

**Candyking
Q3 report 2015**



**CANDY
KING®**

Third quarter 2015



- Volumes decreased by 15.5% compared to last year in the third quarter. Net sales declined by 11.0% to MSEK 370.2 (415.9). The decrease was foremost an effect of the discontinuation of the Swedish Coop contract. Excluding Sweden, net sales increased by 8.5%, whereas Norway and Denmark continued to be the main drivers behind the growth.
- New line of Parrots grab and go bags launched in Sweden and Finland with central listings at ICA, Menigo and Bergendahls.
- Gross margin amounted to 33.3% (35.0%). Excluding the effects from the sugar tax in Denmark the gross margin was 37.4% (38.2%). The decline was mostly related to a weakened Norwegian krona.
- The underlying EBIT amounted to MSEK 12.4 (18.6).
- Net financial items improved by MSEK 14.7 to MSEK -15.5 (-30.2) in the third quarter.
- The net profit amounted to MSEK -2.6 (-15.7) for the period.
- Cash flow from operating activities was strong and increased to MSEK 48.2 (3.3), mainly due to improved working capital.
- Net debt lowered by MSEK 38.7 to 771.7 (810.4) which is the lowest level since 2013.
- Cost measures are being initiated to mitigate effect of lost volumes.

MSEK	Third quarter		
	Jul - Sep 2015	Jul - Sep 2014	Change. (%)
Volume (tonnes)	8.174	9.670	-15.5
Net Sales	370.2	415.9	-11.0
Net Sales constant currency*	370.2	423.1	-12.5
Underlying** EBITDA	26.0	33.3	-21.9
Underlying** EBIT	12.4	18.6	-33.2
Operating profit (EBIT)	12.5	17.6	-29.2
Profit (loss) for the period	-2.6	-15.7	-
Cash flow from operating activities	48.2	3.3	1 306.7
Net Debt	771.7	810.4	-4.8

Significant events after the end of the period

Candyking's confectionery P&M agreements with Bergendahls in Sweden and Coop Norway expires 31st of December 2015 and will not be extended. The contracts represented some 9% of the total turnover in 2014. The contracts with Dansk Supermarket and Rema Denmark have successfully been extended. These contracts accounted for slightly over 6% of the 2014 turnover.

The company has announced notice to an extraordinary general meeting at the 15th of December. The proposal to the general meeting is to convert certain outstanding debt instruments to equity, a proposal supported by the majority shareholder. For more information go to the Candyking website.

*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 -0.1 (of which MSEK -0.1 affected EBITDA). Non recurring items pertains to one off items and the realized effects of currency future contracts.

First nine months



- Volume decreased with 20.0%. The decrease was a result of lost customer contracts in Sweden and Finland. Net sales down 14.5% to MSEK 1,128.7 (1,320.5). Measured in constant currency net sales decreased by 16.9%.
- Positive development in UK partly driven by new customers and increased distribution with Asda and Poundland. New generation of displays in Rema Norway positively affecting sales.
- Market conditions continue to be tough in the Nordics with producers entering the P&M market. However the P&M penetration showed a healthy growth in Denmark and Finland.
- Gross margin amounted to 33.2% (34.5%), a decline primarily caused by increased sales in Denmark where the margin is affected by the sugar tax. Excluding the Danish sugar tax the gross margin amounted to 37.3% (37.4%).
- Underlying EBIT down to MSEK 21.0 (47.9). Cost measures, price increases and volume gains in Norway and Denmark generated positive effects, but not sufficient to compensate for the lost turnover in Sweden and Finland.
- Net financial items amounted to MSEK -43.1 (-109.9), an improvement mostly related to the conversion of shareholder loans to equity resulting in lower interest charges.
- The loss for the period decreased to MSEK -19.6 (-69.2)
- Cash flow from operations improved significantly to MSEK 60.6 (-56.7).

MSEK	First nine months		
	Jan-Sept 2015	Jan-Sept 2014	Change. (%)
Volume (tonnes)	25,215	31,510	-20.0
Net Sales	1,128.7	1,320.5	-14.5
Net Sales constant currency*	1,128.7	1,358.1	-16.9
Underlying** EBITDA	62.4	92.6	-30.0
Underlying** EBIT	21.0	47.9	-51.3
Operating profit (EBIT)	21.0	36.4	-36.0
Profit (loss) for the period	-19.6	-69.2	-
Cash flow from operating activities	60.6	-56.7	n.a.
Net Debt	771.7	810.4	-4.8

Significant events after the end of the period

Candyking's confectionery P&M agreements with Bergendahls in Sweden and Coop Norway expires 31st of December 2015 and will not be extended. The contracts represented some 9% of the total turnover in 2014. The contracts with Dansk Supermarket and Rema Denmark have successfully been extended. These contracts accounted for slightly over 6% of the 2014 turnover.

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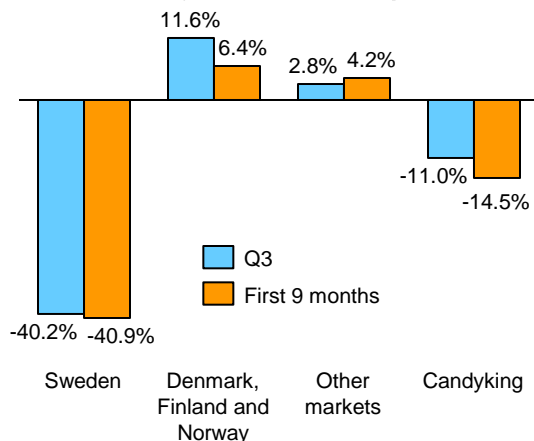
*Group consolidated in fixed fx rates. Current period's fx rates applied on previous period.

** **Underlying profitability measures:** Recognized earnings measurement including reversals of total non recurring items of MSEK 0.0 (of which MSEK -0.1 affected EBITDA). Non recurring items pertains to one off items and the realized effects of currency future contracts.

Candyking segments



Year-on-year net sales growth



Sweden

In the third quarter, the volume decreased by 40.8% and net sales by 40.2%. The competitive situation in the Swedish market continues to be tough affecting both margins and market share. Focus going forward is gaining market share at current and new distribution channels and adjust costs to mitigate the lost contracts.

Net sales for the first nine months decreased with 40.9%, mainly due to loss of Coop. Volume for the same period decreased by 41.5%.

Sweden signed a new cooperation agreement with ICA at a central level based on a new, more flexible model.

Denmark, Finland & Norway

The volume increased by 10.4% and net sales by 11.6% in the third quarter. Measured in fixed exchange rates net sales decreased by 12.9%. Excluding the effect of the Danish sugar tax the net sales increased by 12.6%.

Net sales increased by 6.4% in the first nine months. Measured in constant currency net sale increased by 4.4%. Volume down 1.8% during first nine months. Excluding the effect of the Danish sugar tax the net sales increased by 3.8%.

Denmark and Norway continues to develop positively with sales growth of over 10% for the first nine months. A strong Easter in Norway and increased market penetration of P&M in Denmark were the major drivers. Sales in Finland were down the first nine months due to the lost central contract with S group in 2014, but is starting to level out during Q3. Efforts are made to broaden distribution, among others through wholesale and gaining market penetration with Parrots.

Other Markets**

In the third quarter, volume decreased by 5.1% while net sales grew by 2.8%. In constant currency net sales decreased by 6.2%.

Net sales increased by 4.2% in the first nine months, measured in constant currency it was a decrease of 6.2%. Volume in the same period fell by 6.9%. UK continues to have a stable turnover, while sales in Poland have decreased.

Net Sales per segment

MSEK	Third Quarter		
	2015	2014	2014cc*
Sweden	99.1	165.9	165.9
Denmark, Finland and Norway	177.2	158.8	157.2
Other markets**	93.8	91.3	100.0
Candyking	370.2	415.9	423.1

MSEK	First 9 months		
	2015	2014	2014cc*
Sweden	337.8	571.7	571.7
Denmark, Finland and Norway	527.7	496.1	505.7
Other markets**	263.3	252.7	280.7
Candyking	1,128.7	1,320.5	1,358.1

*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 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Volume (tonnes)	8,174	7,202	9,839	10,523	9,670	10,951	10,889	11,590	10,611	8,932	12,130	10,728
Net Sales	370.2	330.3	428.1	448.0	415.9	460.0	444.7	470.0	427.6	368.8	494.5	459.2
Other operating income	2.5	4.1	3.3	4.0	1.7	3.9	2.1	3.5	2.0	3.0	4.9	3.0
Total income	372.7	334.4	431.4	452.0	417.6	464.0	446.7	473.5	429.6	371.9	499.4	462.3
Goods for resale	-247.1	-218.0	-289.4	-298.6	-270.3	-302.3	-292.7	-305.8	-275.2	-234.4	-310.3	-287.7
Other external costs	-54.2	-56.3	-61.4	-57.4	-61.6	-64.7	-71.8	-97.9	-62.7	-60.6	-70.7	-75.3
Personnel costs	-43.3	-49.6	-51.4	-56.2	-52.6	-61.6	-61.6	-62.6	-54.2	-58.6	-66.5	-62.5
Depreciation and amortisation	-13.7	-14.7	-13.2	-18.4	-14.6	-17.6	-15.6	-17.6	-14.8	-14.8	-13.8	-17.3
Other operating expenses	-2.0	-1.1	-2.2	-3.9	-0.9	-2.8	-1.3	-2.6	-0.9	-3.5	-3.4	-3.1
Total operating costs	-360.2	-339.7	-417.6	-434.5	-399.9	-449.0	-443.0	-486.6	-407.8	-371.9	-464.7	-446.0
Operating profit	12.5	-5.3	13.8	17.5	17.7	15.0	3.7	-13.1	21.8	-0.1	34.7	16.3
Non recurring items	0.08	0.00	-0.1	-4.0	-0.9	-4.3	-6.2	-41.4	-3.4	-3.7	-7.6	-13.3
Underlying* EBITDA	26.0	9.3	27.1	36.2	33.3	34.3	24.9	43.0	39.8	18.2	55.8	46.9
Underlying* operating profit (EBIT)	12.4	-5.3	13.9	21.5	18.6	19.3	9.9	28.3	25.3	3.7	42.4	29.6

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

Consolidated profit and loss



MSEK	Third quarter		First nine months	
	Jul - Sep 2015	Jul - Sep 2014	Jan-Sept 2015	Jan-Sept 2014
Net Sales	370.2	415.9	1,128.7	1,320.5
Other operating income	2.5	1.7	9.8	7.8
Total income	372.7	417.6	1,138.5	1,328.3
Goods for resale	-247.1	-270.3	-754.4	-865.3
Other external costs	-54.2	-61.6	-171.9	-198.0
Personnel costs	-43.3	-52.6	-144.4	-175.9
Depreciation and amortisation	-13.7	-14.6	-41.5	-47.8
Other operating expenses	-2.0	-0.9	-5.3	-4.9
Total operating costs	-360.2	-400.0	-1,117.5	-1,291.9
Operating profit	12.5	17.6	21.0	36.4
Net financial items	-15.5	-30.2	-43.1	-109.9
Profit (loss) before taxes	-3.0	-12.6	-22.2	-73.5
Taxes	0.4	-3.2	2.6	4.3
Net profit (loss) for the period	-2.6	-15.7	-19.6	-69.2
Other comprehensive income				
Items that may be reclassified subsequently to profit and loss				
Exchange differences arising from translating foreign operations	-11.2	9.2	-12.3	29.8
Total comprehensive income, net of tax	-13.8	-6.6	-32.0	-39.4

Consolidated balance sheet



MSEK	30-sep-15	30-sep-14
Intangible assets	1,083.6	1,129.7
Tangible assets	99.8	108.3
Deferred tax assets	118.9	112.2
Financial non-current assets	4.3	4.1
Total non-current assets	1,306.7	1,354.2
Inventory	77.5	100.3
Accounts receivable	194.3	219.8
Derivate instruments	0.3	0.0
Tax receivables	1.8	0.3
Deferred tax receivables	0.0	0.0
Prepaid expenses, accrued income and other receivables	19.0	41.1
Cash and cash equivalents	26.4	14.8
Total current assets	319.4	376.2
TOTAL ASSETS	1,626.0	1,730.4

MSEK	30-sep-15	30-sep-14
Shareholders' equity	404.1	449.7
Borrowings	742.6	739.5
Derivate instruments	0.0	0.0
Liabilities to shareholders	116.6	104.9
Deferred tax liabilities	56.0	57.2
Pension obligations	4.3	4.1
Other liabilities	0.3	0.0
Total non-current liabilities	919.9	905.6
Borrowings	0.0	0.6
Derivate instruments	0.0	0.0
Bank overdraft facilities	0.0	33.0
Accounts payable	153.1	185.8
Other liabilities	63.0	53.8
Tax liabilities	4.7	3.1
Deferred tax liabilities	0.0	0.0
Accrued expenses and deferred income	81.1	98.8
Total current liabilities	302.0	375.1
TOTAL EQUITY AND LIABILITIES	1,626.0	1,730.4

Consolidated statement of changes in shareholders' equity in summary



MSEK	Third quarter		First nine months	
	Jul - Sep 2015	Jul - Sep 2014	Jan-Sep 2015	Jan-Sep 2014
Shareholders' equity at the beginning of the period	417.9	-4.6	436.0	28.4
Profit (loss) for the period	-2.6	-15.7	-19.6	-69.2
Exchange-rate differences	-11.2	9.3	-12.3	29.8
Total comprehensive income	-13.8	-6.4	-32.0	-39.4
Transactions with shareholders	0.0	460.8	0.0	460.8
Shareholders' equity at the end of the period	404.1	449.8	404.1	449.8

Consolidated cash flow statement



MSEK	Third quarter		First nine months	
	Jul - Sep 2015	Jul - Sep 2014	Jan-Sep 2015	Jan-Sep 2014
Operating profit before financial items	12.5	17.6	21.0	36.4
Depreciation and amortisation	13.7	14.6	41.5	47.8
Other non-cash items	-0.3	0.2	-1.0	-2.0
Income tax paid	1.1	1.1	-1.5	-1.2
Cash flow from operating activities before changes in working capital	27.0	33.4	60.0	81.0
Changes in working capital	21.2	-30.1	0.6	-137.7
Cash flow from operating activities	48.2	3.3	60.6	-56.7
Cash flow from investing activities	-8.3	-7.2	-36.8	-40.0
New share issue	0.0	460.8	0.0	460.8
Amortisation of loans	0.0	-495.2	-0.4	-1 110.8
Borrowings	0.0	0.0	0.0	773.8
Received interest	0.1	0.2	0.3	0.4
Paid interest	-11.6	-30.2	-35.0	-58.4
Increase/decrease in current financial liabilities	-15.6	33.0	0.0	39.0
Cash flow from financing activities	-27.1	-31.4	-35.1	104.7
Cash flow from the period	12.8	-35.2	-11.3	8.0

Parent company profit and loss in summary



MSEK	Third quarter		First nine months	
	Jul-Sep 2015	Jul-Sep 2014	Jan-Sep 2015	Jan-Sep 2014
Net Sales	0.0	0.0	0.0	0.0
Other operating income	18.8	19.7	40.7	52.8
Total income	18.8	19.7	40.7	52.8
Goods for resale	0.0	0.0	0.0	0.0
Other external costs	-4.2	-4.3	-15.4	-18.5
Personnel costs	-7.0	-9.0	-25.5	-32.1
Depreciation and amortisation	-0.6	-0.5	-1.6	-1.6
Other operating expenses	-0.2	-0.1	-0.6	-0.2
Total operating costs	-12.0	-13.8	-43.1	-52.4
Operating profit	6.8	5.9	-2.3	0.4
Net financial items	-13.8	-22.9	-33.2	-84.5
Profit (loss) before tax	-7.0	-17.0	-35.6	-84.1
Taxes	1.2	-0.3	6.8	9.7
Net profit (loss) for the period	-5.8	-17.2	-28.8	-74.4

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



MSEK	30 Sep -15	30 Sep-14
Intangible assets	5.1	6.0
Tangible assets	0.0	0.0
Deferred tax assets	0.0	0.0
Financial non-current assets	1,467.5	1,498.6
Total non-current assets	1,472.6	1,504.7
Current assets	45.3	47.3
Total current assets	45.3	47.3
TOTAL ASSETS	1,517.9	1,552.0
Shareholders' equity	538.1	576.2
Non-current liabilities	859.7	855.7
Total non-current liabilities	859.7	855.7
Current liabilities	120.1	120.1
Total current liabilities	120.1	120.1
TOTAL EQUITY AND LIABILITIES	1,517.9	1,552.0

MSEK	30 Sep -15	30 Sep-14
Shareholders' equity	567.7	189.8
Profit (loss) for the period	-28.8	-74.4
Total comprehensive income	-28.8	-74.4
Merger difference	-0.8	0.0
Transaction with shareholders	0.0	460.8
Shareholders' equity at the end of the period	538.1	576.2

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 9.000 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 and Candyking Favourites. In addition, Candyking is a leading pick & mix supplier of natural snacks in Sweden and Finland under the Parrot's brand. In 2014 the company had sales of about SEK 1.8 billion. More information is available at www.candyking.com