Press release

14 November 2013

President and CEO Bengt Baron comments on the results for the third quarter of 2013

Sales growth of 3.0 per cent and realised synergies contributed to an improvement in underlying operating profit (EBIT) compared to the previous year for the fourth consecutive quarter.

The company's underlying operating profit (EBIT) improved to SEK 160m (124) for the quarter. The improvement in earnings is mainly due to realised synergies from the merger, as well as factory restructurings, but was also fuelled by increased sales. Operating profit increased to SEK 131m (90).

The EBIT margin for the quarter strengthened to 11.0 per cent (7.5). The underlying EBIT margin for the quarter was 13.3 per cent (10.7). Cash flow from operating activities totalled SEK 54m (93). The change is mainly due to significantly increased sales in the second half of the quarter.

The confectionery market

Development in the confectionery market was somewhat better in the quarter, leading to growth in most of our markets. It should be noted that the Italian market showed slight growth for the first time in many months. However, the Finnish total market has continued to perform weakly. Overall, we remain cautious about market development in the near future.

Increased focus on profitable growth

As we approach the completion of the integration process and factory restructurings, we can once again focus our efforts on achieving profitable growth. During the quarter, we increased our marketing investments and launched several new products. Sales rose by 3.0 per cent during the quarter. Adjusted for foreign exchange effects, sales improved by 1.4 per cent. Sales increased in Sweden, Denmark, Finland, Germany, the UK and Italy, but decreased somewhat in the Netherlands and in Norway.

The sales growth in Sweden was driven by several successful product launches. Despite challenging market conditions in Finland, we managed to grow our sales during the quarter. For the second consecutive quarter, Cloetta's sales increased in Italy, which is due to both improved market development and a positive reception of the re-launch of the brand Dietorelle. It is too early to say whether this is a break of trends, since Cloetta's traditionally large sales of seasonal products in Italy take place during the fourth quarter. The lower sales in the Netherlands are explained by a weak chewing gum market and the decline in sales in Norway is primarily an effect of the discontinued distribution of a third-party brand.

Refinancing reduces borrowing costs and improves operational flexibility

During the quarter, the company's terms for the existing borrowing facility were renegotiated in conjunction with the issuance of a senior secured note (corporate bond) of SEK 1,000m. The net proceeds from the bond have been used to refinance existing debt. The renegotiated borrowing terms, in combination with the issuance of the bond, will reduce the company's borrowing costs over time,

Cloetta AB (publ)
Org.No. 556308-8144
Kista Science Tower, SE-164 51 Kista, Sweden
Visiting address : Färögatan 33, 25th floor, Kista
+46 8 527 288 00, www.cloetta.com

extend the debt maturity profile and increase operational flexibility. The improved terms for the existing debt and the fact that the bond issuance was significantly oversubscribed clearly demonstrate the attractiveness of Cloetta as an investment in the debt capital market.

Completed efficiency improvements give us good opportunities to meet our goals

It is satisfying to report that the integration process has been essentially completed. The only remaining activity is the on-going insourcing of Tupla production into Ljungsbro. Overall, the integration process has been smoother and faster than anticipated when we presented the merger almost two years ago. During the process, we believe that we have developed an effective model for business integration.

The restructuring process in the supply chain is proceeding according to plan. Matching of products from the factory in Gävle, which we intend to close in the first quarter of 2014, has been essentially completed and most of these products are now being test run in the receiving factories in Ljungsbro, Sweden, and Levice, Slovakia.

The integration and restructuring costs, which have been estimated at approximately SEK 450m, are expected to cease in the second quarter of next year.

It is encouraging that Cloetta has shown growth in sales during the quarter. Aside from successfully completing the closure of the factory in Gävle, our focus is now on profitable growth. This growth can be driven both organically or via acquisitions. Overall, given Cloetta's strong position in the market and current performance, I remain convinced that we have good opportunities to meet our established financial goals.

Media contact

Jacob Broberg, SVP Corporate Communications & Investor Relations, +46 70 190 00 33.

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 10 production units in five countries. Cloetta's class B-shares are traded on NASDAQ OMX Stockholm. More information about Cloetta is available on www.cloetta.com