

The Candy King mascot is a white, stylized character with a crown-like top, large eyes, and a wide smile. It has its arms raised in a friendly gesture. The background consists of vibrant, wavy bands of color: pink, orange, green, and blue.

**Candyking
Q2 report 2014**

**CANDY
KING®**

Second quarter 2014



- Candyking's business is highly seasonal with Easter representing the strongest sales period during the year for our main markets Sweden and Norway. Last year Easter occurred in Q1 whereas this year it occurred in Q2. This has significant impact on operating result and, consequently making a quarterly comparison on group level not meaningful.
- Q2 volumes increased by 22.6% mainly due to the Easter seasonality effect.
- Net Sales increased by 24.7% to MSEK 460.0 (368.8). The increase was 21.0% measured in constant currency.
- Gross margin decreased to 34.3% (36.4%). The decrease was mostly due to the increased raw material prices and adverse currency fluctuations, foremost a continuously strengthened EUR vs SEK. Price increases have been implemented during the quarter, however with very small impact in Q2. The gross margin increased slightly vs Q1 in spite of a continuously strengthened EUR.
- The underlying EBIT amounted to MSEK 19.3 (3.7), which was an effect of the Easter sales in Sweden and Norway.
- Net financial items amounted to MSEK -39.8 (-58.1) for the period.
- The net loss for the second quarter increased by MSEK 23.6 to MSEK 22.6 (46.2)
- Cash flow from operating activities decreased to MSEK 26.2 (72.9), mainly due to negative changes in working capital.
- Net Debt increased to 791.9 (675.4).

MSEK	Second quarter		
	Apr-Jun 2014	Apr-Jun 2013	Change, (%)
Volume (tonnes)	10,951	8,932	22.6
Net Sales	460.0	368.8	24.7
Net Sales constant currency	460.0	380.1	21.0
Underlying EBIT	19.3	3.7	426.5
Underlying EBITDA	34.3	18.2	89.0
Profit (loss) for the period	-22.6	-46.2	-
Cash flow from operating activities	26.2	72.9	-64.0
Net Debt***	791.9	675.4	17.3

Significant events after the end of the period

- Candyking's three year agreement with Coop Sverige AB ends December 31st, 2014 and will not be extended. In 2013, Coop Sverige AB accounted for around 14% of the total volume.
- Frida Åkerblom was appointed new CFO & VP Business Support from 1st of August.

*Group consolidated in fixed fx rates. Current period's fx rates applied on previous period.

**Underlying profitability measures: Recognized earnings measurement including reversals of total non recurring items of MSEK 4.3. Non recurring items pertains to one off items, the realized effects of currency future contracts and losses from the discontinued operations in Slovakia, the Czech Republic and Hungary. One off items for the second quarter mainly relates to costs for close down of warehouse in Moss in 2012 2

***The definition of Net debt have been changed to exclude Vendor notes. Net debt is now defined as interest bearing debt, less cash and cash equivalent. With the old definition net debt is MSEK 825.0 (707.0)

First six months



- Volume increased by 3.7% due to strong Easter sales in Norway and roll out of new customers in both Poland and Denmark. This was somewhat mitigated by disappointing Easter sales in Sweden.
- Net sales for the first 6 months increased by 4.8% to MSEK 904.7 (863.3). Measured in constant currency net sales increased by 3.1%.
- Gross margin decreased to 34.2% (36.9%) primarily due to adverse currency fluctuations and a stronger growth in markets and with customers with lower gross margin.
- Underlying EBIT amounted to MSEK 29.2 (46.0). The decrease was related to a weak Easter in Sweden combined with lower margins as a consequence of adverse currency movements increasing the cost of goods sold. Price increases have been implemented during Q2 and are expected to gradually generate effect during the second half of 2014. Disregarding Sweden, the underlying EBIT improved due to successful Easter in Norway and new customers in Denmark and Poland.
- Net financial items amounted to MSEK -79.7 (-74.8) for the first six months.
- The loss for the period increased by MSEK 19.8 to MSEK 53.6 (33.8)
- Cash flow from operations decreased by MSEK 132.9 due to negative changes in working capital and weak Easter performance in Sweden.
- Net Debt increased to 791.9 (675.4).

MSEK	First 6 months		
	Jan-Jun 2014	Jan-Jun 2013	Change, (%)
Volume (tonnes)	21,840	21,062	3.7
Net Sales	904.7	863.3	4.8
Net Sales constant currency	904.7	877.1	3.1
Underlying EBIT	29.2	46.0	-36.5
Underlying EBITDA	59.3	74.0	-19.9
Profit (loss) for the period	-53.6	-33.8	-
Cash flow from operating activities	-60.0	72.9	n.a.
Net Debt***	791.9	675.4	17.3

*Group consolidated in fixed fx rates. Current period's fx rates applied on previous period.

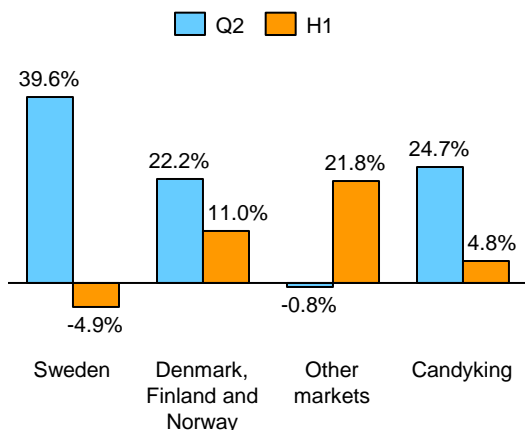
**Underlying profitability measures: Recognized earnings measurement including reversals of total non recurring items MSEK 10.5. Non recurring items pertains to one off items, the realized effects of currency future contracts and losses from the discontinued operations in Slovakia, the Czech Republic and Hungary. One off items for the first six months mainly relates to costs for the bond issue, cost related to the previous CEO and cost related to the warehouse close down in Moss 2012.

***The definition of Net debt have been changed to exclude Vendor notes. Net debt is now defined as interest bearing debt, less cash and cash equivalent. With the old definition net debt is MSEK 825.0 (707.0)

Candyking segments



Year-on-year net sales growth



Net Sales per segment

MSEK	Second Quarter		
	2013	2013cc*	2014
Sweden	155.5	155.5	217.1
Denmark, Finland and Norway	135.9	141.6	166.1
Other markets	77.4	83.0	76.8
Candyking	368.8	380.1	460.0

MSEK	First 6 months		
	2013	2013cc*	2014
Sweden	426.9	426.9	405.8
Denmark, Finland and Norway	303.9	308.8	337.3
Other markets	132.6	141.4	161.5
Candyking	863.3	877.1	904.7

Sweden

Due to the timing of Easter net sales increased by 39.6% in the second quarter compared to the same period last year. Easter took place in the third week of April in 2014 while it occurred in the last week of March in 2013.

Net sales for the first 6 months fell by 4.9% compared to last year due to a lower consumer outtake during Easter. Volume decreased by 2.3% during the same period.

Price increases started taking some effect during the latter part of the second quarter to mitigate the increased cost of raw material and the negative currency effect on imported goods (EUR/SEK).

Denmark, Finland & Norway

The volume increased by 14.7% and net sales increased by 22.2% in the second quarter. Measured in fixed exchange rates net sales increased by 17.3% compared to Q2 2013. Roll out at Coop in Denmark and Easter seasonality effect in Norway more than compensated the roll-off of S-group in Finland.

Net sales during the first 6 months increased by 11.0% compared same period last year. Measured in constant currency the net sales increase was 9.2%. Denmark and Norway had a positive development in volume and net sales while Finland had decreasing volumes due to the termination of the S-group central contract.

Other Markets**

In the second quarter volume fell by 5.8% while net sales decreased 0.8%. Net sales development was -7.5% measured in constant currency. Slow sales in UK especially in the cinema segment was one reason behind the decline while the Polish market experienced growth thanks to the new customer Biedronka, one of the largest retail chains in Poland. The exit from Hungary, Czech Republic and Slovakia had a minor effect on the sales, whereas sales growth excluding these markets was +1.2% (-5.7% measured in constant currency) while volume was down 3.9%.

Net sales increased by 21.8% in the first 6 months due to strong campaigns in UK during Q1, a new customer in the Polish market and increased sales to international customers. Measured in constant currency the net sales growth was 14.2%. The volume during the same period increased by 16.2%

*Group consolidated in fixed fx rates. Current period's fx rates applied on previous period. ** The Other Markets segment include multinational customers, exports and operations in new markets where the pick & mix concept is relatively new and the penetration is less than 5% of the confectionery market

Consolidated quarterly data, profit and loss



MSEK	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Volume (tonnes)	10,951	10,889	11,590	10,611	8,932	12,130	10,728	9,409	9,036	11,682
Net Sales	460.0	444.7	470.0	427.6	368.8	494.5	459.2	394.5	390.7	503.6
Other operating income	3.9	2.1	3.5	2.0	3.0	4.9	3.0	4.2	1.1	4.8
Total income	464.0	446.7	473.5	429.6	371.9	499.4	462.3	398.7	391.8	508.4
Goods for resale	-302.3	-292.7	-305.8	-275.2	-234.4	-310.3	-287.7	-253.2	-255.2	-327.8
Other external costs	-64.7	-71.8	-97.9	-62.7	-60.6	-70.7	-75.3	-61.5	-62.9	-66.8
Personnel costs	-61.6	-61.6	-62.6	-54.2	-58.6	-66.5	-62.5	-56.8	-69.6	-68.4
Depreciation and amortisation	-17.6	-15.6	-17.6	-14.8	-14.8	-13.8	-17.3	-10.4	-10.7	-10.4
Other operating expenses	-2.8	-1.3	-2.6	-0.9	-3.5	-3.4	-3.1	-4.1	-3.1	-1.2
Total operating costs	-449.0	-443.0	-486.6	-407.8	-371.9	-464.7	-446.0	-386.1	-401.5	-474.6
Operating profit	15.0	3.7	-13.1	21.8	-0.1	34.7	16.3	12.6	-9.8	33.8
Non recurring items	-4.3	-6.2	-41.4	-3.4	-3.7	-7.6	-13.3	-11.3	-10.8	-6.1
Underlying* operating profit (EBIT)	19.3	9.9	28.3	25.3	3.7	42.4	29.6	23.9	1.0	39.8
Underlying* EBITDA	34.3	24.9	43.0	39.8	18.2	55.8	46.9	34.3	11.7	50.3

*Underlying profitability measures: Recognized earnings measurement including reversals of total non recurring items.

Consolidated profit and loss



MSEK	Second quarter		First 6 months	
	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013
Net Sales	460.0	368.8	904.7	863.3
Other operating income	3.9	3.0	6.0	8.0
Total income	464.0	371.9	910.7	871.3
Goods for resale	-302.3	-234.4	-595.0	-544.8
Other external costs	-64.7	-60.6	-136.5	-131.3
Personnel costs	-61.6	-58.6	-123.2	-125.1
Depreciation and amortisation	-17.6	-14.8	-33.3	-28.5
Other operating expenses	-2.8	-3.5	-4.1	-6.9
Total operating costs	-449.0	-371.9	-892.0	-836.6
Operating profit	15.0	-0.1	18.7	34.7
Net financial items	-39.8	-58.1	-79.7	-74.8
Profit (loss) before taxes	-24.9	-58.1	-61.1	-40.1
Taxes	2.3	11.9	7.5	6.3
Net profit (loss) for the period	-22.6	-46.2	-53.6	-33.8
Other comprehensive income				
Items that may be reclassified subsequently to profit and loss				
Exchange differences arising from translating foreign operations	10.8	13.0	20.6	-10.5
Total comprehensive income, net of tax	-11.8	-33.3	-33.0	-44.3

Consolidated balance sheet



MSEK	30-Jun-14	30-Jun-13
Intangible assets	1 126.1	1 131.9
Tangible assets	110.6	102.2
Deferred tax assets	114.0	100.6
Financial non-current assets	4.1	3.9
Total non-current assets	1 354.8	1 338.6
Inventory	89.1	73.6
Accounts receivable	176.7	183.0
Derivate instruments	0.0	2.6
Tax receivables	1.1	1.4
Deferred tax receivables	0.0	0.1
Prepaid expenses, accrued income and other receivables	38.5	25.3
Cash and cash equivalents	49.4	5.2
Total current assets	354.8	291.0
TOTAL ASSETS	1 709.6	1 629.6

MSEK	30-Jun-14	30-Jun-13
Shareholders' equity	-4.6	-8.2
Borrowings	738.7	380.3
Derivate instruments	0.0	0.0
Liabilities to shareholders	550.2	719.8
Deferred tax liabilities	56.8	57.1
Pension obligations	4.1	3.9
Other liabilities	0.0	0.0
Total non-current liabilities	1 349.7	1 161.2
Borrowings	0.8	58.8
Derivate instruments	0.0	0.2
Bank overdraft facilities	0.0	49.0
Accounts payable	160.8	230.6
Other liabilities	100.1	37.1
Tax liabilities	1.7	2.7
Deferred tax liabilities	0.0	0.0
Accrued expenses and deferred income	101.0	98.5
Total current liabilities	364.5	476.7
TOTAL EQUITY AND LIABILITIES	1 709.6	1 629.6

Consolidated cash flow statement



MSEK	Second quarter		First 6 months	
	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013
Operating profit before financial items	15.0	-0.1	18.7	34.7
Depreciation and amortisation	17.6	14.8	33.3	28.5
Other non-cash items	-0.4	1.8	-2.1	-1.3
Income tax paid	-0.6	-1.7	-2.3	-3.2
Cash flow from operating activities before changes in working capital	31.6	14.8	47.6	58.6
Changes in working capital	-5.4	58.0	-107.6	32.3
Cash flow from operating activities	26.2	72.9	-60.0	90.9
Cash flow from investing activities	-9.3	-29.9	-32.8	-56.6
Amortisation of loans	-0.3	-29.6	-615.6	-30.2
Borrowings	0.0	0.0	773.8	0.0
Received interest	0.2	1.0	0.2	1.0
Paid interest	-14.4	-14.8	-28.2	-27.3
Increase/decrease in current financial liabilities	0.0	0.4	5.9	20.9
Cash flow from financing activities	-14.6	-42.9	136.1	-35.6
Cash flow from the period	2.3	0.0	43.2	-1.2

Consolidated statement of changes in shareholders' equity in summary



MSEK	Second quarter		First 6 months	
	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013
Shareholders' equity at the beginning of the period	7.2	25.0	28.4	36.0
Profit (loss) for the period	-22.6	-46.2	-53.6	-33.8
Exchange-rate differences	10.8	13.0	20.6	-10.5
Total comprehensive income	-11.8	-33.2	-33.0	-44.3
Transactions with shareholders	0.0	0.0	0.0	0.0
Shareholders' equity at the end of the period	-4.6	-8.2	-4.6	-8.3

Parent company profit and loss in summary



MSEK	Second quarter		First 6 months	
	Apr-Jun 2014	Apr-Jun 2013	Jan-Jun 2014	Jan-Jun 2013
Net Sales	0.0	0.0	0,0	0,0
Other operating income	19.8	2.7	33,1	43,5
Total income	19.8	2.7	33,1	43,5
Goods for resale	0.0	0.0	0,0	0,0
Other external costs	-6.5	-3.9	-14,2	-8,9
Personnel costs	-10.9	-10.4	-23,1	-27,2
Depreciation and amortisation	-0.5	-0.9	-1,1	-1,8
Other operating expenses	0.0	-0.1	-0,1	-0,6
Total operating costs	-17.9	-15.3	-38,6	-38,4
Operating profit	1.9	-12.7	-5,5	5,1
Net financial items	-28.4	-55.0	-61,6	-61,3
Profit (loss) before tax	-26.5	-67.6	-67,2	-56,2
Taxes	3.5	14.9	10,0	12,4
Net profit (loss) for the period	-23.0	-52.7	-57,2	-43,8

Parent company balance sheet and statement of changes in shareholders' equity in summary



MSEK	30-Jun-14	30-Jun-13
Intangible assets	5.7	8.3
Tangible assets	0.1	0.1
Deferred tax assets	0.0	0.0
Financial non-current assets	1 498.6	1 460.2
Total non-current assets	1 504.4	1 468.7
Current assets	38.6	47.8
Total current assets	38.6	47.8
TOTAL ASSETS	1 543.0	1 516.5
Shareholders' equity	132.6	148.3
Non-current liabilities	1 300.2	1 110.6
Total non-current liabilities	1 300.2	1 110.6
Current liabilities	110.2	257.6
Total current liabilities	110.2	257.6
TOTAL EQUITY AND LIABILITIES	1 543.0	1 516.5

MSEK	30-Jun-14	30-Jun-13
Shareholders' equity	189.8	192.1
Profit (loss) for the period	-57.2	-43.8
Total comprehensive income	-57.2	-43.8
Transaction with shareholders	0.0	0.0
Shareholders' equity at the end of the period	132.6	148.3

This report has not been reviewed by the Company's auditor

For more information please contact:

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About Candyking

Candyking was founded in 1984 and is the leading supplier of pick & mix in the Nordic region, the UK & Ireland and Poland. Candyking currently has more than 10,000 retail outlets and offers stores a turnkey concept that includes products, displays and accompanying store and logistic services. Candyking's confectionery concept and brands are Candyking, Karamellkungen, Premiyum and Candyking Favourites. In addition, Candyking is the leading pick & mix supplier of natural snacks in Sweden and Finland under the Parrot's brand. In 2013, the company had about 1,000 employees and sales of about SEK 1.8 billion. More information is available at www.candyking.com