



## Press release

1 February 2017

# Interim President and CEO Danko Maras comments on the results for the fourth quarter of 2016

**Improved sales and operating profit adjusted, net debt/EBITDA below target and increased dividend.**

### **2016 was a good year for Cloetta**

Sales were up 3.1 per cent, of which 0.5 per cent was organic growth. Operating profit, adjusted for items affecting comparability, improved and amounted to SEK 758m (690), equal to an operating profit margin, adjusted for items affecting comparability, of 13.0 per cent (12.2). Profit for the period, adjusted for impairment, was SEK 403m (386), which is equal to earnings per share of SEK 1.41 (1.35). Cash flow remained strong and has enabled us to exceed our financial target of a 2.5x net debt/EBITDA ratio and land at 2.44x. Thanks to this strong cash generation, the Board of Directors is proposing a 50 per cent increase in the dividend to SEK 0.75 per share (0.50).

### **Stable operating profit, adjusted**

Cloetta's operating profit (EBIT) for the quarter, adjusted for items affecting comparability, increased to SEK 258m (255) and the operating margin, adjusted, was 15.3 per cent (15.7). The somewhat lower margin was mainly attributable to lower profitability in Italy.

Compared to the same quarter of last year, operating profit was significantly impacted by higher items affecting comparability, mainly the impairment related to Cloetta Italy, but also a lost court case related to the 2013 closure of the warehouse in Norrköping, Sweden, whereby Cloetta was forced to pay the rent retroactively. The closure of the factory in Dieren, the Netherlands, also had a negative effect on operating profit. Operating profit/loss therefore amounted to SEK -548m (239) and the profit/loss for the period was SEK -420m (157).

### **Strong cash flow**

Cash flow from operating activities remained strong and amounted to SEK 406m (367) in the quarter. For the full year, cash flow from operating activities was SEK 889m (927), which means that the cash conversion improved compared to last year. The results for both the quarter and the full year once again demonstrate the strength of Cloetta's cash-generating ability.

### **Confectionery market**

The confectionery market as a whole showed positive development in the Netherlands. In Sweden, Norway, Denmark, Finland and Italy, market development was negative or unchanged.

### **Increased organic sales**

Cloetta's sales for the quarter rose by 3.8 per cent, of which organic growth accounted for 1.0 per cent and exchange rate differences accounted for 2.8 per cent.

Cloetta's sales in the quarter increased in Sweden, Denmark, the Netherlands and in export markets, but declined in Finland, Italy, Norway, Germany and the UK. The positive sales trend in Sweden was

**Cloetta AB (publ)**

Org.No. 556308-8144

Kista Science Tower, SE-164 51 Kista, Sweden

Visiting address : Färögatan 33, 25<sup>th</sup> floor, Kista

+46 8 527 288 00, [www.cloetta.com](http://www.cloetta.com)



driven by pick-and-mix and seasonal products and the Netherlands saw rising sales of chewing gum and sugar confectionery. Sales increase in Denmark was driven by sugar confectionery and pastilles. In Finland sales decreased substantially due to de-stocking in the trade prior to abolition of the confectionery tax in January 2017. Overall, the abolition of the confectionery tax should support organic growth in Finland during 2017. In Italy, Cloetta lowered its prices on the key seasonal products due to decreased prices for hazelnuts and almonds in order to recover lost volumes from 2015. Since the price decrease did not lead to a full recovery of lost volumes from 2015, sales and profit in Italy were down in the quarter.

### **Strategic review Cloetta Italy**

As previously communicated we have decided to initiate a strategic review of Cloetta Italy. It's aimed at improving growth and margins in the Cloetta Group and could potentially include a divestment of the Italian business. A divestment of Cloetta Italy would improve Cloetta's EBIT margin. As a consequence of the strategic review and the performance of Cloetta Italy, we have impaired the Italian business.

### **Cloetta stands strong**

I am proud of the fact that we have been able to deliver yet another record year for Cloetta and continue to build towards achieving our long-term financial objectives. This demonstrates that Cloetta is on the right path and stands strong.

Despite the challenging situation in Italy and a one-off decline in sales in Finland, we have succeeded in growing the business organically in the quarter. In addition to positive sales development, we have also been able to increase operating profit, adjusted and generate a strong cash flow. Furthermore, I am particularly happy that we were able to meet one of Cloetta's financial objectives during the quarter, after which our net debt/EBITDA ratio is now below our target of 2.5x. In summary, 2016 was a record year for Cloetta.

We are now preparing Cloetta for the next level. The strategic review of Cloetta Italy, the focus on growth and profit drivers, operational excellence in the supply chain and potential acquisitions will therefore be important focus areas in 2017.

This information is information that Cloetta AB is obliged to make 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 below, at 08.00 CET on 1 February 2017.

### **Media contact**

Jacob Broberg, SVP Corporate Communications & Investor Relations, +46 70 190 00 33.

### **About Cloetta**

Cloetta, founded in 1862, is a leading confectionary company in the Nordic region, the Netherlands, and Italy. In total, Cloetta products are sold in more than 50 countries worldwide. Cloetta owns some of the strongest brands on the market, such as Läkerol, Cloetta, Jenkki, Kexchoklad, Malaco, Sportlife, Saila, Red Band and Sperlari. Cloetta has 12 production units in six countries. Cloetta's class B-shares are traded on Nasdaq Stockholm. More information about Cloetta is available on [www.cloetta.com](http://www.cloetta.com)

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