

Wilh. Sonesson to double sales and earnings through acquisition of Vitamex personal care group

- **Wilh. Sonesson is to acquire the personal-care group Vitamex AB and will thus become one of the leading consumer-healthcare companies in the Nordic region with sales of SEK 1.2 billion. The seller is Royal Numico of the Netherlands and the purchase consideration amounts to SEK 280 M.**
- **Wilh. Sonesson doubles operating profit**
- **Earnings per share expected to rise significantly.**

Comment from Bo Håkansson, CEO and principal owner of Wilh. Sonesson:

“Our acquisition of Vitamex increases the possibilities for our customers and suppliers to grow with us when we expand. It is a financially and structurally correct acquisition towards realizing our objective of becoming the leading personal-care company in the Nordic region.

“We are a long-term player in the personal-care market. We will now secure access to proprietary production, product development and proprietary brands. All of this will benefit our customers –retail health stores and Apoteket (Swedish national pharmacy chain).”

Financial impact

The acquisition is expected to significantly increase Wilh. Sonesson’s earnings per share on an annual basis. Sales will amount to about SEK 1,200 M, with a doubling of operating profit before depreciation.

Vitamex is a profitable company with a strong cash flow. It is estimated that sales in 2003 will amount to SEK 550 M, with operating profit before depreciation (EBITDA) of SEK 50 M.

The purchase consideration amounts to SEK 280 M. Since the acquired company includes liquid assets of SEK 40 M, the net purchase price will be SEK 240 M. The acquisition will result in goodwill of approximately SEK 180 M. The seller is Royal Numico, which is a market leader within specialized nutrition, with focus on baby food, clinical nutrition and nutritional supplements through American GNC.

The acquisition is totally loan financed. After the acquisition, Wilh. Sonesson’s net debt is estimated initially to total about SEK 280 M and the equity ratio about 30 percent. Wilh. Sonesson will acquire all of the shares in Vitamex AB and the operations will be consolidated as of October 23, 2003.

Background and reasons

Vitamex AB is a leading company in the personal-care sector. The acquisition has great strategic and financial importance:

- Focus on personal care and the Nordic region as market
- Development of proprietary, Nordic brand
- New distribution channels in deregulated markets
- Modern production facility for pharmaceuticals and vitamins/minerals
- More than SEK 1 billion in sales in personal care – one of the largest players in the Nordic region.

As a result of the acquisition, both of the companies expect to achieve considerable coordination gains within production, product development, distribution and marketing/sales. The estimated savings is substantial, short and long term.

Description of operations

Vitamex was founded at the beginning of the 1980s and its operations are located in a proprietary property in Norrköping with 11,300 square meters of floor space.

The current president, Petter Lundström, who has been active in the company for 17 years, will retain this position.

The Vitamex had sales (pro forma) in 2002 of SEK 538.6 M and operating profit before depreciation (EBITDA) of SEK 52.1 M, excluding non-recurring items. The Vitamex group consists of the following:

- Production activities in a modern approximately 5,000-square-meter GMP plant that has been approved for the production of pharmaceuticals, naturopathic medicines, vitamins and minerals. The production unit develops and manufactures the products that are sold via the company's other operations and conducts in-house product development of Vitamex's own brands. As a result of continuous investments, the quality of the plant is consistently very high. A total of 90 employees work in production.
- Export operations offer finished products, private labels, bulk sales and subcontract manufacturing to international customers, such as the Tesco convenience store chain in the UK. The export unit has five employees and its customers are mainly found in the UK, US, Germany, Poland and Australia.
- The Naturpost mail-order business is the largest subscription company in naturopathic medicines and vitamins/minerals in the Nordic region. Naturpost established a position in the Dutch market during 2003. The unit has a total of 38 employees.
- Naturapoteket is Sweden's largest integrated chain of retail stores in the health-product sector. The 52 stores have prime locations in major towns and cities. Products sold under the proprietary label Naturapoteket account for slightly more than half of sales, with other leading consumer healthcare brands accounting for the remainder. Naturapoteket stores are often located in new shopping centers.

As a result of their range and modern layout, Naturapoteket stores attract a younger target group compared with other health-product stores. Club Naturapoteket provides the company with a loyal customer segment that accounts for a considerable portion of sales. An international launch of Naturapoteket's range and store concept is currently being planned.

- Sales to the supermarket sector are a newly launched operation consisting of two employees who market a small portion of Naturapoteket's own brands, for example the newly launched Naturdiet labels.

"Naturapoteket, which is part of Vitamex, has quickly grown into one of the strongest brands in the sector. The product range and the store concept have also attracted international attention. Much has happened in our neighboring countries and we plan next year to be able to sell and distribute over-the-counter (prescription-free) pharmaceuticals. We will hold discussions with the industry's representatives before we decide on the future of Naturapoteket, since we previously stated that we should not be a player in the retail channel," says Bo Håkansson, Wilh. Sonesson's CEO.

Wilh. Sonesson AB (publ)

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Photos can be downloaded from www.wilhsonesson.com/bilder

About Wilh. Sonesson

Wilh. Sonesson is one of the leading consumer-healthcare companies in the Nordic region. The company's business concept is to offer the Nordic market well-documented products that improve the health and well-being of people. HKC, Max Medica, Bioglan, Biotics and Australian Bodycare. The Group sales first half year 2003 was 294 MSEK and a operating profit before depreciation of 28 MSEK. Read more on www.wilhsonesson.com