

**Candyking  
Q4 report 2014**



**CANDY  
KING®**

# Fourth quarter 2014



- Q4 volumes decreased by 9.2% compared to last year, mainly due to lower sales in Sweden. Net sales declined by 4.7% to MSEK 448.0 (470.0). The decrease was 7.0% measured in constant currency.
- Gross margin amounted to 33.4% (34.9%). Excluding the effects from the sugar tax in Denmark the gross margin was 36.5% (36.9%). The decrease was mainly an effect of a continued weakening of the Swedish and Norwegian krona.
- The underlying EBIT amounted to MSEK 21.5 (28.3). The decrease was related to lower sales and a weaker gross margin in Sweden. The markets outside Sweden increased the underlying EBITDA by over 21% following efficiency improvements and strong sales in profitable markets.
- Net financial items decreased by MSEK 30.1 to MSEK -14.7 (-44.8) in the fourth quarter, mainly due to decreased interest cost as a consequence of the conversion of shareholder loans to equity.
- The net profit amounted to MSEK 2.3 (-55.5) for the period.
- Cash flow from operating activities increased to MSEK 76.7 (69.6).
- Net debt amounted to 790.1 (661.3), which is SEK 20.3m lower than end of Q3 and the lowest during 2014.
- The cooperation with continues and a new three year agreement was agreed. The agreement includes the chains Rema 1000 and Bunnpris which together account for approximately 27% of the Norwegian grocery market

\*\*\*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	Fourth quarter		
	Oct-Dec 2014	Oct-Dec 2013	Change, (%)
Volume (tonnes)	10,523	11,590	-9.2
Net Sales	448.0	470.0	-4.7
Net Sales constant currency*	448.0	481.7	-7.0
Underlying EBIT**	21.5	28.3	-24.0
Underlying EBITDA**	36.2	43.0	-15.9
Profit (loss) for the period	2.3	-55.5	-
Cash flow from operating activities	76.7	69.6	10.2
Net debt***	790.1	661.3	19.5

## 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 4.0 (of which MSEK 0.3 effected EBITDA), mainly related to the write down of displays in Sweden due to cancelled Coop contract.

# Full year 2014



- Volume decreased with 2.8%. International sales have had a strong development during the year, especially in Denmark with over 40% growth. The strong international sales could not fully compensate a weak sales development in Sweden. Net sales were fairly stable with a minor increase of 0.4% to MSEK 1,768.6 (1,760.9). Measured in constant currency net sales decreased by 1.8%.
- Gross margin amounted to 34.2% (36.1%), a decline primarily caused by a weaker Swedish krona compared to the Euro. Excluding the Danish sugar tax the gross margin amounted to 36.9% (38.0%).
- Underlying EBIT amounted to MSEK 69.3 (99.6). The decrease was related to a weak performance in Sweden and adverse currency movements. Price increases have been implemented during Q2 and but have not been enough to mitigate the continued weakened SEK.
- Net financial items amounted to MSEK -124.6 (-142.5), a decrease related to the conversion of shareholder loans resulting in lower interest costs.
- The loss for the year decreased by MSEK 22.3 to MSEK -67.0 (-89.3)
- Cash flow from operations decreased by MSEK 148.4 mostly due to negative changes in working capital during the first half of the year and the payments of bond / IPO related costs.

MSEK	Jan - Dec		Change, (%)
	Jan-Dec 2014	Jan-Dec 2013	
Volume (tonnes)	42 033	43 263	-2,8
Net Sales	1 768,6	1 760,9	0,4
Net Sales constant currency*	1 768,6	1 801,8	-1,8
Underlying** EBIT	69,3	99,6	-30,4
Underlying** EBITDA	128,8	156,8	-17,9
Profit (loss) for the period	-67,0	-89,3	-
Cash flow from operating activities	19,8	168,2	-88,2
Net debt***	790,1	661,3	19,5

## 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.

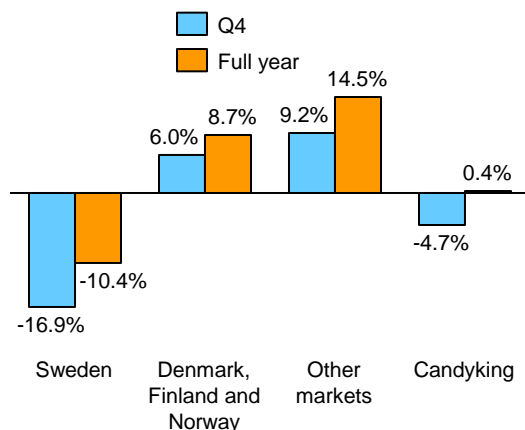
\*\*Underlying profitability measures: Recognized earnings measurement including reversals of total non recurring items MSEK 15.4 (Of which MSEK 8.7 effects EBITDA). Non recurring items pertains to one off items, the realized effects of currency future contracts and losses from the discontinued operations 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, cost related to the warehouse close down in Norway 2012 and the write down of displays in Sweden due to cancelled Coop contract.

\*\*\*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)

# Candyking segments



## Year-on-year net sales growth



## Net Sales per segment

MSEK	Fourth Quarter		
	2013	2013cc*	2014
Sweden	230.1	230.1	191.2
Denmark, Finland and Norway	159.3	164.9	168.8
Other markets	80.5	86.7	87.9
<b>Candyking</b>	<b>470.0</b>	<b>481.7</b>	<b>448.0</b>

MSEK	Full year		
	2013	2013cc*	2014
Sweden	851.6	851.6	762.9
Denmark, Finland and Norway	611.8	629.8	665.0
Other markets	297.5	320.4	340.6
<b>Candyking</b>	<b>1,760.9</b>	<b>1,801.8</b>	<b>1,768.5</b>

### Sweden

In the fourth quarter, the volume decreased by 15.9% and the net sales by 16.9% mostly due to a strong decrease in sales to Coop in anticipation of the termination of the contract by the end of the year. Price increases have started to show some effect but the continued unfavorable development of the SEK have not been compensated.

Net sales for the year decreased with 10.4% in 2014, partly due to a tough competition from pre-packed candy and lost market share (incl. Coop decrease in December).

### Denmark, Finland & Norway

The volume decreased by 2.6% while net sales grew by 6.0% in the fourth quarter. Measured in fixed exchange rates net sales increased by 2.4%. Excluding the effect of the Danish sugar tax the net sales decreased by 3.2%.

Net sales increased by 8.7% in 2014 compared to 2013. Measured in constant currency the growth was 6.0%. Excluding sugar tax effects the net sales growth was 2.0%. Volume increase in the same period was 1.1%. Over 40% growth in Denmark and around 10% in Norway compensated for the lower sales in Finland, due to the loss of S-group central contract. Strong Easter and Halloween sales in Norway and the full roll out of Coop in Denmark were the main drivers behind the growth.

### Other Markets\*\*

In the fourth quarter, volume decreased by 2.6% while net sales grew by 9.2%. In constant currency net sales development was 1.4%. The growth was primarily due to strong sales development in the UK.

For the full year net sales increased by 14.5% compared to 2013, measured in constant currency the increase was 6.3%. Volume in the same period rose by 6.1%. 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	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Volume (tonnes)	10,523	9,670	10,951	10,889	11,590	10,611	8,932	12,130	10,728	9,409	9,036	11,682
Net Sales	448.0	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	4.0	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>452.0</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	-298.6	-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	-57.4	-61.6	-64.7	-71.8	-97.9	-62.7	-60.6	-70.7	-75.3	-61.5	-62.9	-66.8
Personnel costs	-56.2	-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	-18.4	-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	-3.9	-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>-434.5</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>17.5</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	-4.0	-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)	21.5	18.6	19.3	9.9	28.3	25.3	3.7	42.4	29.6	23.9	1.0	39.8
Underlying* EBITDA	36.2	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	Fourth quarter		Full Year	
	Oct-Dec 2014	Oct-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
Net Sales	448.0	470.0	1,768.6	1,760.9
Other operating income	4.0	3.5	11.7	13.4
<b>Total income</b>	<b>452.0</b>	<b>473.5</b>	<b>1,780.3</b>	<b>1,774.3</b>
Goods for resale	-298.6	-305.8	-1 163.9	-1 125.8
Other external costs	-57.4	-97.9	-255.4	-291.9
Personnel costs	-56.2	-62.6	-232.1	-241.9
Depreciation and amortisation	-18.4	-17.6	-66.2	-60.9
Other operating expenses	-3.9	-2.6	-8.8	-10.5
<b>Total operating costs</b>	<b>-434.5</b>	<b>-486.5</b>	<b>-1 726.4</b>	<b>-1 730.9</b>
<b>Operating profit</b>	<b>17.5</b>	<b>-13.1</b>	<b>53.9</b>	<b>43.4</b>
Net financial items	-14.7	-44.8	-124.6	-142.5
<b>Profit (loss) before taxes</b>	<b>2.8</b>	<b>-57.8</b>	<b>-70.7</b>	<b>-99.1</b>
Taxes	-0.6	2.4*	3.7	9.8*
<b>Net profit (loss) for the period</b>	<b>2.3</b>	<b>-55.5</b>	<b>-67.0</b>	<b>-89.3</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	-16.0	4.8	13.8	-21.4
<b>Total comprehensive income, net of tax</b>	<b>-13.8</b>	<b>-50.6</b>	<b>-53.2</b>	<b>-110.7</b>

\* Adjusted vs Q4 2013 according to audited annual report 2013

# Consolidated balance sheet



MSEK	31-dec-14	31-dec-13
Intangible assets	1,102.5	1,113.3
Tangible assets	105.4	104.8
Deferred tax assets	113.1	103.5*
Financial non-current assets	4.3	4.1
<b>Total non-current assets</b>	<b>1,325.3</b>	<b>1,325.7</b>
Inventory	80.3	96.0
Accounts receivable	178.2	172.4
Derivate instruments	0.0	0.0
Tax receivables	0.6	0.2
Deferred tax receivables	0.0	0.0
Prepaid expenses, accrued income and other receivables	36.3	43.5
Cash and cash equivalents	<b>38.6</b>	4.0
<b>Total current assets</b>	<b>334.1</b>	<b>316.2</b>
<b>TOTAL ASSETS</b>	<b>1,659.4</b>	<b>1,641.9</b>

MSEK	31-dec-14	31-dec-13
<b>Shareholders' equity</b>	<b>436.0</b>	<b>28.4</b>
Borrowings	740.6	354.2
Derivate instruments	0.0	0.0
Liabilities to shareholders	108.5	668.0
Deferred tax liabilities	56.6	55.9
Pension obligations	4.3	4.1
Other liabilities	0.0	0.0
<b>Total non-current liabilities</b>	<b>910.0</b>	<b>1,082.1</b>
Borrowings	0.5	58.2
Derivate instruments	0.0	0.0
Bank overdraft facilities	0.0	44.1
Accounts payable	173.3	270.7
Other liabilities	47.8	38.6
Tax liabilities	3.0	1.5
Deferred tax liabilities	0.0	0.0
Accrued expenses and deferred income	88.7	118.4
<b>Total current liabilities</b>	<b>313.4</b>	<b>531.4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,659.4</b>	<b>1,641.9</b>

\* Adjusted vs Q4 2013 according to audited annual report 2013

# Consolidated statement of changes in shareholders' equity in summary



MSEK	Fourth quarter		Full Year	
	Oct-Dec 2014	Oct-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
<b>Shareholders' equity at the beginning of the period</b>	<b>449.7</b>	<b>-24.0</b>	<b>28.4</b>	<b>36.0</b>
Profit (loss) for the period	2.3	-55.5	-67.0	-89.3
Exchange-rate differences	-16.0	4.8	13.8	-21.4
<b>Total comprehensive income</b>	<b>-13.7</b>	<b>-50.6</b>	<b>-53.2</b>	<b>-110.7</b>
<b>Transactions with shareholders</b>	<b>0.0</b>	<b>103.0</b>	<b>460.8</b>	<b>103.0</b>
<b>Shareholders' equity at the end of the period</b>	<b>436.0</b>	<b>28.4</b>	<b>436.0</b>	<b>28.4</b>



# Consolidated cash flow statement



MSEK	Fourth quarter		Full Year	
	Oct-Dec 2014	Oct-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
Operating profit before financial items	17.5	-13,1	53.9	43,4
Depreciation and amortisation	18.4	17,6	66.2	60,9
Other non-cash items	-1.3	3,5	-3.3	1,2
Income tax paid	-1.3	-1,1	-2.5	-3,1
<b>Cash flow from operating activities before changes in working capital</b>	<b>33.3</b>	<b>6.8</b>	<b>114.3</b>	<b>102.4</b>
<b>Changes in working capital</b>	<b>45.4</b>	<b>62.8</b>	<b>-92.4</b>	<b>65.8</b>
<b>Cash flow from operating activities</b>	<b>78.6</b>	<b>69.6</b>	<b>21.9</b>	<b>168.2</b>
<b>Cash flow from investing activities</b>	<b>-7.4</b>	<b>-22.9</b>	<b>-47.4</b>	<b>-85.5</b>
New share issue	0.0	103.0	460.8	103,0
Amortisation of loans	-0.2	-132.0	-1,111.0	-162.8
Borrowings	0.0	2.5	773.8	2.5
Received interest	0.1	3.0	0.5	4.0
Paid interest	-13.0	-13.5	-71.5	-47.6
Increase/decrease in current financial liabilities	-33.0	-11.6	5.9	16.0
<b>Cash flow from financing activities</b>	<b>-46.2</b>	<b>-48.7</b>	<b>58.5</b>	<b>-84.9</b>
<b>Cash flow from the period</b>	<b>25.0</b>	<b>-2.0</b>	<b>33.0</b>	<b>-2.2</b>

# Parent company profit and loss in summary



MSEK	Fourth quarter		Full Year	
	Oct-Dec 2014	Oct-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
Net Sales	0.0	0.0	0.0	0.0
Other operating income	13.4	13.2	66.2	74.0
<b>Total income</b>	<b>13.4</b>	<b>13.2</b>	<b>66.2</b>	<b>74.0</b>
Goods for resale	0.0	0.0	0.0	0.0
Other external costs	-1.7	-30.7	-20.2	-43.0
Personnel costs	-6.4	-8.5	-38.5	-43.0
Depreciation and amortisation	-0.5	-0.9	-2.1	-3.7
Other operating expenses	-0.2	-0.1	-0.3	-0.7
<b>Total operating costs</b>	<b>-8.7</b>	<b>-40.2</b>	<b>-61.1</b>	<b>-90.4</b>
<b>Operating profit</b>	<b>4.7</b>	<b>-27.0</b>	<b>5.1</b>	<b>-16.4</b>
Net financial items	-14.9	-32.2	-99.4	-106.3
<b>Profit (loss) before tax</b>	<b>-10.2</b>	<b>-59.1</b>	<b>-94.3</b>	<b>-122.6</b>
Taxes	1.7	3.4*	11.5	17.3*
<b>Net profit (loss) for the period</b>	<b>-8.5</b>	<b>-55.8</b>	<b>-82.9</b>	<b>-105.3</b>

\* Adjusted vs Q4 2013 according to audited annual report 2013

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



MSEK	31 Dec -14	31 Dec -13
Intangible assets	5.7	6.8
Tangible assets	0.0	0.1
Deferred tax assets	0.0	0.0
Financial non-current assets	1,501.5	1,465.6
<b>Total non-current assets</b>	<b>1,507.2</b>	<b>1,472.5</b>
Current assets	73.8	60.8
<b>Total current assets</b>	<b>73.8</b>	<b>60.8</b>
<b>TOTAL ASSETS</b>	<b>1,581.0</b>	<b>1,533.2</b>
<b>Shareholders' equity</b>	<b>567.7</b>	<b>189.8</b>
Non-current liabilities	860.1	1 033.1
<b>Total non-current liabilities</b>	<b>860.1</b>	<b>1 033.1</b>
Current liabilities	153.2	310.3
<b>Total current liabilities</b>	<b>153.2</b>	<b>310.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,581.0</b>	<b>1,533.2</b>

MSEK	31 Dec -14	31 Dec -13
<b>Shareholders' equity</b>	<b>189.8</b>	<b>192.1</b>
Profit (loss) for the period	-82.9	-105.3
<b>Total comprehensive income</b>	<b>-82.9</b>	<b>-105.3</b>
Transaction with shareholders	460.8	103.0
<b>Shareholders' equity at the end of the period</b>	<b>567.7</b>	<b>189.8</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 9,000 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 2014, the company had about 900 employees and sales of about SEK 1.8 billion. More information is available at*

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