Interim report Q1, January – March 2018

Stockholm, 24 April 2018

- **Net sales for the quarter** increased by 27.8 per cent to SEK 1,562m (1,222), of which acquisition growth amounted to 24.5 per cent and exchange rate differences to 2.2 per cent. Organic growth amounted to 1.1 per cent.
- **Operating profit, adjusted** amounted to SEK 164m (114).
- **Operating profit** amounted to SEK 166m (97). Profit for the period amounted to SEK 95m (59).
- **Cash flow** from operating activities amounted to SEK –29m (155).
- **Net debt/EBITDA ratio** was 2.42 (2.34).

Key ratios

	First quarter			Rolling 12	Full year
SEKm	Jan–Mar 2018	Jan–Mar 2017	Change, %	Apr 2017–Mar 2018	2017
Net sales	1,562	1,222	27.8[1]	6,124	5,784
Operating profit, adjusted	164	114	43.9	654	604
Operating profit margin, adjusted, %	10.5	9.3	1.2-pts	10.7	10.4
Operating profit (EBIT)	166	97	71.1	596	527
Operating profit margin (EBIT margin), %	10.6	7.9	2.7-pts	9.7	9.1
Profit before tax	124	86	44.2	481	443
Profit/loss for the period	95	59	61.0	–61	–97
Profit for the period from continuing operations	95	66	43.9	266	237
Earnings per share, basic and diluted, SEK	0.33	0.21	57.1	–0.21	–0.34
Net debt/EBITDA, x (Rolling 12 months)	2.42	2.34	3.4	2.42	2.39
Cash flow from operating activities	–29	155	n/a	528	712

1) Organic growth at constant exchange rates and comparable units 1.1 per cent for the quarter. See further under Net sales on page 4.

Cloetta

– a leading confectionery company in the Nordic region and the Netherlands

FOUNDED IN
1862

2,467
EMPLOYEES

SALES IN
>50
COUNTRIES

LEADING
BRANDS

8

ANNUAL SALES
SEK
5.8
BILLION

CHOCOLATE

CANDY

PASTILLES

CHEWING GUM

PICK & MIX

NUTS

VISION
To be the most admired satisfier of Munchy Moments

MISSION
To bring a smile to your Munchy Moments

The vision, together with the goals and strategies, expresses Cloetta's business concept

Munchy Moments

Message from the CEO

Good EBIT delivery and Easter sales

The first quarter showed good EBIT development and positive organic growth. This means that our focus on cost-efficiency in all areas and growth in both the packaged branded business and pick & mix is starting to generate results.

Confectionery market in the quarter

The packaged confectionery market grew in Sweden, Finland and Norway during the quarter, partly driven by Easter. In Denmark, the market declined and in the Netherlands, the market was unchanged.

Increased sales

Cloetta's sales for the quarter increased by 27.8 per cent, of which Candyking accounted for 24.5 per cent, organic growth for 1.1 per cent and exchange rate differences for 2.2 per cent. The organic sales growth was driven by Cloetta's packaged branded business, which grew by 2.4 per cent. Pick & mix sales declined by 3.3 per cent, primarily driven by Norway.

Cloetta's sales increased in Sweden, Finland, the Netherlands, Denmark and Germany. We saw declining sales in Norway, the UK and on International markets. The robust growth for both packaged branded products and pick & mix in Sweden was driven by a better in-store presence for our packaged business and the Easter sales for pick & mix, which was partly neutralized by the loss of the major Coop pick & mix contract that was gradually discontinued during the quarter. Sales in Denmark were positively affected by increased listings for our branded business and continued growth for pick & mix, as all existing Candyking pick & mix contracts in this market have now been renewed. In Norway, sales were down substantially, particularly in pick & mix, due to the increased sugar tax and the fact that the grocery retail trade decided not to conduct any Easter campaigns.

Increased operating profit

Cloetta's operating profit (EBIT), adjusted for items affecting comparability, amounted to SEK 164m (114) and the operating profit margin, adjusted for items affecting comparability, was 10.5 per cent (9.3). Operating profit amounted to SEK 166m (97).

Overall, the improvement in operating profit has been driven by growth in many markets, effective cost control and higher production volumes.

The weakening of the Swedish krona had some negative impact in the quarter, and given the recent steep drop in the Swedish krona rate, we will need to raise prices in Sweden to mitigate these effects. However, it will take some time before we are able to implement the price increases.

Cash flow and net debt/EBITDA

Cash flow from operating activities was affected by the Easter sales, which this year was in the first quarter, leading to higher receivables than in the previous year. Cash flow from operating activities amounted to SEK –29m (155). In addition, the comparative figure includes the divested Cloetta Italy which had a strong cash flow in the first quarter coming from the seasonal sales in the fourth quarter. The net debt/EBITDA ratio was 2.42 (2.34), which is in line with the target.

Candyking integration in line with plan

The integration of Candyking is progressing in line with plan. In the second quarter, the former Nordic Candyking units will implement Cloetta's ERP system, further boosting efficiency. The various Cloetta and Candyking units have started to work as a single joint organization, with integrated sales and merchandising forces.

Insourcing is progressing well and will gradually increase during the current and coming years.

The new Chief Pick & mix Officer took up duties on 1 April and is building a small but strong central team. He will develop and drive the business with the goal of offering the best shopping experience based on customer and consumer needs, utilizing scale benefits across the pick & mix markets.

Focus on growth and costs

For 2018, my main focus is on driving growth up and costs down. Our ambition is to continue expanding our branded packaged business, just as we succeeded in doing in this quarter. This is also contributing positively to our EBIT delivery. The aim is to strengthen our pick & mix business across the main markets, although pick & mix growth will remain negatively impacted by the previously announced lost Coop contract in Sweden and the increased sugar tax in Norway.

Growth should come when we sharpen the focus on our core brand positions and strengthen them through more targeted and efficient support. We are currently implementing a program to use our marketing spending more efficiently. At the same time, some of our cost savings will be used to increase brand support.

Our costs are expected to decrease as we integrate Candyking, realize our Lean 2020 program and continue to insource volumes from Candyking, while at the same time driving various cost saving initiatives throughout the Group.

Although a great number of activities need to come together in order to maintain profitable growth, I believe we have come far in building a foundation that will, over time, advance us towards our 14 per cent EBIT margin target.

Henri de Sauvage-Nolting
President and CEO

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President and CEO

Financial overview

Development in the first quarter

Net sales

Net sales for the first quarter increased by SEK 340m to SEK 1,562m (1,222) compared to the same period of last year. Organic growth was 1.1 per cent, acquisition growth was 24.5 per cent and changes in exchange rates accounted for 2.2 per cent.

Organic sales growth was driven by packaged branded products, which grew by 2.4 per cent. Pick & mix sales declined by 3.3 per cent, primarily driven by Norway.

Cloetta's sales in the quarter increased in Sweden, Finland, the Netherlands, Denmark and Germany, but declined in Norway, the UK and on international markets. The good growth of both packaged branded products and pick & mix in Sweden was driven by better in-store presence and Easter sales for pick & mix. In Denmark sales developed positively by increased listings for packaged branded products and continued growth for pick & mix. In Norway, sales declined substantially, particularly within pick & mix, due to the increased sugar tax and the fact that the grocery retail trade decided to have no Easter campaign activities.

Changes in net sales, %	Jan–Mar 2018
Organic growth	1.1
Structural changes	24.5
Changes in exchange rates	2.2
Total	**27.8**

Gross profit

Gross profit amounted to SEK 560m (454), which is equal to a gross margin of 35.9 per cent (37.2). The lower gross margin is mainly due to Candyking having a lower margin.

Operating profit

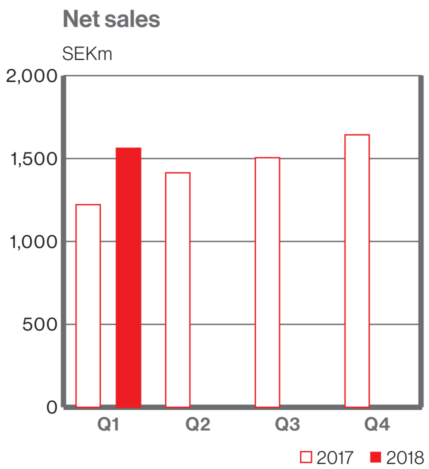
Operating profit amounted to SEK 166m (97). Operating profit, adjusted for items affecting comparability, amounted to SEK 164m (114). The increase in operating profit is due to growth, good cost control and higher production volumes.

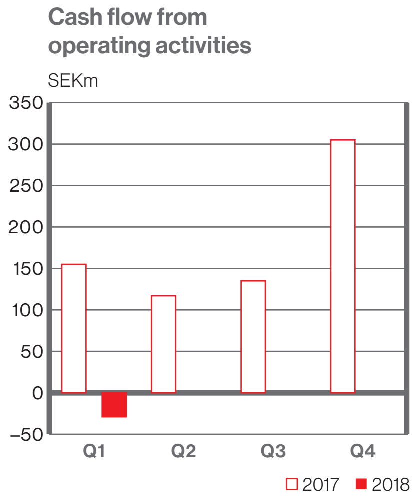
Items affecting comparability

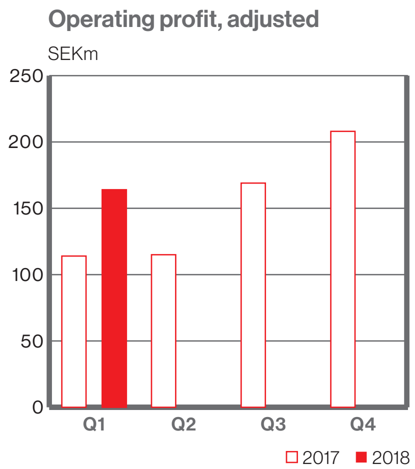
Operating profit for the quarter includes items affecting comparability of SEK 2m (–17). This includes a positive impact of a remeasurement in the contingent earn-out consideration for Candyking of SEK 8m and a negative impact of SEK 6m that mainly is related to the integration of Candyking.

Net financial items

Net financial items for the quarter amounted to SEK –42m (–11). Interest expenses related to external borrowings were SEK –8m (–10), exchange differences on borrowings and cash and cash equivalents were SEK –22m (–1) mainly related to the weakening Swedish krona during the quarter. Other financial items amounted to SEK –12m (0). Of the total net financial items SEK –42m (–3) is non-cash in nature.







Profit for the period

Profit from continuing operations was SEK 95m (66). Income tax for the period was SEK –29m (–20). The effective tax rate from continuing operations for the quarter was 23.4 per cent (23.3). Profit for the period was SEK 95m (59), which is equal to basic and diluted earnings per share of SEK 0.33 (0.21).

Cash flow from operating and investing activities

Cash flow from operating activities before changes in working capital was SEK 190m (62). The increase compared to prior year is mainly the result of the favourable timing of Easter, which is recognized in the first quarter of 2018 while in 2017, part of the sales was recognized in the seond quarter. The cash flow from changes in working capital was SEK –219m (93). Cash flow from operating and investing activities was SEK –70m (121).

Cash flow from changes in working capital

Cash flow from changes in working capital was SEK –219m (93). The cash flow from changes in working capital was negatively impacted by the increase in receivables amounting to SEK –187m (120) mainly due to the favourable timing of the Easter sales, an increase in inventories of SEK –26m (–16) and the decrease in payables for an amount of SEK –6m (–11).

Cash flow from investing activities

Cash flow from investing activities was SEK –41m (–34) and is fully attributable to investments in property, plant and equipment and intangible assets.

Financial position

Consolidated equity at 31 March 2018 amounted to SEK 4,058m (4,253), which is equal to SEK 14.1 (14.7) per share. Net debt at 31 March 2018 was SEK 2,173m (2,308). Long-term borrowings totalled SEK 1,796m (2,660) and consisted of SEK 1,799m (2,669) in gross loans from credit institutions and SEK -3m (–9) in capitalized transaction costs.

Total short-term borrowings amounted to SEK 999m (2) and consisted of SEK 1,000m (0) in gross loans from credit institutions, accrued interest on loans from credit institutions for an amount of SEK 2m (2), and SEK -3m (0) in capitalized transaction costs.

SEKm	31 Mar 2018	31 Mar 2017	31 Dec 2017
Gross non-current borrowings	1,799	2,669	1,719
Gross current borrowings	1,000	–	1,000
Derivative financial instruments (current and non-current)	72	59	73
Interest payable	2	2	2
Gross debt	**2,873**	**2,730**	**2,794**
Cash and cash equivalents	–700	–422	–759
Net debt	**2,173**	**2,308**	**2,035**

Cash and cash equivalents at 31 March 2018, excluding unutilized overdraft facilities, amounted to SEK 700m (422). At 31 March 2018 Cloetta had unutilized credit facilities for a total of SEK 1,234m (1,145).

Other disclosures

Seasonal variations

Cloetta's sales and operating profit are subject to some seasonal variations. Sales in the first and second quarters are affected by the Easter holiday, depending on in which quarter it occurs. In the fourth quarter, sales are usually higher than in the first three quarters of the year, which is mainly attributable to the sale of products in Sweden in connection with the holiday season.

Employees

The average number of employees during the quarter was 2,477 (2,086). The increase is mainly attributable to the impact of the acquisition of Candyking Holding AB and its subsidiaries.

Events after the balance sheet date

The Annual General Meeting that was held on 16 April 2018, decided to pay ordinary dividend of SEK 0.75 (0.75) per share and extra dividend of SEK 0.75 (–) per share.

After the end of the reporting period, no other significant events have taken place that could affect the company's operations.

The Board of Directors hereby gives its assurance that the interim report provides a true and fair view of the business activities, financial position and results of operations of the Group and the Parent Company, and describes the significant risks and uncertainties to which the Parent Company and the Group companies are exposed.

Stockholm, 24 April 2018
Cloetta AB (publ)

The Board

The information in this interim report has not been reviewed by the company's auditors.

Examples of new launches during the first quarter

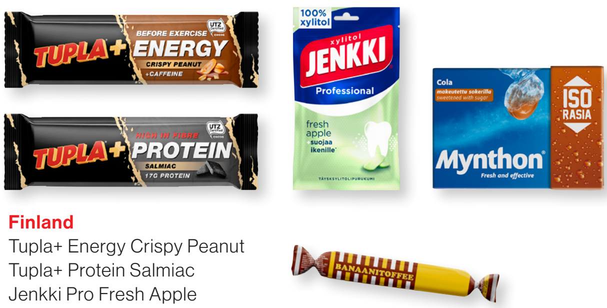
Denmark
Läkerol Salty Caramel Big pack
Malaco "mer i posen" (more in the bag)
Malaco Crazy Face Hot

The Netherlands
Venco Tikkels Drop&Salmiak
King Jar extra strong
Sportlife Melon Mint

Pick & mix
Jelly Beans
Fudge Vanilla, Licorice, Strawberry
(palm oil free)

Norway
Malaco Savann
Malaco Smajlis
Läkerol Salmiak
Pops Super Crunchy

Sweden
Nutisal American BBQ
Nutisal Thai Spice
Polly Zoo
Läkerol Strawberry Lime
Sportlunch Coconut (limited edition)



Finland
Tupla+ Energy Crispy Peanut
Tupla+ Protein Salmiac
Jenkki Pro Fresh Apple
Mynthon Cola
Banaanitoffee

Financial statements in summary

Consolidated profit and loss account

SEKm	First quarter Jan–Mar 2018	First quarter Jan–Mar 2017	Rolling 12 Apr 2017–Mar 2018	Full year 2017
Net sales	1,562	1,222	6,124	5,784
Cost of goods sold	–1,002	–768	–3,912	–3,678
Gross profit	**560**	**454**	**2,212**	**2,106**
Other income	–	–	6	6
Selling expenses	–248	–200	–1,020	–972
General and administrative expenses	–146	–157	–602	–613
Operating profit	**166**	**97**	**596**	**527**
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	–22	–1	–38	–17
Other financial income	0	6	1	7
Other financial expenses	–20	–16	–78	–74
Net financial items	**–42**	**–11**	**–115**	**–84**
Profit before tax	**124**	**86**	**481**	**443**
Income tax	–29	–20	–215	–206
Profit from continuing operations	**95**	**66**	**266**	**237**
Loss from discontinued operation, net of tax[1]	–	–7	–327	–334
Profit/loss for the period	**95**	**59**	**–61**	**–97**
Profit/loss for the period attributable to:				
Owners of the Parent Company				
Continuing operations	95	66	266	237
Discontinued operation[1]	–	–7	–327	–334
Total	**95**	**59**	**–61**	**–97**
Earnings per share from continuing operations, SEK				
Basic	0.33	0.23	0.93	0.83
Diluted[2]	0.33	0.23	0.93	0.83
Earnings per share from discontinued operation, SEK				
Basic	–	–0.02	–1.14	–1.17
Diluted[2]	–	–0.02	–1.14	–1.17
Earnings per share, SEK				
Basic	0.33	0.21	–0.21	–0.34
Diluted[2]	0.33	0.21	–0.21	–0.34
Number of shares at end of period	288,619,299	288,619,299	288,619,299	288,619,299
Average number of shares (basic)[2]	286,296,737	286,279,569	286,324,697	286,320,464
Average number of shares (diluted)[2]	286,562,172	286,607,989	286,554,216	286,492,178

1) For the breakdown of the result from discontinued operation see page 24.
2) Cloetta entered into forward contracts to repurchase own shares to fulfill its future obligation to deliver the shares to the participants of the long-term share-based incentive plan. The outstanding contracts at reporting date consist of one contract for 430,000 shares at a share price of SEK 26.40 and one contract for 1,892,562 shares at a share price of SEK 30.97.

Consolidated statement of comprehensive income

	First quarter		Rolling 12	Full year
SEKm	Jan–Mar 2018	Jan–Mar 2017	Apr 2017–Mar 2018	2017
Profit/loss for the period	95	59	–61	–97
Other comprehensive income				
Remeasurement of defined benefit pension plans	–17	11	–64	–36
Income tax on other comprehensive income that subsequently will not be reclassified to profit or loss for the period	4	–3	15	8
Items that will never be reclassified to profit or loss for the period	**–13**	**8**	**–49**	**–28**
Currency translation differences	209	–21	318	88
Currency translation differences on discontinued operation reclassified through profit or loss	–	–	–102	–102
Hedge of a net investment in a foreign operation	–63	6	–102	–33
Income tax on other comprehensive income that will be reclassified subsequently to profit or loss for the period, when specific conditions are met	13	–1	21	7
Items that are or may be reclassified to profit or loss for the period	**159**	**–16**	**135**	**–40**
Total other comprehensive income	**146**	**–8**	**86**	**–68**
Total comprehensive income, net of tax	**241**	**51**	**25**	**–165**
Total comprehensive income for the period attributable to:				
Owners of the Parent Company	241	51	25	–165

Net financial items

	First quarter		Rolling 12	Full year
SEKm	Jan–Mar 2018	Jan–Mar 2017	Apr 2017–Mar 2018	2017
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	–22	–1	–38	–17
Other financial income, third parties	0	–	3	3
Unrealized gains on single currency interest rate swaps	0	6	–2	4
Other financial income	**0**	**6**	**1**	**7**
Interest expenses third-party borrowings and realized losses on single currency interest rate swaps	–8	–10	–31	–33
Interest expenses, contingent earn-out considerations	–5	–	–20	–15
Amortization of capitalized transaction costs	–1	–1	–4	–4
Unrealized losses on single currency interest rate swaps	0	–	0	–
Other financial expenses	–6	–5	–23	–22
Other financial expenses	**–20**	**–16**	**–78**	**–74**
Net financial items	**–42**	**–11**	**–115**	**–84**

Condensed consolidated balance sheet

SEKm	31 Mar 2018	31 Mar 2017	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets	5,657	5,333	5,490
Property, plant and equipment	1,373	1,674	1,338
Deferred tax asset	19	50	20
Other financial assets	13	15	11
Total non-current assets	**7,062**	**7,072**	**6,859**
Current assets			
Inventories	792	794	745
Other current assets	1,095	903	889
Derivative financial instruments	1	2	0
Cash and cash equivalents	700	422	759
Total current assets	**2,588**	**2,121**	**2,393**
Assets held for sale	–	9	–
TOTAL ASSETS	**9,650**	**9,202**	**9,252**
EQUITY AND LIABILITIES			
Equity	**4,058**	**4,253**	**3,818**
Non-current liabilities			
Long-term borrowings	1,796	2,660	1,715
Deferred tax liability	731	598	703
Derivative financial instruments	2	11	2
Other non-current liabilities	135	–	138
Provisions for pensions and other long-term employee benefits	393	384	374
Provisions	5	9	5
Total non-current liabilities	**3,062**	**3,662**	**2,937**
Current liabilities			
Short-term borrowings	999	2	999
Derivative financial instruments	71	50	71
Other current liabilities	1,459	1,189	1,424
Provisions	1	46	3
Total current liabilities	**2,530**	**1,287**	**2,497**
TOTAL EQUITY AND LIABILITIES	**9,650**	**9,202**	**9,252**

Condensed consolidated statement of changes in equity

SEKm	First quarter Jan–Mar 2018	First quarter Jan–Mar 2017	Full year 2017
Equity at beginning of period	3,818	4,199	4,199
Profit/loss for the period	95	59	–97
Other comprehensive income	146	–8	–68
Total comprehensive income	241	51	–165
Transactions with owners			
New forward contract to repurchase own shares	–	–	–11
Share-based payments	–1	3	11
Dividend[1]	–	–	–216
Total transactions with owners	–1	3	–216
Equity at end of period	4,058	4,253	3,818

1) The dividend paid in 2017 comprised a dividend of SEK 0,75 per share.

Condensed consolidated cash flow statement

SEKm	First quarter Jan–Mar 2018	First quarter Jan–Mar 2017	Rolling 12 Apr 2017–Mar 2018	Full year 2017
Cash flow from operating activities before changes in working capital	190	62	660	532
Cash flow from changes in working capital	–219	93	–132	180
Cash flow from operating activities	–29	155	528	712
Cash flow from investments in property, plant and equipment and intangible assets	–41	–34	–164	–157
Cash flow from other investing activities	0	–	135	135
Cash flow from investing activities	–41	–34	–29	–22
Cash flow from operating and investing activities	–70	121	499	690
Cash flow from financing activities	–	–	–238	–238
Cash flow for the period	–70	121	261	452
Cash and cash equivalents at beginning of period	759	298	422	298
Cash flow for the period	–70	121	261	452
Exchange difference	11	3	17	9
Total cash and cash equivalents at end of period	700	422	700	759

Condensed consolidated key figures

SEKm	First quarter Jan–Mar 2018	First quarter Jan–Mar 2017	Rolling 12 Apr 2017–Mar 2018	Full year 2017
Profit				
Net sales	1,562	1,222	6,124	5,784
Net sales, change, %	27.8	–1.0	20.2	13.3
Organic net sales, change, %	1.1	–2.0	–0.5	–1.2
Gross margin, %	35.9	37.2	36.1	36.4
Depreciation	–57	–48	–227	–218
Amortization	–3	–1	–13	–11
Impairment loss other non current assets	–	–	–9	–9
Operating profit, adjusted	164	114	654	604
Operating profit margin, adjusted, %	10.5	9.3	10.7	10.4
Operating profit (EBIT)	166	97	596	527
Operating profit margin (EBIT margin), %	10.6	7.9	9.7	9.1
EBITDA, adjusted	224	163	894	833
EBITDA	226	146	845	765
Profit margin, %	7.9	7.0	7.9	7.7
Financial position				
Working capital	458	478	458	232
Capital expenditure	41	34	164	157
Net debt	2,173	2,308	2,173	2,035
Capital employed	7,319	7,360	7,319	6,979
Return on capital employed, % (Rolling 12 months)	9.0	10.8	9.0	8.2
Equity/assets ratio, %	42.1	46.2	42.1	41.3
Net debt/equity ratio, %	53.5	54.3	53.5	53.3
Return on equity, % (Rolling 12 months)	6.6	–4.1	6.6	6.2
Equity per share, SEK	14.1	14.7	14.1	13.2
Net debt/EBITDA, x (Rolling 12 months)	2.42	2.34	2.42	2.39
Cash flow				
Cash flow from operating activities	–29	155	528	712
Cash flow from investing activities	–41	–34	–29	–22
Cash flow after investments	–70	121	499	690
Cash conversion, %	81.7	81.0	83.2	83.2
Cash flow from operating activities per share, SEK	–0.1	0.5	1.8	2.5
Employees				
Average number of employees	2,477	2,086	2,470	2,467

Reconciliation of alternative performance measures

SEKm	First quarter Jan–Mar 2018	First quarter Jan–Mar 2017	Rolling 12 Apr 2017–Mar 2018	Full year 2017
Items affecting comparability				
Acquisitions, integration and factory restructurings	–3	–17	–48	–62
of which: impairment loss other non-current assets	–	–	–9	–9
Remeasurements of contingent considerations	8	–	13	5
Other items affecting comparability	–3	–	–23	–20
Items affecting comparability*	**2**	**–17**	**–58**	**–77**
* Corresponding line in the condensed consolidated profit and loss account:				
Cost of goods sold	–1	–3	–37	–39
Other operating income	–	–	4	4
Selling expenses	–	–	–6	–6
General and administrative expenses	3	–14	–19	–36
Total	**2**	**–17**	**–58**	**–77**
Operating profit, adjusted				
Operating profit	166	97	596	527
Minus: Items affecting comparability	2	–17	–58	–77
Operating profit, adjusted	**164**	**114**	**654**	**604**
Net sales	1,562	1,222	6,124	5,784
Operating profit margin, adjusted, %	**10.5**	**9.3**	**10.7**	**10.4**
EBITDA, adjusted				
Operating profit	166	97	596	527
Minus: Depreciation	–57	–48	–227	–218
Minus: Amortization	–3	–1	–13	–11
Minus: Impairment loss other non-current assets	–	–	–9	–9
EBITDA	**226**	**146**	**845**	**765**
Minus: Items affecting comparability (excl. impairment loss other non-current assets)	2	–17	–49	–68
EBITDA, adjusted	**224**	**163**	**894**	**833**
Capital employed				
Total assets	9,650	9,202	9,650	9,252
Minus: Deferred tax liability	731	598	731	703
Minus: Other non-current liabilities	135	–	135	138
Minus: Non-current provisions	5	9	5	5
Minus: Current provisions	1	46	1	3
Minus: Other current liabilities	1,459	1,189	1,459	1,424
Capital employed	**7,319**	**7,360**	**7,319**	**6,979**
Capital employed in comparative period of previous year	6,002	7,770	6,002	5,966
Average capital employed	**6,661**	**7,565**	**6,661**	**6,473**

Reconciliation alternative performance measures, continued

SEKm	First quarter Jan–Mar 2018	First quarter Jan–Mar 2017	Rolling 12 Apr 2017–Mar 2018	Full year 2017
Return on capital employed				
Operating profit (rolling 12 months)	596	620	596	527
Financial income (rolling 12 months)	1	21	1	7
Operating profit plus financial income (rolling 12 months)	**597**	**641**	**597**	**534**
Average capital employed	6,661	5,930	6,661	6,473
Return on capital employed, %	**9.0**	**10.8**	**9.0**	**8.2**
Cash conversion				
EBITDA, adjusted	224	163	894	833
Minus: Capital expenditures	41	31	150	140
EBITDA, adjusted less capital expenditures	**183**	**132**	**744**	**693**
EBITDA, adjusted	224	163	894	833
Cash conversion, %	**81.7**	**81.0**	**83.2**	**83.2**
Changes in net sales				
Net sales	1,562	1,222	6,124	5,784
Net sales in comparative period of previous year	1,222	1,234	5,095	5,107
Net sales, change	**340**	**–12**	**1,029**	**677**
Minus: Structural changes	299	–	1,007	708
Minus: Changes in exchange rates	28	13	45	30
Organic growth	**13**	**–25**	**–23**	**–61**
Structural changes, %	24.5	–	19.8	13.9
Organic growth, %	1.1	–2.0	–0.5	–1.2
Profit for the period excluding impact of impairment loss discontinued operation including income tax effects and other items affecting comparability				
Profit/loss for the period	95	59	–61	–97
Minus: Impairment loss discontinued operation including income tax effects	–	–	–479	–479
Minus: Other items affecting comparability	–3	–	–23	–20
Profit for the period excluding impact of impairment loss discontinued operation including income tax effects and other items affecting comparability	**98**	**59**	**441**	**402**
Average number of shares (basic)[1]	286,296,737	286,279,569	286,324,697	286,320,464
Average number of shares (diluted)[1]	286,562,172	286,607,989	286,554,216	286,492,178
Earnings per share, basic excluding impact of impairment loss discontinued operation including tax effects and other items affecting comparability, SEK	0.34	0.21	1.54	1.40
Earnings per share, diluted excluding impact of impairment loss discontinued operation including tax effects and other items affecting comparability, SEK[1]	0.34	0.21	1.54	1.40

1) Cloetta entered into forward contracts to repurchase own shares to fulfill its future obligation to deliver the shares to the participants of the long-term share-based incentive plan. The outstanding contracts at reporting date consist of one contract for 430,000 shares at a share price of SEK 26.40 and one contract for 1,892,562 shares at a share price of SEK 30.97.

Condensed consolidated quarterly data

SEKm	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Profit and loss account									
Net sales	1,562	1,643	1,505	1,414	1,222	1,367	1,285	1,221	1,234
Cost of goods sold	–1,002	–1,037	–978	–895	–768	–806	–791	–709	–778
Gross profit	**560**	**606**	**527**	**519**	**454**	**561**	**494**	**512**	**456**
Other income	–	2	–	4	–	–	–	–	–
Selling expenses	–248	–281	–232	–259	–200	–207	–189	–215	–195
General and administrative expenses	–146	–156	–126	–174	–157	–174	–110	–149	–149
Operating profit	**166**	**171**	**169**	**90**	**97**	**180**	**195**	**148**	**112**
Exchange differences borrowings and cash and cash equivalents in foreign currencies	–22	–7	–7	–2	–1	–10	8	2	–8
Other financial income	0	0	0	1	6	5	5	5	2
Other financial expenses	–20	–20	–20	–18	–16	–20	–80	–37	–38
Net financial items	**–42**	**–27**	**–27**	**–19**	**–11**	**–25**	**–67**	**–30**	**–44**
Profit before tax	**124**	**144**	**142**	**71**	**86**	**155**	**128**	**118**	**68**
Income tax	–29	–124	–34	–28	–20	–33	–36	–33	–20
Profit from continuing operations	**95**	**20**	**108**	**43**	**66**	**122**	**92**	**85**	**48**
Profit/loss from discontinued operation, net of tax	–	–	45	–372	–7	–542	16	–8	–4
Profit/loss for the period	**95**	**20**	**153**	**–329**	**59**	**–420**	**108**	**77**	**44**
Profit/loss for the period attributable to:									
Owners of the Parent Company									
Continuing operations	95	20	108	43	66	122	92	85	48
Discontinued operation	–	–	45	–372	–7	–542	16	–8	–4
KEY FIGURES									
Profit									
Depreciation and amortization	–60	–59	–74	–56	–49	–55	–54	–53	–51
Operating profit, adjusted	164	206	169	115	114	209	203	156	127
EBITDA, adjusted	224	265	234	171	163	262	257	209	178
EBITDA	226	230	243	146	146	235	249	201	163
Operating profit margin, adjusted, %	10.5	12.5	11.2	8.1	9.3	15.3	15.8	12.8	10.3
Operating profit margin (EBIT margin), %	10.6	10.4	11.2	6.4	7.9	13.2	15.2	12.1	9.1
Earnings per share, SEK									
Basic	0.33	0.07	0.53	–1.15	0.21	–1.47	0.38	0.27	0.15
Diluted[1]	0.33	0.07	0.53	–1.15	0.21	–1.47	0.38	0.27	0.15
Financial position									
Share price, last paid, SEK	31.82	29.70	28.00	34.70	35.40	28.70	31.10	29.00	25.80
Return on equity, % (rolling 12 months)	6.6	6.2	9.1	8.7	–4.1	–4.5	8.5	9.3	9.0
Equity per share, SEK	14.1	13.2	12.9	12.9	14.7	14.5	15.8	15.2	15.2
Net debt/EBITDA, x (rolling 12 months)	2.42	2.39	2.63	2.77	2.34	2.44	2.76	2.82	2.78
Cash flow									
Cash flow from operating activities per share, SEK	–0.1	1.1	0.5	0.4	0.5	1.4	0.4	0.4	0.9

1) Cloetta entered into forward contracts to repurchase own shares to fulfill its future obligation to deliver the shares to the participants of the long-term share-based incentive plan. The outstanding contracts at reporting date consist of one contract for 430,000 shares at a share price of SEK 26.40 and one contract for 1,892,562 shares at a share price of SEK 30.97.

Reconciliation of alternative performance measures by quarter

SEKm	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Items affecting comparability									
Acquisitions, integration and factory restructurings	–3	–20	0	–25	–17	–29	–8	–5	–1
of which: impairment loss other non-current assets	–	–	–9	–	–	–2	–	–	–
Remeasurements of contingent considerations	8	5	–	–	–	–	–	–3	–14
Other items affecting comparability	–3	–20	–	–	–	–	–	–	–
Items affecting comparability*	**2**	**–35**	**0**	**–25**	**–17**	**–29**	**–8**	**–8**	**–15**
* Corresponding line in the condensed consolidated profit and loss account:									
Cost of goods sold	–1	–22	1	–15	–3	–3	–6	–5	–1
Other operating income	–	–	–	4	–	–	–	–	–
Selling expenses	–	–3	–	–3	–	–	–	–	–
General and administrative expenses	3	–10	–1	–11	–14	–26	–2	–3	–14
Total	**2**	**–35**	**0**	**–25**	**–17**	**–29**	**–8**	**–8**	**–15**
Operating profit, adjusted									
Operating profit	166	171	169	90	97	180	195	148	112
Minus: Items affecting comparability	2	–35	0	–25	–17	–29	–8	–8	–15
Operating profit, adjusted	**164**	**206**	**169**	**115**	**114**	**209**	**203**	**156**	**127**
Net sales	1,562	1,643	1,505	1,414	1,222	1,367	1,285	1,221	1,234
Operating profit margin, adjusted, %	**10.5**	**12.5**	**11.2**	**8.1**	**9.3**	**15.3**	**15.8**	**12.8**	**10.3**
EBITDA, adjusted									
Operating profit	166	171	169	90	97	180	195	148	112
Minus: Depreciation	–57	–56	–61	–53	–48	–53	–52	–51	–50
Minus: Amortization	–3	–3	–4	–3	–1	–	–2	–2	–1
Minus: Impairment loss other non-current assets	–	–	–9	–	–	–2	–	–	–
EBITDA	**226**	**230**	**243**	**146**	**146**	**235**	**249**	**201**	**163**
Minus: Items affecting comparability (excl. impairment loss other non-current assets)	2	–35	9	–25	–17	–27	–8	–8	–15
EBITDA, adjusted	**224**	**265**	**234**	**171**	**163**	**262**	**257**	**209**	**178**
Capital employed									
Total assets	9,650	9,252	8,945	9,560	9,202	9,236	10,286	9,855	9,854
Minus: Deferred tax liability	731	703	625	641	598	586	680	647	618
Minus: Other non-current liabilities	135	138	137	132	–	–	–	–	–
Minus: Non-current provisions	5	5	5	5	9	22	10	9	9
Minus: Current provisions	1	3	6	6	46	64	7	14	37
Minus: Other current liabilities	1,459	1,424	1,320	1,219	1,189	1,235	1,383	1,438	1,420
Minus: Assets held for sale	–	–	–	830	–	–	–	–	–
Capital employed	**7,319**	**6,979**	**6,852**	**6,727**	**7,360**	**7,329**	**8,206**	**7,747**	**7,770**
Capital employed in comparative period of previous year	6,002	5,966	6,273	5,818	7,770	7,756	8,040	7,756	7,790
Average capital employed	**6,661**	**6,473**	**6,563**	**6,273**	**7,565**	**7,543**	**8,123**	**7,752**	**7,780**

Reconciliation alternative performance measures per quarter, continued

SEKm	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Return on capital employed									
Operating profit (rolling 12 months)	596	527	536	562	620	635	705	701	689
Financial income (rolling 12 months)	1	7	12	17	21	17	18	13	8
Operating profit plus financial income (rolling 12 months)	**597**	**534**	**548**	**579**	**641**	**652**	**723**	**714**	**697**
Average capital employed	6,661	6,473	6,563	6,273	5,930	5,879	8,123	7,752	7,780
Return on capital employed, %	**9.0**	**8.2**	**8.3**	**9.2**	**10.8**	**11.1**	**8.9**	**9.2**	**9.0**
Cash conversion									
EBITDA, adjusted	224	265	234	171	163	262	257	209	178
Minus: Capital expenditures	41	45	32	32	31	47	34	26	33
EBITDA, adjusted less capital expenditures	**183**	**220**	**202**	**139**	**132**	**215**	**223**	**183**	**145**
EBITDA, adjusted	224	265	234	171	163	262	257	209	178
Cash conversion, %	**81.7**	**83.0**	**86.3**	**81.3**	**81.0**	**82.1**	**86.8**	**87.6**	**81.5**
Changes in net sales									
Net sales	1,562	1,643	1,505	1,414	1,222	1,367	1,285	1,221	1,234
Net sales in comparative period of previous year	1,222	1,367	1,285	1,221	1,234	n/a	n/a	n/a	n/a
Net sales, change	**340**	**276**	**220**	**193**	**–12**	**n/a**	**n/a**	**n/a**	**n/a**
Minus: Structural changes	299	285	261	161	–	n/a	n/a	n/a	n/a
Minus: Changes in exchange rates	28	–9	–5	38	13	n/a	n/a	n/a	n/a
Organic growth	**13**	**0**	**–36**	**–6**	**–25**	**n/a**	**n/a**	**n/a**	**n/a**
Structural changes, %	24.5	20.8	20.3	13.2	–	n/a	n/a	n/a	n/a
Organic growth, %	1.1	0.0	–2.8	–0.5	–2.0	n/a	n/a	n/a	n/a
Profit for the period excluding impact of impairment loss discontinued operation including income tax effects and other items affecting comparability									
Profit/loss for the period	95	20	153	–329	59	–420	108	77	44
Minus: Impairment loss discontinued operation including income tax effects	–	–82	–32	–365	–	–594	–	–	–
Minus: Other items affecting comparability	–3	–20	–	–	–	–	–	–	–
Profit for the period excluding impact of impairment loss discontinued operation including income tax effects and other items affecting comparability	**98**	**122**	**185**	**36**	**59**	**174**	**108**	**77**	**44**
Average number of shares (basic)[1]	286,296,737	286,645,530	286,645,530	286,339,892	286,279,569	286,279,569	286,279,569	286,159,369	286,051,689
Average number of shares (diluted)[1]	286,562,172	286,835,623	286,875,122	286,626,106	286,607,989	286,560,336	286,558,440	286,471,820	286,404,267
Earnings per share, basic excluding impact of impairment loss discontinued operation including tax effects and other items affecting comparability, SEK	0.34	0.43	0.65	0.13	0.21	0.61	0.38	0.27	0.15
Earnings per share, diluted excluding impact of impairment loss discontinued operation including tax effects and other items affecting comparability, SEK [1]	0.34	0.43	0.64	0.13	0.21	0.61	0.38	0.27	0.15

1) Cloetta entered into forward contracts to repurchase own shares to fulfill its future obligation to deliver the shares to the participants of the long-term share-based incentive plan. The outstanding contracts at reporting date consist of one contract for 430,000 shares at a share price of SEK 26.40 and one contract for 1,892,562 shares at a share price of SEK 30.97.

Parent Company

Condensed parent company profit and loss account

SEKm	First quarter Jan–Mar 2018	First quarter Jan–Mar 2017	Rolling 12 Apr 2017–Mar 2018	Full year 2017
Net sales	19	25	101	107
Gross profit	**19**	**25**	**101**	**107**
General and administrative expenses	–24	–32	–121	–129
Operating loss	**–5**	**–7**	**–20**	**–22**
Net financial items	6	2	27	23
Profit/loss before tax	**1**	**–5**	**7**	**1**
Income tax	1	–1	2	0
Profit/loss the period	**2**	**–6**	**9**	**1**

Profit/loss for the period corresponds to comprehensive income for the period.

Condensed parent company balance sheet

SEKm	31 Mar 2018	31 Mar 2017	31 Dec 2017
ASSETS			
Non-current assets	5,356	5,339	5,353
Current assets	44	118	51
TOTAL ASSETS	5,400	5,457	5,404
EQUITY AND LIABILITIES			
Equity	3,890	4,090	3,889
Non-current liabilities			
Borrowings	134	1,131	134
Derivative financial instruments	1	0	1
Provisions	1	1	1
Total non-current liabilities	136	1,132	136
Current liabilities			
Borrowings	999	–	999
Derivative financial instruments	0	0	0
Current liabilities	375	235	380
Total current liabilities	1,374	235	1,379
TOTAL EQUITY AND LIABILITIES	5,400	5,457	5,404

Condensed parent company statement of changes in equity

	First quarter		Full year
SEKm	Jan–Mar 2018	Jan–Mar 2017	2017
Equity at beginning of period	3,889	4,093	4,093
Profit/loss for the period	2	–6	1
Total comprehensive income	2	–6	1
Transactions with the owners			
Share-based payments	–1	3	11
Dividend[1]	–	–	–216
Total transactions with owners	–1	3	–205
Equity at end of period	3,890	4,090	3,889

1) The dividend paid in 2017 comprised a dividend of SEK 0.75 per share.

Accounting and valuation policies, disclosures and risk factors

Accounting and valuation policies

Compliance with legislation and accounting standards

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board (IASB) and the interpretations issued by the IFRS Interpretations Committee (IFRIC) which have been endorsed by the European Commission for application in the EU. The applied standards and interpretations are those that were in force and had been endorsed by the EU at 1 January 2018. The consolidated interim report is presented compliant with IAS 34, Interim Financial Reporting, and in compliance with the relevant provisions in the Swedish Annual Accounts Act and the Swedish Securities Market Act. The interim report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Securities Market Act, which are consistent with the provisions in recommendation RFR 2, Accounting for Legal Entities.

Basis of accounting

Except for the changes below, the same accounting policies and methods of computation are applied in the interim financial statements as in the most recent annual financial statements. Reference is made to Note 1 'General information and accounting and valuation policies of the Group' and Note 34 'Changes in accounting policies' in the annual and sustainability report 2017 at www.cloetta.com.

This is the first set of the Group's financial statements where IFRS 9 'Financial Instruments' (IFRS 9) and IFRS 15 'Revenue from contracts with customers' (IFRS 15) have been applied. Changes to significant accounting policies are described below.

Changes in significant accounting policies

The Group has initially adopted IFRS 9 and IFRS 15 as from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

The effect of initially applying these standards is mainly attributed to the following:

- Documentation requirements for hedge accounting applied
- Allocation and presentation of revenue to the different performance obligations identified in the pick & mix sales.

Cloetta applied IFRS 9 retrospectively from 1 January 2018. IFRS 9 published in July 2014, replaced the existing guidance in IAS 39 Financial Instruments, Recognition and Measurement. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group has reviewed its financial assets and liabilities and assessed the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Based on the assessments performed Cloetta concluded that its current hedge relationships qualify as continuing hedges upon the adoption of IFRS 9 and has updated its hedge documentation in accordance with IFRS 9. This does not have an impact on the company's balance sheet or profit and loss account. Also in other areas IFRS 9 does not have a material impact on Cloetta's consolidated financial statements.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. This standard replaces IAS 18 covering contracts for goods and services, IAS 11 covering construction contracts and IFRIC 13 covering customer loyalty programmes. Cloetta adopted IFRS 15 with a date of initial application of 1 January 2018 and applied this standard using the full retrospective approach. This means that any cumulative impact of the adoption is to be recognised in the retained earnings as of 1 January 2017 and that the comparable information is to be restated insofar impacted. In this context it should be noted that the impact of the adoption on the balance sheet and profit and loss account is not material. The details of the changes and quantitative impact of the changes are set out below.

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. In accordance with IAS 18 Cloetta only recognized one performance obligation related to sale of goods. The adoption of IFRS 15 did not result in any changes in the accounting for packaged business as this only comprise sale of goods. However, for the pick and mix sales, Cloetta identified the following performance obligations in the contracts with customers in accordance with IFRS 15:

- Sale of goods;
- Leases of fixtures;
- Merchandising services.

The different performance obligations do no give rise to a different timing of recognising revenue. For the performance obligation merchandising services – which is satisfied over time – Cloetta selected an appropriate method for measuring Cloetta's progress towards complete satisfaction of that performance obligation. For merchandising services the practical expedient (IFRS 15.B16) is applicable, whereas Cloetta recognises revenue in the amount to which it has a right to invoice. Since normally delivery of goods as well as merchandising services take place weekly, this output method best reflects that the measure of progress of the merchandising service as performance obligation is satisfied at the same time as the goods are delivered.

Therefore, total revenues within the pick & mix sales only have to be allocated to the identified performance obligation which impacts the presentation of disaggregated revenue (refer to the paragraph 'Disclosures' on page 20 for the disaggregation of revenue disclosure) and no line items in the profit and loss account and balance sheet are to be restated. IFRS 15 does not have an impact on the total assets, equity or loss for the year as of and for the years ended 31 December 2017 or 31 March 2018. IFRS 15 does not have any other significant impact on the Group's revenue recognition.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements. None of these is expected to have impact on the consolidated financial statements of the Group, except the following set out below:

IFRS 16, 'Leases', was issued in January 2016 and supersedes IAS 17 Leases. It will result in almost all leases being recognised on the balance sheet for Cloetta as lessee, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The standard is mandatory for financial years commencing on or after 1 January 2019. A company can choose to apply IFRS 16 before this date but only if it also applies IFRS 15 Revenue from contracts with customers.

The standard will affect the accounting for the Group's operating leases. The Group started the implementation process in 2016 and is on track with the transition process as disclosed in the consolidated annual report 2017. Following the impact assessment, Cloetta has nearly completed the extraction of relevant data points from all lease contracts. These will be used for the impact analysis and further quantification of the impact. The operating leases that will be recorded on Cloetta's balance sheet as a result of IFRS 16 will mainly be for land and buildings (offices and warehouses), transport (cars, forklifts and trucks) and other equipment (e.g. IT, machinery, equipment, printers and coffee machines).

At this stage, the Group is not able to quantify the impact of the new rules on the Group's financial statements or to decide on the method of first-time application. However, the Group does not intend to adopt the standard before its effective date.

Disclosures

Disaggregation of revenue from contracts with customers

Cloetta drives revenues from the transfer of goods and services at a point in time and over time in the following major sales categories and performance obligations.

	First quarter		Rolling 12	Full year
SEKm	Jan–Mar 2018	Jan–Mar 2017	Apr 2017–Mar 2018	2017
Net sales				
Packaged business	1,089	1,036	4,309	4,256
Pick and mix	473	186	1,815	1,528
Total	**1,562**	**1,222**	**6,124**	**5,784**

The breakdown of net sales by category

	First quarter		Rolling 12	Full year
%	Jan–Mar 2018	Jan–Mar 2017	Apr 2017–Mar 2018	2017
Net sales				
Sales of goods				
Candy	59	56	59	58
Chocolate	18	18	18	17
Pastilles	12	14	12	12
Chewing gum	6	7	6	7
Nuts	3	4	4	4
Other	2	1	1	2
Sub total	**100**	**100**	**100**	**100**
Other income				
Other	–	–	0	0
Total	**100**	**100**	**100**	**100**

The breakdown of net sales by country is as follows

	First quarter		Rolling 12	Full year
%	Jan–Mar 2018	Jan–Mar 2017	Apr 2017–Mar 2018	2017
Sweden	34	35	36	34
Finland	20	20	20	21
The Netherlands	14	17	13	14
Denmark	9	6	9	7
Norway	6	6	6	6
Germany	5	6	4	5
UK	6	2	6	5
Other countries	6	8	6	8
Total	**100**	**100**	**100**	**100**

Taxes

The net effect of international tax rate differences and rate changes, changes in filing positions and non-deductible expenses impacted the effective tax rate of the Group unfavourably. Cloetta's deferred tax balances have been calculated according to the enacted or substantially enacted tax rates.

Fair value measurement

The only items recognized at fair value after initial recognition are

- the interest rate swaps and forward foreign currency contracts categorised at level 2 of the fair value hierarchy in all periods presented;
- the contingent earn-out consideration related to the acquisition of Candyking Holding AB and is subsidiaries initially categorized at level 3, as well as;
- assets held for sale, in cases where the fair value less cost of disposal is below the carrying amount.

On 28 April 2017 the contingent earn-out consideration arising from the acquisition of Candyking Holding AB and its subsidiaries was recognized for an amount of SEK 128m. The fair values of financial assets (loans and receivables) and liabilities measured at amortised cost are approximately equal to carrying amounts. The fair value of financial assets and liabilities for measurement purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value measurements by level according to the fair value measurement hierarchy are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that were measured at fair value at 31 March 2018:

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
– Forward foreign currency contracts	–	1	–	1
Total assets	**–**	**1**	**–**	**1**
Liabilities				
Liabilities at fair value through profit or loss				
– Interest rate swaps	–	3	–	3
– Contingent consideration	–	–	135	135
Total liabilities	**–**	**3**	**135**	**138**

The assets and liabilities measured at fair value are reflected in the 'derivative financial instruments' and 'other non-current liabilities'.

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2017:

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
– Forward foreign currency contracts	–	0	–	0
Total assets	**–**	**0**	**–**	**0**
Liabilities				
Liabilities at fair value through profit or loss				
– Interest rate swaps	–	3	–	3
– Contingent consideration	–	–	138	138
Total liabilities	**–**	**3**	**138**	**141**

The assets and liabilities measured at fair value are reflected in the 'derivative financial instruments' and 'other non-current liabilities'.

The following table presents the Group's assets and liabilities that were measured at fair value at 31 March 2017:

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
– Forward foreign currency contracts	–	2	–	2
– Assets measured at fair value less cost of disposal	–	–	9	9
Total assets	**–**	**2**	**9**	**11**
Liabilities				
Liabilities at fair value through profit or loss				
– Interest rate swaps	–	2	–	2
Total liabilities	**–**	**2**	**–**	**2**

The assets measured at fair value less cost of disposal at 31 March 2017 consisted of the land and building in Zola Predosa, Italy. The assets and liabilities measured at fair value are reflected in the 'derivative financial instruments' and 'assets held for sale'.

Movements in financial instruments categorised at level 3 of the fair value hierarchy can be specified as follows:

SEKm	Jan–Mar 2018	Jan–Mar 2017	2017
Opening Balance	138	–	–
Business combinations	–	–	128
Remeasurements recognized in profit or loss			
– Unrealized remeasurements on contingent considerations recognised in general and administrative expenses	–8	–	–5
– Unrealized interest on contingent considerations recognised in other financial expenses	5	–	15
Closing Balance	**135**	**–**	**138**

On 28 April 2017 the contingent earn-out consideration arising from the acquisition of Candyking Holding AB and its subsidiaries was recognized for an amount of SEK 128m. At the end of the quarter the expected undiscounted contingent earn-out consideration amounted to SEK 160m (discounted: SEK 135m). No transfers between fair value hierarchy levels has occured during the financial year or the prior financial year. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included at level 2. The valuation of the instruments is based on quoted market prices, but the underlying swap amounts are based on the specific requirements of the Group. These instruments are therefore included at level 2. The fair value measurement of the contingent (earn-out) considerations requires the use of significant unobservable inputs and were thereby initially categorised at level 3. The valuation techniques and inputs used to value financial instruments are:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present valueof the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign currency contracts is calculated using the difference between the exchange rate on the spot date with the contractually agreed upon exchange rates.
- The fair value of the assets held for sale is based on valuations by external independent valuators.
- Other techniques, such as discounted cash flow analysis, are used to determine the fair value of the remaining financial instruments.

The fixed assets measured at fair value are identified as a non-recurring fair value measurement and are related to the assets held for sale. The assets are valued at fair value in case the fair value less cost of disposal is below the carrying amount. The contingent (earn-out) considerations are measured at fair value using a scenario model with an earn-out threshold, different results and related changes, and an applicable multiplier as input. These data are aligned with the earn-out contracts.

The inter-relationship between significant unobservable inputs and fair value measurement is:

- The estimated fair value of the contingent earn-out consideration, related to the acquisition of Candyking Holding AB and its subsidiaries, will increase (decrease) if the forecasted Cloetta's and Candyking's combined sales volume of pick & mix in confectionery and natural snacks in the Nordic countries, the UK and Poland during 2018 is higher (lower).

Parent Company

Cloetta AB's primary activities include head office functions such as group-wide management and administration. The comments below refer to the period from 1 January to 31 March 2018. Net sales in the Parent Company amounted to SEK 19m (25) and referred mainly to intra-group services. Operating loss was SEK –5m (–7). Net financial items totaled SEK 6m (2). Profit/loss before tax was SEK 1m (–5) and profit/loss for the period was SEK 2m (–6). Cash and cash equivalents and short-term investments amounted to SEK 0m (0).

The Cloetta share

Cloetta's class B share is listed on Nasdaq Stockholm, Mid Cap. During the period from 1 January to 31 March 2018, a total of 40,392,515 shares were traded for a combined value of SEK 1,290m, equal to around 14 per cent of the total number of class B shares at the end of the period. The highest quoted bid price during the period from 1 January to 31 March 2018 was SEK 34.00 (30 January) and the lowest was SEK 29.70 (2 January).

The share price on 31 March 2018 was SEK 31.82 (last price paid). During the period from 1 January to 31 March 2018, the Cloetta share increased by 7 per cent while the Nasdaq OMX Stockholm PI index decreased by 2 per cent. Cloetta's share capital at 31 March 2018 amounted to 1,443,096,495. The total number of shares is 288,619,299, consisting of 5,735,249 (5,735,249) class A shares and 282,884,050 (282,884,050) class B shares, equal to a quota value of SEK 5 per share.

Shareholders

On 31 March 2018 Cloetta AB had 19,479 shareholders. The largest shareholder was AB Malfors Promotor with a holding corresponding to 36.8 per cent of the votes and 25.6 per cent of the share capital in the company. Wellington Management was the second largest shareholder with 8.4 per cent of the votes and 10.0 per cent of the share capital. The third largest shareholder was Franklin Templeton with 6.8 per cent of the votes and 8.0 per cent of the share capital. Institutional investors held 91.4 per cent of the votes and 89.9 per cent of the share capital. Foreign shareholders held 45.9 per cent of the votes and 54.1 per cent of the share capital.

Acquisition of Candyking Holding AB

On 28 April 2017 Cloetta acquired control of Candyking Holding AB and its subsidiaries, a leading concept supplier of pick & mix candy in the Nordic countries and the UK. The acquisition strengthens Cloetta's position within pick & mix and creates substantial synergies. Cloetta acquired 100 per cent of the shares in Candyking as well as 100 percent of Candyking's outstanding bond and other debt. The purchase price amounted to SEK 325m on a cash and debt free basis, adjusted for transaction adjustments for net debt and working capital of SEK –62m, with a potential additional purchase price of maximum SEK 225m based on Cloetta's and Candyking's combined sales volume of pick & mix in confectionery and natural snacks in the Nordic countries, the UK and Poland during 2018. The seller of the shares was Candyking's former CEO , Dani Evanoff. The majority of the purchase price as well as the potential additional purchase price has been allocated to the previous holders of Candyking's SEK 750m bond loan. In connection with closing of the acquisition, Candyking's bonds have been delisted from Nasdaq Stockholm. At the time of delisting the bond, an earn-out instrument has been issued to the previous bondholders and the previous shareholder that entitles to the future potential additional purchase price. The instrument is registered at Euroclear in order to facilitate the distribution of any additional purchase price to the instrument-holders.

The total goodwill of SEK 172m is not expected to be deductible for tax purposes. The acquired receivables contain trade receivables of SEK 128m which are expected to be collected in full. The total transaction cost related to the acquisition amounted to SEK 14m and is fully recognized in the profit and loss account for of the period concerned as 'general and administrative expenses'. Due to the short-term nature of the receivables, the fair value approximates the gross contractual amounts. The contractual cash flows which are not expected to be collected are immaterial. Candyking Holding AB and its subsidiaries contributed SEK 1,007m to Cloetta's consolidated revenues from acquisition date to 31 March 2018. Because Candyking Holding AB and its subsidiaries were acquired on 28 April 2017, the accounting for the business combination is preliminary and has not yet been finalized, as the company is still assessing certain information. The goodwill acquired is allocated to the cash generating unit Scandinavia.

Acquisition of Candyking Holding AB

SEKm	
Consideration transferred	
Purchase price	325
Transaction adjustment	–62
Contingent consideration	128
Consideration transferred	**391**
Acquisition Candyking bond and other debt	–391
Net consideration	**0**
Recognised amounts of identifiable assets and liabilities assumed:	
Non-current assets	**279**
Intangible assets (excl. goodwill)	177
Property, plant and equipment	80
Other non-current assets	22
Current assets	**256**
Inventories	90
Trade and other receivables	152
Cash and cash equivalents	14
Non-current liabilities	**–41**
Deferred tax liabilities	–41
Current liabilities	**–666**
Bond and other debt	–391
Other borrowings	–23
Trade payables	–136
Taxes and social security premiums	–50
Other current liabilities	–66
Total identifiable net assets	**–172**
Goodwill	172
Net consideration	**0**

Discontinued operation

On 5 September 2017 Cloetta Italia S.r.l. was sold to Katjes International GmbH.

Cloetta Italia S.r.l. is accounted for as discontinued operation. The comparative figures in the consolidated profit and loss account and consolidated statement of comprehensive income have been restated to present the discontinued operation separately from continuing operations. Cloetta has recognised an impairment loss of SEK 159m on intangible assets and an impairment loss of SEK 238m on property, plant and equipment as a result of a write-down of the carrying value of the assets subject to the disposal to their lower fair value less cost of disposal in the second and third quarter of 2017. The impairment loss is recognised in profit/loss from discontinued operation, net of tax. The disposal was completed via a transfer of the shares of Cloetta Italia S.r.l. Assets and liabilities which will be retained in the Cloetta Group have been transferred within the group before the transfer of shares took place.

The following table presents the result from discontinued operation:

	First quarter		Rolling 12	Full year
SEKm	Jan–Mar 2018	Jan–Mar 2017	Apr 2017–Mar 2018	2017
Net sales	–	125	191	316
Cost of goods sold				
- Impairment loss	–	–	–238	–238
- Other cost of goods sold	–	–74	–107	–181
Total cost of goods sold	–	–74	–345	–419
Gross profit	**–**	**51**	**–154**	**–103**
Selling expenses	–	–34	–68	–102
General and administrative expenses				
- Impairment loss	–	–	–159	–159
- Other general and administrative expenses	–	–21	–59	–80
Total general and administrative expenses	–	–21	–218	–239
Operating profit/loss	**–**	**–4**	**–440**	**–444**
Financial income	–	–1	1	0
Financial expenses	–	0	–1	–1
Net financial items	**–**	**–1**	**0**	**–1**
Profit/loss before tax and reclassification of currency translation differences on discontinued operation	**–**	**–5**	**–440**	**–445**
Income tax	–	–2	11	9
Profit/loss from discontinued operation before reclassification of currency translation difference on discontinued operation, net of tax	**–**	**–7**	**–429**	**–436**
Currency translation differences on discontinued operation reclassified from other comprehensive income	–	–	102	102
Profit/loss from discontinued operation, net of tax	**–**	**–7**	**–327**	**–334**

The following table presents the cash flow from discontinued operation being part of the condensed consolidated cash flow statement on page 10:

	First quarter		Rolling 12	Full year
SEKm	Jan–Mar 2018	Jan–Mar 2017	Apr 2017–Mar 2018	2017
Cash flow from operating activities	–	96	–136	–40
Cash flow from investing activities	–	–3	364	361
Cash flow from financing activities	–	–	–	–
Cash flow from discontinued operation	**–**	**93**	**228**	**321**

The following assets and liabilities were classified as held for sale in relation to the discontinued operation at 5 September 2017:

SEKm	5 Sep 2017
Intangible assets	99
Property, plant and equipment	165
Deferred tax asset	7
Other financial assets	1
Inventories	176
Other current assets	197
Cash and cash equivalents	18
Total assets disposed	**663**
Borrowings	64
Deferred tax liability	11
Provisions for pensions and other long-term employee benefits	61
Provisions	3
Other current liabilities	194
Total liabilities disposed	**333**
Carrying amount of net assets held for sale	**330**
Disposal consideration received	330
Minus: Carrying amount of net assets disposed	–330
Result on disposal, before income tax	**–**
Income tax on result on disposal	–
Result on disposal, net of tax	**–**

Seasonal variations – discontinued operations

Cloetta's sales and operating profit are subject to some seasonal variations. Sales in the first and second quarters are affected by the Easter holiday, depending on in which quarter it occurs. In the fourth quarter, sales are usually higher than in the first three quarters of the year, which is mainly attributable to the sale of products in Italy in connection with the holiday season.

Risk factors

Cloetta is an internationally active company that is exposed to a number of market and financial risks. All identified risks are monitored continuously and, if needed, risk mitigating measures are taken to limit their impact. The most relevant risk factors are described in the annual and sustainability report 2017 and consist of industry- and market-related risks, operational risks and financial risks. Compared to the annual and sustainability report which was issued on 8 March 2018, no new risks have been identified.

Definitions

General	All amounts in the tables are presented in SEK millions unless otherwise stated. All amounts in brackets () represent comparative figures for the same period of the prior year, unless otherwise stated.	
Margins	**Definition/calculation**	**Purpose**
Gross margin	Net sales less cost of goods sold as a percentage of net sales.	Gross margin measures production profitability.
Operating profit margin (EBIT margin)	Operating profit expressed as a percentage of net sales.	Operating profit margin is used for measuring the operational profitability.
Operating profit margin, adjusted	Operating profit, adjusted for items affecting comparability, as a percentage of net sales.	Operating profit margin, adjusted excludes the impact of items affecting comparability, enabling a comparison of operational profitability.
Profit margin	Profit/loss before tax expressed as a percentage of net sales.	This measure enables the profitability to be compared across locations where corporate taxes differ.
Return	**Definition/calculation**	**Purpose**
Cash conversion	Operating profit, adjusted for items affecting comparability, before depreciation and amortization less capital expenditures as a percentage of operating profit, adjusted for items affecting comparability, before depreciation and amortization.	Cash conversion measures the proportion of profits that are converted to cash flow. Its use is to analyze how much of the profit attributable to shareholders is turned into cash that could be paid to investors without damaging the business, except for cash flows related to interest and tax.
Return on capital employed	Operating profit plus financial income as a percentage of average capital employed. The average capital employed is calculated by taking the capital employed per period end and the capital employed by period end of the comparitive period in the previous year divided by two.	Return on capital employed is used to analyse profitability, based on the amount of capital used. The leverage of the company is the reason that this metric is used next to return on equity, because it not only includes equity, but takes into account borrowings and other liabilities as well.
Return on equity	Profit from continuing operations for the period as a percentage of total equity.	Return on equity is used to measure profit generation, given the resources attributable to the owners of the Parent Company.
Capital structure	**Definition/calculation**	**Purpose**
Capital employed	Total assets less interest-free liabilities (including deferred tax).	Capital employed measures the amount of capital used and serves as input for the return on capital employed.
Equity/assets ratio	Equity at the end of the period as a percentage of total assets. The equity/assets ratio represents the amount of assets on which shareholders have a residual claim.	This ratio is an indicator of the company's leverage used to finance the firm.
Gross debt	Gross current and non-current borrowings, credit overdraft facilities, derivative financial instruments and interest payables.	Gross debt represents the total debt obligation of the company irrespective its maturity.
Net debt	Gross debt less cash and cash equivalents.	The net debt is used as an indication of the ability to pay off all debts if these became due simultaneously on the day of calculation, using only available cash and cash equivalents.
Net debt/EBITDA	Net Debt at the end of the period divided by the EBITDA, adjusted, for the last 12 months, taking into consideration the annualization of EBITDA for acquired or divested companies.	The net debt/EBITDA ratio approximates the company's ability to decrease its debt. It represents the number of years it would take to pay back debt if net debt and EBITDA are held constant, ignoring the impact from cash flows from interest, tax and capital expenditure.
Net debt/equity ratio	Net debt at the end of the period divided by equity at the end of the period.	The net debt/equity ratio measures the extent to which the company is funded by debt. Because cash and overdraft facilities can be used to pay-off debt at short notice, the leverage is taking into account net debt instead of gross debt.
Working capital	Total inventories and trade and other receivables adjusted for trade and other payables.	Working capital is used to measure the company's ability, besides cash and cash equivalents, to meet current operational obligations.

Data per share	Definition/calculation	Purpose
Cash flow from operating activities per share	Cash flow from operating activities in the period divided by the average number of shares.	The cash flow from operating activities per share measures the amount of cash the company generates per share from the revenues it brings in irrespective the capital investments and cash flows related to the financing structure of the company.
Earnings per share	Profit for the period divided by the average number of shares adjusted for the effect of forward contracts to repurchase own shares.	The earnings per share measures the amount of net profit that is available for payment to its shareholders per share.
Equity per share	Equity at the end of the period divided by number of shares at the end of the period.	Equity per share measures the net-asset value backing up each share of the company's equity and determines if a company is increasing shareholder value over time.

Other definitions	Definition/calculation	Purpose
EBIT	Operating profit consists of comprehensive income before net financial items and income tax.	This measure enables the profitability to be compared across locations where corporate taxes differ and irrespective the financing structure of the company.
EBITDA	Operating profit before depreciation and amortization.	EBITDA is used to measure the cash flow generated from operating activities, eliminating the impact of financing and accounting decisions.
EBITDA, adjusted	Operating profit, adjusted for items affecting comparability, before depreciation and amortization.	EBITDA, adjusted increases the comparability of EBITDA.
Effective tax rate	Income tax as a percentage of profit before tax.	This measure enables the income tax to be compared across locations where corporate taxes differ.
Items affecting comparability	Items affecting comparability are those significant items which are separately disclosed by virtue of their size or incidence in order to enable a full understanding of the Group's financial performance such as restructurings, impact from acquisitions or divestments.	Items affecting comparability increases the comparability of the Group's financial performance.
Net financial items	The total of exchange differences on borrowings and cash and cash equivalents in foreign currencies, other financial income and other financial expenses.	The net financial items reflects the company's total costs of the external financing.
Net sales, change	Net sales as a percentage of net sales in the comparative period of the previous year.	Net sales, change reflects the company's realised top-line growth over time.
Operating profit, adjusted	Operating profit adjusted for items affecting comparability.	Operating profit, adjusted increases the comparability of operating profit.
Organic growth	Net sales, change exluding acquisition-driven growth and changes in exchanges rates.	Organic growth excludes the impact of changes in group structure and exchange rates, enabling a comparison on net sales growth over time.
Structural changes	Net sales, change resulting from changes in group structure.	Structural changes measure the contribution of changes in group structure to the net sales growth.

Glossary

Packaged products	Products that mainly are sold under brands and are packaged.
Pick & mix	Cloetta's range of candy and natural snacks that are picked by the consumers themselves.
Pick & mix concept	Cloetta's complete concept in pick and mix including products, displays and accompanying store and logistic services.

Exchange rates

	31 Mar 2018	31 Mar 2017	31 Dec 2017
EUR, average	9.9825	9.5006	9.6362
EUR, end of period	10.2824	9.5399	9.8210
NOK, average	1.0357	1.0581	1.0324
NOK, end of period	1.0616	1.0396	0.9997
GBP, average	11.3145	11.0555	10.9909
GBP, end of period	11.7527	11.1291	11.0684
DKK, average	1.3406	1.2779	1.2956
DKK, end of period	1.3798	1.2828	1.3192

Financial calendar

2018												2019		
JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
						Interim report Q2 13 July 2018			Interim report Q3 26 October 2018			Interim report Q4 25 January 2019		

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This information is information that Cloetta AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8:00 a.m. CET on 24 April 2018.

Vision

To be the most admired satisfier of Munchy Moments The vision, together with the goals and strategies, expresses Cloetta's business concept.

Business model

Cloetta's business model is to offer strong local brands in Munchy Moments and provide effective sales and distribution to the retail trade. Together, this will ensure continued positive development of the company's leading market positions.

Long-term financial targets

- Cloetta's target is to increase organic sales at least in line with market growth.
- Cloetta's target is an EBIT margin, adjusted for items affecting comparability, of at least 14 per cent.
- Cloetta's long-term target is a net debt/EBITDA ratio of around 2.5x.
- Cloetta's long-term intention is a dividend payout of 40–60 per cent of profit after tax.

Strategies

- Focus on margin expansion and volume growth.
- Focus on cost-efficiency.
- Focus on employee development.

Value drivers

- Strong brands and market positions in a non-cyclical market.
- Excellent availability in the retail trade with the help of a strong and effective sales and distribution organization.
- Good consumer knowledge and loyalty.
- Innovative product and packaging development.
- Effective production with high and consistent quality.

About Cloetta

Cloetta, founded in 1862, is a leading confectionery company in the Nordic region and the Netherlands. 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, Candyking, Jenkki, Kexchoklad, Malaco, Sportlife and Red Band. Cloetta has eight production units in five countries. Cloetta's class B shares are traded on Nasdaq Stockholm.

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