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Presentation

Jacob Broberg
Thank you very much. Welcome to a warm and sunny day in Stockholm and the Cloetta Q2 report, as usual I have Henri de Sauvage Nolting our CEO with me and also Danko Maras, the CFO and Henri you will start. Please go ahead.

Henri de Sauvage-Nolting
Yeah, so Q2 highlights: our EBIT improvement and also the branded growth was able to offset the negative development in Pick & Mix. When we peel it down, we see that the net sales grew, that's the Candyking inclusion effect, and the organic growth amounted to minus 4.9% and we'll un-peel that a little bit further on. If we look at the operating profit adjusted, pleased to see that that is up to 145 million SEK and also the operating profit in total at 155 million SEK. It's better than last year. We can look at the profit for the period, you can see that we end at 97 million and also in last year we had a one off, which makes the comparator of course quite large.

Cash flow was more or less stable at a 119 million and the net debt EBITDA at 2.77 and that was after the payout of the special dividend and the regular dividends. We will then go to the markets; the big thing was that we saw markets decline in all our markets and also more than we anticipated. Of course, they're big in Sweden – that wasn't expected. There was the Easter effects that we've seen this in all markets, which we can measure in Nielsen, that's only the packaged goods. But we will look at the POS data on the Pick & Mix, we can see that the Pick & Mix market declined substantially. Again Easter, but probably also some other factors. If we then look at the organic growth, we came in at minus 4.9, all coming from Pick & Mix. Not good of course. I'll go a bit more into detail, into more slides.

The positive news is that all the focus on our brands and the packaged goods starts to pay off, so even with Easter impacting the biggest market in Sweden in total, we were able to grow with 0.6%. Not the way we want it to be, but given the market decline in all the markets, this was really positive also leading to share growth in most of the markets and categories. We would then look at Pick & Mix, it declined 19.4% and of which Candyking accounted for one third, mainly driven by the Norway sugar tax and the Easter effect in Sweden. Again, we have some more information on that.

We will then go to the next slide, looking at the changes in net sales. There you can see organic growth is minus 4.9. Structural changes, that's inclusion of Candyking. Had that has now come into our numbers, so this is the last quarter that that will be reported like this, because now it's one year ago since we included this business into the Cloetta business. Exchange rate at 3.6, leading to a total of 4.1 growth. Most important is to fix the organic growth of course. And then also after the previous call, we tried to and build a little bit more the Pick & Mix development.

So if we break it down, in total Pick & Mix, you can see the minus 19.4%. So that is the total Pick & Mix business in the quarter. Minus 19.4. If we then break that down, you can see the Candyking part, at minus 12.1 and that is largely due to two things. One is the Norway effect and the other one is the phasing of the Easter sales mainly in Sweden. And if we then take the Pick & Mix excluding Candyking, so you could say that's the all Cloetta Pick & Mix business, you can see minus 29.3. So, a much larger decline. Okay, where is it coming from? Of course, that is where the Coop contract plays in. So then below the lowest row, you can see excluding Candyking, a lost contract in Sweden, so that's basically the old Cloetta business without Coop, you can see that the Easter effect over there was minus 7%.

And so that gives you a little bit of a feeling where the organic growth problems in Pick & Mix are coming from. So, it's very transparent. It's also very centred around two areas. So, one is Sweden with the lost Coop contract and the other one is the Candyking bussiness – or the old Candyking business in Norway with the sugar tax and promo impact we can see over there. And then for this quarter, we have the Easter effect which is something which will normalise out now for the rest of the year. Then how are we doing with the integration? We had a big milestone on the third of May. All the four Nordic countries went into the Cloetta ERP systems. So, these were the four Candyking businesses, which were previously on a different platform, they now go in, has now gone into the Cloetta platform, which is really important to get even more transparency and synergies and ability to steer the business in the right way. So that was quite a big task for us, to get that all in and like with ERP go live, there are always some unexpected things we need to sort out. But that now means that things like route planning and merchandising optimisation, that all can be done now much more integrated, rather than having I think two different systems. Now we're not completely ready because the UK, which is also a good running Candyking business, that is still on a different platform in due course we will start the project over as well to start working on the integration. And there's many other things, which align outside of the ERP system go live, which we are working on like other systems which are supporting, in particular, and the merchandising of field sales area. It's good to see that the insourcing is completely on plan and also contributing to the coverage and lower cost in supply chain and had the 100 million is still standing very strong. So, with having that said, I hand over to Danko.

Danko Maras
Thank you. Before I start, I just want to take the opportunity to let you all know, this is my last day. It's been a great journey working for Cloetta. Those six years I've been working with you, I want to thank you for the good cooperation. For those of you analysts, who've been, or are, on the call, it's been really, really nice working with you. Cloetta is a fantastic company, fantastic brands. I'm not going away too far. On Monday, I start at Intrum and some of you guys are following Intrum as well, so I look forward to working with you, but from another company.

So with that, moving into the profit for the period which was an improvement, significant improvement in all aspects. You can see the gross profit on page seven, 559 million, 40 million more. Obviously, the inclusion of Candyking has an impact, but this is also now where we start to see good production coming through with the event that we had last year with turnout. We are now coming up to a better delivery on the supply chain part; and production is good. Yielding good coverage or cost leverage for us, so benefit is coming through there.

In addition, this is the first time you start seeing it, you also see a gross margin, improving 130 points versus last year. The inclusion of Candyking has been dilutive ever since we acquired it, but since we now only have one month of non-comparators you now start comparing like-for-likes. Obviously, we want to improve that gross margin going forward with the synergy realisation and in this particular quarter we are now starting to see a good impact of the insourcing of our Candyking products. So a good delivery in gross profit and gross margin. That is trickling down to the operating profit adjusted, which you see is 145 million versus 115 last year, so 30 million improvement. So, on top of the improvement you see on production, you also see good cost control, where indirect on overheads are below last year and on top of that, we're also getting some synergies from the Candyking integration and overheads. So, a good delivery overall on the adjusted operating profit. The peculiarity we had in Q1, where operating profit is higher than the adjusted one continues, and this is because of the impact that was highlighted about Pick & Mix. The earnout adjustment that we need to do, we have a earnout liability that will be paid based on the combined volume in December this year, it's coming down as an effect of the reduction of volume. We also then will pay less on the earnout and that's the adjustment you see, so it's got both good and bad news. Of course we want to grow Pick & Mix, but the actual payout adjustment has resulted in a credit of 10 million in total. There were some costs as well, but the net impact is plus 10 million. Last year was the acquisition and then we had a lot of one off cost of about 25 million.

So the swing you see between last year and this year is 35 million; improving operating profit in total, then were 65 million. So really a very high delivery compared to last year. But the swing in exceptional items explaining that. A good margin on 10.5% on operating profit; 9.9 operating profit margin adjusted. Net financial items is a little bit higher, I'll come back to that in the next chart. Profit before tax, 128. Got a 24% tax rate, no surprises on the tax in particular. And then profit and loss for the period of 97 million, is because we did a significant write-down on the discontinued business in Italy last year. You have the swing of almost 420 million. So from a good EBIT to a cash flow. I would say a good cash flow, as you can see from operating activities, 165 million versus 84 last year. That is an effect of the good EBITDA or the good income statement. Not having any major surprises on interest on tax, delivering 165 million.

On the interest part, as you might be aware, we have refinanced our facility agreement and we sent out a press release earlier about that and the way it works, is that when you have transaction cost facilitated with those facility agreements, you have to capitalise that cost and amortise it over the lifetime of the ration of that contract. And because we refinanced, we have to release it and that's the only reason to why you're seeing a higher finance net essentially than last year. It's about seven million. On the other hand, we are now in the market with the commercial paper program and we have borrowed up to about 500 million and the indications that we are getting is somewhere around 20 to 22 basis points of borrowing cost incremental, which we think is good for Cloetta, but we will of course try to get that even lower. So very happy with that and therefore the net EBITDA that you are seeing in the core 2.77 is equal to last year and we continue to be a good cash generator. The only little watch-out that we had for the quarter, was the working capital movement. And here we do see a net impact of, between receivables and payables which are zero and essentially what we are seeing as an increase, is our inventory. And that is an effect also, that's building up more production for safety stock levels and so forth. So, we can do more on working capital absolutely. I'm not very worried about the particularities of the quarter coming. Please remember that in the comparators, you have Italy included, so that was about 200 million positive cash flow in the first half year, which will not be consuming cash in the second half of the year as we are no longer including Italy within our numbers.

Nothing more particular for the cash flow. We spent a little bit more on CAPEX, but that's because we capitalised the ERP costs and they were a bit higher than what we had in the past, because of the implementation of Candyking, but all our benchmark numbers from the balance sheet, are below target level so really a good delivery in that respect. So with that, over to the CEO.

Henri de Sauvage Nolting
Yes, so what is the focus? You could say is getting the business fundamentals right, building the platform for sustainable growth. We'll be focused on growing the base, to mitigate a particular lost Pick & Mix contract in Sweden. The tax impact, we're getting more traction, more structure, a new CMO has started also. Much more cooperation across the countries to try to leverage scale in marketing mix development so, a lot going on over there. Then as you can see, from this quarter as

well, it's a lot on cost and growth margin. Price increase in Sweden has been announced to the trade, so that's public information and also the cost program of course is really important in getting traction. Candyking integration. Of course, it's a big business for us. It's across multiple geographies and in each country we need to integrate and now streamline the operations in a good way after we now have the go live on the ERP system. And UK is the next step and of course the insourcing and is still a lot of volume we can bring in and that is quarter after quarter executing the plans.

And then Lean, as a way to improve the efficiencies, Danko already mentioned had the issues we had exactly more or less a year ago, when the turnout factory, so it's good to see that supply chain is running on a stable controlled way. Improving efficiencies and also the turnout line, is coming towards the end of the ramp-up phase. The manufacture of the machine is still there with us to iron out the last smaller technical improvements. We are re-correcting from that line. So that's also good to see that that is coming on stream. And like always, in the end we are selling products to consumers. So also, our investors should be interested in that. So we're stepping up the 'Choice For You' program, by offering more, lower and no sugar products. So, we tested that last year in the Netherlands. Have a lot of success with that, so that is now being rolled out into the four Nordic main markets. You can see the Gott & Blandat product, that that is the main brand we have here in the Nordics, but also in Finland we're doing this and you can see that we copy basically what we did in the Netherlands, with 30% less sugar offering and also a no sugar variant.

And then in the Netherlands, we have next to the Red Band candy brand, we have a liquorish brand called Venco and also over there, we're now doing sugar free launches to capture that trends. So we think it's good business, but that it also good to offer consumers and also all the stakeholders alternatives in this category and that is something we will continue to expand on. And last but not least, we bring a smile to people's Munchy Moment. This is where the money is being made. These are the brands we are selling. It's getting more consumers standing in front of a shelf to choose a Cloetta product, paying our customers, customers being happy for the good service but also what we can add to the category and they are paying us and that's where the money in this business is coming in and that's where the prime focus of this business is on. So with having that said, we can open up for questions.

Q&A

Operator
Ladies and gentlemen, if you have a question for the speakers, please press zero one on your telephone keypad. Please hold until we have the first question. And our first question comes from the line of Nicklas Skogman from Handelsbanken. Please go ahead. Your line is now open.

Nicklas Skogman
Yes, hi. I have a couple of questions please. The first one is on the – your production volumes and how that benefit the gross margin, because you highlight the higher production levels as beneficial to gross margins in the quarter, but in the cash flow part you said that you have been building inventory ahead. So, I was just thinking how should we think – because with higher production of course, you get a lower unit costs, but you've been building inventory. So how should we think about this going forward? Have you – has to been sort of overproduction in the quarter?

Danko Maras
Nicklas I take that directly. So, the delivery of fix cost leverage is disproportionally high relative to the inventory build in the quarter. So, there are no one-to-one relation between the two. What you are seeing is a good throughput of produced volume compared to last year and if you were around last year, you might remember we had a very low absorption in that quarter. So, the impact of the

inventory level is not going to increase every quarter with the delivery and the income statement from a fixed cost leverage. So, you saw a onetime movement of inventory. We are not excessive in inventory. We are not below, we are having a good level of inventory. So, I would say that's more of an one-off effect and the production volume is the fixed cost leverage that you will see a benefit from in gross profit ongoing as we have announced with the Candyking merger that we will get a bigger fixed cost leverage. So, there's a lot of volume that continues to come in for supply chain to produce that will lower the fixed costs.

Nicklas Skogman
Okay, thank you. And then secondly, on the marketing spend which you said was lower in the quarter, thinking how much lower was that and do you have any guidance for the increased spending H2?

Henri de Sauvage Nolting
Yeah, I mean what we do with, we plan our activities when it makes most sense to do them and this year we see a few big activities coming up in quarter three like a few which I just mentioned, the low sugar bearings and we also move the, had the marketing spend from a bit of that from Q2 to Q3. I mean it's not major. We're not talking big impact, but it is, I would say 4%-5% of the total marketing spend which we have moved from Q2 to Q3. So, on total year, marketing spend should be slightly up in line with what we have communicated before, that we are starting to slowly increase the marketing spend in order to be more competitive in the different markets.

Nicklas Skogman
Okay, thank you. And then lastly on the new lower sugar products, do you see yourself getting new customers with this offering or is it just current customers switching to a lower sugar alternative?

Henri de Sauvage Nolting
Yes, so what we see – I mean, we have now very good experience from the Netherlands because we have been in the Netherlands now for three quarters of a year, and we see both. So we see both people who are, let’s say, light users. The people who are buying the brand but not very often, that they are becoming like medium/heavy users, but we also see new people coming back into the brand. And the split is about 50/50. So that’s quite positive, and that’s why we also believe that this is really interesting from a business point of view. Next to that, of course, we have our customers who are very interested in these kind of offerings. But also, if you think about broader stakeholders like governments, where we just, of course, seen the sugar tax discussion in Norway. It is important that we have these kind of offerings in our portfolio.

Nicklas Skogman
All right, thank you very much.

Operator
And the next question comes from the line of Nicklas Fhärm from SEB Equities. Please go ahead, your line is now open.

Nicklas Fhärm
Thanks, operator and good morning everybody. My first question goes to the issue with the Coop contract. I believe, initially, you estimated the impact on a full year basis this year, between 130 to 150 million. And I think most recently you said, basically, 110 to 115, in that magnitude. Is this still the case, now that we’re halfway through 2018.

Henri de Sauvage Nolting
I think what we can say is that the original estimate of between 140-160, still holds, but what we also can say, what we also communicated in Q1, that we expected the Coop on concept to be up and running on the first of January, but that took more time. So they were ramping down from December

and were done within Q1, so, therefore, we did not have the full effect yet in the first quarter, but, the full – how do you call that? The full run rate or the full effect is still 140 to 160. And, of course, a lot of that depends as well on how good the Coop concept is going to perform in the market because we are supplying our bulk items to Coop which they then sell in store.

Nicklas Fhärm
And how do you expect the second half sales to impact between Q3 and Q4? And what was the actual estimated impact in this quarter, please?

Henri de Sauvage Nolting
We say it's around 150 on the full year basis. You could expect something like 30-40 million SEK a quarter of impact. There are some on variances with Easter Q1-Q2, a little bit of Halloween in Q3-Q4, but, I would say, that's a good average to estimate.

Nicklas Fhärm
Perfect, thank you very much. And what is your own estimate for organic growth in Q2, if you adjust for the shift in sales due to Easter as well as the lost Coop contract? What will be the sort of, underlying organic growth rate according to your own calculations?

Henri de Sauvage Nolting
I think what you could – we just talked about Coop being around 40 million effect, I would – that's a bit tricky because the Easter effect is different in different markets. And I would say, probably, the effect on Q2 was about 50/50 between Coop and Easter, so I would say that's more or less the effect, but you can also see that. Yes?

Nicklas Fhärm
But that probably means that you're, sort of, true organic growth rate in the quarter was probably, slightly, positive, actually?

Henri de Sauvage Nolting
I don't like all these excuses. I mean, we just lost a Coop contract which is not good.

Nicklas Fhärm
Of course.

Henri de Sauvage Nolting
The customers should be happy with our business and what the service we provide, so all companies making – correcting organic growth for this and that, and lost things here and there, no, we have just not done a good service to our customers. And, of course, with Pick & Mix, it is a bit different because there's a lot of other different elements, and it's a bit more binary that you gain one or you lose one, but we just have an organic growth of -4.9. And then we can say okay, well. If you unpeel it like we said, there's two divisions with the packed division, with much higher margins, that is so crucial to make that growing because that's where we will make margins which are an improvement for the 14%. And all the Pick & Mix business, we're integrating, I just explained that. We will just need to become better as a provider of concept that customers are knocking on our door because they want to do business with us, and not try to do it themselves or going to a competitor. And that's clear if you look at these numbers with the lost Coop contract that we not there yet. But it's my firm belief that we will be there, and we are getting the right people in place, supporting, also, the different countries, people with retail experience. So we will get there. This is a big thing for Cloetta.

Nicklas Fhärm
Absolutely. Final question, and then maybe I come back later in the call. But, I was wondering, when you lose 12% of top line in Candyking, what's the leverage there? Would it be a fair assumption to say

that you're probably loss-making in this quarter, if you look at Candyking isolated? Or, is there any particular reason for why you would be able to, sort of, shift out costs? Sort of bearable with that sales development?

Henri de Sauvage Nolting
We're not ever making profit on Candyking, but you can also, of course, see from when we acquired it, it was not very high. But, of course, on the other hand, we are improving with the in-shores, and we improving the transfer prices because we are better for using that ourselves than buying it from third-parties. As I already explained, the big impact for the Candyking business is the Norwegian business where the sugar tax led for sugar debate, which has led to all customers in Norway not promoting Pick & Mix. And promotions are really important, not only during Easter but also in the other months. That is the main reason for the Candyking loss. There's one other smaller reason, which is that we decided already when we acquired Candyking, that we would step out of a loss-making Polish business. Not heavily loss-making – but it was loss-making. We looked at it. We could not see a way on how to make it profitable looking at the market conditions and pricing, so we decided to step out of that and inform the customers that over 2017 we would unwind that business – that actually is helping us in the profitability. Those are the two reasons for the Candyking business to be down. We initiated the Polish thing; good decision, but, of course, in Norway we need to – had to work hard to compensate for that. We have one major customer in Norway, and, of course, we're in constant dialogue with them on how to cope with this less volume, both from a consumer and also from a cost perspective.

Nicklas Fhärm
Of course. Thank you so much for taking all these questions.

Operator
And the next question comes from the line of Mikael Löfdahl from Carnegie. Please go ahead, your line is now open.

Mikael Löfdahl
Yes, thanks. So, first of all, could you say something about Norway and the current trading in Q3? I guess that sugar tax could go away as consumers come back and marketing's spend perhaps increases in the retail chains and so on? But how has Q3 started?

Henri de Sauvage Nolting
No, we're not going into forward-looking statements, but what we can say is that we have seen in Norway a positive growth in our packed business. So our branded business in Norway is growing. So that is very pleasing to see. That also means that we've been able to adjust to new price points with the sugar tax. And I'll tell you again, it is really a – well, a fiscal measure. You don't pay any tax, not pay any sugar tax on a kilo of sugar. You don't pay it on ice cream, but if you buy Läkerol which is not containing any sugar, you pay this sugar tax. So that is a good sign, I would say. There's, of course, not only the sugar tax, that are the things we're doing in the sales fundamentals in particular, and also with the branding.

And if you look at the Pick & Mix business, of course, also in Norway, the biggest quarter or the biggest month is the Easter sales. And that effect you have seen. Now it is time to work with the customer and see, okay, the next big one is Halloween. That's not by far as big as Easter, but how are we going to operate. Now one thing which we can see in Norway and what we also hear is that there is a lot of discussion in the Norwegian market, particularly, between retail and the Norwegian government because the Norwegian market is quite impacted even though it is like 1 to 1.5% because there's a lot of Norwegians who are actually going across the border to do shopping in Sweden. And I think, on top of my head, it's something like 60% of the Norwegian population is living in places with only one hour or less drive to the border. And we're not talking here about candy, but we talking about a lot of other categories which are cheaper in Sweden. Of course, that is hurting the Norwegian trade, so they're also lobbying hard to get rid of some of these measures like other governments in the Nordic have tried and left. Earlier you had in Denmark the famous fat tax which led to the same kind of behavior of Danish consumers then shopping in Germany. And then the government decided after two years to abolish it. So there's certainly a lot of discussions going on, to see, you know, what is the real purpose of this sugar tax because as I just said it's also something which doesn't really prevent people from eating less sugar because it is the same tax on all products in the category.

Mikael Löfdahl
Okay. Further on Candyking. You do provide a lot of growth numbers here for us to try to figure out the underlying year growth and so on, but Candyking – I mean, it was consolidated at the end of April last year, so it was not part of the Group in April and this year, April, was the Easter month, so can you just say something about Candyking's organic growth during the whole quarter of Q2 this year, year-on-year?

Henri de Sauvage Nolting
That's the table we showed, so the Candyking organic growth – so this is nothing to do with Cloetta organic/non-organic, so Candyking declined -12.1% in the quarter, that's like-for-like –

Mikael Löfdahl
So that's FX adjusted as well then?

Henri de Sauvage Nolting
Yes.

Danko Maras
Yes, so just to come back to that point – it's Danko here. We had this discussion in the previous quarter, and we said we would consider for this particular quarter to show you the organic growth, organic in isolation, and that was a bit unusual because two months are organic; one month, the month of April, is, what we call, structural growth through acquisition. So the table that you see, we've actually taken away that and said that's the organic underlying like-for-like comparator on Candyking. It's the only time we will do that, so – and the problem disappears because from Q3 onwards you will have a comparator by quarter. You have that –

Mikael Löfdahl
On the gross margin then, I guess, the mix in this quarter is positive also for gross margin as Pick & Mix decreases in proportion. Could you say something about the gross margin development within packaged, if that has improved or is it only the mix?

Danko Maras
No, I would say if you look at the – you're absolutely right. So we have a negative volume and a positive mix, and the effect of it is basically neutral. And then you have the production benefits coming through which is the fixed cost leverage that we are seeing as an enhancement. And to that, you also have a somewhat tricky price implication. But if I look at it overall then the packed business is holding its margin from a commercial point of view. And you're getting a boost from restoring, let's say, the supply chain production, so it's a recovery from a somewhat negative comparator, I would say. But you don't see a significant improvement in the profitability from packed. It's holding its course. That's what I would say.

Mikael Löfdahl
Okay. And you touched on pricing. You said in connection with Q1 that you would implement price increases to mitigate the currency movements, not the least. At that point, I think you mentioned price increases will probably start to come through in August, September or so, and gradually impacting the margins. Is that still the case?

Henri de Sauvage Nolting
Yes. So that last time when FOREX or raw materials start to move adversely, we cannot act on the spot price difference, or it needs to be in the market for a while. And then there is a three month, how do you call it, notice. So we need to inform customers that three months later the prices are going up. So that we have done, and that means, indeed, that as from quarter two, August-ish, these prices will go up.

Mikael Löfdahl
Okay. And another thing on the gross margin. The effects from last year's fire in Turnhout. And now that the production is more or less up and running, did we see any gross margin improvement quarter-on-quarter from taking back production, perhaps from some third-party? Or will that come in Q3? Could you say something about that?

Danko Maras
It's Danko here. So, you are starting to see synergy realisation from the Candyking insourcing. It was much smaller in Q1, so now, as we have said, the generation of the benefits from this Candyking acquisition is coming through more in the second half of the year than in the first half of the year. So that you will start seeing coming through as a positive. And please bear in mind, also, that we did not have a financial impact because of the fire in Q2 last year. What we did have though, was a very low production volume in Q2, for many different reasons. So, I'm not going to go into those and bore you with those. But now we are restoring that level. So, you get first fixed cost leverage benefit and now we are then increasing volume. The fact that we are having Candyking insourcing, we also have volumes from Italy that we are building in. And the third-party production that we've had is going to be insourced as well, so there is volume for supply chain to produce, and the task for supply chains to do that as a low cost as possible. And that is progressing now in a positive way, also with the new machine coming in. So, more in the second half than what you've seen in the first half will come from that.

Henri de Sauvage Nolting
And just to add on that, the Turnhout machine fire we had that was last year in June. Right? It's one of the last days in June, so the comparative with last year is not in any way affected by the Turnhout.

Danko Maras
It's just lower production volume for other reasons.

Henri de Sauvage Nolting
Yes.

Mikael Löfdahl
I was just thinking quarter-on-quarter if there were any positive effects in Q2 versus Q1 from Turnhout up and producing again.

Danko Maras
No, you're not seeing it. You will start seeing it in the second half of the year because then the implications of the fire had a negative effect, both in Q3 and Q4. Not only in Turnhout, but for the whole network. It became a bit of an issue.

Mikael Löfdahl
Okay, good. Final question. Just if it's possible, you mentioning in the second half more synergies coming through from Candyking, is it possible to quantify anything? How much did you see already in Q2, and what is the delta moving into second half? And perhaps, also, you have the target which you

are going to reach in 2020, but the work in terms of insourcing or production, is that moving fast, or in line, or, sort of, when will it be material?

Danko Maras
I realise and I appreciate that we can be a bit more detailed, but as with everything when we are doing these activities, I think it's more important to go back to the headline of the 100 million that we said we would do, is it going faster or slower, we said that it would come more in the second half of the year. What makes me very encouraged is to see that we are delivering synergy realisation as we have planned internally, a little bit ahead of schedule. And that's great to see because sometimes acquisitions don't go your way, but this time we are seeing it coming through, and we know that there's enough in the pipeline. So if everything works well – in supply chain you never know if there's something happening, but if things go as we have planned, it will come in the second half of the year into 2019. And with fairly high comfort levels. I have to say even the – that might be the last thing I'm saying here, but it is – I'm very encouraged with the integration work and the realisation that we are seeing coming through now.

Henri de Sauvage Nolting
Of course, the two big underpinning factors, one is the Turnhout line getting up to speed which gives us also the capacity to execute those plans. And the second one is to go-live on the ERP system on the 1st of May after we work ourselves through the smaller issues which you always have with an ERP go-live. We also will start to see back-office synergies coming through in quarter two because of that. So, of course, those two big events are pointing toward, Danko has underlined, that most of it will then come into second half.

Mikael Löfdahl
Okay, thank you very much.

Operator
Just as a reminder, if you do wish to ask a question, please press 01 on your telephone keypad. There will just be a brief pause while any other questions are being registered. As there are no further questions, I now hand back to you speakers.

Jacob Broberg
Okay, thank you very much for calling in. I, or we wish you all a good and pleasant summer. Have a good day, and speak to you the next time. Thank you and goodbye.