shareholders and benefit for other stakeholders. The target is to pay a dividend of >30 percent of profit for the year over time. For 2017, the Board of Directors proposes a dividend equivalent to 68.2 percent (104.5) of profit for the year.

The Group reviews its capital structure based on a ratio of net debt/EBITDA corresponding to a multiple of less than 2. The target, which has been set to define a reasonable risk level in the Group, links borrowing to the capacity for earnings. At the end of the financial year, the ratio between net debt and EBITDA on a rolling 12-month basis was a multiple of 3.9 (6.2) and the ratio between net debt and adjusted EBITDA on a rolling 12-month basis was a multiple of 3.6 (3.9).

Note 30 Pledged assets and contingent liabilities

SEK million	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Pledged assets				
Blocked bank balances	11	4	8	–
Shares in subsidiaries	–	–	1,385	1,374
Net assets in subsidiaries	1,647	1,394	–	–
Others	4	3	–	–
Total	**1,662**	**1,401**	**1,393**	**1,374**
Contingent liabilities				
Guarantees, external	19	15	1	2
General guarantee for subsidiaries	–	–	12	11
Parent Company guarantees	–	–	1	4
Total	19	15	**14**	**17**

Shares in subsidiaries have been pledged as collateral for overdrafts and bank loans. Liabilities to credit institutions are shown in Note 24 Liabilities to credit institutions. Net assets in subsidiaries pertain to shares in subsidiaries that are stated at amounts equivalent to the consolidated net assets.

Note 31 Closely-related parties

Related party relations

The Parent Company has a close relationship with its subsidiaries; see Note 17 Participations in subsidiaries.

Related party transactions

For the Parent Company, SEK 38 million (28), equivalent to 100 percent (100) of sales for the year and SEK 3 million (2), corresponding to 9 percent (10) of purchases for the year pertained to subsidiaries within the Group. Sales to subsidiaries pertained mainly to administrative services, while purchases from subsidiaries primarily pertained to consultancy services and other reimbursements for expenses. All pricing is conducted on market terms.

The Parent Company has receivables from, and liabilities to, subsidiaries, see Note 18 Receivables from, and liabilities, to subsidiaries.

Related persons or companies

Salaries and remuneration to the Board and other senior executives are detailed in Note 9 Employees, personnel expenses and senior executives' remunerations.

There have been no loans, Purchases or Sales involving members of the Board or senior executives.

Note 32 Assessment of financial assets and liabilities at fair value and categorisation

Fair value

Fair value is consistent in all material respects with the carrying amount in the balance sheet in respect of financial assets and liabilities. The aggregate carrying amounts and fair values for each category are shown .

Certain disclosures regarding financial instruments assessed at fair value through profit for the year

The Group holds financial instruments such as forward currency contracts that are recorded at fair value in the balance sheet. Fair value has been determined based directly or indirectly on observable market data, that is, level 2 in accordance with IFRS 13.

Netting agreements and similar agreements

The Group has no net reported balance sheet items. For derivative counterparties, there are ISDA agreements, meaning that derivative items can be reported net under certain conditions. The Group holds financial instruments that are covered by legally enforceable master netting agreements or similar agreements. Reported financial liabilities attributable to derivative instruments amounted to SEK 1 million, with the same counterparty.

Calculation of fair value

The following summarises the methods and assumptions mainly used to determine the fair value of the financial instruments held.

Group [1]				
SEK million	Measured at amortised cost	At fair value through profit[1]	Total carrying value	Fair value
Non-current receivables	3	–	3	3
Accounts receivable	213	–	213	213
Other receivables	9	–	9	9
Cash and equivalents	54	–	54	54
Total	**279**	**–**	**279**	**279**
Non-current interest-bearing liabilities	665	–	665	665
Other non-current liabilities[2]	0	1	1	1
Current interest-bearing liabilities	41	–	41	41
Accounts payable	220	–	220	220
Other current liabilities[2]	37	0	37	37
Total	**963**	**1**	**964**	**964**

[1] Held for trade

[2] Financial instruments

SEK million	Not recognised at fair value	Recognised at fair value	Total carrying value
Derivative instruments	–	–	–
Other receivables	9	–	9
Total receivables	**9**	**–**	**9**
Derivative instruments	–	1	1
Other non-current and current liabilities	37	–	37
Total liabilities and provisions	**37**	**1**	**38**

Group 2016				
SEK million	Measured at amortised cost	At fair value through profit[1]	Total carrying value	Fair value
Non-current receivables	2	–	2	2
Accounts receivable	209	–	209	209
Other fordringar[2]	0	–	0	0
Cash and equivalents	65	–	65	65
Total	**276**	**–**	**276**	**276**
Non-current interest-bearing liabilities	696	–	696	696
Other non-current liabilities	4	–	4	4
Current interest-bearing liabilities	31	–	31	31
Accounts payable	212	–	212	212
Other current skulder[2]	26	2	28	28
Total	**969**	**2**	**971**	**971**

[1] Held for trade

[2] Financial instruments

SEK million	Not recognised at fair value	Recognised at fair value	Total carrying value
Derivative instruments	–	–	–
Other receivables	0	–	0
Total receivables	**0**	**–**	**0**
Derivative instruments	–	2	2
Other current liabilities	26	–	26
Total liabilities and provisions	**26**	**2**	**28**

Parent Company 2017				
SEK million	Measured at amortised cost	At fair value through profit	Total carrying value	Fair value
Other receivables	9	–	9	9
Total	**9**	**–**	**9**	**9**
liabilities to credit institutions	705	–	705	705
Accounts payable	3	–	3	3
Other current liabilities	6	–	6	6
Total	**714**	**–**	**714**	**714**

Parent Company 2016				
SEK million	Measured at amortised cost	At fair value through profit	Total carrying value	Fair value
Other receivables	1	-	1	1
Total	**1**	**-**	**1**	**1**
liabilities to credit institutions	725	-	725	725
Accounts payable	2	-	2	2
Other current liabilities	0	-	0	0
Total	**727**	**-**	**727**	**727**

Interest-bearing liabilities
Fair value of financial liabilities is calculated based on future cash flows of principal and interest discounted at the current market rate on the balance sheet date. There are no significant differences between fair value and the carrying amounts. For a maturity analysis, see Note 29 Financial risk management.

Financial lease liabilities
Fair value is based on the present value of future cash flows, discounted at the market rate for similar leases.

Trade and other receivables
For trade and other receivables with a remaining life of less than 12 months, the carrying amount is considered to reflect fair value. Trade and other receivables with a term of more than 12 months are discounted when fair value is determined. There are no significant differences between fair value and the carrying amounts.

Accounts payable and other liabilities
For accounts payable and other liabilities with a remaining maturity of less than 12 months, the carrying amount is considered to reflect fair value. Accounts payable and other liabilities with a maturity of more than 12 months are discounted when fair value is determined. There are no significant differences between fair value and the carrying amounts.

Note 33 Significant estimates and assumptions

In preparing the financial statements, management makes estimates and judgements that affect the amounts of assets, liabilities, income and expenses. The estimates and assumptions that involve a risk of significant adjustments to the carrying values of assets and liabilities within the next financial year and critical judgements in applying the Group's accounting policies discussed below. Reported estimates are regarded as reasonable under the circumstances.

Valuation of brands

The carrying value of brands is contingent upon the future profitability of the products connected to the brands, and the value is tested annually. If it has not been possible to conduct impairment testing for an individual brand, the recoverable amount has been calculated for the cash-generating unit to which the brand is allocated. Several assumptions about future conditions and parameter estimates are made in the calculation of cash-generating units' recoverable amounts for the assessment of possible needs for impairment of goodwill and brands with indeterminate useful lives. Management believes that no reasonable changes in key assumptions will lead to the total estimated recoverable amount of each cash-generating unit being lower than its total carrying amount.

In establishing the purchase consideration allocation for the Bringwell AB Group, the acquired brands were valued at SEK 40 million, of which no part is deemed to have an indeterminate useful life.

The carrying value of brands at the end of the period amounted to SEK 863 million (840), of which SEK 673 million (668) was with an indeterminate useful life.

For further information, please see Note 14 Intangible fixed assets.

Valuation of goodwill

The carrying value of goodwill is contingent upon the future profitability of the cash-generating unit to which the goodwill is allocated to goodwill annually. Several assumptions about future conditions and parameter estimates are made in the calculation of cash-generating units' recoverable amounts for the assessment of possible needs for impairment of goodwill and brands with indeterminate useful lives. Management believes that no reasonable changes in key assumptions will lead to the total estimated recoverable amount of each cash-generating unit being lower than its total carrying amount.

In establishing the purchase consideration allocation for Bringwell AB Group, goodwill was SEK 174 million.

The carrying amount of goodwill at the end of the period amounted to SEK 1,234 million (1,082). For further information, please see Note 14 Intangible fixed assets.

Taxes

To determine the current tax liabilities and current tax assets, as well as provisions for deferred tax liabilities and deferred tax assets, management is required to make assumptions, particularly in the valuation of deferred tax assets. This process includes the tax outcome being assessed in each country in which the Group operates. The process includes assessing the actual current tax exposure and assessing the temporary differences that arise as a consequence of certain assets and liabilities being valued differently in the accounts as compared to income tax returns. Management must also assess the likelihood that deferred tax assets will be recovered from future taxable income.

In establishing the purchase consideration allocation for Bringwell AB Group, it was determined that deferred tax liabilities amount to SEK 10 million and deferred tax assets to SEK 32 million.

All loss carryforwards in the Group were capitalised on both 31 December 2016 and 31 December 2017.

Management believes that, given the Group's current and future structure, the opportunities to utilise capitalised tax loss carryforwards is well founded. The carrying amount of deferred tax assets at the end of the period amounted to SEK 99 million (82). The carrying amount of deferred tax liabilities at the end of the period amounted to SEK 221 million (207). For further information, please see Note 12 Tax.

Note 34 Supplementary disclosures to cash flow analyses

SEK million	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Interest paid				
Interest received	0	1	21	8
Interest paid	-18	-17	-20	-15
Adjustment for items not included in cash flow				
Dividend	–	–	-70	-284
Amortisation/depreciation	35	25	1	0
Impairment	2	4	51	198
Unrealised exchange rate differences	1	4	0	0
Capital gain on sale of fixed assets	0	2	–	–
Pension provisions	–	0	–	–
Other provisions and items not included in cash flow	3	17	–	–
Total	**41**	**52**	**-18**	**-86**
Transactions not involving payments				
Vendor mortgage issued in connection with an acquisition of operations	–	–	38	112
Acquisitions of companies or operations				
Intangible fixed assets	40	269	–	–
Tangible assets	5	6	–	–
Financial fixed assets	–	0	322	807
Deferred tax receivables	32	1	–	–
Inventories	39	64	–	–
Trade and other receivables	40	70	–	–
Cash and equivalents	32	29	–	–
Deferred tax liabilities	-10	-60	–	–
Non-current interest-bearing liabilities	–	-89	–	–
Current interest-bearing liabilities	–	-50	–	–
Accounts payable and other liabilities	-73	-82	–	–
Net assets and liabilities	**105**	**158**	**322**	807
Consolidated goodwill	174	532	–	–
Purchase consideration	**-279**	**-690**	**-322**	-807
Less: Purchase consideration recognised as liability	4	–	42	112
Purchase consideration paid	**-275**	**-690**	**-280**	-695
Less: Cash and equivalents in acquired operations	32	29	–	–
Less: Purchase consideration financed through non-cash issue	179	–	179	–
In addition: Repayment of loans in the acquired operations	–	-139	–	-139
Effect on cash and equivalents from acquisitions during the year	**-64**	**-800**	**-101**	-834
Amortisation of loans				
Bank loans	-80	-795	-80	-824
Overdrafts	–	-47	–	-47
Internal loans	–	–	–	-16
Lease liabilities	-1	-1	–	–
Total	**-81**	**-843**	**-80**	**-887**

Cash and equivalents

Cash and equivalents in both the Group and the Parent Company consist solely of cash and bank balances. Consequently, there are no current investments equivalent to cash and equivalents.

Changes in liabilities whose cash flow is reported in the financial operations

Liabilities attributable to financing activities consist of non-current interest-bearing liabilities and current interest-bearing liabilities for the Group. For the Parent Company, liabilities are attributable to financing activities involving non-current liabilities to credit institutions, current liabilities to credit institutions, non-current interest-bearing liabilities to subsidiaries and current interest-bearing liabilities to subsidiaries.

			Changes not affecting cash flow			Group
SEK million	2016	Effect on cash flow	Reclassifications	Expensed purchase consideration	Currency changes	2017
Non-current liabilities to credit institutions	695	-30	–	–	–	665
Lease liabilities	1	-1	–	–	0	0
Non-current interest-bearing liabilities	**696**	**-31**	**–**	**–**	**0**	**665**
Current liabilities to credit institutions	30	10	–	–	–	40
Lease liabilities	1	0	–	–	0	1
Current interest-bearing liabilities	**31**	**10**	**–**	**–**	**0**	**41**
Total liabilities from financing activities	**727**	**-21**	**–**	**–**	**0**	**706**

			Changes not affecting cash flow			Parent Company
SEK million	2016	Effect on cash flow	Reclassifications	Expensed purchase consideration	Currency changes	2017
Non-current liabilities to credit institutions	695	-30	–	–	–	665
Non-current liabilities to subsidiaries	481	0	-479	38	–	40
Non-current interest-bearing liabilities	**1,176**	**-30**	**-479**	**38**	**–**	**705**
Current liabilities to credit institutions	30	10	–	–	–	40
Current liabilities to subsidiaries	133	35	–	–	–	168
Current interest-bearing liabilities	**163**	**45**	**–**	**–**	**–**	**208**
Total liabilities from financing activities	**1,339**	**15**	**-479**	**38**	**–**	**913**

Note 35 Events after the balance sheet date

Following the end of the reporting period, a 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.

Note 36 Information about the Parent Company

Midsona AB (publ), corporate identity number 556241-5322, is a Swedish limited company domiciled in Malmö. The visiting address for the head office is Dockplatsen 16 in Malmö and the postal address is PO Box 210 09, SE-200 21 Malmö, Sweden. The Company's shares are listed on the Nasdaq Stockholm, Small Cap list. In November 2017, Nasdaq Stockholm decided to move Midsona from Small Cap to Mid Cap. The change came into effect on 1 January 2018.

The consolidated financial accounts for 2017 comprise the Parent Company and its subsidiaries; jointly referred to as "the Group".

Board of Directors' statement of assurance

The Board of Directors and the CEO certify that the consolidated and annual accounts have been prepared in accordance with the international accounting standards referred to in the European Parliament and Council Regulation (EC) No 1606/2002 of 19 July 2002 on the application of international accounting standards and generally accepted accounting principles and give a true and fair view of the financial position and results of the Group and the Parent Company. The Directors' Report for the Group and Parent Company gives a true and fair view of the Group and Parent Company's financial position and results and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Malmö, 28 March 2018

Ola Erici
Chairman of the Board

Cecilia Marlow
Board Member

Henrik Stenqvist
Board Member

Birgitta Stymne Göransson
Board Member

Peter Wahlberg
Board Member

Johan Wester
Board Member

Kirsten Ægidius
Board Member

Peter Åsberg
President and CEO

The annual and consolidated accounts were, as stated above, approved for issue by the Board of Directors on 28 March 2018. The consolidated income statement, statement of comprehensive income and balance sheet, and the Parent Company's income statement, statement of comprehensive income and balance sheet will be submitted for approval at the Annual General Meeting on 25 April 2018.

Our audit report was submitted on 28 March 2018.
Deloitte AB

Per-Arne Pettersson
Authorised Public Accountant

Audit Report

To the Shareholders of Midsona AB (publ), corporate identity number 556241-5322.

Report on the annual accounts and consolidated accounts

Statements

We have audited the annual and consolidated accounts of Midsona AB (publ) for the financial year 1 January 2017-31 December 2017, with the exception of the Corporate Governance Report on pages 102-107 and the Sustainability Report on pages 46-55. The Company's annual and consolidated accounts are included on pages 60–97 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our statements do not cover the Corporate Governance Report on pages 102–107 or the Sustainability Report on pages 46–55.

The statutory Administration Report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the Annual General Meeting adopt the Parent Company income statement and balance sheet and the Consolidated Statement of Financial Position.

Our statements in this report on the annual and consolidated accounts are consistent with the content of the supplementary report that has been submitted to the Parent Company Audit Committee in accordance with Article 11 of the Auditors Regulation (537/2014).

Basic statements

We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Our liability under these standards are described in the section Responsibility of the auditor. We are independent of the Company and the Group in accordance with ethics in Sweden and has otherwise fulfilled our ethical responsibilities under these requirements. This entails that, based on our best knowledge and conviction, no prohibited services referred to in Article 5.1 of the Audit Regulation (537/2014) have been provided to the audited company or, where applicable, its Parent Company or its controlled companies in the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our statements.

Particularly important areas

Particularly important areas of the audit are the areas that, in our professional judgement were most significant for the audit of the financial statements for the current period. These areas were treated within the framework of the audit of, and in our standpoint regarding, the financial statements as a whole, although we do not make separate statements on these areas.

Acquisitions and identification of surplus values

Description of risk

- In 2017, Midsona completed the acquisition of the Bringwell Group for a total purchase consideration of SEK 279 million.
- The reporting of acquisitions entails significant estimates and assessments being made by management to determine the fair value of the acquired assets and liabilities and allocating these to the appropriate cash-generating units.

For further information please refer to the Group's accounting policies in Note 1 on pages 69–77, Note 33 on significant estimates and judgements on page 94, Note 14 on intangible assets on pages 84–85 and in Note 4 of the acquisition on pages 78–80 in Annual Report.

Our audit procedures

- Review of acquisition calculations including the Group's assumptions and assessments in the valuation of acquired assets and liabilities with the aid of valuation experts
- Review of principles for the allocation of surplus values to each cash-generating unit
- We have examined the accuracy and completeness of the relevant notes to the financial statements.

Valuation of goodwill and trademarks with indefinite useful lives

Description of risk

- In its balance sheet as per 31 December 2017, Midsona reported goodwill of SEK 1,234 million (1,082) and trademarks with indefinite useful lives for SEK 673 million (668). These pertain to surplus values arising in connection with acquisitions.
- The value of the reported assets is dependent on future profitability and viability of the cash-generating unit that the assets relate to and is tested at least annually. Impairment testing is based on several assumptions including future cash flows, gross margins, discount rate and growth.

- Inaccurate estimates and assumptions may have a significant impact on the Group's earnings and financial position.

For further information, please refer to the Group's accounting policies in Note 1 on pages 69–77, Note 33 on significant estimates and judgements on page 94 and Note 14 on intangible assets on pages 84–85 in the Annual Report.

Our audit procedures

- We have reviewed and assessed Midsonas' procedures for impairment testing of the relevant cash-generating units to ensure that the reported values of the assets are defensible and that the assumptions are reasonable, that the routines are consistently applied and that there is integrity in the estimates made. We have also tested the arithmetic accuracy of the model used.
- We have examined the accuracy and completeness of the relevant notes to the financial statements.

Information other than financial statements and accounting

This document also contains information other than the annual and consolidated accounts and is presented on pages 3–45 and 56–59 and 108–119. The Board and the CEO are responsible for this other information.

Our statement regarding the annual and consolidated accounts do not include this information, and we make no statement of assurance regarding this other information.

In connection with our audit of the annual and consolidated accounts, it is our responsibility to read the information identified above and determine whether there are any significant inconsistencies with the annual and consolidated accounts. In this review, we also take into account the knowledge that we otherwise have obtained during the audit as well as assess whether the information in general seems to contain significant errors.

If, based on the work we have done regarding this information, we conclude that the this other information contains any material misstatements, we are obliged to report this. We have nothing to report in this regard.

Responsibility of the Board of Directors and the CEO

The Board and the CEO are responsible for the financial statements being prepared and providing a true and fair view in accordance with the Annual Accounts Act and with regard to the consolidated financial statements in accordance with IFRS as adopted by the EU. The Board and the CEO are also responsible for such internal control as they deem necessary for the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual and consolidated accounts, the Board and CEO are responsible for the assessment of the ability of the Company and the Group to continue operations. They state, as applicable, regarding circumstances that may affect the ability to continue operations and to use the assumption of continued operation. The assumption of continued operation is not applied if the Board and the CEO intend to liquidate the Company, to cease trading, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditors' responsibility

Our objective is to achieve a reasonable level of assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to submit an audit report containing our statements. Reasonable assurance is a high degree of assurance, but is no guarantee that an audit performed in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement if such occurs. Errors can occur due to fraud or error, and is considered to be material if they, individually or together reasonably be expected to influence the economic decisions of users taken with basis in the financial statements.

As part of an audit according to ISA, we use professional judgement and maintain professional scepticism throughout the audit. In addition:

- we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures including on the basis of these risks and obtaining audit evidence that is sufficient and appropriate to provide a basis for our statements. The risk of not detecting a material misstatement resulting from fraud is higher than that of a material misstatement due to error because fraud may involve acting in collusion, forgery, deliberate omissions, misinformation or failure of internal controls.
- we obtain an understanding of the part of the Company's internal controls that are important for our audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of internal controls.
- we evaluate the appropriateness of accounting policies used and the reasonableness of the Board and Managing Director of accounting estimates and related disclosures.
- we draw a conclusion on the appropriateness of the Board and the CEO preparing the financial statements based on the assumption of continued operation. We also draw a conclusion, based on the acquired audit evidence, as to whether there is a material uncertainty related to such events or conditions that may lead to significant doubt about the ability of the Company and the Group to continue operations. If we conclude that there is a substantial element of uncertainty, we must in the auditor's report draw attention to the information in the Annual Report regarding such element of uncertainty, or, if such information is insufficient, modify our statement on the annual and consolidated accounts. Our conclusions are based on the audit evidence obtained up until the date of the Audit Report. However, future events or circumstances can result in a company or group being forced to cease operations.
- we evaluate the overall presentation, structure and content of the financial statements, including disclosures, and the financial statements reflect the underlying transactions and events in a way that gives a true and fair view.
- we collect sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to make a statement regarding the consolidated financial statements. We are responsible for the management, supervision and execution of the audit of the Group. We are solely responsible for our statements.

We must inform the Board of the planned scope and direction of the audit, as well as its timing. We also have to inform about significant findings during the audit, including any significant deficiencies in internal control that we identify.

We must also provide the Board with a statement that we have complied with relevant ethical requirements regarding independence and declare all relationships and circumstances that may reasonably affect our independence, and where applicable, corresponding countermeasures.

Of the areas that are communicated with the Board, we establish which of these areas have been the most significance for the audit of the financial statements, including the most important assessed risks of material misstatement, and therefore constitute the audit, particularly for important areas. We describe these areas in the Audit Report unless legislation or other regulations prevent disclosure.

A further description of our responsibilities in the auditing of the annual and consolidated accounts is available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the audit report.

Report on other legal and regulatory requirements

Statements

In addition to our audit of the annual and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Midsona AB (publ) for the financial year 1 January 2017 to 31 December 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the Annual General Meeting that the Company's profit appropriate in accordance with the proposal presented in the statutory Administration Report (Board of Directors' Report) and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for our statements

We have conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibility according to this is described in the section Auditors' responsibility. We are independent of the Company and the Group in accordance with generally accepted auditing practices in Sweden and have otherwise fulfilled our ethical responsibilities under these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our statements.

Responsibility of the Board of Directors and the CEO

The Board of Directors is responsible for the proposed allocation the Company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements of the Company and the type of Group activity, scope and risks placed on the size of the Parent Company and the Group's equity and the Company's consolidation requirements, liquidity and position in general.

The Board is responsible for the organisation and management of its affairs. This includes regular assessment of the Company's financial position, to ensure that the Company's organisation is designed so that accounting, cash management and financial affairs are controlled in a satisfactory manner. The CEO is responsible for the ongoing management of the Board's guidelines and instructions, including taking the measures necessary for the Company's accounting to be performed in accordance with law and for asset management to be conducted in a prudent manner.

Auditors' responsibility

Our responsibility regarding the audit of the administration, and therefore our opinion, is to obtain audit evidence to a reasonable degree of certainty to determine whether any Board member or the CEO:

- has undertaken any action or been guilty of any omission, which could give rise to significant liability to the Company, or
- in any significant way, acted in contravention of the Companies Act or the Articles of Association.

Our goal regarding the audit of the proposed appropriation of the profit or loss, and therefore our statement on this, is to determine with a reasonable degree of assurance whether a proposal is in accordance with the Companies Act.

Although reasonable assurance is a high degree of assurance, there is no guarantee that an audit is performed in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that may cause significant liability to the Company, or that the proposed appropriation of the profit or loss is consistent with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden we use professional judgement and maintain professional scepticism throughout the audit. The audit of the management and the proposed appropriation of the profit or loss is primarily based on the audit of the accounts. Additional audit procedures performed are based on my professional judgement with a starting point in risk and materiality. This means that I focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We review and test decisions, bases for decisions, actions taken and circumstances relevant to the Company's management. As a basis for our opinion on the Board's proposal for the appropriation of profit or loss, we reviewed the Board's reasoned statement and a selection of the evidence in order to determine whether the proposal complies with the Companies Act.

Malmö, 28 March 2018
Deloitte AB

Per-Arne Pettersson
Auditor in charge

Chairman's Report

Dear Shareholders and other readers,

Midsona is a leader in the Nordic region in organic and healthy foods. This is a position we have built based on a defined strategy and that we have achieved through acquisitions and successful branding.

For Midsona, health and sustainability are naturally important, and as a responsible company, we work with these issues on a broad front – above all, however, we work with them on an everyday basis. Through our products, we deliver organic, healthy and sustainable values and, in 2018, we will continue working with our sustainability targets and clarifying how these are to be achieved.

The overall responsibility of the Board of Directors is to ensure stable development of value. This includes ensuring that the company continuously develops its business in the form of an attractive product portfolio, satisfied employees and the company's sustainability – environmentally, socially and economically.

The Board of Directors is also responsible for the company's business strategy, ensuring a clear decision-making structure and judicious risk management. Board of Directors shall also continuously challenge the company's management in various matters and it is our responsibility that the company adheres to the rules and regulations that govern its operations. One example is the EU's new GDPR-legislation on the storage and distribution of personal data. It is also important that the Board of Directors remains close to the operations, without acting on operational matters.

In recent years, Midsona has highlighted the importance of professional and active brand management, which yielded results in 2017, and the Board is pleased to note that nine of our largest brands have grown. A great example is Friggs, one of our strongest brands, which showed an exceptional turnaround and growth in 2017.

We continued our journey of acquisition in 2017 in the form of Bringwell and are already seeing the effects of the envisaged synergies. In a European perspective, the Nordic region is at the forefront in health and ecology and the assessment is that Midsona presents a strong message in many other European countries, which can make us a successful player even outside the Nordic countries. We are now aiming to take our business idea to the rest of Europe and I expect management to present some exciting acquisition opportunities in the upcoming years.

The acquisitions that have been made and the strong growth they have entailed place new demands on the company's organisation. In 2017, we established a new key position in logistics and purchasing. With Peter at the fore, the management is now continuing its alignment to lead a more global Midsona that can quickly respond to new market conditions and challenges.

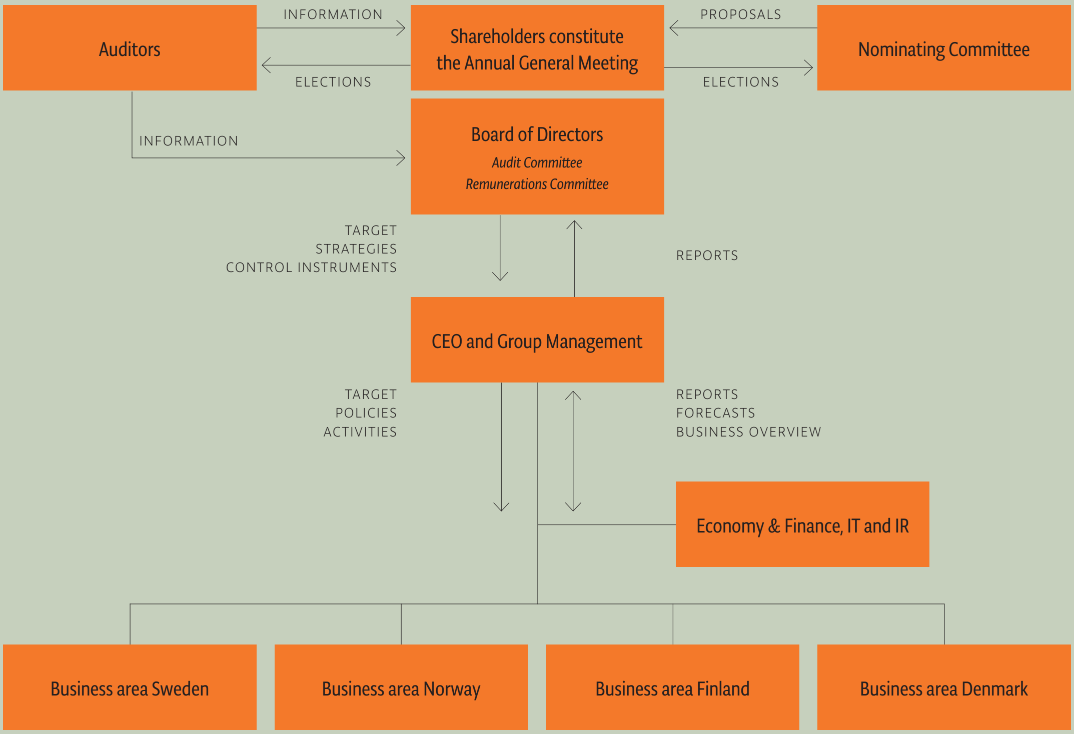
We are continuing our journey of growth!

Ola Erici

Chairman of the Board

Corporate Governance

In 2017, Midsona AB (publ) (below "Midsona") was a Swedish public company listed on the Nasdaq Stockholm, Small Cap list. In November 2017, Nasdaq Stockholm decided to move Midsona from Small Cap to Mid Cap. The change came into effect on 1 January 2018. Midsona applies the Swedish Code of Corporate Governance and hereby presents its Corporate Governance Report for 2017. Midsona has no deviations to report. The report has been prepared by the Company's Board of Directors and the Company's auditor has issued an opinion.



Control instruments

The governance instruments forming the framework of Midsona's corporate governance include legislation, the Articles of Association, the Nasdaq Stockholm's Rules for Issuers, the Swedish Code of Corporate Governance, the Company's Code of Conduct and internal policies and guidelines.

Share and shareholders

For further information on the share and shareholders, please see pages 56–59 and www.midsona.com.

Annual General Meeting

Midsona's Annual General Meeting is the highest decision-making body at which shareholders exercise their voting rights.

The Annual General Meeting makes decisions regarding amendments to the Articles of Association and the Annual General Meeting which is the annual, ordinary General Meeting, shareholders make decisions on matters including the approval of the income statement and balance sheet, the consolidated income statement and balance sheet, the disposition of earnings, the discharge of the Board and CEO from liability, the election of Board members, the Chairman of the Board and audit firm, the approval of fees to the Board and audit firm, principles for the appointment and work of the Nominating Committee, and guidelines for remuneration to the CEO and other senior executives. Information on shareholders' right to request that matters be considered by the Annual General Meeting is published at www.midsona.com. Normally, the Annual General Meeting takes place in April or May. Following the meeting, decisions made at the Annual General Meeting are published in a press release. The minutes of the Meeting are published at www.midsona.com.

Annual General Meeting 2017

The 2017 Annual General Meeting was held on 26 April 2017 in Malmö. At the Meeting, 46 shareholders were present in person or by proxy, representing 56.3 percent of the total number of votes. The minutes of the 2017 Annual General Meeting are available at www.midsona.com.

Extraordinary General Meeting 2017

An Extraordinary General Meeting was held on 1 December 2017 in Malmö. At the Meeting, 20 shareholders were present in person or by proxy, representing 48.8 percent of the total number of votes. The minutes of the Extraordinary General Meeting held on 1 December 2017 are available at www.midsona.com.

Annual General Meeting 2018

The 2018 Annual General Meeting will take place on 25 April 2018 in Malmö, as was announced in a press release on 3 October 2017. The complete announcement of the 2018 Annual General Meeting, including information about registration for participation at the Meeting was published in a press release on 23 March 2018 and is available at www.midsona.com.

Nominating Committee

The Nominating Committee represents the Company's shareholders and its assignment includes proposing a Chairman for the Annual General Meeting, Board members, Chairman of the Board, audit firm, Board fees, fees to the audit firm and how the Nominating Committee should be appointed. The representative for the largest proportion of ownership shall be appointed Chairman of the Committee.

Nominating Committee for the 2018 Annual General Meeting

The 2017 Annual General Meeting resolved to task the Chairman of the Board with contacting representatives of the company's three largest shareholders at the end of August 2017 to ask them to appoint one member each to the Committee.

Name/representing, %	Percentage of votes 31 August 2017	Percentage of votes 29 December 2017
Henrik Munthe/Stena Adactum AB	28.0	28.4
Elisabeth Jamal Bergström/Handelsbanken Fonder	7.6	7.0
Ulrika Danielson, Second AP fund	5.0	4.6
Total	**40.6**	**40.0**

In preparation for the 2018 Annual General Meeting, the Nominating Committee held one minuted meeting prior to the publication of the notice of the Annual General Meeting and members have also maintained ongoing contacts. The Nominating Committee has interviewed three board members and received a presentation of Midsonas' operations by the CEO. The Nominating Committee has addressed the issues it is required to consider in accordance with the decisions of the Annual General Meeting and in accordance with the Swedish Code of Corporate Governance. Among other matters, the Committee has discussed and considered the extent to which the current Board of Directors meets the demands imposed on a listed company and otherwise as a consequence of the company's operations. In addition, the Nominating Committee has discussed the Board's gender distribution, size, competence, experience and diversity, as well as how well the Board functions, taking into account aspects including the outcome of the Board's own assessment of its work. The election of auditors and remuneration of Board Members and auditors have also been discussed. The Nominating Committee has received information from the Audit Committee on the work of the auditors. As its diversity policy, the Nominating Committee has applied Rule 4.1 of the Swedish Code of Corporate Governance in preparing its proposal for the election of Board Members.

The convener of the Nominating Committee has been the Chairman of the Board, Ola Erici, who has also attended all of the meetings. The composition of the Committee was published in a press release 3 October 2017 and at www.midsona.com. Shareholders have been offered the opportunity to submit proposals to the Nominating Committee. Information on how shareholders can submit proposals to the Committee is provided at www.midsona.com.

The Nominating Committee's proposal, and reasoned opinion, is published in connection with the announcement of the 2018 Annual General Meeting at the latest.

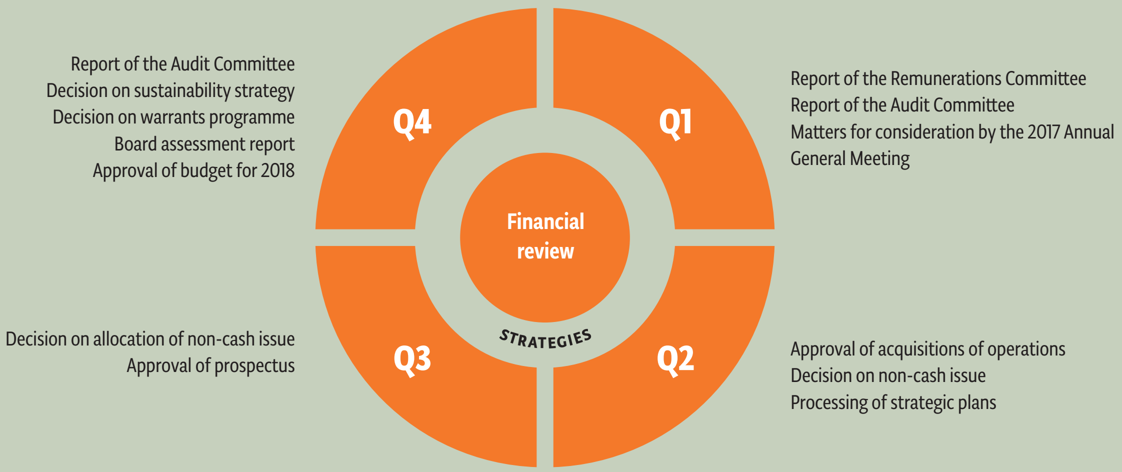
Members do not receive any fees or remuneration for their work on the Committee.

Proposal to the 2018 Annual General Meeting

The Nominating Committee has resolved to propose the following to the 2018 Annual General Meeting:

- Re-election of Board Members Ola Erici , Henrik Stenqvist, Birgitta Stymne Göransson, Peter Wahlberg, Johan Wester and Kirsten Ægidius. Cecilia Marlow has declined re-election.
- Re-election of Ola Erici as Chairman of the Board.
- Re-election of Deloitte AB as audit firm.
- An increase in the Chairman's fee, including committee work, of SEK 50,000 to SEK 550,000.
- An increase in the Board Members' fees of SEK 25,000 to SEK 225,000.
- An increase in the fee for the chairman of the Audit Committee by SEK 30,000 to SEK 50,000 and for members of the Audit Committee by SEK 10,000 to SEK 30,000.
- Fees to the Remunerations Committee remain unchanged at SEK 20,000.

Work of the Board in 2017



The Nominating Committee's complete proposals are included in the announcement of the Annual General Meeting.

The Nominating Committee considers that the proposed composition of the Board to be adequate to meet the Company's long-term needs.

Board of Directors

According to the Articles of Association, the Board of Directors shall consist of at least three members and not more than nine and that no deputies shall be appointed. Members of the Board are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting. There are no rules about how long a member may serve on the Board.

Composition of the Board in 2017

At the Annual General Meeting 2017, the following 7 directors were selected: Ola Erici (Chairman), Cecilia Marlow, Henrik Stenqvist, Birgitta Stymne Göransson, Peter Wahlberg, Johan Wester and Kirsten Ægidius. Board composition complies with the Swedish Code of Corporate Governance with regard to its independence in relation to both the Company and its management and major shareholders. For information regarding the Board members' independence, other assignments and shareholdings in the company, see pages 108–109 or Midsona's website www.midsona.com.

The CEO and the CFO, who is also the Board's secretary, both participate in Board meetings. When necessary, other officials participate in Board meetings to report on particular matters.

Chairman of the Board

The Chairman organises and directs the work of the Board, represents the Company on ownership issues and is responsible for evaluating the Board's work. The Chairman is also responsible for the on-going dialogue with the CEO regarding operations and for the Board's fulfilment of its duties.

Work and responsibilities of the Board

The Board of Directors is the highest management body beneath the Annual General Meeting and is responsible for the organisation and management of the Company's affairs. It shall primarily engage in more overarching and long-term issues that are of substantial significance for the Group's future focus.

The work of the Board follows written rules governing its practices and responsibilities, the division of work between the Board and its committees, as well as the role of the Chairman. Also regulated is the framework for the Board meetings, including their convening, agenda and minutes, as well as how the Board is to be supplied with comprehensive information for its work. The Board has also decided on the introduction of general policies for the operations and other central governance documents for the regulation of responsibilities, guidelines, procedures, values and targets.

The work of the Board is normally cyclical in nature. At the beginning of the year, the year-end and annual reports are addressed, as are the matters to be presented at the Annual General Meeting. Before the summer, the Group's long-term strategic plan and focus are addressed. At the end of the year, the budget for the coming year is addressed. Each quarter, financial reporting is reviewed and the interim reports are approved for publication. Following the Annual General Meeting, an inaugural Board meeting is held, at which Committee members and signatories are determined, among other things.

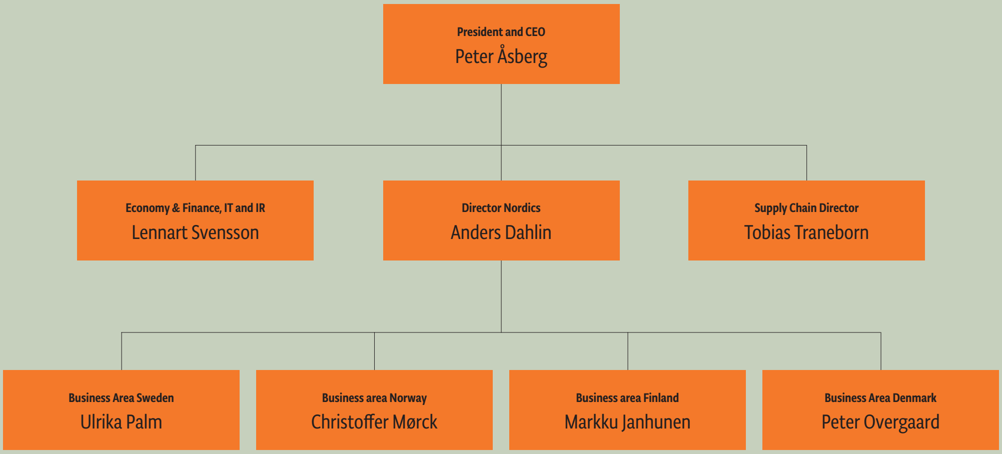
Work of the Board in 2017

In 2017, the Board held 15 meetings (14). For information on members' attendance, please see pages 108–109.

The Board regularly reviews the strategic issues affecting the Group's operations and general direction. The year's work focused largely on the acquisition of Bringwell, structural and growth issues, follow-up of prior years' acquisitions, decisions regarding a non-cash issue and sustainability strategy and strategic planning.

Board meetings follow a pre-approved agenda, to which specific issues will be added as necessary. The agenda, together with documentation for each of its items, is distributed to all Board Members approximately one week before the meeting. Each Board meeting commences with the minutes of the previous meeting and a review of any open matters. The CEO then provides an account of the Group's sales, earnings and business situation, including important external factors. Normally, the CFO then accounts for

Group structure



the Group's financial position in greater detail, together with any necessary analyses, reports are made regarding questions from earlier Board meetings, and plans and proposals are presented. All business areas present their operations at Board meetings according to a predetermined plan. In addition to the information provided in connection with Board meetings, the CEO distributes a monthly report to Board members. Minutes are kept for all Board meetings and sent to members for approval.

Evaluation of the Board's work

The Chairman of the Board is responsible for evaluating the Board's work, including the assessment of individual Board members' performance in accordance with an established process. The evaluation is reported to the Nominating Committee and forms the part of the basis for the Committee's proposals regarding the composition of the Board and its fees.

Board Committees

The Board has appointed an Audit Committee and a Remunerations Committee. The members of the committees and their chairpersons are appointed at the inaugural Board meeting for one year at a time. The work of the committees is mainly of a preparatory and advisory nature, although the Board may, in individual cases, delegate the right to determine specific issues to the committees. The matters addressed at committee meetings are minuted and reported to the Board at the next Board meeting.

Audit Committee

The Audit Committee's main task is to oversee the financial reporting and ensure that the adopted principles for financial reporting, internal controls, internal audit and risk assessment are adhered to and applied. Its mission is to support the Nominating Committee with proposals for the election of audit firm and audit fees.

In 2017, the Audit Committee consisted of Cecilia Marlow (chairman) Henrik Stenqvist, Peter Wahlberg and Johan Wester. The Committee met twice (twice) in 2017. For information on members' attendance, please see pages 108–109. The CEO and the CFO, who is also the Nominating Committee's secretary, and the principal auditor responsible participate in the Committee's meetings.

The Audit Committee will increase the number of meetings effective from 2018, from the previous two meetings per year to three meetings a year, to ensure continuity in the work of the Audit Committee over the year.

Remunerations Committee

The Remunerations Committee's main task is to prepare business for decision by the Board relating to terms of remuneration and employment for the CEO and other senior executives on the basis of principles established by the Annual General Meeting. It is also tasked with proposing guidelines for remuneration to the CEO and other senior executives, and with monitoring and evaluating the objectives and principles for variable compensation.

In 2017, the Remuneration Committee consisted of Ola Erici (chairman), Birgitta, Stymne Göransson and Johan Wester. The Committee met four times (four) during 2017. For information on members' attendance, please see pages 108–109.

CEO and Group Management

The President of the Company, who is also the CEO of the Group, is appointed by the Board of Directors. Peter Åsberg is the CEO and is responsible for ongoing management in accordance with the Board's guidelines and instructions. In consultation with the Chairman of the Board, the CEO prepares the information the Board needs to conduct its work, presents matters and proposals for decisions and keeps the Board informed of the Company's development. The CEO leads the work of Group Management and makes decisions in consultation with other members of Group Management. In addition to the CEO, Group Management includes the CFO, the Director Nordics, the Supply Chain Director and the heads of the business areas.

In 2017, the Group Management met ten times (eight). Meetings focus primarily on the Group's strategic and operational development and reviewing performance. Operations are organised into four business areas.

For further information about Group Management, please see page 110–111 and www.midsona.com.

Instructions for the CEO

The Board adopts written instructions for the work of the President that, among other things, clarify responsibilities for day-to-day management, the division of duties between the Board and the CEO, as well cooperation with, and the information to, the Board.

Evaluation of the CEO

The Board continuously evaluates the CEO's work and expertise. The evaluation is made once a year without his presence.

Guidelines for remunerations to senior executives

For information on the guidelines for remuneration to senior executives adopted by the 2017 Annual General Meeting and the Board's proposed guidelines for remuneration to senior executives for the 2018 Annual General Meeting, please see pages 110–111 and www.midsona.com.

Regulations regarding share trading

Board members, the CEO and other senior executives registered as insiders may trade in Midsona shares in accordance with applicable legislation and regulations. Beyond these, there are no specific internal regulations.

External auditor

Deloitte AB, with authorised public accountant Per-Arne Pettersson as the principal auditor responsible, was elected by the 2017 Annual General Meeting for a period of one year. For information on fees and remunerations to audit firms, please see Note 8 Fees and remuneration to auditors on page 80.

Audit assignment

The audit assignment includes an audit of the annual and consolidated financial statements. An audit is also performed of the proposal for appropriation of the Company's profit or loss and the administration by the Board of Directors and the CEO. Statements are also issued regarding the Corporate Governance Report and the Sustainability Report. Statutory reviews are also conducted of the interim reports for the periods 1 January to 30 September and for the period 1 January to 31 December within the framework of the audit assignment.

The principal auditor responsible participates in Audit Committee meetings and reports in an on-going manner to the Chairman of the Audit Committee as necessary. The Board meets with the principal auditor responsible in connection with its handling of the year-end report. The principal auditor responsible participates at the Annual General Meeting, outlining there the audit, presenting the Audit Report and issuing a statement on the Corporate Governance Report..

Additional information

At www.midsona.com, information including the following is available – an overview of the Company's application of the Swedish Code of Corporate Governance, the Articles of Association, the Company's Code of Conduct, information from previous Annual General Meetings and previous Corporate Governance Reports.

Information on the laws and practices of Swedish corporate governance can be found at the Swedish Corporate Governance Board (www.bolagsstyrning.se), Nasdaq Stockholm (www.nasdaqnordic.com) and Finansinspektionen (www.fi.se).

Internal control of financial reporting

The report on internal control of financial reporting has been prepared by the Board of Directors in accordance with the Swedish Code of Corporate Governance and the guidelines issued by the Confederation of Swedish Enterprise and FAR. It describes how internal control is organised to manage and minimise the risk of errors in financial reporting.

Internal control

Within the Company, the following targets have been set with regard to internal control.

- It shall ensure compliance with the framework of applicable laws, regulations, rules and standards to which we are subject.
- It shall ensure that financial reporting is reliable and provides shareholders, the Board of Directors, management and other stakeholders adequate information on which to assess performance and development.
- It shall ensure that business operations are appropriately organised and conducted in such a manner that risks are continuously assessed, managed and minimised to meet financial and operational targets. On-going efforts to meet these targets involves a process building on a framework for internal control in which there is a particularly crucial interplay between control activities and the development of an effective control environment whereby responsibilities are assumed within the organisation.

The description of how internal controls are organised is limited to the internal control of financial reporting and follows a framework developed by "The Committee of Sponsoring Organisations of the Treadway Commission" (COSO). The framework consists of five components: control environment, risk assessment, control activities, information and communication, and review.

Control environment

The control environment forms the basis for the internal control of financial reporting. An important part of the control environment is that decision-making paths, authorisations and responsibilities are clearly defined and communicated between different parts of the organisation and that control documents in the form of policies, manuals, guidelines and instructions are in place. Consequently, an important part of the Board's work is to develop and approve a number of basic policies, guidelines and frameworks. These include the Board's formal work plan, the instructions to the CEO, regulations regarding investments, a financial policy and an insider policy. The purpose of these documents is to establish a basis for good internal control. The Board also works to ensure that the organisational structure provides clear roles, responsibilities and processes, facilitating effective management of operational risks and enabling the achievement of targets.

As part of the responsibility structure, each month, the Board evaluates business performance and results through an appropriate package of reports containing income statements and balance sheets, analyses of key performance indicators, comments regarding the business situation of each operation and, on a quarterly basis, also forecasts for future periods. As part of efforts to strengthen the internal control, policies, regulations and procedures are in place that provide a clear picture of the economic situation. These are living documents that are updated regularly and adapted to changes in the operations. In addition to this there are instructions that provide guidance in the day-to-day work of the organisation.

Risk assessment

An on-going process is underway to map the Group's risks. In this process, a number of income statement and balance sheet items are identified where the risk of errors in financial reports is elevated. The Company makes continuous efforts to strengthen controls around these risks. Furthermore, risks are addressed in specific forums, for example issues related to acquisitions. For information about items that are subject to significant estimates and judgements, see Note 33 Important estimates and assessments page 94 and the section Risks and risk management, pages 38–44.

Control activities

The Group's control structure is designed to manage risks that the Board deems relevant in the internal control of financial reporting. The purpose of control activities is to detect, prevent and correct errors and inconsistencies in reporting. Control activities include, for example, processes and procedures for the making of important decisions, earnings analyses and other analytical follow-ups, reconciliations, stock-taking procedures and controls in IT systems.

Information and communication

The Company's governing documents, including policies, guidelines and manuals are continuously updated and communicated through the appropriate channels, primarily via e-mail, internal meetings and the intranet.

Follow-up

The Board continuously evaluates the information provided by the Audit Committee, Group Management and the external auditor. The CEO and CFO hold frequent briefings with each of the business area managers regarding the business situation, performance, financial position and forecasts. In addition, the central controller function maintains close cooperation with finance managers and controllers at the business area and company level with regard to reporting and closing the accounts. Follow-up and feedback on any problems arising in the internal controls form a central component in the internal control processes.

Financial reporting

Financial data are reported monthly from all reporting units, in accordance with standardised reporting procedures as documented in the Group's accounting manual. This reporting forms the basis of the Group's consolidated financial reporting. The consolidation, which is performed centrally, culminates in complete income statements and balance sheets for each company and for the Group as a whole. Reported financial data are stored in a central database from which it is retrieved for analysis and review at the Group, business area and company levels.

Assessment of the need for a special review function

The Group currently has no separate review function (internal audit). In light of the existing process for self-assessment and objective testing by an independent party, the view is taken that there is currently no need for a special review function to perform effective monitoring of internal control.

System improvements in 2017

The level at which review and evaluation should be performed is assessed continuously. This assessment also takes into account what systems should be implemented or updated and when.

In autumn 2016, Midsona started a project that involves the various business systems of the Group, shall be replaced by a common business system. The new system will be made operational within the Group's operating units during the 2018 financial year.

During 2017, Position Green was implemented, a system that facilitates the reporting of sustainability data.

Auditor's statement regarding the Corporate Governance Report

To the Annual General Meeting of Midsona AB (publ), corporate identity number 556241-5322

Assignment and responsibilities

The Board of Directors is responsible for the Corporate Governance Report for the financial year 1 January 2017– 31 December 2017 on pages 102–107 and for it being prepared in accordance with the Annual Accounts Act.

The focus and scope of the audit

Our review has been conducted in accordance with FAR's statement RevU 16 *Auditor's review of the Corporate Governance Report*. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our statements.

Statement

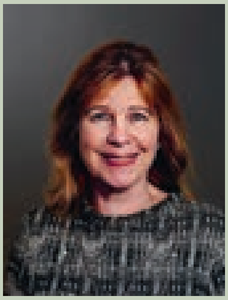
A Corporate Governance Report has been prepared. Disclosures in accordance with Chapter 6, Section 6, second paragraph, Items 2-6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph of the same Act are consistent with the financial statements and are in accordance with the Annual Accounts Act.

Malmö, 28 March 2018

Deloitte AB

Per-Arne Pettersson
Authorised Public Accountant

Board of Directors

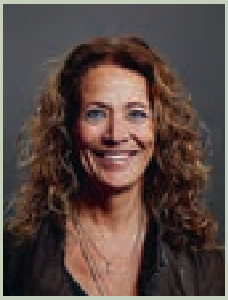
	Ola Erici	Cecilia Marlow	Henrik Stenqvist	Birgitta Stymne Göransson
				
Born	1960	1960	1967	1957
Position on the Board/attendance	Chairman – 15/15	Member – 15/15	Member – 12/12	Member – 15/15
Elected, year	2012	2015	2017	2015
Position	Industrial advisor	Professional board member	CFO Recipharm	Industrial advisor
Previous experience	CEO of Ferrosan and Skånemejerier and several executive positions in the Tetra Laval Group and Gambro	President Kronans Droghandel, President JC and VD Polarn & Pyret	CFO Meda AB and management positions within the AstraZeneca Group	President Memira, President Semantix, Executive Vice President Telefos, CFO Åhléns and CFO McKinsey
Education	MBA, Stockholm School of Economics	MBA, Stockholm School of Economics	MBA, Linköping University	Graduate Engineer, Royal Institute of Technology, Stockholm and MBA Harvard Business School
Other assignments	Chairman of the Board of Ecobränsle AB, Geveko AB and Dynsafe AB. Board Member of Haarslev A/S and Tresu A/S, among others.	Chairman of the Board of Kivra AB. Board member of Nordea Funds Ltd., Forex Bank AB, Svenska Spel AB, Clas Ohlson AB and Platzer Fastigheter AB.	Board Member of MedCap AB	Chairman of the Board of HL Display AB. Board Member of Elekta AB, Capio AB, Advania AB, Sportamore AB and Pandora A/S.
Dependent on the Company and its shareholders	No	No	No	No
Own shareholdings and those of closely-related parties, 2017[2]	71,245 Series B shares (personal holding and through closely-related parties)	4,500 series B shares (through company)	20, 000 Series B shares	3,500 series B shares
Own shareholdings and those of closely-related parties, 2016	56,245 series B shares	4,500 series B shares	–	3,500 Series B shares
Remuneration, 2017[3]	Board fees 500,000[4] Totalt 500,000	Directors' fees 200,000 Committee fees 20,000 Total 220,000	Directors' fees 200,000 Committee fees 20,000 Total 220,000	Directors' fees 200,000 Committee fees 20,000 Total 220,000

[1] Johan Wester conducts assignments on behalf of Stena Adactum AB.

[2] Shareholding as of 28 February 2018. For updated shareholding, please see www.midsona.com/Bolagsstyrning.

[3] Remuneration to the Board of Directors for the period May 2017 to April 2018. Remuneration to Board members elected by the 2017 Annual General Meeting following a proposal from the Nominating Committee. For more information, see Note 9 Employees, personnel expenses and senior executives' remunerations, pages 80–82.

[4] The Board fees include fees for work in the Remunerations Committee.

Peter Wahlberg	Johan Wester	Kirsten Ægidius
		
1962	1966	1963
Member – 15/15	Member – 15/15	Member – 15/15
2015	2009	2016
Self-employed	Investment Director, Stena Adactum AB	Global Sales and Marketing Manager Harboe A/S
Stockbroker Penser Fondkommission and Matteus Fondkommission	CEO Mediatec Group, Partner at Arthur D. Little and member of the Boards of Ballingslöv International AB and Personec Oy	Group Marketing Director, Hilding Anders, CEO Weber-Stephan Nordics, Marketing Director Carlsberg Denmark and various positions at Coca-Cola and Unilever
Economics studies at Lund University	Graduate engineer, Chalmers Institute of Technology	Masters Degree, Copenhagen Business School
Chairman of the Board of Wallhouse AB. Director of Walldoc AB Hestermus, AB Nolefo, Wahlbergs Drycker AB, AB Data Documentation Staffanstorp AB and Pudelqvist.	Chairman of S-invest. Board member of Stena Renewable and Beijer Electronics.	Director of Andersen & Martini A/S.
No	Yes[1]	No
2,312,773 series B shares (family's and through the company), of which 753,406 is via endowment insurance.	66,425 Series B shares (personal holding and through closely-related parties)	4,500 series B shares
2,312,773 series B shares	66,375 series B shares	–
Directors' fees 200,000 Committee fees 20,000 Total 220,000	Directors' fees 200,000 Committee fees 40,000 Total 240,000	Directors' fees 200,000 Committee fees Total 200,000

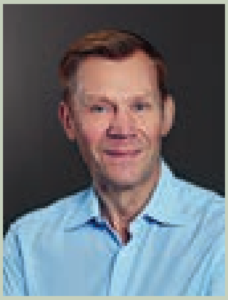
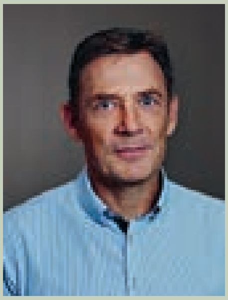
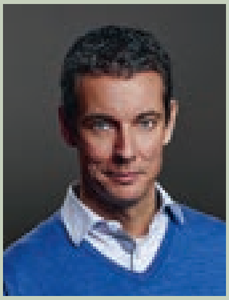
Auditor

Per-Arne Pettersson. Authorised Public Accountant with Deloitte AB and member of FAR.

Audit Committee/attendance
Cecilia Marlow – Chairman– 2/2
Henrik Stenqvist – Member – 1/1
Peter Wahlberg – Member – 2/2
Johan Wester – Board member – 2/2

Remunerations Committee/attendance
Ola Erici – Chairman – 4/4
Birgitta Stymne Göransson – Member – 4/4
Johan Wester – Board member – 4/4

Group Management

	Peter Åsberg	Lennart Svensson	Anders Dahlin	Tobias Traneborn
				
Born	1966	1,961	1973	1975
Employed	2007	2009	2012	2017
In current position	2007	2009	2016	2017
Position	President and CEO	CFO	Director Nordics	Supply Chain Director
previous positions:	President of Cloetta Fazer, Sweden. Various positions at Procter & Gamble and Coca-Cola.	Senior management positions within Ericsson, both in Sweden and internationally .	Senior positions in International, Kung Markatta AB, Unilever, Storck AB and Cadbury AB.	Positions as Chief Operating Officer at CDON.COM, Operations Manager at HKC and as Logistics Manager at both Lantmännen Cerealia and Kjell&Company
Education	MBA, Lund University	MBA, Stockholm University	MBA, Lund University	BSc Engineering, University of Borås
Other assignments	Chairman of the Board of Svensk Egenvård	–	Director of Ekomodern F, W & E AB and Dahlin Business Partner AB	–
Own shareholdings and those of closely-related parties, 2017[1]	115,968 series B shares, 100,000 call options[2], 100,000 warrants (2016/2019) and 60,000 warrants (2017/2020)	27,492 series B shares, of which, 8,742 in endowment insurance, 50,000 warrants (2016/2019) and 30,000 warrants (2017/2020)	50,000 warrants (2016/2019) and 30,000 warrants (2017/2020)	20,000 warrants (2016/2019) and 15, 000 warrants (2017/2020)
Own shareholdings and those of closely-related parties, 2016	115,968 series B shares	27,492 series B shares	–	–

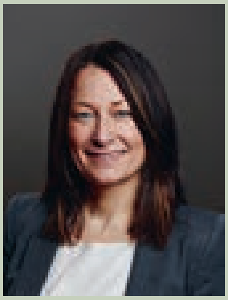
[1] Shareholding as of 28 February 2018. For updated shareholding, please see www.midsona.com/Bolagsstyrning.

[2] The main owner Stena Adactum issued, in June 2015, 100,000 call options with their own holding in Midsona shares as guarantee. Midsona is not a party to the transaction and the future redemption of the warrants will not affect Midsona's financial position and earnings.

Principles for remuneration

Principles for remunerations to senior executives are determined by the Annual General Meeting. Senior executives are considered to be the CEO and other members of the management team. The 2017 Annual General Meeting approved the following guidelines for remunerations to senior executives; Senior executives are to be offered competitive remunerations in line with the market. Remuneration levels for individual executives are to be based on factors including position, competence, experience and performance. Remunerations consist of fixed salary and pension, and shall additionally be able to include variable pay, severance pay and non-monetary benefits. Variable pay shall be based on quantitative and qualitative targets being achieved. It shall be possible for the CEO to earn variable pay of at most 50 percent of basic salary and for other members of Group Management to earn variable pay of at most 30 percent of basic salary. Severance pay shall amount to at most six months' salary if notice is given by the company. Salary during the period of notice and severance pay shall be limited to at most 24 months' salary. The board has the right to deviate from these guidelines, if there is reasonable cause in a specific case.

For the 2017 financial year, variable remuneration of SEK 937 thousand was paid to the CEO, of which SEK 580 thousand

Markku Janhunen	Christoffer Mørck	Peter Overgaard	Ulrika Palm
			
1971	1979	1967	1973
2011	2006	2017	2016
2015	2017	2018	2016
Business Area Manager Finland	Business Area Manager Norway	Business Area Manager Denmark	Business Area Manager Sweden
Senior positions in the Transmeri Group.	Business Unit Manager at Dangaard Telecom, various positions within the Midsona Group	Leading position at Cadbury, Scandic Food, Hjem Is and Jensens Bøfhus	CEO Lager 157, Director of Marketing and Innovation for Lantmännen Cerealia and various positions at Procter & Gamble, Wella and Unilever.
Master of Business Administration, Haaga-Helia University of Applied Sciences	Master of Management degree	Master of Science in economics, Aalborg University	MBA, Gothenburg School of Economics
–	–	–	–
2,100 Series B shares, 40,000 warrants (2016/2019) and 10,000 warrants (2017/2020)	15, 000 warrants (2017/2020)	15, 000 warrants (2017/2020)	50,000 warrants (2016/2019) and 12,000 warrants (2017/2020)
2,100 series B shares	–	–	–

was allocated to pension benefits. Variable salary accounted for 27 percent of base salary for the CEO. For the other members of Group Management, variable salary accounted for 9 percent of base salary.

The Board of Directors' proposed guidelines for remunerations to senior executives ahead of the 2018 Annual General Meeting agree to all intents and purposes with the previous year's guidelines as adopted by the 2017 Annual General Meeting.

Remuneration and other benefits to Group Management, 2017

Group Management (8 individuals)[1]	SEK thousand
Basic salary	14,728
Variable Remuneration	1,365
Other benefits	730
Other remuneration[2]	3,316
Pension expenses	3,660
Total	**23,799**

[1] Group Management comprises those who, together with the CEO Peter Åsberg, were included in Group Management during all or part of the year. These individuals are Lennart Svensson, Anders Dahlin, Tobias Traneborn (effective from May 2017), Ulrika Palm, Lars Børresen, Markku Janhunen, Vidar Eskelund (until 30 November 2017) and Christoffer Mørck (Effective from 1 December 2017). For more information on remunerations and other benefits to Group Management, see Note 9 Employees, personnel expenses and senior executives' remunerations, pages 80–82.

[1] Other remuneration refers to severance payments.

Five-year summary

Excerpts from income statements

SEK million	2017	2016	2015	2014	2013
Net sales	2,173	1,744	1,174	920	916
Expenses for goods sold	-1,430	-1,127	-699	-499	-495
Gross profit	**743**	**617**	**475**	**421**	**421**
Selling expenses	-425	-377	-323	-271	-278
Administrative expenses	-179	-149	-103	-87	-79
Other operating income	3	5	9	6	4
Other operating expenses	-8	-14	-10	-2	-4
Operating profit	**134**	**82**	**48**	**67**	**64**
Financial income	0	1	1	1	1
Financial expenses	-22	-25	-10	-9	-12
Profit before tax	**112**	**58**	**39**	**59**	**53**
Tax	-28	-13	27	4	-2
Profit for the year	**84**	**45**	**66**	**63**	**51**
Depreciation and amortisation					
Depreciation/amortisation and impairment included in operating income	35	25	19	14	14
EBITDA	**169**	**107**	**67**	**81**	**78**
Items affecting comparability					
Items affecting comparability included in operating profit	21	27	20	-3	0
Operating profit, before items affecting comparability	**155**	**109**	**68**	**64**	**64**
Items affecting comparability and depreciation/amortisation and impairment					
Items affecting comparability included in EBITDA	56	52	39	11	14
EBITDA, before items affecting comparability	**190**	**134**	**87**	**78**	**78**
Pro forma adjustment and acquisition-related restructuring and transaction expenses					
Pro forma adjustment and acquisition-related restructuring and transaction expenses affecting EBITDA	**11**	**63**	**18**	**9**	**-11**
Adjusted EBITDA	**180**	**170**	**85**	**90**	**67**

Excerpts from balance sheets

SEK million	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
Intangible fixed assets	2,129	1,940	1,067	875	846
Other fixed assets	160	139	128	57	52
Inventories	272	244	151	100	95
Other current assets	242	232	148	117	117
Cash and equivalents	54	65	61	50	62
Total assets	**2,857**	**2,620**	**1,555**	**1,199**	**1,172**
Shareholders' equity	1,550	1,349	877	751	710
Non-current interest-bearing liabilities	665	696	250	148	149
Other non-current liabilities	226	211	135	84	94
Current interest-bearing liabilities	41	31	69	53	43
Other current liabilities	375	333	224	163	176
Total shareholders' equity and liabilities	**2,857**	**2,620**	**1,555**	**1,199**	**1,172**

Excerpts from cash flow statements

SEK million	2017	2016	2015	2014	2013
Cash flow from operating activities before changes in working capital	146	103	64	73	67
Changes in working capital	6	-34	23	-17	21
Cash flow from current operations	**152**	**69**	**87**	**56**	**88**
Cash flow from investing activities	-91	-848	-254	-54	-29
Cash flow after investing activities	**61**	**-779**	**-167**	**2**	**59**
Cash flow from financing activities	-69	778	183	-14	-35
Cash flow for the year	**-8**	**-1**	**16**	**-12**	**24**
Cash and equivalents at beginning of year	65	61	50	62	43
Exchange-rate difference in cash and cash equivalents	-3	5	-5	0	-5
Cash and equivalents at end of year	**54**	**65**	**61**	**50**	**62**

Key figures [1]

		2017	2016	2015	2014	2013
Income and expense						
Net sales growth	%	24.6	48.6	27.6	0.4	5.4
Organic change, net sales	%	-2.6	-3.8	-7.7	-0.6	-4.4
Selling expenses/net sales	%	19.6	21.6	27.5	29.5	30.3
Administrative expenses/net sales	%	8.2	8.5	8.8	9.5	8.6
Margin						
Gross margin	%	34.2	35.4	40.5	45.8	46.0
EBITDA margin	%	7.8	6.1	5.7	8.8	8.5
EBITDA margin, before items affecting comparability	%	8.7	7.7	7.4	8.5	8.5
Operating margin	%	6.2	4.7	4.1	7.3	7.0
Operating margin, before items affecting comparability	%	7.1	6.3	5.8	7.0	7.0
Profit margin	%	5.2	3.3	3.3	6.4	5.8
Capital						
Average capital employed	SEK million	2,166	1,636	1,074	927	905
Return on capital employed	%	6.2	5.1	4.6	7.3	7.2
Return on shareholders' equity	%	5.8	4.0	8.1	8.6	7.3
Equity ratio	%	54.3	51.5	56.4	62.6	60.6
Liquidity						
Net debt	SEK million	652	662	258	151	130
Net debt/EBITDA	multiple	3.9	6.2	3.9	1.9	1.7
Net debt/adjusted EBITDA	multiple	3.6	3.9	3.0	1.7	1.9
Net debt/equity ratio	multiple	0.4	0.5	0.3	0.2	0.2
Interest coverage ratio	multiple	6.1	3.3	4.9	7.6	5.4
Cash flow						
Cash flow from current operations	SEK million	152	69	87	56	88
Unrestricted cash flow	SEK million	125	51	84	54	83
Employees						
Average number of employees	number	353	308	220	154	156
Number of employees at end of year	number	384	322	294	167	157
Shares and market capitalisation						
Average number of shares during the year	thousand	44,141	31,547	24,419	22,745	22,745
Number of shares at end of year	thousand	46,008	42,646	28,431s	22,745	22,745
Market capitalisation	SEK million	2,691	1,876	938	705	660
Per share data						
Profit attributable to Parent Company shareholders	SEK	1.91	1.42	2.71	2.75	2.24
Shareholders' equity	SEK	33.69	31.63	30.85	33.02	31.22
Cash flow from current operations	SEK	3.44	2.19	3.56	2.46	3.87
Unrestricted cash flow	SEK	2.83	1.62	3.44	2.37	3.65
Share price on balance sheet date (series B shares)	SEK	58.50	44.00	33.00	31.00	29.00
Dividend [2]	SEK	1.25	1.10	1.10	1.10	1.00
Yield	%	2.1	2.5	3.3	3.5	3.4
Pay-out ratio	%	68.2	104.5	47.2	40.0	44.6
P/E ratio	multiple	30.6	30.9	12.2	11.3	12.9

[1] Midsona presents certain financial measures in the Annual Report that are not defined under IFRS. For definitions and reconciliations to IFRS, see pages 114–117.

[2] Dividend for 2017 relates to the proposal by the Board of Directors.

Definitions

Midsona presents certain financial measures in the Annual 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. The table below presents measures not defined under IFRS, unless otherwise stated. The purpose of each measure is presented in italics.

Return on Equity Profit for the year in relation to average shareholders' equity. *For assessing the Company's ability to reach an industry-rate reasonable level of return on the total capital of the owners made available.*
Return on capital employed Profit before tax plus financial expenses in relation to average capital employed. *For assessing the Company's ability to reach an industry-rate reasonable level of return on the total capital of the owners and lenders made available.*
Gross margin Gross profit in relation to net sales. *Relevant for assessing the company's ability to reach an industry-rate level of profitability.*
Market capitalisation Number of shares at year-end multiplied by the price quoted for Series B share on the balance sheet date. *To assess The Company's market value.*
Dividend yield Distribution relative to the series B share at the balance sheet date. *Yield is one central financial measure for determining the share of earnings for the year that the Company distributes to its shareholders.*
EBITDA Operating income before depreciation and depreciation of tangible assets and amortisation of intangible assets. *EBITDA is a key performance measure for assessing the earnings trend of the Company over time.*
EBITDA margin EBITDA in relation to net sales. *The EBITDA margin is a key performance indicator for assessing the Company's ability to reach an industry-based level of profitability.*
Shareholders' equity per share Shareholders' equity divided by the number of shares outstanding at the end of the year. *Is a measurement that measures the Company's net asset value per share and allows assessment if the Company increases shareholder wealth over time.*
Unrestricted cash flow Cash flow from continuing operations less cash flow from investing activities, excluding acquisitions/sales of operations and acquisitions/sales of trademarks and product rights. *Is a measure of the company's underlying cash flow.*
Unrestricted cash flow per share Unrestricted cash flow in relation to the average number of shares. *Is a measure of the company's underlying cash flow per share.*
Average number of shares Average number of shares outstanding over the year. *Financial measure defined under IFRS.*
Adjusted EBITDA EBITDA, rolling 12 months pro forma, excluding acquisition-related restructuring and transaction expenses. *Is a relevant measure to increase the comparability of EBITDA over time.*
Items affecting comparability Items affecting comparability, including restructuring expenses and acquisition-related expenses. *This is a measure of operating items not normally included in the Company's operating activities. Relevant for assessing the company's operating profit growth eliminated for those non-recurring operating items.*
Customer credit period – Accounts receivable adjusted for VAT in relation to net sales. *Is a relevant measure to assess how quickly the Company gets paid by its customers.*
Net sales growth Net sales for the year less the preceding year's net sales in relation to the preceding year's net sales. *Net sales growth is a key to determine whether the Company's growth strategy and the fulfilment of one of the Company's financial target of an average growth of at least 10 percent over time is met.*
Net debt Interest-bearing provisions and liabilities at the end of the year less cash and equivalents. *Net debt is a measure that the Company regards as relevant to creditors and credit rating agencies.*
Net debt/EBITDA Net liabilities in relation to EBITDA. *Net debt/EBITDA is a figure that Midsona regards as relevant to investors who want to assess the Company's opportunities to implement strategic investments, to meet its financial obligations, and to meet one of its financial targets of net debt/EBITDA being maintained at a multiple of less than 2.*
Net liabilities/adjusted EBITDA Net liabilities in relation to adjusted EBITDA. *Net debt/adjusted EBITDA is a figure that Midsona regards as relevant to investors who want to assess the Company's opportunities to implement strategic investments, to meet its financial obligations, and to meet one of its financial targets of Net debt/EBITDA being maintained at a multiple of less than 2. This key figures increase the comparability of Net debt/EBITDA over time.*
Net debt/equity ratio – Net debt in relation to shareholders' equity. *Net debt/equity ratio is a key figure for assessing a company's capital structure.*
Organic change, net sales Net change in sales between years adjusted for translation effects on consolidation and for changes in the Group structure. *Organic change, net sales is a key figure determining whether the Company's growth strategy is met, adjusted for currency effects on consolidation as well as acquisitions and divestments of operations.*
P/E ratio Share price on the balance sheet date in relation to earnings per share. *Is a key figure that is considered relevant to assess whether the company's stock is worth buying or not.*
Earnings per share Profit for the year in relation to the average number of shares. *Financial measure defined under IFRS.*
Interest coverage ratio – Profit before tax plus interest expenses in relation to interest expenses. *Interest coverage is relevant for assessing the Company's ability to execute strategic investments and assess the Company's ability to meet its financial commitments.*

Working capital Non-interest-bearing current assets less non-current non-interest-bearing liabilities. *Working capital is a key figure for assessing the company's ability to meet short-term capital requirements.*

Operating margin – Operating profit in relation to net sales. *Operating margin is relevant for assessing the company's ability to reach a level of profitability by segment as well as one of the company's financial goal of an operating margin in excess of 10 percent is met.*

Equity/assets ratio Shareholders' equity at the end of the year in relation to total assets. *The equity/assets ratio shows the proportion of the balance sheet total represented by shareholders' equity and has been included to gain a view of the company's capital structure.*

Structural changes Changes in net sales due to changes in the Group structure. *Structural changes measure how changes in the Group structure contribute to changes in net sales.*

Capital employed Total assets less non-interest-bearing liabilities and deferred tax liabilities. *Capital employed is a measure of the total capital that the company borrows from its shareholders, who usually receive compensation in the form of dividends, or that it borrows from credit institutions, who receive compensation in the form of interest.*

Pay-out ratio Proposed/approved dividend in relation to net income. *Pay-out ratio is relevant for assessing whether the Company meets one of its financial objectives of having a long-term pay-out ratio exceeding 30 percent.*

Profit margin Profit before tax in relation to net sales. *Profit margin is relevant for assessing the Company's ability to reach an industry-based level of profitability.*

Reconciliation to IFRS

EBITDA

Operating profit before amortisation/depreciation and impairment of tangible and intangible fixed assets.[1]

SEK million	2017	2016	2015	2014	2013
Operating profit	**134**	**82**	**48**	**67**	**64**
Amortisation of intangible assets	24	16	13	11	11
Depreciation of tangible fixed assets	11	9	6	3	3
EBITDA	**169**	**107**	**67**	**81**	**78**
Items affecting comparability[2,3]	21	27	20	-3	0
EBITDA, before items affecting comparability	**190**	**134**	**87**	**78**	**78**
Net sales	2,173	1,744	1,174	920	916
EBITDA margin, before items affecting comparability	**8.7 %**	**7.7 %**	**7.4 %**	**8.5 %**	**8.5 %**

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

[2] Specification of items affecting comparability

SEK million	2017	2016	2015	2014	2013
Restructuring expenses	16	20	18	–	–
Acquisition-related expenses	5	7	6	0	0
Reversal of purchase consideration for previous years' acquisitions recognised as a liability	–	–	-4	-3	0
Capital gains on divestments of operations	–	–	–	–	0
Total	**21**	**27**	**20**	**-3**	**0**

[3] Corresponding line in the consolidated income statement.

SEK million	2017	2016	2015	2014	2013
Expenses for goods sold	–	2	6	–	–
Selling expenses	4	5	8	–	–
Administrative expenses	12	11	2	–	–
Other operating income	–	–	-4	-3	0
Other operating expenses	5	9	8	0	0
Total	**21**	**27**	**20**	**-3**	**0**

Adjusted EBITDA

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

SEK million	2017	2016	2015	2014	2013
EBITDA	**169**	**107**	**67**	**81**	**78**
Acquisition-related restructuring expenses	16	20	8	-	-
Acquisition-related transaction expenses	5	6	6	0	0
Pro forma adjustment	-10	37	4	9	-11
Adjusted EBITDA	**180**	**170**	**85**	**90**	**67**

Net liabilities

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

SEK million	31 Dec 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
Non-current interest-bearing liabilities	665	696	250	148	149
Current interest-bearing liabilities	41	31	69	53	43
Cash and equivalents[1]	-54	-65	-61	-50	-62
Net liabilities	**652**	**662**	**258**	**151**	**130**

[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	2017	2016	2015	2014	2013
Equity and liabilities	**2,857**	**2,620**	**1,555**	**1,199**	**1,172**
Other non-current liabilities	-5	-4	–	-4	-20
Deferred tax liabilities	-221	-207	-135	-80	-74
Accounts payable	-220	-212	-132	-88	-90
Other current liabilities	-50	-38	-31	-35	-38
Accrued expenses and deferred income	-105	-83	-61	-40	-48
Capital employed	**2,256**	**2,076**	**1,196**	**952**	**902**
Capital employed at the beginning of the period	2,076	1,196	952	902	907
Average capital employed	**2,166**	**1,636**	**1,074**	**927**	**905**

Return on capital employed

Profit before tax plus financial expenses in relation to average capital employed.

SEK million	2017	2016	2015	2014	2013
Profit before tax	**112**	**58**	**39**	**59**	**53**
Financial expenses	22	25	10	9	12
Profit before taxes, excluding financial expenses	**134**	**83**	**49**	**68**	**65**
Average capital employed	2,166	1,636	1,074	927	905
Return on capital employed, %	**6.2**	**5.1**	**4.6**	**7.3**	**7.2**

Average shareholder's equity

Total shareholder's equity at the end of the period plus total shareholder's equity at the beginning of the period divided by 2.

SEK million	2017	2016	2015	2014	2013
Shareholders' equity	**1,550**	**1,349**	**877**	**751**	**710**
Shareholders' equity at the beginning of the period	1,349	877	751	710	686
Average shareholder's equity	**1,450**	**1,113**	**814**	**731**	**698**

Return on shareholders' equity

Profit for the period in relation to average shareholder's equity.

SEK million	2017	2016	2015	2014	2013
Profit for the year	**84**	**45**	**66**	**63**	**51**
Average shareholder's equity	1,450	1,113	814	731	698
Return on equity, %	**5.8**	**4.0**	**8.1**	**8.6**	**7.3**

Unrestricted cash flow

Cash flow from continuing operations less cash flow from investing activities, excluding acquisitions/sales of operations and acquisitions/sales of trademarks and product rights.

SEK million	2017	2016	2015	2014	2013
Cash flow from current operations	**152**	**69**	**87**	**56**	**88**
Cash flow from investing activities	-91	-848	-254	-54	-29
Acquisitions of companies or operations	64	800	251	52	27
Divestments of companies or operations	–	–	–	–	-3
Acquisitions of brands and product rights	–	30	–	–	–
Unrestricted cash flow	**125**	**51**	**84**	**54**	**83**

Organic change, net sales

Net change in sales between years adjusted for translation effects on consolidation and for changes in the Group structure.

SEK million	2017	2016	2015	2014	2013
Net sales	**2,173**	**1,744**	**1,174**	**920**	**916**
Net sales compared with the corresponding period in the preceding year	-1,744	-1,174	-920	-916	-869
Net sales, change	**429**	**570**	**254**	**4**	**47**
Structural changes	-457	-619	-331	-11	-105
Exchange rate changes	-18	5	6	2	20
Organic change	**-46**	**-44**	**-71**	**-5**	**-38**
Organic change, %	-2.6%	-3.8 %	-7.7 %	-0.6 %	-4.4 %
Structural changes, %	26.2 %	52.7 %	36.0 %	1.2 %	12.1 %

Glossary

Bars Foods where the most common variant consists of protein bars and weight control bars. They can be eaten as, for example, a snack or meal replacement.
Self care products Various product categories consisting of healthy nutritional supplements that contribute to good health and well-being, such as natural and herbal medicines, dietary supplements and supplement-like medical aids.
Ecological products Products grown without pesticides or chemical fertilisers. Those seeking to sell products as ecological within the EU must comply with the EU regulations for ecological production.
Sustainability Development that meets today's needs without jeopardising future generations' ability to satisfy their needs.
Healthfoods Food that may be good for our health and our well-being.
Global Compact UN initiative combining companies and community institutions with some ten principles on the environment and society. The intention is for companies to be involved in creating solutions to challenges arising from increasing globalisation.
GRI (Global Reporting Initiative) Global network in which industry, stakeholders and society work together to produce sustainability reporting based on consensus.
Gluten-free Products with a reduced gluten content, containing a maximum of 20 mg of gluten per kg of product.
GMO (genetically modified organisms) In a genetically modified organism, the genetic material has been altered in a way that cannot occur naturally. Its use can be both harmful and beneficial to biodiversity. Positive effects can occur if, for example, a crop is made resistant to a disease, while negative effects can occur if foreign genes spread in nature.
Nutritional supplements These are classified as foods and serve as supplements to normal foodstuffs. They may contain vitamins and minerals or other nutrients such as omega-3.
Licensed brands Other companies' products that are marketed by Midsona.
Food A substance or a product intended for use as a food or beverage. Food should preferably provide the body with essential energy and nutrients while also tasting good.
Pharmaceutical According to the law, pharmaceuticals are all substances allegedly able to detect, prevent, treat or cure disease or disease symptoms.
Minerals The body comprises some 20 different minerals. They make up about 4 percent of bodyweight. Minerals are needed in small amounts but are vital because our bodies cannot produce them.
Omega-3 A number of polyunsaturated and beneficial fatty acids are referred to as omega-3. They are essential fatty acids, meaning the body cannot produce them itself and must instead obtain them through diet. The longer polyunsaturated fatty acids EPA and DHA from fish and fish oil in particular have been found to have additional health-beneficial effects.
OTC pharmaceuticals Non-prescription medicines sold "over the Counter", that is, in shops.
Sports nutrition Nutritional and dietary supplements that cater to athletes.
Superfoods Foods containing a high concentration of essential and health-benefiting substances.
Sustainable Brand Index™ The largest independent study in the field of sustainability in the Nordic region. The study is based on more than 35,000 interviews and, in addition to the Nordic countries, also covers the Netherlands.
Dry goods Semi-durable goods such as preserves, spices, cereal flakes, flour and nuts. They have in common a long shelf life.
Vegetarian Refraining from food from the animal kingdom. The reasons for choosing vegetarian food vary, for example for environmental or health reasons, for ethical or religious reasons, or simply because people prefer vegetarian foods.
Veganism Taking a position against the use of animals in any form. Accordingly, vegans refrain completely from animal products including all kinds of meat and foods produced by animals, such as milk, cheese, eggs and honey. Vegans also refrain from using animals in, for example, fashion and furnishings.
Vitamins Vitamins are organic substances. Their effect and appearance varies. Common to all of them is that they must be supplied from outside the body. Vitamins are needed in very small amounts but are vital because our bodies cannot produce them. Deficiencies may lead cause disease.
Äkta vara Non-profit consumer association that uses the Swedish letter Ä as its symbol.

Sales channels

Pharmaceutical retail Parties conducting retail trade of medicines and other special pharmaceutical preparations through shops and those conducting wholesale operations specialised in sales to parties conducting retail trade of medicines and other special pharmaceutical preparations.
FMCG retailers Parties conducting retail trade of a wide range of household products through shops. The term refers to hypermarkets, supermarkets, discount stores, after-hours supermarkets and convenience stores.
Online retail Parties that primarily sell to consumers via the Internet, through webshops or portals from which end consumers can have the ordered items delivered to their homes or other designated locations. Parties that primarily sell to consumers via the Internet, through webshops or portals from which end consumers can have the ordered items delivered to their homes or other designated locations. This channel also includes Midsona's own online shops/websites where sales are made directly to consumers, and post-order sales, which are also made directly to consumers. Retailers specialised in health and self care, mainly through shops and those conducting wholesale operations specialised in sales to retailers specialised in health and self care.
Other retailers Conducting sales mainly through shops. This channel includes sports and leisure shops, health clubs, perfume shops, baby shops, clothing shops and bakeries. Those who trade in ways other than those that can be classified under the other sales channels. This channel includes catering (hotels, restaurants, workplace canteens), therapists and contract manufacturing.

Why Midsona's shares are attractive

A growing market

Midsona operates in a growing market where growth is driven by consumers' increasing interest in their own health and well-being. Midsona holds a very strong position in organic health products, an area that is growing more than the overall market.

A leading position

Midsona holds a leading position in most of its sales channels, making Midsona a preferred supplier and generating economies of scale. In 2017, Midsona strengthened its position in several channels, simultaneously establishing strong new positions in the Nordic market.

Strong brands

Midsona's strategy builds on strong brands that are continuously developed and supplemented through acquisitions and alliances. Eight brands are particularly in focus. The acquired company Bringwell's product portfolio and sales channels complement Midsona well.

Clear and aggressive targets

Midsona has a clear mission and vision, aggressive growth targets, clear strategies and the financial and organisational capacity to implement its plans.

Active in the consolidation of the market

Midsona is participating actively to consolidate the market for products in health and well-being, primarily in the Nordic countries. Over the past five years, Midsona has acquired a number of companies, with the acquisition of Bringwell of Denmark in 2017 being the largest, with net sales of approximately SEK 336 million prior to the acquisition.

Denna rapport finns även på svenska på www.midsona.com från cirka 20 April, 2018.
The English version is a translation from Swedish.
In case of discrepancy, the Swedish version shall prevail.

The Annual Report is available in English and Swedish versions. In case of any discrepancies between the Swedish and English versions, the Swedish version is considered the official version. This annual report was published on the Company's website (www.midsona.com) on 28 March 2018. Printed copies are sent to shareholders and other stakeholders on request. The Directors' Report is given on pages 60–63. The financial accounts are given on pages 64–97 and have been prepared in accordance with IFRS. All figures are expressed in millions of Swedish kronor (SEK million) unless otherwise stated. Figures in parentheses refer to the preceding financial year, unless otherwise stated. Market information is based on Midsona's own assessment if no other source is given. Assessments are based on the best available evidence.

This report contains forward-looking statements. Although Midsona's management believes this information is reasonable, no assurance can be given that these expectations will prove correct. Actual future outcomes may vary from those indicated in the forward-looking information due, among other things, to changes in economic, market and competitive conditions, changes in the regulatory environment and other political measures, fluctuations in exchange rates and other factors.

Midsona AB in partnership with Aspekta and Giv Akt. Printing: Exakta, Malmö 2018.Photo: Åsa Siller, Caroline Tengen, Ingar Sørensen, Midsona.

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Midsona AB (publ)
www.midsona.com

Dockplatsen 16
Postal address: Box 21009
SE-200 21 Malmö
Tel: +46 40 601 82 00
info@midsona.com

Midsona Sverige AB
www.midsona.se

Dockplatsen 16
Postal address: Box 50577
SE-202 15 Malmö
Tel: +46 40 660 20 40

Midsona Norge AS
www.midsona.no

Verkstedveien 1
Postal address: PB 144 Skoyen
NO-0212 Oslo, Norway
Tel: +47 24 11 01 00

Midsona Finland Oy
www.midsona.fi

Perintötie 2 C 4 KRS
FI-01510 Vantaa, Finland
Tel: +358 20 743 47 55

Midsona Denmark A/S
www.urtekram.dk

Klostermarken 20
DK-9550 Mariager, Denmark
Tel: +45 9854 2288