



PRESS RELEASE

Malmö, 6th March, 2017

## New Nordic Healthbrands AB

# Full year report January - December 2016

### TWELVE MONTHS 2016

- Net sales amounted to MSEK 305.8 (298.5), an increase of 2.5 percent. In local currencies, the increase was 3.2 percent.
- Gross margin decreased to 65.3 percent (65.9).
- EBITDA decreased to MSEK 14.1 (18.6).
- Operating profit decreased to MSEK 13.0 (15.7).
- Profit after tax for the year decreased to MSEK 12.5 (14.2).
- Earnings per share increased to SEK 1.55 (1.83).

### Q4 2016

- Net sales amounted to MSEK 70.6 (75.2), a decrease of 6.2 percent. In local currencies, there was a decrease of 9.2 percent.
- Gross margin decreased to 65.3 percent (65.9).
- EBITDA decreased to MSEK 1.4 (4.2).
- Operating profit decreased to MSEK 7.2 (4.9).
- Profit after tax for the period increased to MSEK 1.2 (3.3).
- Earnings per share decreased to SEK 0.23 (0.68).

### COMMENTS BY KARL KRISTIAN BERGMAN JENSEN, CEO

2016 was an eventful year with a 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 faced.

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 nearly 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. Ca-

nada 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 a 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

*The information in this press release is that which New Nordic Healthbrands AB (publ) is required to disclose under Sweden's Securities Market Act. and made public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 9.00 (CET) on March 6th, 2017.*

**Contact:**

Karl Kristian Bergman Jensen, CEO +46 40-239520 (switchboard),

Marinus Blåbjerg Sørensen, CFO +45 46323344 (switchboard)

New Nordic Healthbrands AB (publ), SE-211 43 Malmö, Sweden Phone +46-40-239520, fax: +46-40-239522, email: kk@new-nordic.com. Registered office: Malmö, Reg. No. 556698-0453.

New Nordic Healthbrands AB (publ) was founded in 1990 and is quoted on NASDAQ OMX Stockholm since 2007. The company's business concept is to offer the most effective and safe food supplements and natural medicines for specific health conditions. New Nordic's branded products are now available in 33 countries in pharmacies and health stores. The New Nordic Group has its own small sales and marketing companies in most European Countries, Canada and the US, to organize local marketing campaigns, serve the pharmacy and health retailers and serve the end consumers. In 2016, sales were 306 MSEK. All New Nordic products sold worldwide are manufactured in Scandinavia. For further information, visit [www.newnordic.com](http://www.newnordic.com).