



Press release

15 July 2016

President and CEO David Nuutinen comments on the results for the second quarter of 2016

Good sales growth and improved operating profit.

Cloetta's sales were up in the quarter, both organically and through acquisitions. Operating profit (EBIT) for the quarter improved and amounted to SEK 142m (130). Operating profit, adjusted for items affecting comparability, also strengthened to SEK 150m (133). Profit after tax increased to SEK 77m (66). Both operating profit margin and operating profit margin adjusted, improved to 10.4 per cent (10.2) and 11.0 per cent (10.4) respectively. The improvement in profit and margins was mainly driven by higher efficiency in supply chain but also growth in sales.

Strong cash flow

Cash flow from operating activities before changes in working capital improved to SEK 149m (100). Cash flow from changes in working capital was negatively impacted by the increase of inventories mainly related to build up of seasonals and changes in production planning. Cash flow from operating activities therefore amounted to SEK 114m (163). Cloetta's cash-generating ability has thus been further demonstrated. The ambition is to use future cash flows for repayment of debt and distributions of dividends, while at the same time providing financial flexibility for complementary acquisitions.

Stable net debt/EBITDA ratio despite dividend payments

The net debt/EBITDA ratio has decreased compared to the same quarter of last year, but was stable compared to the first quarter of 2016. During the quarter, dividend of SEK 144m (–) was paid. The net debt/EBITDA ratio at the end of the quarter was 2.82x (3.30). The long-term target is a net debt/EBITDA ratio of 2.5x. Loans of SEK 90m (34) were repaid during the quarter.

Confectionery market

The confectionery market was predominantly negative in Finland, the Netherlands, Norway and Denmark. In Sweden and Italy, market development remained unchanged.

Good sales growth

Cloetta's sales for the quarter increased by 6.4 per cent, of which organic growth accounted for 2.0 per cent, the acquisition of Lonka for 4.9 per cent and exchange rate differences for –0.5 per cent.

Sales in the quarter were up in Sweden, Finland, Norway and Denmark. In Germany, sales were flat. The positive trend in Sweden was driven by both improved distribution among certain customers and higher sales in pick-and-mix, while Finland was fuelled by pick-and-mix sales and pastilles.

Sales were down in the UK, the Netherlands, Italy and the export markets. The reported drop in sales in the UK is partly attributable to a weaker British pound following the Brexit referendum. Less than 5 per cent of the Group's sales come from the UK and the possible future impact of Brexit is therefore not expected to be material for Cloetta. The decrease in sales in the Netherlands is explained by weak market development. In Italy Cloetta's sales were slightly down, although the total market there stabilised during the quarter.

Cloetta AB (publ)

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Closure of factory in Dieren according to plan

The planned closure of the factory in Dieren, the Netherlands, as part of the integration of Lonka following the acquisition one year ago, is proceeding according to plan and production there is expected to cease at the end of 2016. Expansion of the factory in Levice, Slovakia, to which production from Dieren will be transferred at the beginning of 2017, is under construction. As previously communicated, the acquisition of Lonka is expected to generate annual cost savings of approximately SEK 35m.

Continued gradual improvement

Cloetta is returning to organic growth, which is highly satisfying.

In the past quarter Cloetta continued its gradual improvement in both operating profit and operating margin. The net debt/EBITDA ratio has decreased in relation to the same quarter of 2015 and was largely unchanged compared to the first quarter of 2016, despite the payment of dividend during the quarter. We have thus taken further steps towards meeting our long-term financial targets.

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 a.m. CET on 15 July 2016.

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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 13 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

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