

INTERIM REPORT, JANUARY–JUNE 2017

Continued earnings improvement and strong operating cash flow

APRIL–JUNE 2017 (SECOND QUARTER)

- Net sales amounted to SEK 488 million (351).
- Operating profit before amortisation/depreciation and impairment (EBITDA) was SEK 34 million (22) corresponding to a margin of 7.0 percent (6.3).
- Profit for the period was SEK 15 million (11), corresponding to earnings per share of SEK 0.35 (0.39) before and after dilution.
- Cash flow from continuing operations amounted to SEK 34 million (negative 22).
- On 15 May, Midsona AB (publ) made a public tender offer to the shareholders of Bringwell AB (publ) to transfer all shares in Bringwell (publ) to Midsona.

JANUARY–JUNE 2017 (SIX MONTHS)

- Net sales amounted to SEK 1.015 million (701).
- Operating profit before amortisation/depreciation and impairment (EBITDA) was SEK 79 million (45) corresponding to a margin of 7.8 percent (6.4).
- Profit for the period was SEK 39 million (22), corresponding to earnings per share of SEK 0.90 (0.77) before and after dilution.
- Cash flow from continuing operations amounted to SEK 66 million (negative 2).

SIGNIFICANT EVENT FOLLOWING THE END OF THE REPORT PERIOD

- Midsona acquired 98.2 percent of the shares in Bringwell AB (publ), a company with a leading position in personal care products and OTC-medicines in the Nordic market.



About Midsona

Midsona holds a strong position in the Nordic market with own strong brands within healthfoods, personal care and hygiene. Midsona also sells a number of licensed internationally established brands. Our products are sold through grocery and convenience stores, pharmacies, health stores and internet.

Midsona's priority trademarks are: DALBLADS, FRIGGS, HELIOS, KUNG MARKATTA, MIWANA, NATURDIET, TRI TOLONEN and URTEKRAM. Midsona has annual sales of about MSEK 1,744 (2016). The Midsona share (MSON) is listed on NASDAQ OMX Stockholm, Small Cap. For further information:

www.midsona.com

Comment by the CEO

Continued improved sales and earnings

In the first quarter, Midsona's sales rose by 39 percent to SEK 488 million (351). Operating profit before amortisation/depreciation and impairment (EBITDA) rose by 53 percent to SEK 34 million (22). Accordingly, the EBITDA margin increased to 7.0 percent (6.3). The improvement was mainly the result of acquisitions and related long-term transformation efforts.

Conditions during the second quarter presented challenges.

Although sales and earnings showed good growth, conditions during the quarter presented challenges. Easter is traditionally a weak period for health products, and 2017 was no exception. Easter fell in April this year, compared with March last year. The quarter, therefore, got off to a weak start, and our eight priority brands grew by a modest 2 percent in the quarter*. The historically strong euro in relation to both the Swedish and Norwegian krona has had a significant negative impact on the Group's gross margin. If the current adverse exchange rate trend continues, the ambition is to price adjust to fully or partially compensate for its negative effect.

Investments in brands and new markets

Investments in brands were at a slightly higher level than normal. Mostly, major investments were made in the organic brands, Kung Markatta and Urtekram, to strengthen them for the long-term. As the market for organic products has grown, competition has increased both from suppliers of other brands and the retail industry's own private-label brands. We have chosen to increase investments to maintain the brands' market positions and will continue to launch new innovative products.

It is a high priority to increase export of the Urtekram brand outside the Nordic region. Previously, the focus has primarily been on body care products, but during the second quarter, Urtekram's food range was widely launched in Portugal's largest retail chain. In total, the chain now sells about 180 items from Urtekram. The launch can be considered a breakthrough, and significant investments have been made to ensure success. The ambition is to over time establish Urtekram's range of food products in more European FMCG retail chains.

Public tender offer for Bringwell

Midsona has for a long time followed Bringwell's development and identified early on the potential strength that could be created if the companies merged. Following Midsona's successful expansion in recent years, acquisition is a logical step to further expand our presence in the Nordic region, primarily in the Food Supplements/OTC segment. Bringwell has a number of strong proprietary brands such as Eskimo-3, Mivitotal and Kan Jang. In



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addition, they represent ProbiMage and Membrasin. Midsona sees good opportunities to further develop Bringwell's strong brands for the benefit of customers and consumers. The tender offer has been accepted by 98.2 percent, and we have therefore initiated compulsory redemption of the remaining shares in Bringwell. Our intention is to integrate Bringwell into Midsona's operations. The acquisition is expected to realise cost synergies from streamlining sales, marketing and administration. We also see opportunities for growth synergies through increased sales because the companies have complementary products and sales channels. Synergies are estimated at SEK 50-60 million annually and are expected to be fully realised by the end of 2018.

Priorities in 2017

Midsona's operations are based on our priority brands and a number of strategic sales assignments in the Nordic region. The principal focus in 2017 will be on continuing to develop these through product innovation, consumer marketing and effective sales processing in the Nordic domestic market as well as in export markets. Midsona has made three major acquisitions over a period of two years: Urtekram, Internatural and Bringwell. These have significantly strengthened the Company but also increased the complexity of its operations. During the remainder of the year, we intend to focus strongly on integration and coordination in order to strengthen our efficiency and competitiveness. Midsona expects increased sales and increased operating profit before depreciation and amortisation (EBITDA) in 2017.

Peter Åsberg, President and CEO

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

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This is information of the type that Midsona AB is obligated to make public in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication through the agency of Lennart Svensson on 21 July 2017 at 8 am CET.



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