



New Nordic Healthbrands AB (publ)

Full-Year Report 2016

			Q4	Q4
	2016	2015	2016	2015
Net sales, SEK m	305 842	298 485	70 553	75 183
Gross profit, SEK m	199 573	196 708	46 099	49 528
Gross margin, %	65.3	65.9	65.3	65.9
EBITDA, sek m	14 096	18 592	1 438	4 215
EBITDA, %	4.6	6.2	2.0	5.6
Operating profit, SEK m	13 007	15 718	1 182	3 282
Operating margin, %	4.3	5.3	1.7	4.4
Profit for the period, SEK m	9 574	11 330	304	2 313
Earning per share, SEK	1.55	1.83	0.05	0.37
EBITDA per share, SEK	2.28	3.00	0.23	0.68

*There are no dilutive effects

Comments by Karl Kristian Bergman Jensen, CEO

2016 was an eventful year with both the positive development of our sales in North America but also challenges for us and for the industry in the Nordic and Baltic countries.

During the year, we achieved a record turnover of 306 million with a 3 percent increase in local sales and 2 percent in Swedish kronor. Sales growth was lower than planned due to that we had to be careful with our expansion plans when our largest manufacturer in the beginning of the year increased the prices of production drastically. We were also taken by surprise by the challenges that many of our retailers in Norway meet.

Sales have fluctuated during the year, while the first nine months showed growth, the last quarter showed a decrease in sales. The bulk of this decrease can be explained by fluctuations in our key resellers purchasing and inventory levels with large stock increases in the third quarter and destocking in the fourth quarter. Sales from our retailers to end consumers has been good in most countries during the fourth quarter.

At the beginning of 2016, our business was greatly disturbed by the fact that our largest manufacturer increased manufacturing prices drastically. This has subsequently led to that we have introduced a new principle that of all our major products in the future must have at least two manufacturers who can produce to the exact same specifications.

The increase in manufacturing prices decreased our gross margin considerably during the first half of the year. Because of that we held back growth-generating activities to avoid increased marketing costs and risks. In the second half we managed to improve manufacturing costs again and we reached the same gross margin for the full year 2016 as we did in 2015. With the recovery of our gross margin we can now again afford to allocate the necessary resources to innovation, marketing and sales growth.

In 2016 we had a very nice growth in both sales and earnings in North America which now represents 26% of our total revenue. Canada has shown very good progress over the year with a fine growth of most products with most retail distributors. The US also showed a nice development but we also experienced that the competition intensified - particularly in the Beauty From Within sector. Therefore we are going to focus the continued growth in the United States on products developed specially to fit the American market. The US market does not only represent at huge potential for growth but also a market that can inspire our innovation.

In the Nordic region, we had a very fine growth in Denmark and also growth in Sweden in 2016. However, we have experienced a major decline in sales and profitability in Norway. Here we are particularly marked by the fact that the health food trade is strongly challenged on many fronts. We are confident that we have the right plan for growth in both sales and profitability in Norway and the the Nordic region as a total in 2017.

With regards to the other European markets, we experienced growth in sales and earnings in Germany and France. In terms of sales in consumer prices, France was our largest market in 2016. In local currencies, we have also had a fine success in the UK while the fall in the value of the British Pound has led to a sharp reduction in earnings when transformed into Swedish kronor. In Italy, we experienced a decline in revenue and earnings in 2016. This is mainly due to sharply increased competition from major pharmaceutical manufacturers. We have decided to increase our product range as well as increase and sharpen our marketing efforts in Italy in 2017.

In the Benelux we have decided to change the agreement with our distributor so that we re-gain control with the marketing activities and contact to major retail chains. Particularly with Holland & Barrett, a chain that we now treat as one international customer with distribution across borders. We are already seeing signs that our turnover is moving up in Holland and Belgium, but it is going to last a few more years before we can expect earnings of importance. In the Baltic countries and the countries further east, we are strongly influenced by their lack of trade with Russia and the ensuing economic downturn and caution. Where we in Estonia still managed to grow sales and earnings we had bigger challenges in Lithuania, Latvia, Georgia and Kazakhstan where we experienced a fall in revenue and earnings. We are working to adapt to the new economic conditions and regain growth in sales and earnings in the overall Baltic region.

For the first time we exhibited in Asia in 2016. This was in August at the Natural Expo Hong Kong. The interest for the New Nordic brand was high. Before year end we established New Nordic Limited in Hong Kong and we started the negotiations with key retailer chains to carry some of our products. We also entered a cooperation with a Chinese service company for the development of New Nordic online sales into China.

In 2016 we also established New Nordic AG in Switzerland. Preparations for launch in Switzerland is ongoing. There is a huge spill over from New Nordic advertising in French, German, Italian and even British media into Switzerland and we are convinced that this can fuel our establishment here.

Our marketing expenses increased in 2016 by roughly the same rate as the increase in sales. We have during 2016 had an increase in staff costs but by keeping these costs down in the future with increasing revenue, we can achieve better profitability.

Expenses related to depreciation, decreased further during the year and so did the financial cost. The costs are well under control. Profit after tax reached just over 3% of revenue. Both EBITDA and profit after tax is significantly below our ambitions but we are convinced that we have taken the right measures to improve profitability in 2017 and future years.

Return on equity was 22 percent and the groups shareholders equity increased to 43 million SEK. Our financial structure is sound and our cash situation is good.

Our full product assortment is very dynamic. Right now we have several exciting new products that have demonstrated its economic potential in Scandinavia which are being rolled out internationally. Furthermore, we have new products in the pipe line for launch in 2017 inspired by the consumption trends in the US. We are confident that we are going to see strong demand for these new "US-born" products and that they also have great potential in the international markets. In addition to our supplements for vitality, beauty and weight loss, we introduced a line of preliminary three new supplements under the name Sports Nutrition™ in 2016. This line caters to the growing group of exercisers. We have so far introduced the line in Denmark and Norway and I look forward to follow the development of this new category.

New Nordic's employees have done a great job in 2016. Our team is highly qualified, committed and determined to increase our international business and generate growth in both sales and earnings in 2017. I am convinced that 2017 will be an exciting year for New Nordic and we are well positioned to further build the value of our international brand and increase the earning per share.

Karl Kristian Bergman Jensen

Sales

Sales for the year amounted to 305.8 million SEK [298.5], an increase of 2.5 percent. In local currencies, the increase was 3.2 percent. Sales in the Nordic countries decreased by 1.7 percent to 123.2 million SEK [125.4]. Sales in the other European countries decreased by 4.0 percent to 97.2 million SEK [101.3]. Sales in North America rose by 19.9 percent to 78.7 million SEK [65.6]. Exports to Asia rose to 6.7 million SEK [6.1].

Results for the year

Gross profit for the year amounted to 199.6 million SEK [196.7]. This corresponds to a gross margin of 65.3 percent [65.9]. This is mainly a result of the company's efforts to focus marketing investments on products with high gross margin and the fact that the company's sales of own brands now account for over 90 percent of total sales. Selling and administrative expenses amounted to SEK 185.5 million [178.1], an increase of 4 percent. The largest increase in costs was related to higher marketing costs. Especially in North America. EBITDA decreased by 24.2 percent to 14.1 million SEK [18.6]. This corresponds to an EBITDA margin of 4.6 percent [6.2]. Operating profit amounted to SEK 13.0 million [15.7]. This corresponds to an operating margin of 4.3 percent [5.3]. Profit after financial items amounted to 12.5 million SEK [14.2]. In 2016, total interest and financial items amounted to an expense of SEK 0,5 million [1.5]. Profit after tax for the financial year was 9.6 million SEK [11.3].

Comments for fourth quarter

Sales in local currencies decreased by 9.2 percent. Converted into SEK, sales decreased by 6.2 percent to 70.6 million SEK [75.2]. Gross margin decreased to 65.3 percent [65.9]. EBITDA decreased by 65.9 percent to 1.4 million SEK [4.2]. Selling and administrative expenses amounted to 44.7 million SEK [45.3], a decrease of 1.4 percent. Profit after financial items amounted to 0.9 million SEK [2.8] and net income decreased by 86.9 percent to 0.3 million SEK [2.3]. Inventories increased by 10.1 percent compared with the same period last year and amounted to 51.6 million SEK [46.9].

Financial position and cash flow

The Group's total assets at 31 December 2016 amounted to 127.6 million SEK [125.2], an increase of 1.9 percent compared to the same time last year. The operating activities generated a positive cash flow of 1.6 SEK (-2.6) during the year. Liquid assets amounted to SEK 6.9 million [6.8]. The Group's equity ratio was 33.7 percent [28.6]. Shareholders' equity apportioned on the outstanding 6,195,200 [6,195,200] shares amounted to 6.94 SEK [5.77] as of December 31, 2016.

Expansion

In 2017, the company will continue to focus on building a leading brand in a number of specific market segments. Profitable products will be launched in markets where New Nordic is active and efforts will be made to broaden the geographic distribution through reputable national distributors who can market New Nordic brands for their own account and risk in their country. New Nordic expects to increase sales and earnings in all markets where it operates.

Events after the balance sheet date

No special events.

Transactions with related parties

There have been no significant transactions with related parties during the period.

Parent company

The parent company's net sales in 2016 amounted to 111.6 million SEK [111.7].

Dividend policy and dividend proposal

New Nordic's financial goal is to enable the company to continue enjoying good growth and to be prepared to exploit future business opportunities. It is essential that the company's expansion is able to proceed as in the past with continued high degree of financial strength and continued freedom of action. Based on this policy, the Board of Directors has determined that the

dividend from 2017 onwards should amount to 30-40 percent of the profit after taxes. In addition, the Board may propose the distribution of any surplus liquidity.

The board of directors has decided to propose a dividend of SEK 0.40 (0.25) to the annual general meeting on 27 April 2017, corresponding to 25 percent (13) of the profit after tax.

The record date proposed for the dividend payment of SEK 0.40 per share is 2 May 2017. This would then be paid out on 5 May 2017.

Annual general meeting 2017

The 2017 annual general meeting will be held at 10 a.m. on Thursday 27 April at Turning Torso, Malmö.

Annual Report 2016

The Annual Report is expected to be published on 30 March 2017 on newnordic.se and will be sent out by post to shareholders that have so requested. The document will also be available at the company's head office.

Risks and uncertainties

A number of factors may affect New Nordic's results and business. Many of these can be dealt with through internal routines, while certain others are affected more by external influences. There are risks and uncertainties related to consumer trends, weather conditions, negative macroeconomic changes, geopolitical risks, sustainability and external factors in production countries, regulatory affairs, trade interventions, foreign currency and tax but also in connection with expansion into new markets, the launch of new products, changes in consumer behaviour and how the brand is managed. There are also some risks related to the group's reputation, so called "reputational risks".

For a more detailed description of risks and uncertainties, refer to the annual report and consolidated accounts for 2015 under "Risk factors".

Accounting principles

The accounting principles applied in the interim report are consistent with those used in preparing the Annual Report 2015.

Audit review

This report has not been audited by the company's auditor.

Certified adviser

New Nordic Healthbrands AB's Certified Adviser is Mangold Fondkommission AB.

Phone: +46 8-50301550

Upcoming reports

Annual report 2016	30 March 2017
Three-month report 2017	27 April 2017
General Meeting in Malmö	27 April 2017
Six-month report 2017	31 July 2017
Nine-month report 2017	31 October 2017
Full year report 2017	2 March 2018
Annual report 2017	28 March 2018
Three-month report 2018	26 April 2018
General Meeting in Malmö	26 April 2018

For further information contact:

Karl Kristian Bergman Jensen, CEO,
kk@newnordic.com

Malmö March 6th, 2017

New Nordic Health Brands AB (publ)

New Nordic Health Brands AB

Södra Förstadsgatan 3 • SE-211 43 Malmö, Sweden • Phone: +46 40 23 64 14

Income Statement (SEK m)

(kSEK)	2016	2015	Q4 2016	Q4 2015
Sales	305 842	298 485	70 553	75 183
Cost of goods sold	-106 269	-101 777	-24 454	-25 655
Cross profit	199 573	196 708	46 099	49 528
Personnel expenses	-34 982	-31 731	-8 923	-7 990
Other external expenses	-150 495	-146 385	-35 738	-37 323
EBITDA	14 096	18 592	1 438	4 215
Depreciations	-1 089	-2 874	-256	-933
Operating (EBIT)	13 007	15 718	1 182	3 282
Interest and other financial items	-484	-1 478	-234	-465
Profit after financial items	12 523	14 240	948	2 817
Tax	-2 949	-2 910	-644	-504
Profit for the period	9 574	11 330	304	2 313
Average number of shares	6 195 200	6 195 200	6 195 200	6 195 200
Number of shares by the end of the period*	6 195 200	6 195 200	6 195 200	6 195 200
Earnings per share, SEK *	1.55	1.83	0.05	0.37
EBITDA per share, SEK	2.28	3.00	0.23	0.68

*There are no dilutions.

Balance Sheet

(kSEK)	2016	2015
Assets		
FIXED ASSETS		
Intangible fixed assets	230	699
Tangible fixed assets	1 665	1 552
Financial assets	5 175	5 358
TOTAL FIXED ASSETS	7 070	7 609
CURRENT ASSETS		
Inventories	51 626	46 879
Current receivables	62 032	63 911
Liquid funds	6 864	6 836
Total current assets	120 522	117 626
TOTAL ASSETS	127 592	125 235
Equity and liabilities		
EQUITY	42 979	35 772
Deffered tax	1 496	1 320
Long-term debt	1 318	1 295
Short term liabilities – interest bearing	29 021	18 145
Short term liabilities – non interest bearing	52 778	68 703
Current liabilities	81 799	86 848
TOTAL LIABILITIES AND EQUITY	127 592	125 235

Change in Equity

2016

(kSEK)	Share capital	Other equity incl. profit for the year	Total equity
Balance	6 195	29 577	35 772
Dividend	0	-1 549	-1 549
Exchange rate differences	0	-818	-818
Profit for the period	0	9 574	9 574
Balance	6 195	36 784	42 979

2015

(kSEK)	Share capital	Other equity incl. profit for the year	Total equity
Balance	6 195	18 864	25 059
Exchange rate differences	0	-617	-617
Profit for the period	0	11 330	11 330
Balance	6 195	29 577	35 772

Cash Flow Statements

(kSEK)	2016	2015	Q4 2016	Q4 2015
CURRENT OPERATIONS				
Profit after financial items	13 007	15 718	1 182	3 282
Adjustments for				
Depreciations	1 089	2 874	256	933
Other provisions	-35	5	-35	0
	14 061	18 597	1 403	4 215
Interest received	4	256	3	98
Interest expense	-826	-1 165	-240	-127
Taxation paid	-4 568	-2 289	-723	-488
Cash flow from current operations before changes in working capital	8 671	15 399	443	3 698
Cash flow from changes in working capital				
Inventories	-4 515	-13 511	-1 211	-15 813
Current receivables	3 740	-20 497	15 748	5 212
Current liabilities	-6 272	16 049	-15 564	8 181
Cash flow from current operations	1 624	-2 560	-584	1 278
INVESTMENT ACTIVITIES				
Investments in tangible fixed assets	-597	-792	-187	-156
Divestment of inventory	35	65	35	0
Long term receivables	572	2 816	48	133
Cash flow from investment activities	10	2 089	-104	-23
FINANCING ACTIVITIES				
Dividend	-1 549	0	0	0
Changes in long term debt	-250	1 555	593	701
Cash flow from financing activities	-1 799	1 555	593	701
Changes in liquid funds	-165	1 084	-95	1 956
Liquid funds at the beginning of the period	6 836	5 995	7 013	5 051
Exchange rate effect	193	-243	-54	-171
Liquid funds at the end of the period	6 864	6 836	6 864	6 836

Key Figures

(kSEK)	2016	2015	Q4 2016	Q4 2015
Sales	305 842	298 485	70 553	75 183
Gross profit	199 573	196 708	46 099	49 528
EBITDA	14 096	18 592	1 438	4 215
Operating profit	13 007	15 718	1 182	3 282
Profit after financial items	12 523	14 240	948	2 817
Results after tax	9 574	11 330	304	2 313
Total assets	127 592	125 235	127 592	125 235
Return on capital employed, %	17.7	28.9	1.6	6.2
Return on shareholders equity, %	22.3	31.7	0.7	6.5
Equity	42 979	35 772	42 979	35 772
Equity ratio, %	33.7	28.6	33.7	28.6
Debt ratio	1.97	2.50	1.97	2.50
Interest coverage ratio	15.8	13.7	4.94	26.61
Investments	597	792	187	156
Cash flow from current operations	1 624	-2 560	-584	1 278
Gross margin, %	65.3	65.9	65.3	65.9
EBITDA margin, %	4.6	6.2	2.0	5.6
Operation margin, %	4.3	5.3	1.7	4.4
Profit margin, %	4.1	4.8	1.3	3.7
Number of employees, average	43	41	44	44
Number of shares by the end of the period	42	44	42	44
Sales per employee	7 113	7 280	1 622	1 709
Gross margin per employee	4 641	4 798	1 060	1 126
Profit per employee	291	347	22	64
Average number of shares in the period	6 195 200	6 195 200	6 195 200	6 195 200
Number of shares by the end of the period*	6 195 200	6 195 200	6 195 200	6 195 200
Own shares by the end of the period	0	0	0	0
EBITDA per share, SEK	2.28	3.00	0.23	0.68
Earnings per share*, SEK	1.55	1.83	0.05	0.37
Equity per share, SEK	6.94	5.77	6.94	5.77

*Det finns inga utspädningseffekter

New Nordic Geographic Segments

Sales divided by geographic, SEK

	2016		2015	
	MSEK	PERCENT	MSEK	PERCENT
Nordic	123	40	126	42
Rest of Europe	97	32	101	34
North America	79	26	66	22
Rest of the World	7	2	6	2

Quarterly history

	2016				2015				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Turnover ex VAT	74.6	76.0	84.7	70.6	72.9	76.5	73.9	75.2	61.1	74.9	65.2	70.7
Change from previous year, %	2.2	-0.7	14.7	-6.2	19.4	2.1	13.2	6.4	19.7	27.2	11.8	18.4
EBITDA, MSEK	3.2	2.1	7.4	1.4	4.7	4.2	5.5	4.2	3.8	4.7	5.8	4.9
EBITDA-margin, %	4.3	2.7	8.7	2.0	6.5	5.4	7.4	5.6	6.1	6.2	8.8	7.0
Operating profit, MSEK	2.8	1.8	7.2	1.2	4.1	3.5	4.9	3.3	3.1	4.0	5.1	4.0
Operating margin, %	3.8	2.4	8.5	1.7	5.6	4.6	6.6	4.4	5.1	5.3	7.9	5.7
Result before tax, MSEK	3.1	1.6	6.9	0.9	3.9	2.8	4.7	2.8	2.7	4.2	5.2	4.4
Result after tax, MSEK	2.3	1.5	5.5	0.3	3.1	2.2	3.7	2.3	2.1	2.9	4.3	3.2
Cash*, MSEK	4.0	5.7	7.0	6.9	5.6	4.1	5.1	6.8	4.9	5.1	5.4	6.0
Stock, MSEK	54.4	59.0	51.1	51.6	38.7	34.2	31.9	46.9	30.4	32.2	31.2	35.0
Equity, MSEK	37.7	37.4	42.6	43.0	27.7	30.1	33.3	35.8	15.7	18.2	22.2	25.1
Result per share, SEK	0.37	0.24	0.88	0.05	0.50	0.36	0.60	0.37	0.33	0.47	0.69	0.51
Equity per share, SEK	6.09	6.04	6.88	6.94	4.47	4.86	5.37	5.77	2.54	2.95	3.59	4.04
Cash flow per share operating activities, SEK	-0.53	0.69	0.22	-0.09	-0.57	-0.29	0.15	0.21	0.34	0.16	0.28	-0.03
Solidity, %	27.3	26.3	29.6	33.7	25.6	26.2	28.4	28.6	16.8	17.6	22.9	24.9

Gross profit: New Nordic's gross profit is the company's net sales less costs to New Nordic suppliers.

Equity: Equity as a percentage of total assets.

Leverage ratio: The ratio of total liabilities and equity.

Profit margin: Profit after financial items plus financial expenses divided by financial expenses.

Return on equity: Net income as a percentage of shareholders' equity at period end.

Capital employed: Total assets less non-interest-bearing provisions and liabilities.

Return on capital employed: Profit after financial items plus financial expenses divided by capital employed.

Investments: Investments in tangible and intangible assets.

Gross margin: Gross profit as a percentage of net sales.

EBITDA margin: Operating income before depreciation and amortization as a percentage of net sales.

Operating margin: Operating profit after depreciation and amortization as a percentage of net sales.

Profit margin: Profit after financial items as a percentage of net sales.

Revenue per employee: Net sales divided by the average number of employees.

Gross profit per employee: Gross profit divided by the average number of employees.

Profit per employee: Profit after financial items divided by the average number of employees.

Earnings per share: Profit after tax divided by the average number of shares.

Equity per share: Shareholders' equity divided by shares outstanding at period end.