

A white, cartoonish character with a blue outline, resembling a stylized head or a crown, is peeking out from behind a blue wavy background. The character has large, expressive black eyes and a wide, smiling mouth. It is waving its right hand towards the viewer.

Candyking  
Q3 report 2014

CANDY  
KING®

# Third quarter 2014



- Q3 volumes decreased by 8.9% compared to last year, mainly due to lower sales in Sweden.
- Net Sales declined by 2.7% to MSEK 415.9 (427.6). The decrease was 6.1% measured in constant currency.
- Gross margin amounted to 35.0% (35.6%). The reason was mostly due to the strong sales development in Denmark where the product margin is lower as a consequence of the sugar tax. Excluding the sugar tax the gross margin increased to 38.3% (37.6%) in Q3. The increase in gross margin was mainly driven by growth in markets with higher margin and to some extent price increases. Price increases to give full impact in Q4, whereas continued weakening of SEK and NOK have an adverse effect.
- The underlying EBIT amounted to MSEK 18.6 (25.3). The decrease was related to lower sales and weaker gross margin in Sweden.
- Net financial items increased by MSEK 7.3 to MSEK -30.2 (-22.9) in the third quarter, mainly due to negative fx effects of the EUR debt, primarily shareholder loans.
- The net loss amounted to MSEK -15.6 ( 0.0) for the period.
- Cash flow from operating activities decreased slightly to MSEK 3.3 (7.7), mainly due to the lower operating profit for the period.
- Net Debt increased to 810.4 (689.3), mainly due to negative changes in working capital, explained by normalized supplier payments in the beginning of the year.
- At an extraordinary General Meeting the 26<sup>th</sup> of September it was decided to issue a maximum of 25,064,997 preferential shares. Accent Two Holding Limited and Accent Fifteen Holding Limited has subsequently chosen to subscribe for all 25,064,997 preference shares at a subscription price of EUR 2 per share. The payment was done by set-off of shareholder loans.

\*\*\*The definition of Net debt changed in the Q2 report 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 843.9 (721.4)

MSEK	Third quarter		
	Jul-Sep 2014	Jul-Sep 2013	Change, (%)
Volume (tonnes)	9,670	10,611	-8.9
Net Sales	415.9	427.6	-2.7
Net Sales constant currency*	415.9	443.0	-6.1
Underlying** EBIT	18.6	25.3	-26.2
Underlying** EBITDA	33.3	39.8	-16.2
Profit (loss) for the period	-15.6	0.0	-
Cash flow from operating activities	3.3	7.7	-57.0
Net Debt***	810.4	689.3	17.6

## Significant events after the end of the period

- No significant events after the end of the period

\*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 1.0.

# First nine months



- Volume fairly stable with a minor decline of 0.5%. International sales continue to develop favorably mainly driven by strong growth in Denmark. Excluding Sweden, where the sales development has been weak, the volume increased by 5.2%.
- Net sales for the first 9 months increased by 2.3% to MSEK 1,320.5 (1,290.9). Measured in constant currency net sales was in the same level as last year.
- Gross margin amounted to 34.5% (36.5%), a decline primarily caused by a weaker Swedish krona compared to the Euro. Excluding the Danish sugar tax the gross margin amounted to 37.4% (38.5%).
- Underlying EBIT amounted to MSEK 47.9 (71.3). The decrease was related to a weak performance in Sweden and adverse currency movements. Price increases have been implemented during Q2 and has given some positive effect in Q3.
- Net financial items amounted to MSEK -109.9 (-97.7) for the first nine months.
- The loss for the period increased by MSEK 35.4 to MSEK -69.2 (33.8)
- Cash flow from operations decreased by MSEK 155.3 mostly due to negative changes in working capital during the first half of the year. The decrease is explained by normalized supplier payments in the beginning of the year.

\*\*\*The definition of Net debt changed in the Q2 report 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 843.9 (721.4)

MSEK	First 9 months		
	Jan-Sep 2014	Jan-Sep 2013	Change, (%)
Volume (tonnes)	31,510	31,673	-0.5
Net Sales	1 320.5	1 290.9	2.3
Net Sales constant currency*	1 320.5	1 320.1	0.0
Underlying** EBIT	47.9	71.3	-32.9
Underlying** EBITDA	92.6	113.8	-18.6
Profit (loss) for the period	-69.2	-33.8	-
Cash flow from operating activities	-56.7	98.6	n.a.
Net Debt***	810.4	689.3	17.6

## Significant events after the end of the period

- No significant events after the end of the period

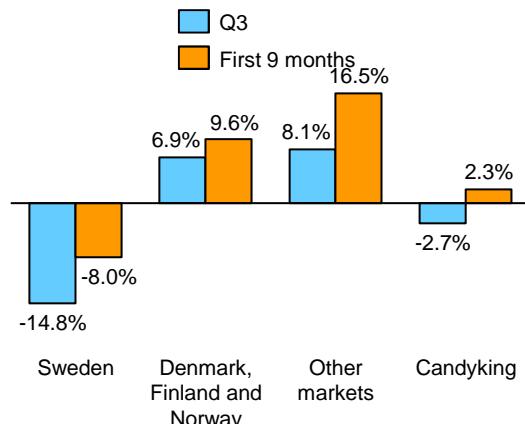
\*Group consolidated in fixed fx rates. Current period's fx rates applied on previous period.

\*\*Underlying profitability measures: Recognized earnings measurement including reversals of total non recurring items MSEK 11.5 (Of which MSEK 8.4 effects EBITDA). 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 Norway 2012.

# Candyking segments



## Year-on-year net sales growth



## Net Sales per segment

MSEK	Third Quarter		
	2013	2013cc*	2014
Sweden	194.6	194.6	165.9
Denmark, Finland and Norway	148.6	156.1	158.8
Other markets	84.4	92.3	91.3
<b>Candyking</b>	<b>427.6</b>	<b>443.0</b>	<b>415.9</b>

MSEK	First 9 months		
	2013	2013cc*	2014
Sweden	621.5	621.5	571.7
Denmark, Finland and Norway	452.5	464.9	496.1
Other markets	217.0	233.7	252.7
<b>Candyking</b>	<b>1,290.9</b>	<b>1,320.1</b>	<b>1,320.5</b>

### Sweden

In the third quarter, the volume decreased by 15.9% and the net sales by 14.8% by loss of a customer cluster and a very warm summer, which favors other product categories. Price increases have started to show some effect but continue to lag purchasing price development as exchange rates have continued in an unfavorable direction.

Net sales for the first 9 months fell with 8.0% compared to the same period last year where a low like-for-like sales as well as a slow volume sales in Q3 were the main drivers. During the same period the volume decreased by 6.6%.

### Denmark, Finland & Norway

The volume decreased by 4.0% while net sales grew by 6.9% in the third quarter. Measured in fixed exchange rates net sales increased by 1.7% compared to Q3 2013. The warm summer was the main driver behind the slower volumes in Q3 where the healthy growth in Denmark and Norway could not fully counter the roll-off at S-group in Finland. Excluding sugar tax on net sales in Denmark the net sales growth is 0.3%

Net sales during the first 9 months increased by 9.6% compared to first 9 months last year. Measured in constant currency the growth was 6.7%. Excluding sugar tax effects the net sales growth was 4.0%. Volume increase in the same period was 2.3%. Denmark and Norway with a positive development in volume and net sales while Finland decreased due to the termination of the S-group central contract.

### Other Markets\*\*

In the third quarter, volume decreased by 1.7% while net sales grew by 8.1%. In constant currency net sales development was 1.2%. Healthy growth was delivered in the UK by new seasonal products and in Poland driven by the new retail chain customer Biedronka.

In the first 9 months net sales increased by 16.5% compared to same period last year, measured in constant currency the increase was 8.1%. Volume in the same period rose by 9.3%. The growth is mainly driven by positive development in the UK, Poland and increased sales to international customers.

\*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	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Volume (tonnes)	9,670	10,951	10,889	11,590	10,611	8,932	12,130	10,728	9,409	9,036	11,682
Net Sales	415.9	460.0	444.7	470.0	427.6	368.8	494.5	459.2	394.5	390.7	503.6
Other operating income	1.7	3.9	2.1	3.5	2.0	3.0	4.9	3.0	4.2	1.1	4.8
<b>Total income</b>	<b>417.6</b>	<b>464.0</b>	<b>446.7</b>	<b>473.5</b>	<b>429.6</b>	<b>371.9</b>	<b>499.4</b>	<b>462.3</b>	<b>398.7</b>	<b>391.8</b>	<b>508.4</b>
Goods for resale	-270.3	-302.3	-292.7	-305.8	-275.2	-234.4	-310.3	-287.7	-253.2	-255.2	-327.8
Other external costs	-61.6	-64.7	-71.8	-97.9	-62.7	-60.6	-70.7	-75.3	-61.5	-62.9	-66.8
Personnel costs	-52.6	-61.6	-61.6	-62.6	-54.2	-58.6	-66.5	-62.5	-56.8	-69.6	-68.4
Depreciation and amortisation	-14.6	-17.6	-15.6	-17.6	-14.8	-14.8	-13.8	-17.3	-10.4	-10.7	-10.4
Other operating expenses	-0.9	-2.8	-1.3	-2.6	-0.9	-3.5	-3.4	-3.1	-4.1	-3.1	-1.2
<b>Total operating costs</b>	<b>-399.9</b>	<b>-449.0</b>	<b>-443.0</b>	<b>-486.6</b>	<b>-407.8</b>	<b>-371.9</b>	<b>-464.7</b>	<b>-446.0</b>	<b>-386.1</b>	<b>-401.5</b>	<b>-474.6</b>
<b>Operating profit</b>	<b>17.7</b>	<b>15.0</b>	<b>3.7</b>	<b>-13.1</b>	<b>21.8</b>	<b>-0.1</b>	<b>34.7</b>	<b>16.3</b>	<b>12.6</b>	<b>-9.8</b>	<b>33.8</b>
Non recurring items	-0.9	-4.3	-6.2	-41.4	-3.4	-3.7	-7.6	-13.3	-11.3	-10.8	-6.1
Underlying* operating profit (EBIT)	18.6	19.3	9.9	28.3	25.3	3.7	42.4	29.6	23.9	1.0	39.8
Underlying* EBITDA	33.3	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	Third quarter		First 9 months	
	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013
Net Sales	415.9	427.6	1 320.5	1 290.9
Other operating income	1.7	2.0	7.8	10.0
<b>Total income</b>	<b>417.6</b>	<b>429.6</b>	<b>1 328.3</b>	<b>1 300.9</b>
Goods for resale	-270.3	-275.2	-865.3	-820.0
Other external costs	-61.6	-62.7	-198.0	-194.0
Personnel costs	-52.6	-54.2	-175.9	-179.3
Depreciation and amortisation	-14.6	-14.8	-47.8	-43.4
Other operating expenses	-0.9	-0.9	-4.9	-7.8
<b>Total operating costs</b>	<b>-399.9</b>	<b>-407.8</b>	<b>-1 291.9</b>	<b>-1 244.4</b>
<b>Operating profit</b>	<b>17.7</b>	<b>21.8</b>	<b>36.4</b>	<b>56.5</b>
Net financial items	-30.2	-22.9	-109.9	-97.7
<b>Profit (loss) before taxes</b>	<b>-12.5</b>	<b>-1.1</b>	<b>-73.5</b>	<b>-41.2</b>
Taxes	-3.2	1.1	4.3	7.4
<b>Net profit (loss) for the period</b>	<b>-15.6</b>	<b>0.0</b>	<b>-69.2</b>	<b>-33.8</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to profit and loss</b>				
Exchange differences arising from translating foreign operations	9.3	-15.8	29.8	-26.2
<b>Total comprehensive income, net of tax</b>	<b>-6.4</b>	<b>-15.7</b>	<b>-39.4</b>	<b>-60.0</b>

# Consolidated balance sheet



MSEK	30-sep-14	30-sep-13
Intangible assets	1 129.7	1 112.2
Tangible assets	108.3	97.8
Deferred tax assets	112.2	101.2
Financial non-current assets	4.1	3.9
<b>Total non-current assets</b>	<b>1 354.2</b>	<b>1 315.1</b>
Inventory	100.3	82.9
Accounts receivable	219.8	196.4
Derivate instruments	0.0	1.1
Tax receivables	0.3	0.2
Deferred tax receivables	0.0	0.1
Prepaid expenses, accrued income and other receivables	41.1	37.8
Cash and cash equivalents	14.8	4.5
<b>Total current assets</b>	<b>376.2</b>	<b>323.1</b>
<b>TOTAL ASSETS</b>	<b>1 730.4</b>	<b>1 638.2</b>

MSEK	30-sep-14	30-sep-13
<b>Shareholders' equity</b>	<b>449.7</b>	<b>-23.985</b>
Borrowings	739.5	381.9
Derivate instruments	0.0	0.0
Liabilities to shareholders	104.9	731.7
Deferred tax liabilities	57.2	55.5
Pension obligations	4.1	3.9
Other liabilities	0.0	0.0
<b>Total non-current liabilities</b>	<b>905.6</b>	<b>1 173.0</b>
Borrowings	0.6	58.4
Derivate instruments	0.0	0.5
Bank overdraft facilities	33.0	55.7
Accounts payable	185.8	230.1
Other liabilities	53.8	43.3
Tax liabilities	3.1	3.1
Deferred tax liabilities	0.0	0.0
Accrued expenses and deferred income	98.8	98.1
<b>Total current liabilities</b>	<b>375.1</b>	<b>489.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 730.4</b>	<b>1 638.2</b>

# Consolidated statement of changes in shareholders' equity in summary



MSEK	Third quarter		First 9 months	
	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013
<b>Shareholders' equity at the beginning of the period</b>	-4.6	25.0	28.4	36.0
Profit (loss) for the period	-15.7	0.0	-69.2	-33.8
Exchange-rate differences	9.3	-15.8	29.8	-26.2
<b>Total comprehensive income</b>	<b>-6.4</b>	<b>-15.7</b>	<b>-39.4</b>	<b>-60.0</b>
<b>Transactions with shareholders</b>	<b>460.8</b>	<b>0.0</b>	<b>460.8</b>	<b>0.0</b>
<b>Shareholders' equity at the end of the period</b>	<b>449.8</b>	<b>9.3</b>	<b>449.8</b>	<b>-24.0</b>

# Consolidated cash flow statement



MSEK	Third quarter		First 9 months	
	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013
Operating profit before financial items	17.7	21.8	36.4	56.5
Depreciation and amortisation	14.6	14.8	47.8	43.4
Other non-cash items	0.1	-1.0	-2.0	-2.3
Income tax paid	1.1	1.3	-1.2	-2.0
<b>Cash flow from operating activities before changes in working capital</b>	<b>33.4</b>	<b>37.0</b>	<b>81.0</b>	<b>95.6</b>
<b>Changes in working capital</b>	<b>-30.1</b>	<b>-29.3</b>	<b>-137.7</b>	<b>3.0</b>
<b>Cash flow from operating activities</b>	<b>3.3</b>	<b>7.7</b>	<b>-56.7</b>	<b>98.6</b>
<b>Cash flow from investing activities</b>	<b>-7.2</b>	<b>-6.0</b>	<b>-40.0</b>	<b>-62.6</b>
New share issue	460.8	0.0	460.8	0.0
Amortisation of loans	-495.2	-0.6	-1 110.8	-30.8
Borrowings	0.0	0.0	773.8	0.0
Received interest	0.2	0.0	0.4	1.0
Paid interest	-30.2	-6.8	-58.4	-34.1
Increase/decrease in current financial liabilities	33.0	6.7	39.0	27.6
<b>Cash flow from financing activities</b>	<b>-31.4</b>	<b>-0.6</b>	<b>104.7</b>	<b>-36.2</b>
<b>Cash flow from the period</b>	<b>-35.2</b>	<b>1.0</b>	<b>8.0</b>	<b>-0.2</b>

# Parent company profit and loss in summary



MSEK	Third quarter		First 9 months	
	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013
Net Sales	0.0	0.0	0.0	0.0
Other operating income	19.7	17.3	52.8	60.7
<b>Total income</b>	<b>19.7</b>	<b>17.3</b>	<b>52.8</b>	<b>60.7</b>
Goods for resale	0.0	0.0	0.0	0.0
Other external costs	-4.3	-3.5	-18.5	-12.3
Personnel costs	-9.0	-7.3	-32.1	-34.5
Depreciation and amortisation	-0.5	-0.9	-1.6	-2.7
Other operating expenses	-0.1	-0.1	-0.2	-0.6
<b>Total operating costs</b>	<b>-13.8</b>	<b>-11.8</b>	<b>-52.4</b>	<b>-50.1</b>
<b>Operating profit</b>	<b>5.9</b>	<b>5.5</b>	<b>0.4</b>	<b>10.6</b>
Net financial items	-22.9	-12.8	-84.5	-74.1
<b>Profit (loss) before tax</b>	<b>-17.0</b>	<b>-7.3</b>	<b>-84.1</b>	<b>-63.5</b>
Taxes	-0.3	1.6	9.7	13.9
<b>Net profit (loss) for the period</b>	<b>-17.2</b>	<b>-5.7</b>	<b>-74.4</b>	<b>-49.6</b>

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



MSEK	30-Sept-14	30-Sept-13
Intangible assets	6.0	7.5
Tangible assets	0.0	0.1
Deferred tax assets	0.0	0.0
Financial non-current assets	1 498.6	1 461.9
<b>Total non-current assets</b>	<b>1 504.7</b>	<b>1 469.5</b>
Current assets	47.3	40.3
<b>Total current assets</b>	<b>47.3</b>	<b>40.3</b>
<b>TOTAL ASSETS</b>	<b>1 552.0</b>	<b>1 509.8</b>
Shareholders' equity	576.2	142.6
Non-current liabilities	855.7	1 124.3
<b>Total non-current liabilities</b>	<b>855.7</b>	<b>1 124.3</b>
Current liabilities	120.1	242.9
<b>Total current liabilities</b>	<b>120.1</b>	<b>242.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 552.0</b>	<b>1 509.8</b>

MSEK	30-Sept-14	30-Sept-13
Shareholders' equity	189.8	192.1
Profit (loss) for the period	-74.4	-49.6
<b>Total comprehensive income</b>	<b>-74.4</b>	<b>-49.6</b>
Transaction with shareholders	460.8	0.0
<b>Shareholders' equity at the end of the period</b>	<b>576.2</b>	<b>142.6</b>

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

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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](http://www.candyking.com)*