



New Nordic Healthbrands AB (publ) Six month report January - June 2016

	SIX MONTHS 2016	SIX MONTHS 2015	Q2 2016	Q2 2015
Net sales, kSEK	150 549	149 433	75 973	76 486
Gross profit, kSEK	98 043	99 545	50 481	50 849
Gross margin	65.1%	66.6%	66.4%	66.5%
EBITDA kSEK	5 250	8 889	2 056	4 164
EBITDA-margin	3.5%	5.9%	2.7%	5.4%
Operating profit, kSEK	4 650	7 568	1 822	3 505
Operating margin	3.1%	5.1%	2.4%	4.6%
Profit for the period, kSEK	4 645	6 716	1 584	2 848
Profit margin	3.1%	4.5%	2.1%	3.7%
Preprofit after tax, kSEK	3 818	5 307	1 496	2 206
Net profit margin	2.5	3.6%	2.0	2.9%
Earnings per share after tax*, SEK	0.62	0.86	0.24	0.36

*There are no dilutive effects

Comments by Karl Kristian Bergman Jensen, CEO

In the first half of 2016 we experienced a local organic growth of 3.6%. The growth does not match our higher ambition and does not reflect our opportunities. Our marketing efforts which is our main growth generator has in some cases been too hesitant and lacked continuity. At the same time, we have in many countries been plagued by wholesalers and retail chains internal structural problems and pressure from online retailers. We have over summer been working to tighten up our marketing routines and made plans for how we will act towards the structural changes taking place at national and international wholesale and retail level.

At country level, we have experienced very different developments during the year. In the Nordic countries we have had good progress in Sweden and Denmark with new launches, retail activities and an increase in sales of existing products. In Norway, our sales decreased. Sales out of stores to consumers is status quo for our products in Norway but retailers have reduced their inventories. In England, France, Poland, Finland and the Baltic countries, we are experiencing the same trend. Increasing or at least constant consumer sales but lack in purchasing and inventory reductions from the wholesaler and retailers. Our growth in North America has been very satisfactory. The largest sales increase is related to our new cooperation with Costco in Canada. In addition, sales also increased on a wide range of our products with many of our retail customers in Canada. Here our marketing efforts have been very effective this year. In the United States we increased sales to both pharmacy, health shops and online retailers and during the fall we will increase our assortment here.

As a new initiative we now introduce celebrity endorsement. The beautiful Carmen Electra is an enthusiastic Skin Care Collagen Filler™ user. At a meeting with Carmen in Copenhagen, we entered into an agreement that she will act as Skin Care Collagen Filler's model for our international campaign.

In China, we have signed agreements with leading online providers for the sale of New Nordic range. This sale is expected to start in the autumn. In Switzerland, we have established New Nordic AG to start the sale of selected New Nordic products in pharmacies. Here we have the advantage of many Swiss already see the German, French and Italian magazines where we advertise.

Our earnings in the first half year is not satisfactory. The margin is still suffering from the fact that we during a period from November 2015 to April 2016 had sharply increased production costs. During second half of 2016 we will implement our "multi-producer principle" for our major products and we expect that gross margin will rise towards the end of the year. Our costs are under control but we have increased our personnel costs slightly compared to the same period last year as part of preparations for increased sales in Asia and the launch of a new product category in the fall.

In order to improve our level of service we have increased our inventory of raw materials as well as our finished goods inventory. However, our inventory level is a bit too high and we plan to reduce inventory levels by 7-9 million SEK before year end.

In the coming six months we will focus on growing sales, improve our margins and keep overhead costs down so that we can create higher earnings.

The international market for dietary supplements is growing and more and more people become aware of the natural herbs vitalizing abilities. Our business and strategy works internationally and there is great potential for New Nordic. Our staff is dedicated and fully committed to delivering results. Therefore, I am very positive about the future and I look forward to the second half of 2016.

Sales

Sales during the first six months was 150.0 million (149.4), an increase of 0.7 percent. In local currencies, the increase was 3.6 percent.

Results for the six months

Gross profit for the first half decreased to 98.0 million (99.5). This corresponds to a gross margin of 65.1 percent (66.6). EBITDA amounted to SEK 5.3 million (8.9). This corresponds to an EBITDA margin of 3.5 percent (5.9). Operating profit amounted to SEK 4.7 million (7.6). This corresponds to an operating margin of 3.1 percent (5.1). Profit after financial items amounted to SEK 4.6 million (6.7). Profit after tax for the six-month period was SEK 3.8 million (5.3).

Comments to the second quarter

Sales in local currencies increased by 2.2 percent. Converted into SEK, sales decreased by 0.7 percent. The sale does not show a satisfactory growth. Sales increased in the Nordic area and North America, while it decreased in the rest of Europe. In the geographical areas there were big differences.

The downturn in the Nordic region is mainly due to a decline in Norway, while there was good progress in Denmark. In the US we had a fine growth, while Canada showed a decline. Denmark, Finland and Sweden showed fine progress while Norway decreased. In North America sales increased significant in Canada while is decreased a bit in USA. In other Europe Germany and Holland increased while The Baltics, Poland, England, France and Italy decreased.

Gross margin decreased to 66.4 percent (66.5). A decrease that is due to higher production costs earlier in the year.

Personel, sales and administration expenses amounted to SEK 48.4 million (46.7), an increase of 3.6 percent. The number of employees at end of period was 45 (43). The largest increase in expenses was related to increased marketing costs.

EBITDA decreased by 2.1 million and profit after tax with SEK 0.7 million. A result of an increase in costs which exceeded the increase in sales translated into SEK.

Depreciation decreased with 0.4 MSEK to SEK -0.2 million (-0.7). Interest and other financial items decreased to SEK -0.2 million (-0.7). Profit after financial items was reduced by 44 percent and amounted to SEK 1.6 million (2.8).

Profit after tax decreased by 32 percent and amounted to SEK 1.5 million (2.2).

Financial position and cash flow

Total assets as of 30 June 2016 amounted to SEK 142.3 M (114.9), an increase of 23.8 percent compared to the same time last year.

Inventories have increased by 73 percent compared to the same period last year and amounted to 59.0 MSEK (34.2). The size of the inventory is 10 to 15 percent to high for the Company's activity and service rate.

During the first six months the current operations generated a positive cash flow of SEK 1.5 million (-5.6). Cash and cash equivalents at end of the period amounted to SEK 5.7 million (4.1).

The Group's equity ratio was 26.3 percent (26.2).

Shareholders' equity apportioned on the outstanding 6,195,200 (6,195,200) shares was on June 30, 2016 6.04 SEK per share (4.86).

Expansion

In 2016, the company will continue to focus on building a leading brand in specific market segments. Profitable products will be launched in the markets where New Nordic operate and efforts will be made to broaden the geographical spread through reputable national distributors who can market New Nordic brands for their own account and risk in their country. In the US, the company will only focus on a few brands for pharmacy distribution. At the same time New Nordic focuses to build their business in the American health food stores. New Nordic expects to increase sales and profit in all markets where it operates.

Parent company

The parent company had in operation the first six months of 2016 net sales of SEK 59,2 MSEK (56,2).

Comment current quarter

Sales during the first weeks of July has started well.

Transactions with related parties

There have not been any material transactions with related parties during the period.

Accounting principles

This report has been prepared in accordance with the Annual Accounts Act (1995: 1554) and BNFAR 2012: 1 The annual report and consolidated financial statements (K3).

Certified adviser

New Nordic Healthbrands AB's Certified Adviser is Mangold Fondkommission AB, +46 8 503 01 550

Upcoming reports

Nine Month Report 2016	31 October 2016
Full Year Report 2016	6 March 2017
Annual Report 2016	30 March 2017
Three Month Report 2017	27 April 2017
General Meeting 2017	27 April 2017

For further information, please contact: Karl Kristian Jensen Bergman, CEO, kk@newnordic.com

This report has not been audited.

Malmö July 31, 2016

New Nordic Healthbrands AB (publ)

The Board

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Income Statement

(kSEK)	SIX MONTHS 2016	SIX MONTHS 2015	Q2 2016	Q2 2015
Sales	150 549	149 433	75 973	76 486
Cost of goods sold	-52 506	-49 888	-25 492	-25 637
Gross profit	98 043	99 545	50 481	50 849
Personnel expenses	-16 368	-15 668	-8 058	-7 585
Other external expenses	-76 425	-74 988	-40 367	-39 100
EBITDA	5 250	8 889	2 056	4 164
Depreciations	-600	-1 321	-234	-659
Operating profit (EBIT)	4 650	7 568	1 822	3 505
Interest and other financial items	-5	-852	-238	-657
Profit after financial items	4 645	6 716	1 584	2 848
Tax	-827	-1 409	-88	-642
Net profit for the period	3 818	5 307	1 496	2 206
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	0.62	0.86	0.24	0.36
EBITDA per share, SEK	0.85	1.43	0.33	0.67

*There are no dilutive effects

Balance Sheet

(kSEK)	Q2 2016	Q2 2015	Full Year 2015
Assets			
FIXED ASSETS			
Intangible fixed assets	394	1 980	699
Tangible fixed assets	1 702	1 817	1 552
Financial assets	6 010	5 363	5 358
Total fixed assets	8 106	9 160	7 609
CURRENT ASSETS			
Inventories	59 032	34 193	46 879
Current receivables	69 435	67 421	63 911
Liquid funds	5 702	4 087	6 836
Total current assets	134 169	105 701	117 626
Total assets	142 275	114 861	125 235
Equity and liabilities			
EQUITY	37 438	30 102	35 772
Deffered tax	1 470	1 452	1 320
Long-term debt	1 089	1 376	1 295
Short term liabilities – interest bearing	24 620	19 359	18 145
Short term liabilities – non interest bearing	77 658	62 572	68 703
Current liabilities	102 278	81 931	86 848
TOTAL LIABILITIES AND EQUITY	142 275	114 861	125 235

Change in Equity

Q2 2016

(kSEK)	Share capital	Other equity incl. Profit for the year	Total equity
Opening balance	6 195	29 577	35 772
Dividend	0	-1 549	-1549
Exchange difference	0	-603	-603
Net profit for the period	0	3 818	3 818
Closing balance	6 195	31 243	37 438

Q2 2015

(kSEK)	Share capital	Other equity incl. Profit for the year	Total equity
Opening balance	6 195	18 864	25 059
Exchange difference	0	-264	-264
Net profit for the period	0	5 307	5 307
Closing balance	6 195	23 907	30 102

Full year 2015

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

Cash Flow Statements

(kSEK)	SIX MONTHS 2016	SIX MONTHS 2015	Q2 2016	Q2 2015
CURRENT OPERATIONS				
Profit after financial items	4 650	7 568	1 822	3 505
Adjustments for				
Depreciations	600	1 321	234	659
Other provisions	0	5	0	0
	5 250	8 894	2 056	4 164
Interest recieved	1	158	0	87
Interest expense	-379	-847	-209	-467
Taxation paid	-2 383	-1 246	-715	-620
Cash flow from current operations before changes in working capitall	2 489	6 959	1 132	3 164
Cash flow from changes in working capital				
Inventories	-11 855	145	-4 213	3 774
Current receivables	-4 780	-22 126	3 412	-16 941
Current liabilities	15 662	9 460	3 957	8 206
Cash flow from current operations	1 516	-5 562	4 288	-1 797
INVESTMENT ACTIVITIES				
Investments in tangible fixed assets	-371	-599	-15	-188
Divestment of assets	0	65	0	0
Long term receivables	27	3 178	-217	-126
Cash flow from investment activities	-344	2 644	-232	-314
FINANCING ACTIVITIES				
Dividend	-1 549		-1 549	
Changes in long term debt	-855	1 092	-897	690
Cash flow from financing activities	-2 404	1 092	-2 446	690
Changes in liquid funds	-1 232	-1 826	1 610	-1 421
Liquid funds at the beginning of the period	6 836	5 995	4 013	5 582
Exchange rate effect	98	-82	79	-74
Liquid funds at the end of the period	5 702	4 087	5 702	4 087

Key Figures

(kSEK)	SIX MONTHS 2016	SIX MONTHS 2015	Q2 2016	Q2 2015
Sales	150 549	149 433	75 973	76 486
Gross profit	98 043	99 545	50 481	50 849
EBITDA	5 250	8 889	2 056	4 164
Operating profit	4 650	7 568	1 822	3 505
Profit after financial items	4 645	6 716	1 584	2 848
Net profit	3 818	5 307	1 496	2 206
Total assets	142 275	114 861	142 275	114 861
Return on capital employed, %	7.4	15.2	2.9	8.1
Return on shareholders equity, %	10.2	17.6	4.0	7.6
Equity	37 438	30 102	37 438	30 102
Equity ratio, %	26.3	26.2	26.3	26.2
Debt ratio	2.8	2.8	2.8	2.8
Interest coverage ratio	12.3	9.1	8.7	7.7
Investments	371	599	15	188
Cash flow from current operations	1 516	-5 562	4 288	-1 797
Gross margin, %	65.1	66.6	66.4	66.5
EBITDA margin, %	3.5	5.9	2.7	5.4
Operating margin, %	3.1	5.1	2.4	4.6
Net profit margin, %	3.1	4.5	2.1	3.7
Number of employees, average	45	41	45	42
Number of employees by the end of the period	45	43	45	43
Sales per employee	3 383	3 690	1 707	1 821
Gross margin per employee	2 203	2 458	1 134	1 211
Profit per employee	104	166	36	68
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 31st December*	0	0	0	0
EBITDA per share, SEK	0.85	1.43	0.33	0.67
Earnings per share*, SEK	0.62	0.86	0.24	0.36
Equity per share, SEK	6.04	4.86	6.04	4.86

*There are no dilutive effects

New Nordic geographic segments

Sales divided by geographic, SEK

	Q2 2016		Q2 2015		Full year 2015	
	MSEK	PERCENT	MSEK	PERCENT	MSEK	PERCENT
Nordic	30	40	29	38	126	42
Other Europe	24	32	29	38	101	34
North America	21	27	16	21	66	22
Other World	1	1	2	3	6	2

Quarterly overview

	2016		2015				2014				2013			
	Q1	Q2	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales MSEK	74.6	76.0	72.9	76.5	73.9	75.2	61.1	74.9	65.2	70.7	51.0	58.9	58.3	59.7
Change from last year, %	2.2	-0.7	19.4	2.1	13.2	6.4	19.7	27.2	11.8	18.4	-2.2	6.1	18.0	28.0
EBITDA, MSEK	3.2	2.1	4.7	4.2	5.5	4.2	3.8	4.7	5.8	4.9	3.5	3.6	3.9	1.1
EBITDA-margin, %	4.3	2.7	6.5	5.4	7.4	5.6	6.1	6.2	8.8	7.0	6.8	6.1	6.8	1.9
Operating profit, MSEK	2.8	1.8	4.1	3.5	4.9	3.3	3.1	4.0	5.1	4.0	2.7	2.9	3.2	0.4
Operating margin, %	3.8	2.4	5.6	4.6	6.6	4.4	5.1	5.3	7.9	5.7	5.3	4.9	5.5	0.6
Profit before tax, MSEK	3.1	1.6	3.9	2.8	4.7	2.8	2.7	4.2	5.2	4.4	1.9	2.9	2.5	0.6
Net profit, MSEK	2.3	1.5	3.1	2.2	3.7	2.3	2.1	2.9	4.3	3.2	1.3	2.2	1.1	1.2
Liquid funds , MSEK	4.0	5.7	5.6	4.1	5.1	6.8	4.9	5.1	5.4	6.0	3.9	3.3	7.6	6.1
Inventories, MSEK	54.4	59.0	38.7	34.2	31.9	46.9	30.4	32.2	31.2	35.0	29.9	30.1	29.4	30.6
Equity, MSEK	37.7	37.4	27.7	30.1	33.3	35.8	15.7	18.2	22.2	25.1	9.7	11.8	12.7	13.5
Earnings per share, SEK	0.37	0.24	0.50	0.36	0.60	0.37	0.33	0.47	0.69	0.51	0.20	0.36	0.18	0.19
Equity per share, SEK	6.09	6.04	4.47	4.86	5.37	5.77	2.54	2.95	3.59	4.04	1.57	1.90	2.06	2.19
Cash flow from current operations per share, SEK	-0.53	0.69	-0.57	-0.29	0.15	0.21	0.34	0.16	0.28	-0.03	-0.24	-0.13	0.53	-0.09
Equity ratio, %	27.3	26.3	25.6	26.2	28.4	28.6	16.8	17.6	22.9	24.9	11.1	12.7	13.7	15.0

Gross profit: Net sales less cost of sold goods.

Equity: Equity as a percentage of total assets.

Leverage ratio: The ratio of total liabilities and equity.

Profit after financial items: Profit before tax.

Net profit: Profit before tax.

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.

Net profit margin: Profit after tax 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.