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Presentation

Jacob Broberg

Good morning everyone, and welcome to Cloetta Conference Call. My name is Jacob Broberg, I'm Head of Investor Relations, and as previous quarters, I have David Nuutinen, our CEO here, and also Danko Maras, our CFO. Please go ahead, David.

David Nuutinen

Thank you Jacob, and good morning everyone. I will start with the Q1 highlights and the overall view on the market and sales development. For the quarter we can see positive performance, with higher operating profit, higher operating margin and lower net debt, with a sustained strong cash flow. Our top-line growth was 3.4%, amounting to SEK1.358 billion. On the overall market and sales development: on the market we can see positive market developments, except in Italy. In the Italian market, we can see that the conditions have remained tough, with the market declining, and this has of course affected us. However, we are constantly working to improve our performance in Italy.
On the organic growth, the decline is something we were not happy with, despite the strong comparator. We keep on working hard on our day-to-day execution on our sales and marketing activities, and we see no change to our target to grow at least in line with the market, which is 1–2%.

On particularly the two markets we have also seen some sales decline, in Denmark and Norway. In Denmark it is related to a loss of one particular customer in the sales of pastilles, and in Norway we have particularly strong comparator with this very strong launch a year ago. And as you know, every now and then we will see some changes in the quarterly sales related to launches and promotions. But with this quick overview, I will hand over to Danko.

Danko Maras

Thank you very much David, good morning everyone. If I go into page 4, we've added a couple of lines on the profit part. So if I leave the net sales for a moment, you see the 3.4%, you can see that our gross profit in the quarter was 37.3%; sort of flattish towards last year, which was 37.4%. It's a slight decline. But in absolute terms, you can see an increase to SEK506 million versus SEK491 million.

There are two offsetting components here, and clearly as you know, the acquisition of Lonka continues to be dilutive to the overall Group gross margin, but that has actually been offset by supply chain efficiencies that we are realising more and more now, when we're running on the full run rate in our supply chain. So the impact here you're seeing is 100 basis points negative impact for the Group on Lonka, and we keep working on implementing Lonka and improving the margin, but that is not for this year, and therefore we have this dilutive effect which is actually offset by the really good job in our supply chain performance. That SEK15 million difference you see is actually flowing through quite steadily down to the operating profit. The adjusted SEK126 million is about SEK18 million better than last year. The decline of sales gives the margin even a bigger boost, so you can see that the 9.3% EBIT margin is 110 percentage units better than last year, or 16% improvement of EBIT.

So we feel it has been a good delivery on the profit contribution in the quarter, and this overarching structural improvement comes from our supply chain efficiencies. Operating profit is slightly down to the adjusted one, SEK108 million, but holding the difference there was last year. Please remember, last year we did a restructuring in Italy that affected our selling expenses. This year we're making an adjustment in the earn-out considerations. We are about to finalise one of the two remaining ones, and after Q2 this year we will then be only having one more earn-out that we need to assess, and the probability of major changes of the earn-out is diminishing as we are getting less and less of those. But the majority of this charge between the adjusted and operating profit is related to the earn-out considerations that we are now finalising. It's still outstanding some questions on it, but on a very residual amount, so therefore we don't' see any material movements in that respect.

So if we then move down from the operating profit, you can see that the net financial items were SEK46 million versus SEK48 million last year. The positive news for us is that we continue to improve our other financial expenses where we actually have our third-party borrowing and interest cost. We're down to SEK40 million versus SEK54 million last year. However, we do have a swing in our exchange rate differences, and they are revaluations that we are doing on monetary assets. You can see that we had a charge of SEK8 million, and yet last year we had a benefit of SEK6 million. These are unrealised valuations that are not affecting the cash, but something we have to do in our income statement. If we look at it from a full-year basis, the impact last year was just SEK1 million, but we will these swings coming and going. one item that we are looking at is the British pound, making sure that we are acting rightly on that item, considering the volatility that the pound is causing us. We don't have a material exposure, but we need to be considerate about what is happening with the British Pound.

Then moving down to the profit before tax, you see a SEK20 million improvement to SEK62 million versus last year. Nice improvement, but that is not coming through when you look at the profit for the period. We have a tax of SEK18 million in the quarter; that represents 29%. It's quite a high tax rate. It's easily explained with that the earn-out consideration is not tax deductible; it's considered being part of the purchase price, and that is actually why we're having a higher tax. If we are taking that out and do a like-for-like comparators, we are down to the corporate tax rate of about 23% without it.

That was a lot of numbers on the income statement, but if I then move over to the sales part again, on page 5: as David was alluding to, not happy with slight negative growth, despite strong compactors. And the contribution on the top-line phase that we see in the quarter, it's actually coming from Lonka. And that is the Lonka acquisition delivering 4.9% incremental growth in our top-line number. The changes in exchange rate are also notable. It's the first time in many quarters where you can actually see a negative development. What that means is that the euro is not continuously strengthening, which it has been doing for many consecutive quarters. It seems like it has steadied a bit, and that the Swedish krona is strengthening, but I'm sure you analysts know everything about the development of euro and SEK better than I do. But that is the first notable change that we are seeing, so please remember that going forward.

Here on page 6, you can see a visual which strongly indicates both on absolute terms the increase quarter by quarter on sales, operating profit, and adjusted operating profit. Clearly here on the indications of the phasing of our profit, you are getting a good understanding of looking at the historical delivery. It is a very nice operating profit delivery on the first quarter, if we start comparing it to previous years. And if I just simply replace last year's quarter and add another quarter, and we look at the rolling 12 months, the adjusted operating profit is moving from 12.2% to 12.4%, and our clean operating profit is actually moving up to 12%.

So if we then talk about rolling 12 months, going into the cash flow generation, you can then see on page 7 we introduced a new chart for this section specifically, where you can see the cash flow generation from the business from 2012 to 2016 first quarter, and the red line there is the rolling 12 months. And clearly in the last two years, you can see how we are stepping up in the cash generation delivery. And then in 2014 delivering about half a billion of cash flow, and then SEK927 million in 2015. And then on top of that, with a very good delivery also in Q1, where the cash flow was SEK253 million; if we then replace that with the first quarter last year with a new one, we are now topping SEK957 million of cash generation. So very strong and good cash flow delivery. One or two of you have asked me when is that going to be a round number. I just want to be mindful about working capital movements. We are very happy with structural improvements; working capital as a percent of NSV is below 10%, but they can swing unexpectedly so please be aware of that as well.

If we just break that down a little bit more, you can see that the cash flow from operating activities on page 8 is SEK121 million versus the SEK66 million last year. That is also coming through in the actual finance net. It's only the third-party borrowing which we are having at the cash out, and that is SEK13 million better than last year. But also the tax, the tax calculations we are doing: there is actually no tax paid in the quarter, and that's about SEK17 million better, and that gives this incremental good cash delivery in the quarter on top of the EBIT contribution. Positive working capital movement now also gives the SEK253 million. And as you can see, if I go further down there: we don't acquire any companies at the moment, and then we are amortising our debt with SEK90 million.

For some of you, you might ask, 'Why do you have such a large cash position at the end of first quarter?' It's because we paid dividends, so we held the position instead of sweeping it back. And that has now been paid in Q2. This cash flow delivery then results in a continuous improvement of our nested EBITDA ratio, so even if we managed to come down to 3.03 in 2015, it's further reduced to 2.78, indicating the strong capability of driving our cash flow generation towards our long-term target of 2.5 times net debt to EBITDA. And with that, I leave the cash part, and give the word back to David.

David Nuutinen

Thank you, Danko. On the integration of Lonka, it is moving according to plan. We have now completed the integration of the sales, marketing and purchasing activities into Cloetta. The next step is then continuing the work on the supply chain side, namely on integrating the Roosendaal factory into the Cloetta ERP system, and then also the plant closure of the factory in Dieren, which is then planned – production is planned to cease at the end of this year, and production will be transferred to Levice in Slovakia, and in Levice the factory building, the extension, has been started during the quarter.

Going forward, focus areas. As we said, on top-line development the slight decline in organic growth, we're not happy about it. So we keep on focusing on profitable growth. We plan for growth, and as I stated, despite the sales decline in quarter one on organic sales, there's no change to our target to grow at least in line with the market. We will continue focusing on implementing and driving our initiatives within the Pick & Mix area. As you are aware of, in quarter one we have completed the execution and implementation of the two new contracts in Sweden, and we focus on continuing the – keeping the positive momentum going on. I just mentioned Lonka as to where we are, so that focus is very much now on the supply side, and then on the operational excellence of supply chain through our Lean2020 initiative, delivering efficiencies. These are the core focus areas going forward.

Then on the last slide, we see a selection of some of our product launches. We are all about consumer goods: brands, products that our consumers love. We have a sample of some of the launches where you can see, particularly here in Sweden, Norway, and Finland, where we have some launches in better-for-you products; particularly the Crispy Bite, which is a wholegrain wafer with berries, and then in Finland, better-for-you products with the launch of Jenkki pastilles, with 100% xylitol, with the dental benefits. We also see some examples of how we take successful products from other markets, namely in Italy under the Sperlari brand; taking products form the Dutch market, and introducing them into the Italian consumers. And you can see also the roll-out of new nut product in various markets.

So all in all, also continuing the activities on new product launches, and bringing news to the consumers.

Q&A

Jacob Broberg

Okay, thank you David. That was all from us as an introduction, so we will then open up for questions.

Operator

Thank you. Ladies and gentlemen, if you wish to ask a question please press 01 on your telephone keypad now. Please hold on until we have the first question.

We have a question from Erik Sandstedt of Handelsbanken. Please go ahead, sir.

Erik Sandstedt

Hi, thank you, it's Erik here. I have a few questions. Firstly, on SG&A costs; those are basically flat, or actually even slightly down versus the same period last year. I know you touched a little bit on it in the presentation, but is that something we can expect also going forward, or should we expect sort of normal inflation on that line?

Danko Maras

Thank you. Good morning, Erik. Do you want to ask all of your questions, or should we go ahead and just…?

Erik Sandstedt

Maybe we can take one at a time, if that's easier for you?

Danko Maras

Yeah, so on the – well, good morning. On the effect that you're seeing, we have to be mindful about two things when we look at selling expenses and G&A in the quarter. The adjustment that we do in the earn-out that makes an adjusted operating profit, you will see in G&A in the quarter. So there is a higher spend versus last year, mostly related to the fact that we are having an additional charge booked as earn-out consideration in G&A.

On selling expenses, we also have to remember that last year we made a one-time adjustment for the sales force and the commercial organisation in Italy. And therefore you see a higher charge last year which was also adjusted for last year, so that's why you see it falling through in the P&L. So I would actually relate the two items that I just referred to as one-time items and not running costs that you would expect going forward.

Danko Maras

I hope I explained that well enough for you.

Erik Sandstedt

Yeah. No, that's perfect. That actually leads me onto my second question. Because I just wanted to get a feel for where the extraordinary costs are booked in the income statement, but I suppose you touched on the G&A one already. But the Lonka restructuring, is that part of COGS or is it SG&A?

Danko Maras

It has been booked in SG&A last year because of the commercial integration. When David was talking about the supply chain restructuring that is actually coming now, it is going to be booked in COGS, and there we have not yet incurred any material cost. Once upon a time we had a table that explained exactly where that would be. If that would help the analytics of it we might consider introducing it again, but it is not a material restructuring in that sense. So I feel that might not be necessary; it is better to explain it for you.

Erik Sandstedt

Yeah. So just to conclude on that, the whole non-recurring cost in the quarter actually relates to the earn-out, and it's booked in general and admin expenses?

Danko Maras

80% of it, 85% of it. Then we have a few costs which relate to a slight impairment of a building in Zola Predosa in Italy, which is very small, and then also a very minor charge on the restructuring. Yeah. So the majority is the earn-out, absolutely.

Erik Sandstedt

Yeah, perfect, thanks. Then moving on to organic growth. I mean, you're now meeting basically the comparison figures from when you ramped up Pick & Mix with Coop last year, so I suppose that inflates your comparable figure quite a lot. But – I know this is a bit hypothetical, but if you try to adjust for that and perhaps look at organic growth more in your branded business, would that be positive in the quarter or would that be negative as well?

David Nuutinen

Okay, David here. Hi, I think you're absolutely right when you look at the comparator where we did have the ramp-up of the Coop Pick & Mix, and as stated there are always variations in product launches and promotions. But looking at particularly this quarter and the comparator: yes, we said that we're not happy with it. Don't want to go into any explaining mode, but when we do look at this quarter we do see also some slight changes in trading days. So all in all, if you take all of that into account, we are still confident that we can state that there's no change in our forward-going strategy of delivering 1–2% growth.

Erik Sandstedt

Yeah, perfect. And actually, on that topic, coming back to the Pick & Mix business: if we look specifically at Coop, are you growing that business organically now? Obviously you had the big ramping-up effect last year, but do you have growth on top of that now?

David Nuutinen

Well of course we have to look at – when you speak about ramping up, it's our sales to our customers. I think the most relevant topic is always what is going out to consumers. And this quarter we had the ramp up of [inaudible] and [inaudible]. I think overall the ramp up of [inaudible] has been going according to plan, and some of the initial selling-out indications are also positive. Still early days. And with the Coop development now, once we've been there already for a full year, I would also say that we are seeing positive development.

Erik Sandstedt

Okay, perfect, thanks. And then just finally from me, in terms of the Italian business: you've obviously had some problems there for years; is that a business you're still committed to retaining, or could we see some significant restructuring there going forward?

David Nuutinen

As I've said, and you've also heard it several times, that the Italian market conditions have been tough and it has also affected us. We are continuously working to improve our performance in that Italian market. Italy is one of our main market and that's clear.

Erik Sandstedt

But is it primarily market dynamics, or is there anything company-specific that you could do better?

David Nuutinen

There's always opportunities to work hard and improve performance. Naturally the market condition, when it is in decline, it does have an effect on us. And then we look at our various brands, we can see that some brands are up, some are down, but overall we just keep on working hard to improve the performance.

Erik Sandstedt

Perfect. Thank you very much, and well done on a good quarter.

Danko Maras

Thank you.

David Nuutinen

Thank you.

Operator

Thank you. Our next question comes from Mikael Holm of Danske Bank. Go ahead, your line is open.

Mikael Holm

Yes, my first question related to the gross margin. You talk about the dilution for Lonka offset by efficiencies, but in recent – basically the recent two years you have been talking about headwinds from FX and raw material costs, and you had a lag before you've been able to push price increases to your customers. I guess we have seen a bit of a more stable situation on both the raw material and the FX side for some time now: shouldn't we see a positive impact from pricing? Or [inaudible] should we expect that going forward?

Danko Maras

Hi, Mikael. Yes, on the gross profit: of course, when I talk about supply chain improvement, I incorporate anything that relates to procurement, conversion cost improvement, efficiencies with volume, getting the best out of the coverage and so forth. So it's a combined picture. And clearly we have seen some key raw materials coming down. At the same time, as you are fully aware of, we also had some key raw materials going up significantly, and in the nut segment we were very severely hit by that and tried to do pricing which we did in the fourth quarter, but having an effect on volume. And now you can see world market prices are actually coming down on us, and we are very happy to see that the demand for almonds has gone down significantly because of the high pricing, actually resulting in that there is a reduction of pricing for almonds. So that gives a good prospect for us.

However, also if you ask what is the composition of price and volume on the growth numbers for the quarter or structurally, we have specific areas where we're doing pricing where you have effects on currencies predominately. And that is seen in Sweden and Norway, we have had to do pricing in the most recent period. The same goes for decisions that need to be made on the development in the UK.

So if we look at the blended picture of our company in total – as you know we don't disclose exactly how much is price and how much is volume – it is not a significant component in total going on price, but in some individual markets we are doing price increases to mitigate both FOREX and commodities, as you know.

Mikael Holm

Okay. And also a follow-up on the Lonka evolution: you said it was roughly 1% in the quarter; is that a fair assumption for the first 12 months that Lonka is included in your numbers?

Danko Maras

Without making any forward-looking statement, Mikael, but we are gradually improving and working on the restructuring of Lonka, and we have said that we would realise full run rate of the savings in 2017 and it won't come overnight. So – but it will gradually be an effect of it, but I cannot give you an indication of which quarter will have how many basis points. That would be tying ourselves to our own back in doing that.

Mikael Holm

But you don't expect Lonka to be able to reach the kind of gross margins you have on the Group? That's, I mean, even in the long term?

Danko Maras

In the long term, absolutely. Well, the contribution that we have specifically said is not gross profit, it is the EBIT margin. So we have to look at the combination of integrating the sales forces that we started to do last year, which gives us an SG&A benefit. But then also lion's share of our components lies in the restructuring part of the supply chain, and that will be fully realised. So our commitment to the investor community is to deliver restructuring savings that contribute to the 14% EBIT margin.

Mikael Holm

Okay, and my final question. I guess you touched upon it earlier, but did you have any impact from Easter being in Q1 this year?

David Nuutinen

Mikael, David here. Actually, when you look at our sales, whether Easter is in March or it is early April, our deliveries mainly take place in quarter one. Of course then consumer sales, whether it's in March or April, can have the impact on how we view the market development. And naturally with Easter being this year in quarter one, that has also contributed to the positive market development in the quarter.

Mikael Holm

I was also think of on the cost side in terms of marketing activities.

Danko Maras

No, that's – I mean, we wouldn't say that we have notable fluctuations in our marketing. It is just quarterly phasing issues in that respect, and I wouldn't highlight those as something exceptional in our case.

Mikael Holm

Okay, thank you.

Operator

Thank you. Our next question comes from Fredrik Villard from Carnegie. Go ahead, your line is open.

Fredrik Villard

Thanks, good morning. I've got some follow-up questions on the cash flow, and what are your thoughts on cash allocation? I mean, you're rather quickly coming down towards your target, as you mentioned, even despite adding back to dividends that you paid in Q2 or have been paying now. I mean, what are your thoughts on cash allocation? Even if I run the math here, you're going to have some left over cash if you continue with this cash flow sort of position improvement that you have.

Danko Maras

Good morning Fredrik, it's Danko here. So on the cash flow generation: the fact that we are coming down to our target level is just very positive news, and now you can actually see that coming through. Please remember that the earn-out needs to be paid as well, which is 25% share that needs to go out as a postponed acquisition price. So we will have cash outflows that will come here in the immediate future that we need to consider and cater for. But as we have said before, we want to make sure that we have the flexibility to do tactical acquisitions in case our board would agree with us, we would go ahead; if we will have surplus cash at the end of the day that we would amortise the debt level, and if there is a desire for a special dividend that would be raised when that is of any interest. But we're not here yet at all: please remember, we are SEK2.6 billion net debt and we need to come down to about 2.5 times. So still there is some room to get to that target level; if we find interesting targets for us on the M&A field, we don't want to have a restriction from a finical flexibility point of view. So that we need to cater for as well.

Fredrik Villard

Alright, perfect. And touching upon that, I mean speaking in general you've been very active despite the restructuring of the facilities, and now you're doing another restructuring in Dieren in Holland. I mean, prices on M&A generally: are they going up or down or flat in this market? Obviously I know you don't want to comment on specifics, but generally for confectionary companies that we can't sort of monitor the price on, are there – what is the sort of the movement of the market?

Danko Maras

Well, I would say when we look at it we have seen some ease of the multiples, not a lot; some ease of looking at what the valuations of companies are. But I think there is a correlation on the access to cash or – you know, the cost of borrowing is certainly influencing it. There is a steady stream of interesting opportunities. So there's no lack of opportunities, we just need to find something that we believe fits our Munchy Moments strategy and can yield the right kind of synergies for the Cloetta Group.

So it become a case-by-case basis. There are family-owned businesses still out there, there are other interesting opportunities, but until we have something more tangible we will look at them with our financial hat on, and then does it make sense from a strategy point of view as well, that it fits the Munchy Moments? That's what I could say.

Fredrik Villard
Alright. Sorry, final question from me. And Danko, I know you said several times 3% of NSV is CAPEX to sales. I think I've asked this every quarter.

Danko Maras
Yeah.

Fredrik Villard
Is it still 3% of NSV you're aiming for in CAPEX?

Danko Maras
It's actually 2.5% in the quarter, which –

Fredrik Villard
That's why I ask.

Danko Maras
I keep the 3%, you know.

Fredrik Villard
Okay.

Danko Maras
Please remember that we're expanding our building in Slovakia, and all of this is timing issues. So let's think about the long-term strategy: 3% of NSV is CAPEX and 10%-plus of NSV is working capital.

Fredrik Villard
Thanks.

Operator
Thank you. Our next question comes from Anna Patrice of Berenberg. Go ahead, your line is open.

Anna Patrice

Yes, hello. Thank you for the answers already provided. Couple of questions from my side. Could you please provide more details on the one-offs? So why exactly did you have to – why are the earn-outs extraordinary expenses, what has happened here? What was the exact amount of earn-outs in the in the extraordinary expenses? And what is the full year that you think the one-offs will be? So one-offs, but I don't see how much it will be. And how much in Q1 was due to the Lonka restructuring?

Another question on the organic growth. So it was slightly down in Q1; in Q2 you have easing comps, so can you comment on the current trading, maybe? How the month of April was for you, and what kind of organic growth expect in the first half of the year? So should we expect some acceleration in Q2, and what are the drivers you have expected accelerations for the rest of the year?

And then from the analyst perspective, I think it would be very, very useful if you could provide more details on the way you book the one-offs, because when you look at the [inaudible] levels you will see in the G&A and in the selling expenses etc. in the growth profit, for us it will be very useful to see the underlying development and [inaudible] to see, 'Oh actually, in Q1 last year, they went also in this year, that's why – you know, in this item that's why this year this item was kind of flat or decreasing or something.' So from an analyst point of view, it would be very, very useful, so maybe you could consider it. Thank you.

Danko Maras

Anna Patrice, it's Danko here. So I will take two of your questions, the first and the last, and then David will take the one in the middle. And if I start with the last one. In the introduction of our company in 2012 we had significant one-off costs, and we had a table that showed exactly what the items related to, because we said that we would spend approximately SEK450 million. Since then, we have converged more and more towards a very strong similarity between our adjusted operating profit and our operating profit. And the announcement of the Lonka acquisition with the subsequent closure of the Dieren factory, we did announce SEK120 million of costs and SEK35 million of savings. But in context, versus the overall big scheme that we had which was very detailed, we have converged so that the difference between the operating profit and the adjusted one is small. We are happy to look at this again if this is a need to go in and actually itemise it. We have no problems doing that should we see that that would actually help you. In our way of looking at it, it's just not really on the same kind of level that it used to be in the past.

And that brings me to the first question of the earn-out consideration. And with all of these things, when you have a family-owned business, the calculations of earn-out are a negotiation and determination by independent parties so that both parties feel that the calculations are correct. And out of the difference you see in the operating profit adjusted and operating profit, a majority of that is the earn-out adjustment. And that is still not final. So we are in the closing argument and negotiations, and we are doing it in a very good way, but these things do take a little bit of time when you're designing the terminology of what the earn-out should compose of. So, because 85% of our total cost in the quarter relates to the earn-out, we chose not to itemise it. We could say, though, that the impairment that you see in – or that I mentioned on the building that we had in Italy is approximately SEK2 million, and the Dieren restructuring that we also booked was approximately SEK1 million. So the rest is just the earn-out considerations. So we are giving that total to you, and let us come back and have a little discussion internally on how to do the itemisation a bit more, and we'll come back to you on that one.

David Nuutinen

Okay, and I'll take your third question on the organic growth. As you know, we do not go into any forward-looking statements on specific quarters, but on the organic growth I will just reiterate my statement that we see no change in our target setting of achieving organic growth at least in line with market development; that has historically been around – between 1–2%, and then we look at that on a full year level.

Anna Patrice

Okay, but then what makes you so confident that you can accelerate your organic development for the rest of the year?

David Nuutinen

We – of course, we understand where the decline came from in Q1, and we do believe and strongly have confidence in our activities going forward, and we will stick to that target setting.

Anna Patrice

And what was the current trading? So what is the current – kind of like, what was the few weeks in April? How are the few weeks in April developing?

David Nuutinen

Anna Patrice, as you know, we refrain from making any sort of forward-looking statements on current trading.

Anna Patrice

Okay, understood. And – sorry, and for the one-offs for the full year, what is the total expected amount?

Danko Maras

The composition of the one-offs we said would be SEK120 million in total for the factory closure in Dieren, and SEK35 million is the full run-rate savings that we will start seeing coming through in 2017. We have taken some charges in Q4, about SEK16 million of that. And the earn-out adjustment is – I want to be a bit careful, but we do not see any material movements in our income statement: with a safe harbour statement that there might be some slight changes, but not material, so the only part remaining will be the announced restructuring that we have done for Dieren, of which approximately 50% of the remaining SEK100 million will come through.

Anna Patrice

Okay. And when there was a conference call with the full-year results, have you already expected it will be one-offs for the earn-out?

Danko Maras

Yeah, I mean, as it works, you make provisions for these earn-outs. And when we did the full-year results and disclosed it, it was based on a computation that we had as we'd seen it. And then of course we go in and we finalise it. And this is a negotiation which is still ongoing. So we are in an amicable way resolving the earn-out consideration, but perhaps we should look at it in a different way. We are very, very happy in Cloetta because it is an earn-out that is a result of a very successful acquisition. So on both parties we are extremely pleased with the acquisition per se, and the contribution to both top line and bottom line for the acquisitions that we've done in this specific case.

So paying a high earn-out for us is great news because we get a large share of that profit contribution. The point is just that you need to finalise that and that is taking a little bit of time for us, and that is why we have also booked the final cost in Q1.

Anna Patrice

Sorry, I probably missed this part but, which company this earn-out is linked to, and when are you going to pay the earn-out? What will be the exact amount that you are going to pay this year?

Danko Maras

You are very detailed in your questions and I appreciate that. And I will tell you, it's the Jelly Bean Factory. And when I am going to pay it I cannot tell you, because we are still negotiating, but in the next coming months there is an actually pay-out that would come as soon as we have finalised it. The residual items that we are negotiating, I would appreciate not to disclose that now because we are in a bilateral discussion with the seller.

Anna Patrice

Okay, understood. But basically it was valid you will pay something this year, and then this additional amount that you have is a one-off that you put through the P&L now to be paid out at some point also this year.

Danko Maras

Yeah. So there is a measuring period until 31st December 2015, and then you do your calculations on the earn-out. The actually cash-out for us has not been paid yet because we are still finalising the negotiations, but it will happen in the next coming period. I think I will stop there on this specific item.

Anna Patrice

Okay. So before all those negotiations, I expected roughly SEK50 million earn-out to be paid this year – sorry, next in 2017, and roughly SEK75 million to be paid this year before all those negotiations. Is that pretty much in line with your expectations? Again, as I said, before all those adjustments for the earn-outs.

Danko Maras

We will fully disclose that when we are done with the negotiation. You will get access to it. It's a little bit more than that, but that's all I can say for now.

Anna Patrice

Okay. Okay, understood. Thank you.

Operator

Thank you. I remind you, if you wish to ask a question, you'll need to dial 01 on your telephone keypad.

There are no further questions at this time. Please go ahead, speakers.

Jacob Broberg

Okay, thank you very much for listening and asking questions. Speak to you next time, and have a good day. Thank you and goodbye.

Operator

This now concludes the call. Thank you all very much for attending, you may now disconnect your lines.