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Presentation

Jacob Broberg
Thank you very much and welcome to Cloetta Conference Call here in a somewhat snowy Stockholm. I have David Nuutinen, the CEO, and Danko Maras, the CFO, and as always I will hand over to them. So please, go ahead David.

David Nuutinen
Thank you very much Jacob, and good morning everyone. 2015 was a record year for Cloetta. We showed continued growth with sales up by 6.8%. Our operating profit for the full year reached a record high of SEK 671 million. We also demonstrated a strong cash-generating ability, with a full-year cash flow from operating activities of SEK 927 million. Strong cash flow contributed to a decreased net debt over EBITDA ratio of 3.03. So that demonstrates that we are well on track towards our long-term target of 2.5 times. And in response to this, the Board proposes a dividend of SEK 0.5 per share.

For the quarter, our net sales increased by 2.7% and our operating profit amounted to SEK 239 million. And within the next few slides, we will focus a bit more on the quarter. As I mentioned, in the quarter our total sales grew by 2.7%. The confectionery markets showed positive to flat development in the quarter, except for the seasonal products in Italy. Our organic sales declined by 2.3%. This was driven by a sharp decline in our seasonal sales in Italy, due to price increases to offset raw material price increases particularly in hazelnuts and almonds. As you remember, our strategy is always to pass along changes in raw material prices to customers and consumers, even when this can have a short-term impact on sales and profitability. So with the price increases, we did see a drop in volume and sales. This year, our competitors did not increase prices to the same extent as we did. As you will remember in 2014, competitors did increase prices more than we did, and we took market share. This year, we have increased our prices more. We do believe, however, in recovery of volumes in 2016 season. This is all subject to nut prices coming down. We have a very strong brand in Sperlari, with long traditions in the seasonal business. The brand has been on the market for over 150 years. If we exclude Italy, our organic sales were up 1.8% which shows that we otherwise have achieved stable organic growth.

And with this, I will hand over to Danko.

Danko Maras
Thank you, David, and good morning everyone. If I just start with the sales numbers that David was referring to. Just on Italy, specifically, we said it was minus 2.3% organic growth. However, excluding Italy we're at plus 1.8% growth as a business. That means, for those who do the calculations, the implication of that in Italy is approximately SEK 60 million on top-line growth that is the impact for the quarter. And that obviously had an impact on our operating profit on the bottom line.

And in addition to that, we have received some questions about the operating profit margin, which is deteriorating in the quarter. And there is a common denominator there with one of the M&As in the nut segment, the continued high raw material prices on hazelnuts and almonds. But also, in our world we are purchasing nuts in US dollars; that continue to have an effect for us on the profitability aspect. So the nut segment has been specifically challenging for us. We have a lot of nuts also in our seasonal business.

That is the core reason for the operating profit. But yet again, to be a bit positive on the development of our gross profit, it's important to highlight, we feel, that the gross profit has improved. The gross margin improved 120 basis points in the quarter. But also more importantly, on the full-year basis, you see 160-point improvement of the gross margin for Cloetta. And this is a clear testament of getting the full run rate of our manufacturing savings, and getting the efficiency through in our operating results.

If we then move from the SEK 255 million of the adjusted operating profit that, as I mentioned, was impacted by both the Italian sales on an absolute level but also the nut segment on the margin level, you will see that the operating profit is SEK 239 million versus SEK 262 million last year. They are explained by the effect that we made the announcement of the closure of the Dieren factory which was related to the Lonka acquisition. So approximately SEK 16 million is the charge, additionally, that you will find in the income statement for the fourth quarter in 2015.

Perhaps be mindful that in 2014 we had a credit, where we had to earn-out adjustment in the fourth quarter. And the net impact of that was a credit to the operating results, of about SEK 7 million. So if your net those two together, it's continued to be the same results of the operating profit adjusted.

On the finance net, we continue to show an improvement in our costs for our borrowing facilities to SEK 48 million in the quarter versus SEK 71 million in the prior year; it's a significant improvement. Also, on a full year basis, mindful to say SEK 178 million versus SEK 239 million. So we continue to benefit from a lower ratio scale in our borrowing facility, which actually helps the delivery of the net results significantly.

Also in the quarter, we had a good tax rate. We had a specific benefit in the Dutch regime that allowed us to make a one-time adjustment, which yielded us to a 17.8% tax rate in the quarter. And on a full-year basis, we are landing at about 21.7% on our tax rate. This means that our profit for the period and the quarter is actually identical to last year; SEK 157 million to SEK 158 million, almost identical. However, on a full-year basis you can see an improvement on the profit for the period of SEK 386 million versus the 2014 number of SEK 242 million. That's a 60% improvement, and given the nice delivery on the profit for the period, I'll come back to the dividend discussion that the Board has decided on.

But before I do, let me go back to the sales on page 5 where you can see the delivery by quarter. However, if we look at it on a full-year basis for 2015, you can see that we have an organic growth of 1.5%. The implication with the seasonal business in Italy, if we apply it to the full year, would mean that we would have a 2.5% growth rate organically if we would have been flat in the delivery in Italy. But 1.5% is the organic growth. 3.9% is due to M&A and the strong euro continues to be beneficial for us on the top line, which is 1.4% on a full-year basis, yielding 6.8 on the full year.

Moving then to page 6, you can also see both net sales, operating profit and adjusted by quarters, but also seeing the nice delivery by quarters adding to the total of 1.5% growth in the full year. Also, the operating profit is improving approximately SEK 100 million from prior year, if we're adding those together. And the adjusted operating profit also improved to about SEK 58 million when we look at it on a full-year basis.

Moving on to page 7, here we are very happy with seeing this chart, because every year as well as every quarter is higher than prior period. And you can see, as we started on – when in the middle of our manufacturing strategy in 2013, consuming a lot of cash from this activity is now starting to yield significantly. And in 2015, we have for every consecutive quarter yielded higher return on the cash flow delivery. And when we talked in the previous quarter, I was referring to a rolling 12-month cash flow of SEK 850 million, being somewhat cautious about the outlook, and it actually resulted in a total delivery full year of SEK 927 million. So very happy to see that the cash-generating capability is coming through, not only in a specific quarter but actually in every consecutive quarter.

And then if we moved down to the next chart, you can see the SEK 927 million on a full-year basis, what we have used that money for. And then in very brief terms, SEK 0.5 billion has been used to reduce our debt and we are now landing at SEK 2.8 billion at the year-end number. We have done M&A for about SEK 206 million, and the rest is CAPEX of about SEK 161 million. That's how we actually used the cash flow delivery in 2015. And we're very happy to see that both the metrics that we are using for CAPEX and working capital are now heading our benchmark levels. It's about 3% of NSV on CAPEX and approximately 11% on network in capital as a percent of NSV. So a good delivery from the organisation in Cloetta in actually delivering the cash.

And that results in a leverage situation which very rapidly now is taking us down to levels which are close to our strategy level. You could see that we are at 3.03 despite acquisitions in the year, having been at 4 in the previous year. And that steep decline is now, if we are extrapolating our cash flow delivery in 2016, meaning that that will result in a delivery of our financial strategy of about 2.5 times. And considering that delivery, the strong cash flow delivery, the Board is now proposing a dividend of SEK 0.5 per share. That represents 37% of the net income full year. Given that we are still not at the 2.5 times net debt/EBITDA, we feel that this, and the Board feels that this proposal is congruent with the where we are at the moment in the market. And the improved EBITDA is becoming very, very close to SEK 1 billion. And the net debt that you see, it becomes very easy to calculate when we come down to the target levels.

And with this cash flow delivery, assuming that there are no structural major activities, we feel that we have the financial flexibility to do tactical acquisitions, to amortise our debt and pay out a dividend to the shareholders. So the cash-generating capability is really proving itself in 2015 in a way we feel very good about.

And with that, I give the word back to David.

David Nuutinen.
Thank you, Danko. On Lonka, which we acquired in July, the integration and restructuring is progressing according to plan. We took a decision in December to close the factory in Dieren in the Netherlands, and transfer the production to Levice in Slovakia. With the savings of the closure of the factory, insourcing of production and synergies, we are confident that this acquisition will, in 2017, support Cloetta's margin target of 14%. And on top of this, we have now also put together plans on the international roll-out of Lonka products into the other Cloetta markets.

Going forward, focus areas continue to be profitable growth both on what we would call base sales and acquisitions; implement and drive initiatives within Pick & Mix. As you remember, in 2015 we started off with the Coop contract. Towards the end of 2015, we have signed up two new contracts and the implementation of these two new contracts in Sweden is actually taking place by end of February. We will continue on the integration of Lonka and the closure of factory in Dieren, and also the international roll-out. And then the fourth focus area is very much in our operational excellence in supply chain through the Lean 2020 initiatives, with a focus on line efficiencies and waste management, i.e. yield.

On page 13, you see a selection of some of our product launches in our categories. New product launches play an important role. Just to single out a couple of them: in Sweden, we've done a line extension in a very, very popular seasonal foam product, Juleskum, with a new flavour. In the Netherlands, taking example of taking a successful product from one market and rolling it out to another is with the King chew mints. It is the Läkerol Dents from the Finnish market. And then in Finland, the extension of the Nutisal range into dry roasted peanuts.

Q&A

Jacob Broberg
Okay, thank you, David. And with that, I think we open up for questions.

Operator
Thank you, sir. Ladies and gentleman, if you do wish to ask a question, please press 0 followed by the 1 on your telephone keypad. There will be a brief pause while questions are being registered.

The first question comes from Mikael Holm from Danske Bank. Please go ahead, your line is now open.

Mikael Holm
Yes. First, regarding the adjusted operating margin in the quarter; you said it was performance in one those[?] acquisition, and then you talked about the nut prices being high.

What have you done going forward to mitigate this? Have you raised prices basically on those products?

The second question is regarding this restructuring of the Lonka factories: could you give some indication about the split, about what will hit the P&L and what will be taken as CAPEX of those SEK 120 million? Yeah, start with that.

Danko Maras
Good morning, Mikael. Danko here. I think I'll take those two questions then. On the nut segment, the – it is right that it is the nut segment that is causing issues in our profitability. The fact is that with the seasonal activity in Italy, we were capable of doing price increases ahead of that seasonal activity, whereby we stayed firm in increasing up to about 28% the input cost implication of our raw material and managed to do so, and we had the volume shortfall because of that.

On the rest of our nut segment, we don't have the same kind of time window. So we are addressing the pricing activities, but we could not do it prior to the actual sales that we had in our seasonal business. So with our nut segments, we are driving our branded business higher with price activities. And I would prefer not to go further into when and how, but we are addressing the profitability aspect of nuts. It's very difficult in an environment where you have very high raw material prices, as I'm sure you know, in particular in Sweden. Also the fact that the dollar is very strong. But we are passing this price increase through in the marketplace. It's just a question of timing.

And then, on the other part where you're asking about Lonka: we haven't disclosed the difference between the two of the SEK 120 million, but I would say it's approximately 50/50. However, on the CAPEX part, we are continuously working on holding our benchmark of about 3% of NSV. It is our aim to keep that level even though we are doing specific activities for our factory closings.

Mikael Holm
Okay. Could I just do a follow-up on this, when you tried to pass on the cost increases, which you haven't tried to do the full year. I mean, taking the 1.5% organic growth for the full year, could you give some indication what the positive impact from pricing has been in that number?

Danko Maras
Well, if – I could say that if we think of the growth that we had, the 1.5%, it's predominantly volume, predominantly volume. So it's a marginal impact on pricing. However, pricing is positive in our Group, in total. But if we look at the absolute delivery, the predominant component of our growth in 2015 is volume.

Mikael Holm
Okay. Thank you.

Operator
The next question comes from Fredrik Villard from Carnegie. Please go ahead, your line is now open.

Fredrik Villard
Thank you. Good morning. Three questions, starting off with Italy. You announced the restructuring in Italy a couple of quarters back. And now, Italy being – you raised prices going into the quarter, obviously market's been soft, you haven't seen growth there, if remember correctly, since the end of 2013. What are your thoughts on the Italian market? David, you said the brand has been there for quite some time. I mean, how long can this market continue before you have to launch more restructurings? I know you have four factories there, for example.

David Nuutinen
Yeah. Italy is definitely a strong part of our family. The Italian market has been going through tough times, as you know very well, over some years. We do see activities that we've been taking. Now, this particular quarter where we have – it's related to the seasonals, and nuts in particular. And I strongly believe that, going forward in the seasonal business, we believe in the recovery going forward. The opportunity is with the strong brand and, subject to the nuts prices coming down, we will see that recovery.

Fredrik Villard
All right, perfect. Thanks. And on the gross margin which is close to 39% in the quarter: I mean, you talked about pricing, you talked about negative effect from one of the acquisitions on pricing, you know, trying to carry through pricing because – I mean, you know, are you willing to say what sort of level – looking at the internationals, this is around where they are on a gross margin; can we go further from here, or is it going to be investing in growth from your end? Are you going to focus on the margin, gross margin or are you going to go for growth, basically, is my question here, when you're at this level?

Danko Maras
Hi, Fredrik. It's Danko here. We are very proud about the delivery of the gross margin, but it doesn't stop there of course. Our ambition level – the largest cost mass that we have in our company is our gross margin. So the Lean 2020 programme is a continuation of operational excellence that will drive margin improvement. Still, we have a lot of work to do; even if we are really happy with the performance of our supply chain, we think we can do much more than what we've done today. So we continue to drive our operational excellence both in supply chain but also in driving profitability aspect of our top-line growth, so that we get better margins from our mix and from our sales. So the answer would be, we are going for both.

Fredrik Villard
Okay, perfect. Thanks. Just one more final question here on the cash conversion here. I mean, this level we're at right now, do you think you can increase that further or have we hit the target there? Or are you, in the gross margin going for more?

Danko Maras
I wish I could be as optimistic every day when I see it, but please remember there is a SEK 230 million improvement in working capital. We have focused on inventory a lot in 2015. We've had targets in our organisations to drive capital efficiency in a way that we didn't do in the past because of the manufacturing strategy. And as you all know, working capital can swing both ways every now and then on the quarter. So I'm a little bit more cautious on the fact that I think this was a record delivery. However, I don't want to give you any forward

looking-statements. We continue to drive our EBITDA up, making sure that cash conversion is as good as it can be. And then it's a question of continuously structurally focusing on capital efficiency.

Fredrik Villard
All right, perfect. Thanks.

Operator
The next question comes Stefan Cederberg from SEB. Please go ahead, your line is now open.

Stefan Cederberg
Thank you. Good morning.

Danko Maras
Good morning.

Stefan Cederberg
Yeah, on Italy, it seems that your volume declined by some 20–25% in Q4. Is this a true change in underlying consumer demand, or is an inventory change that's impacting your volume?

David Nuutinen
On Italy in the quarter four seasonal business, we have increased our prices; that has had an impact on our volume. In terms of how we look at the actual performance with the volume and the price increases and our customer and consumer reactions, you can say that there's a blend. Some customers have said, 'We don't really like the price increase, so we won't promote your products.' And then our consumers are really deciding, because at the end of the day, the price increase per unit was not that significant, and that's what's giving us the sort of belief going forward that, subject to nut prices going down, with the strong brand the consumer demand will be there.

Stefan Cederberg
Okay. And what is your experience in the past when you're implementing prices; do you see that the volume recovers when you have done this in the past? What is your experience?

David Nuutinen
Our strategy is, as you remember, that when raw material prices go up, we pass these increases to our customers and consumers. This magnitude of price increases, we do not usually see. When we have had price increases, whether there has been a slight impact – I mean, a very good example is that in Finland, when the confectionery tax came on board, there was a significant price increase on the products. For a quarter or two, we saw some slight volume decline. However, it started to pick up.

Stefan Cederberg
Okay. And if you exclude your seasonal products in Italy, what was the performance in terms of volume changes during 2015 outside seasonal products in Italy?

Danko Maras
Well, the – we don't disclose in total what the region or the country did, but please keep in mind that the key issue that happened for Italy is the sharp decline in volume in Q4 for our seasonal business. That's the real issue for us, and we believe that it can recover subject to reduction of nuts prices. The volume we think will come back. It's been there for over 100 years and we are the market leader in Italy when it comes to seasonals. So that is our core issue for Italy on a full-year basis.

Stefan Cedeberg
Okay. And a question on Nutisal: you mentioned that there's been a negative impact from the nuts; how much did Nutisal contribute in terms of profit or losses?

Danko Maras
Well, to be straightforward with it, we are still not making an EPS-accretive delivery on our nut segment. We are working hard on getting there. We are improving. It's not easy when you have raw materials on those prices, very difficult for us to pass those through in trade. We have to also look at our competitors, what they are doing, and the dollar. So we keep on working on making sure that we are delivering higher profitability in our nut segment. And it would be nice to have some good wind with us also, if raw materials finally will come down a little bit. But that's where we are at the moment.

Stefan Cederberg
Okay. And a question also on Lonka: how much did it contribute to earnings in 2015, and what was the Lonka profitability for the full year 2015?

Danko Maras
As you know, we are not giving information on brands, but what we can say is we are extremely pleased with the delivery of Lonka and the synergy realisation, and the activities for implementing Lonka. All is going according to plan, and we keep our statements firm on that it will contribute to our 14% EBIT margin. A lot of work is now taking place, as you know, with the factory closure of Dieren and the expansion in Levice, but everything is going to plan and it's a very smooth integration; in particular in Holland, where we feel that they have a found a new family member to be part of.

Stefan Cederberg
Okay. And then finally a question on your outlook for your sourcing costs going into 2016: when did you implement price increases during 2015?

Danko Maras
I'm not sure we had given any outlook on sourcing, Stefan, because we don't do those forward-looking statements. But activities in the nut segment, if that is what you're referring to, we are negotiating and actively doing price increases now. So for the nut segment, it is a tough discussion going on but they are actually happening as we speak.

Stefan Cederberg
Okay, okay. Thank you very much.

Operator
Thank you. As another reminder, to register for a question please press 0 followed by the 1 on our telephone keypad.

The next question come from Anna Patrice from Berenberg. Please go ahead, your line is now open.

Anna Patrice
Yes, hello. This is Anna Patrice. A couple of follow-up questions from my side. You had a strong contribution from the external growth: can you break down by the companies that you acquired how much that was? And what are your expectations for the external growth contribution for 2016, based on acquisitions you did already last year? That's the first question.

The second question is, on the Nutisal you said that it's not EPS accretive yet. So should we assume that it is still loss-making on the EBIT level? And would it be correct to assume that it will be still loss-making this year, as it's still difficult to pass on all the raw material increases?

And how do you see the sales development of Nutisal? I know that you have also switched more to your brands, so you stopped producing white label. So is this already done, or should we able to expect some decline in 2016?

On Lonka, I wasn't sure if I understood correctly; you said that you expect this to contribute to 14% EBIT margin by 2017. That's a thing that you want to achieve on the Group level, 14% margin by 2017, or it's more kind of the mid-to-long-term target, and you don't want to stick to 2017 guidance?

I would like also to know more about the Jelly Bean performance: how was the sales and profitability? And also a little bit more on the Pick & Mix: how have you seen the development in this category? What was the growth that you've seen last year? That's all for the time being.

Danko Maras
Well, that was six questions. So I hope I will be able – David and I, we will work them through and complement each other, I think. In terms of the growth breakdown for the M&A: as you know, the acquisitions that we are doing, they are essentially brands. So if we talk about the Nutisal or Goody Good Stuff or Lonka, we are really talking about brand performance. And there we have refrained a bit from saying the composition of the brand profitability and so forth. So we prefer to group it as total M&A and call them structural, depending on when they come in, in our business. We can say, in general, we are pleased with our M&A acquisitions. The challenge we are having is, correctly as you were referring, back to the second question on our nut segment. And here we can see a challenge in the fact that the commodity pricing for nuts is so close to the actual pricing, and that causes a loss.

So yes, you're right; in your second question, Nutisal is not making a profit in 2015. We are improving the profitability, but we still have to work quite hard to make sure that we are delivering in line with what we had in the outset.

As a category, Nutisal is very much right on our core strategy on Munchy Moments. We believe that this category is growing more than if you look at the traditional confectionery business, which is about 1–2%; nuts is a health segment that is growing 3–5%. And we believe in the long term this is very much in line with our strategy of Munchy Moments, of offering consumers in-between snacks, which is a health trend that exists in the market today. And the fact that we are having very high input costs and currency exposure, obviously, is a reality that we have to live with. But in the long run, we don't believe that's sustainable. It will go up and down with demand and supply. So for us, we are investing and focusing on the nut segment. We believe that it's a good complement into our Munchy Moments strategy.

On Lonka, your fourth question, we were saying that it will be contributing to the 14% in 2017. When we acquired Lonka, obviously it was not delivering 14%. And standalone, we saw difficulties in doing so. So it is through the synergy realisation that allows us to have the profitability of Lonka increasing. A lot of it comes in the supply chain area where we can now produce. We have great technology in the Lonka factories that we didn't have before. And we can now create synergies for our base business in Cloetta that we didn't have before. So that means that the acquisition per definition will contribute to 14%, but not only from the Lonka business; also from our Cloetta business. That doesn't mean that Cloetta will be at 14% in 2017. We haven't really set out a date for it, and we are continuing to strive towards the 14%. When that will happen and when that happens, we will come out with a new target.

On the fifth question, on the Jelly Bean Factory, fantastic brand into the premium price segment and have done a really successful performance throughout the world, but also specifically in Holland where we have an exclusivity arrangement with Albert Heijn. We feel that we have a new entry into price premium segment that we can leverage from in the future in a way that is bang on strategy.

And then on Pick & Mix, David.

David Nuutinen
Yes, I'll take Pick & Mix. On Pick & Mix, as you remember, we have Pick & Mix concept now, started off in 2015 in Sweden with the Coop. And then towards the end of the year, we signed off two new contracts. The Pick & Mix business per se in Sweden is moving according to plan. And now we have the two new contracts that are being implemented as we speak. We also have a Pick & Mix business over ten years already in Finland. And in both Sweden and Finland, the Pick & Mix business is contributing to growth.

Operator
Okay, thank you. The next question comes from Mikael Holm from Danske Bank. Please go ahead, your line is now open.

Mikael Holm
Hi. Just a follow-up on the Pick & Mix business. When you entered the agreement with Coop you said roughly SEK 200 million in sales from that. And now with basically 2.5% organic growth for the full year excluding Italy, that's roughly SEK 120 million or SEK 140 million in organic improvement in absolute numbers in 2015. What are the parts in the business that are declining? That is the question.

Jacob Broberg
Parts that are declining.

David Nuutinen
Sorry, I didn't really hear the question, but Jacob here sort of clarified. In 2015, I think that particularly we saw in quarter that we had a decline in sales in Denmark and the UK. Overall, if we think about our organic sales growth with Pick & Mix coming in, and looking at the – as you remember, when we had our Q2, Q3 report, we mentioned that we had a contract negotiation phase with a major customer in Sweden. That was resolved. However, we mentioned also that we missed out on a very important launch window, which was then impacting sales in Q3 and Q4. We will then be able to capture that launch window in 2016.

Mikael Holm
So due to that, do you expect a higher organic growth in 2016?

David Nuutinen
As you know, I refrain from making any forward-looking statements. But in terms of looking at our quarter four organic sales excluding Italy at 1.8%, looking at what were the elements in the market where we saw growth, where do we see some challenges – as I mentioned, in Sweden, the growth was driven by Pick & Mix. But at the same time, just reiterating the fact that we had that customer negotiation that was solved, but we missed out an important launch window.

Mikael Holm
Okay.

Operator
As another reminder – the next question comes from Anna Patrice from Berenberg. Please go ahead, your line is now open.

Anna Patrice
Yes, hi. A couple of further questions for my side. You were talking about the one-off costs in 2015. Can you say in which P&L lines they were? Mostly in the gross profit, or it seems like probably mostly in the G&A?

Another question, probably I missed: what is your – what do you guide as a tax rate going forward?

And then on the working capital, you said that obviously, in 2015, you did an amazing job. There was a big cash inflow from working capital. Do you set yourself any targets, and where do you see any possible further improvements? Can it be in inventories turnover, can it be in other parts of working capital?

Another question is on the net financial costs. Obviously, there is this big part of net financing cost that is non-cash. So do you provide any guidance of how much that would be in the coming years in 2016, 2017?

And then just small question: when will the annual report be published in March? Thank you.

Jacob Broberg
Jacob here. The annual report will be published mid-March.

Danko Maras
Sorry, it's Danko here. I have to admit, I missed your first question. The tax rate, working capital and the net financial cost, I'll cover. Can you just repeat the first question? Sorry.

Anna Patrice
Yes. And my first question was on one-off charges in 2015, and where do you allocate them. Was it in gross profit? Was it in the administrative costs? And how much should I allocate one-offs to these P&L lines?

Danko Maras
So in total 2015, you both have it in G&A and in COGS, or in cost of goods sold. And in particular in the fourth quarter here, a majority of it was booked in cost of goods sold. Even though you have a very nice development on the gross margin, that actually comes into the COGS slide. But it's a mixture of them, of course, if you look at the total 2015.

On the tax rate, we have a Swedish corporate tax rate of about 22%. If we are including our footprint, we have a blended tax rate with international rate differences that are approximated to about 24%. So we are happy with the delivery in 2015, but we should be somewhere in the range between the 22% and the 24%. And the fact that we are below is due to some beneficial arrangement that happened in 2015.

On working capital, we've said that we will be about 10% of NSV. We are now at 11%, but in 2014 we were at 15%. And the major improvement we're seeing is in inventory, where we have reduced the inventory. Now we are a bit more cautious, because of the factory closure in Dieren and the fact that we are expanding our building in Levice. We need to increase safety stock a little bit; not as much as we used to do in our manufacturing strategy, but we don't see major benefits in inventory in 2016. We want to be cautious and deliver our product and not be out of stock.

On the receivables and payables part, we continue to do activities to drive them to a further efficiency. But we are not the big corporates who think we can actually have negative working capital, where we are not paying according to custom or where we're having faster receivables. We think that we are, for the time being, staying at approximately 10% of NSV; that's our benchmark level. We are aware that some big corporate have negative working capital. We are not sure. We are not of that size. I'm not sure that it's healthy in the long run with suppliers. So the 10% is the benchmark that we are having.

On the net financial cost, you can see if you calculate or – we haven't disclosed it yet, but I can disclose that we are having an effective interest rate of 2.8%. If we look at it today, our loan facility is a bullet that will mature in 2017, which means that we will initiate new negotiation for our borrowing facility in the second half of this year. So where will we end up? I'm as curious as you are on where we will manage in our negotiations. We have a corporate bond that we launched 2013, and that has a price of 310 basis points above STIBOR. It's traded very well, and currently today we think we can get a better price. But that's we are fixed with. We will of course look at the refinancing in total when the time is due for that.

And then with the publication of the annual report, which was in mid-March.

Jacob Broberg
Mid-March.

Anna Patrice
Sorry, there was also on the non-cash items in net financial expenses. So if you can also quantify a little bit how we should factor in going forward?

Danko Maras
Okay. So the non-cash items that we are having are multiple. One is related to the earn-out model where we have arrangements with earn-outs, and actually most of them are maturing. We have one more left for the nuts business. And for as long as we have that, we have to, according IFRS, include a finance cost which is non-cash in nature. But they will be eliminated when the earn-out is paid out. And in this year, the earn-out is maturing for the Jelly Bean Factory. And in 2017, the earn out will mature for the – not mature, but expire for the Nutisal business. And then the non-cash item on the finance net will disappear.

The other part is amortisation of transaction costs for the borrowing facility. And according to IFRS, we have to capitalise that cost and amortise it for the duration of the loan arrangement. So that will disappear in 2017, but most likely be replaced with a new transaction cost related to the borrowing facility that will be amortised.

The third part, which is non-cash in nature, is the IFRS treatment of swaps. And that is a fair market value that will always be there for as long as we are having interest rate swaps in place. And that we intend to continue with. We have a policy in Cloetta to be fixed on our interest rate swaps, about 2.5 to 3.5 years forward. That should be very small in nature given the low interest rate that we are. But it is a fact that we are avoiding volatility in interest rates by hedging it for 2.5 to 3.5 years.

Those are the three key ones that are non-cash in nature.

Anna Patrice
Okay. And then back to the one-offs that you charged to COGS and to the G&A: what should be the gross margin – like, regarding gross margin last year and this year, if you adjust for those one-offs?

Danko Maras
We are providing you an adjusted operating profit margin and an operating profit. We haven't given any recurring or underlying gross profit, or – the actual gross profit is what we are providing, because we are giving guidance on the 14% EBIT margin target but not gross profit. So we do not disclose the difference between the two.

Anna Patrice
Well, because a couple of years ago you were disclosing how much was charged to which each P&L item, and I was finding this actually quite useful from my perspective. But then you say that in 2015, there was one-offs in the COGS and G&A; and so that seemed just 50/50 split, or there were more in COGS or there were more in G&A?

Danko Maras
You're absolutely right, but we invested SEK 450 million at that point in time, and therefore we were very specific about where it actually was landing. The fact that we have converged between our reported and underlying profitability measures, we took away the table. In short, we are not disclosing it because it wasn't significant for us, it's not material. But if you are persistent about it, we might be able to actually show it line by line if we feel that it becomes a big issue for everyone.

Anna Patrice
Okay, thank you. And then the one-offs will be in the range of SEK 100 million due to Lonka, right?

Danko Maras
Throughout the period, yes.

Anna Patrice
This will be more in CAPEX or in OPEX?

Danko Maras
As I said before, when Mikael was asking, we – the split between the two is approximately 50/50.

Anna Patrice
Okay. Thank you.

Operator
The next question comes from Alexander Koefoed from Nordea. Please go ahead, your line is now open.

Alexander Koefoed
Yeah, good morning, gentlemen. Just a quick question for me, it's regarding the Lonka acquisition. And I was just wondering if you perhaps could give a little bit of flavour into cost synergies versus revenue synergies that you refer to in the report? How much of each of those synergies have you weighted in your business plans and budget ahead of the acquisition? If you could put a bit of colour on that.

Danko Maras
It's Danko there again. We have announced SEK 120 million as costs related to the Lonka acquisition, and SEK 35 million of benefits on EBIT coming through. And that in itself is yielding a contribution to the 14% EBIT in 2017. We haven't disclosed more than that. Clearly, we can say that the integration and the synergy realisation is progressing very well. So we are happy with that. We don't see any particular delay. They've really integrated well already in the Dutch market, but we do have a large part which relates to the fact of closing a factory in Holland, expanding the building in Slovakia and making sure that that will yield a benefit on the gross margin line. And until that is up and running and ready, you won't see the benefits coming through in the gross margin. That's as far as I can say.

And going further than that, then we would – we are fearing that we will get stuck in quarterly discussions about what to deliver and what not to deliver. So please keep in mind, it will contribute to the 14% in 2017.

Alexander Koefoed
Okay. But in your budget plans ahead of the acquisition, you did include revenue synergies; that was kind of part of the business plan on that, if I understand? This SEK 120 million cost saving and SEK 35 million EBIT improvement rise.

Danko Maras
I'm not – we will have to go back to look at the announcement. I don't think we did a split of revenue synergies or cost synergies. The majority of this is cost synergies. But that fact is that Lonka is a chocolate brand in Holland. There is a great potential for us to try and make sure that we are now launching, for instance, chocolate products in Holland under the Lonka brand. As you know, we have a very strong chocolate portfolio which doesn't actually fly well in the Dutch market on Swedish brand names, but on Lonka might work very well; and equally, expanding it in other markets. But we are a bit cautious with revenue synergies, and we only want to be firm about what we are committing to on the cost side. And obviously, we are doing everything we can to drive top-line growth.

Alexander Koefoed
Okay. And maybe then just a quick question on overlap on customers in the market from the acquisition: is there anything from possible flights of certain customers if they don't want to get deliveries from the same company, i.e. Cloetta?

Danko Maras
No, we haven't really seen anything of that at all, actually. So because of the acquisitions, we don't have any material effect that comes to our attention so far.

Alexander Koefoed
Okay. Thank you.

Operator
The next question comes from the Stefan Cederberg, SEB. Please go ahead, your line is now open.

Stefan Cederbeg
No, thank you. My question has been answered. So thank you very much.

Operator
Thank you. There appear to be no further questions. I'll return the conference back to you.

Jacob Broberg
Okay. Thank you very much for listening in and asking questions. So thank you for now, and speak to you next time. Good day and have a good day.