Interim report Q2, April – June 2018

Stockholm, 13 July 2018

- **Net sales for the quarter** increased by 4.1 per cent to SEK 1,472m (1,414) including a positive impact from foreign exchange rates of 3.6 per cent.
- **Operating profit** amounted to SEK 155m (90). Profit for the period amounted to SEK 97m (–329). Operating profit, adjusted for items affecting comparability, amounted to SEK 145m (115).
- **Cash flow** from operating activities amounted to SEK 119m (117).
- **Net debt/EBITDA ratio** was 2.77x (2.77).

Key ratios

	Second quarter			6 months			Rolling 12	Full year
SEKm	Apr–Jun 2018	Apr–Jun 2017	Change, %	Jan–Jun 2018	Jan–Jun 2017	Change, %	Jul 2017–Jun 2018	2017
Net sales	1,472	1,414	4.1[1]	3,034	2,636	15.1[1]	6,182	5,784
Operating profit, adjusted	145	115	26.1	309	229	34.9	684	604
Operating profit margin, adjusted, %	9.9	8.1	1.8-pts	10.2	8.7	1.5-pts	11.1	10.4
Operating profit (EBIT)	155	90	72.2	321	187	71.7	661	527
Operating profit margin (EBIT margin), %	10.5	6.4	4.1-pts	10.6	7.1	3.5-pts	10.7	9.1
Profit before tax	128	71	80.3	252	157	60.5	538	443
Profit/loss for the period	97	–329	n/a	192	–270	n/a	365	–97
Profit for the period from continuing operations	97	43	125.6	192	109	76.1	320	237
Earnings per share, basic and diluted, SEK	0.34	–1.15	n/a	0.67	–0.94	n/a	1.27	–0.34
Net debt/EBITDA, x (Rolling 12 months)	2.77	2.77	0.0	2.77	2.77	0.0	2.77	2.39
Cash flow from operating activities	119	117	1.7	90	272	–66.9	530	712

1) Organic growth at constant exchange rates and comparable units –4.9 per cent for the quarter and –2.1 per cent for the first two quarters of the year. 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

Improved EBIT and growth within branded packaged products

EBIT improved during the quarter driven by cost-efficiency, synergies and higher production volumes.

Confectionery market in the quarter

The packaged confectionery market declined on all key markets during the quarter. The market was particularly weak in May. For pick & mix, no full market statistic is available but according to our own estimates, the pick & mix markets declined substantially during the quarter, partly driven by a strong Easter comparator in the second quarter of 2017.

Sales development

Cloetta's sales for the quarter increased by 4.1 per cent, of which the acquired Candyking accounted for 5.4 per cent, organic growth –4.9 per cent and exchange rate differences for 3.6 per cent.

Sales of branded packaged products grew by 0.6 per cent. Pick & mix sales declined by 19.4 per cent, of which Candyking accounted for approximately one third of the decrease. Isolated, Candyking decreased by 12.1 per cent. The decline in pick & mix is due to the previously announced lost contract in Sweden, weak development in Norway due to the increased sugar tax and the absence of campaigns and a strong comparator due to Easter falling in the second quarter of 2017.

Sales of branded packaged products grew or was largely unchanged in Sweden, Finland, Denmark, Norway and The Netherlands. Pick & mix grew in Denmark, the UK and the Netherlands, but declined in all other markets. In total, Cloetta's sales grew or was largely unchanged in Finland, Denmark and the Netherlands. Sales declined in Sweden, Norway, Germany, the UK and in International markets.

Increased operating profit

Cloetta's operating profit (EBIT), adjusted for items affecting comparability, amounted to SEK 145m (115) and the operating profit margin, adjusted for items affecting comparability, was 9.9 per cent (8.1). Operating profit amounted to SEK 155m (90) and includes a positive impact of remeasurement in the contingent earn-out consideration for Candyking of SEK 19m.

The improvement of operating profit is primarily driven by cost control including synergies from Candyking and higher production volumes. Marketing costs were also lower in the quarter.

Stable cash flow and net debt/EBITDA

Cash flow from operating activities amounted to SEK 119m (117). The net debt/EBITDA ratio amounted to 2.77 (2.77), which is somewhat higher than target due to pay-out of dividend during the quarter.

Candyking integration in line with plan

The integration of Candyking is progressing in line with plan. During the quarter the former Nordic Candyking markets came onto Cloetta's business enterprise system.

Although the various Cloetta and Candyking units are integrated and have started to work as a joint team, there are still many projects – including the integration of the business enterprise system in the UK – that need to be finalised before the integration is fully completed.

Insourcing is progressing well and will gradually increase during the second half of this year and 2019–2020.

Continued focus on growth and efficiency

For 2018, my focus continues to be on driving growth up and cost down. From a growth perspective, it is pleasing to see that branded packaged products grew also this quarter. This means that branded packaged products had a growth of 1.5 per cent during the first half of the year. The declining sales in pick & mix is of course a disappointment, although the previously announced lost Cloetta contract in Sweden and the increased sugar tax and absence of campaigns in Norway is a large part of the decline.

We will continue to focus on our core brand positions and strengthen them through more and efficient marketing support. Therefore, we will increase marketing support during the second half of 2018 compared to previous year.

The production line in Turnhout, Belgium, that was destroyed by a fire last year, is now replaced with a new line that is producing according to plan.

Frans Ryden was recently appointed CFO starting later this year. With his appointment, my new Group Management Team is completed. The new leadership structure focuses on the countries besides the focus on branded packaged products and pick & mix.

We still have a lot to do to improve and drive our pick & mix business, but I believe we now have the fundament in place. The first half of 2018 has developed well in terms of EBIT-improvement and growth of branded packaged products, thereby being one step on our journey to grow the whole Group organically and achieve our 14 per cent EBIT-margin target.

Henri de Sauvage-Nolting
President and CEO

Henri de Sauvage-Nolting
President and CEO

Financial overview

Development in the second quarter

Net sales

Net sales for the second quarter increased by SEK 58m to SEK 1,472m (1,414) compared to the same period of last year. Organic growth was –4.9 per cent, acquisition growth 5.4 per cent and exchange rate differences 3.6 per cent.

Sales of branded packaged products grew by 0.6 per cent. Pick & mix sales declined by 19.4 per cent, of which Candyking accounted for approximately one third of the decrease. Isolated, Candyking decreased by 12.1 per cent. The decline in pick & mix is due to the previously announced lost contract in Sweden, weak development in Norway due to the increased sugar tax and the absence of campaigns and a strong comparator due to Easter falling in the second quarter of 2017.

Sales of packaged branded products grew or was largely unchanged in Sweden, Finland, Denmark, Norway and the Netherlands. Pick & mix grew in Denmark, the UK and the Netherlands, but declined in other markets. In total, Cloetta's sales grew or was largely unchanged in Finland, Denmark and the Netherlands. Sales declined in Sweden, Norway, Germany, the UK and in International markets.

Changes in net sales, %	Apr–Jun 2018	Jan–Jun 2018
Organic growth	–4.9	–2.1
Structural changes	5.4	14.2
Changes in exchange rates	3.6	3.0
Total	**4.1**	**15.1**

Gross profit

Gross profit amounted to SEK 559m (519), which is equal to a gross margin of 38.0 per cent (36.7). The higher gross margin is due to higher production volumes and higher share of branded packaged products.

Operating profit

Operating profit amounted to SEK 155m (90). Operating profit, adjusted for items affecting comparability, amounted to SEK 145m (115). The increase in operating profit is due to cost control, synergies and higher production volumes.

Items affecting comparability

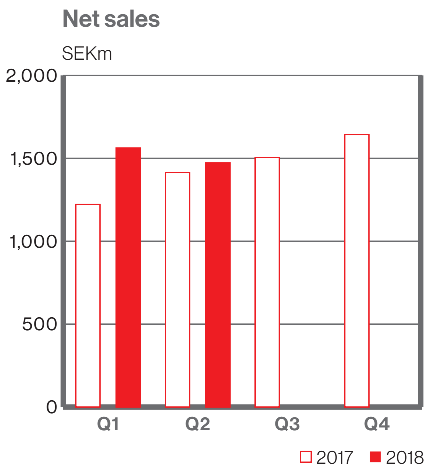
Operating profit for the second quarter includes items affecting comparability of SEK 10m (–25) which among others includes a positive impact of remeasurement in the contingent earn-out consideration relating to the acquisition of the Candyking group of SEK 19m and a negative impact of SEK 8m related to integration of Candyking.

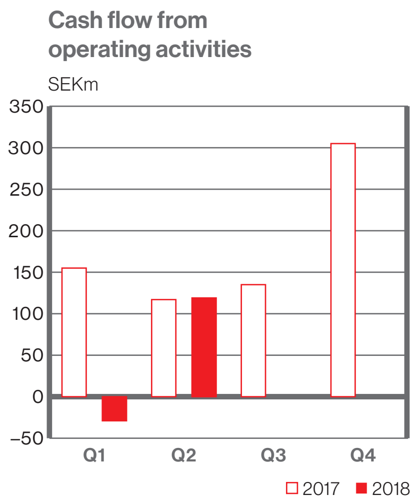
Net financial items

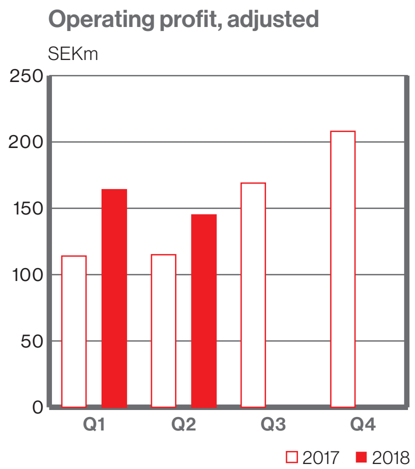
Net financial items for the quarter amounted to SEK –27m (–19). Interest expenses related to external borrowings were SEK –8m (–8), exchange differences on borrowings and cash and cash equivalents were SEK –3m (–2). Other financial items amounted to SEK –16m (–9) of which SEK –7m relates to the full amortization of the capitalized transaction costs due to the amendment and extension of the facilities agreement and the launch of commercial papers. Of the total net financial items SEK –11m (–19) is non-cash in nature.

Profit for the period

Profit from continuing operations was SEK 97m (43). Income tax for the period was SEK –31m (–28). The effective tax rate from continuing operations for the quarter was 24.2 per cent (39.4). Profit for the period was SEK 97m (–329), which is equal to basic and diluted earnings per share of SEK 0.34 (–1.15).







Cash flow from operating and investing activities
Cash flow from operating activities before changes in working capital was SEK 165m (84). The increase compared to prior year is mainly the result of a higher operating result. The cash flow from changes in working capital was SEK –46m (33). Cash flow from operating and investing activities was SEK 68m (–166).

Cash flow from changes in working capital
Cash flow from changes in working capital was SEK –46m (33). The cash flow from changes in working capital was negatively impacted by the decrease of payables for an amount of SEK –105m (–25), an increase in inventories of SEK –42m (–23) partly offset by a decrease in receivables of SEK 101m (81).

Cash flow from investing activities
Cash flow from investing activities was SEK –51m (–283) and is fully attributable to investments in property, plant and equipment and intangible assets. In the second quarter of 2017 the acquisition of Candyking Holding AB and its subsidiaries was included for a net amount of SEK –249m.

Cash flow from financing activities
Cash flow from financing activities was SEK –661m (45). The cash flow from financing activities was related to the dividend distribution of SEK –433m (–216), the repayments related to the amendment and restatement of the facilities agreement of SEK –719m (0) which are partly offset by the proceeds coming from the launch of commercial papers of SEK 500m (0). In the second quarter of 2017 the revolver facility was drawn for net SEK 253m related to the acquisition of Candyking Holding AB and it subsidiaries. The other cash flow from financing activities amounted to SEK –9m (8).

Development in the first half of the year

Net sales
Net sales for the first half of the year increased by SEK 398m to SEK 3,034m (2,636) compared to the same period of last year. Organic growth was –2.1 per cent, acquisition growth 14.2 per cent and exchange rate differences 3.0 per cent.

Sales of branded packaged products grew by 1.5 per cent. Pick & mix sales declined by 11.1 per cent.

Sales of packaged branded products grew in Sweden, Finland, Denmark, the Netherlands and Germany. Pick & mix grew in Denmark, but declined in other markets. In total, Cloetta's sales grew or was largely unchanged in Finland, Denmark, the Netherlands and Germany. Sales declined in Sweden, Norway, the UK and in International markets.

Gross profit
Gross profit amounted to SEK 1,119m (973), which is equal to a gross margin of 36.9 per cent (36.9).

Operating profit
Operating profit amounted to SEK 321m (187). Operating profit, adjusted for items affecting comparability, amounted to SEK 309m (229). The increase in operating profit is due to cost control, synergies and higher production volumes.

Items affecting comparability
Operating profit for the first half year includes items affecting comparability of SEK 12m (–42) which among others includes a positive impact of remeasurement in the contingent earn-out consideration relating to the acquisition of the Candyking group of SEK 27m and a negative impact of SEK 11m related to integration cost for Candyking.

Net financial items
Net financial items for the first half of the year amounted to SEK –69m (–30). Interest expenses related to external borrowings were SEK –16m (–18), exchange differences on borrowings and cash and cash equivalents were SEK –25m (–3) mainly related to the weakening Swedish Krona during the first half of the year. Other financial items amounted to SEK –28m (–9) of which SEK –7m relates to the full amortization of the capitalized transaction costs due to the amendment and extension of the facilities agreement and the launch of commercial papers. Of the total net financial items SEK –53m (–22) is non-cash in nature.

Profit for the period
Profit from continuing operations was SEK 192m (109). Income tax for the period was SEK –60m (–48). The effective tax rate from continuing operations for the first half of the year was 23.8 per cent (30.6). Profit for the first half of the year was SEK 192m (–270), which is equal to basic and diluted earnings per share of SEK 0.67 (–0.94).

Cash flow from operating and investing activities
Cash flow from operating activities before changes in working capital was SEK 355m (146). The increase compared to prior year is mainly the result of a higher operating result. The cash flow from changes in working capital was SEK –265m (126). Cash flow from operating and investing activities was SEK –2m (–45).

Cash flow from changes in working capital
Cash flow from changes in working capital was SEK –265m (126). The cash flow from changes in working capital was negatively impacted by the decrease of payables for an amount of SEK –112m (–36), an increase in receivables of SEK –85m (201) and an increase in inventories of SEK –68m (–39). The cash flow from changes in working capital in the first half of the year was positively impacted by the working capital development of the Italian business.

Cash flow from investing activities
Cash flow from investing activities was SEK –92m (–317) and is fully attributable to investments in property, plant and equipment and intangible assets. In the second quarter of 2017 the acquisition of Candyking Holding AB and its subsidiaries was included for a net amount of SEK –249m.

Cash flow from financing activities
Cash flow from financing activities was SEK –661m (45). The cash flow from financing activities was related to the dividend distribution of SEK –433m (–216), the repayments related to the amendment and restatement of the facilities agreement of SEK –719m (0) which are partly offset by the proceeds coming from the launch of commercial papers of SEK 500m (0). In the second quarter of 2017 the revolver facility was drawn for net SEK 253m related to the acquisition of Candyking Holding AB and it subsidiaries. The other cash flow from financing activities amounted to SEK –9m (8).

Financial position
Consolidated equity at 30 June 2018 amounted to SEK 3,761m (3,734), which is equal to SEK 13.0 (12.9) per share. Net debt at 30 June 2018 was SEK 2,561m (2,735). As a consequence of Cloetta entering into an amendment and restatement regarding its term and revolving facilities agreement and the launch of a commercial paper program the net-debt composition changed in the second quarter.

Long-term borrowings totalled SEK 2,098m (2,693) and consisted of SEK 2,101m (2,698) in gross non-current borrowings from credit institutions and SEK –3m (–5) in capitalized transaction costs.

Total short-term borrowings amounted to SEK 506m (280) and consisted of SEK 500m (0) of commercial papers, SEK 7m (275) in gross current borrowings from credit institutions, SEK –2m (–3) in capitalized transaction costs, accrued interest on borrowings from credit institutions and commercial papers for an amount of SEK 1m (1) and borrowings related to discontinued operations of SEK 0m (7).

SEKm	30 Jun 2018	30 Jun 2017	31 Dec 2017
Gross non-current borrowings	2,101	2,698	1,719
Gross current borrowings	7	275	1,000
Commercial papers	500	–	–
Derivative financial instruments (current and non-current)	61	71	73
Interest payable	1	1	2
Gross debt	**2,670**	**3,045**	**2,794**
Cash and cash equivalents	–109	–279	–759
Cash included in assets held for sale	–	–31	–
Net debt	**2,561**	**2,735**	**2,035**

Cash and cash equivalents at 30 June 2018, excluding unutilized revolving facilities, amounted to SEK 109m (310) of which SEK 0m (31) related to discontinued operation. At 30 June 2018 Cloetta had unutilized revolving facilities for a total of SEK 1,242m (889).

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.

Amended and extended facilities agreement and launch of commercial paper program

Cloetta entered into an amendment and restatement agreement regarding its term and revolving facilities. As a consequence an amount of SEK 719m has been repaid on the loans from credit institutions, interest terms were amended and the maturity of the loans has been extended. In conjunction with the amendment and restatement agreement Cloetta AB issued commercial papers for an amount of SEK 500m.

Employees

The average number of employees during the quarter was 2,459 (2,314). The increase is mainly attributable to the impact of the acquisition of Candyking Holding AB and its subsidiaries.

Events after the balance sheet date

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

Examples of new launches during the second quarter

Denmark
Skipper´s Pipe Salty Caramel

Finland
Jenkki Enjoy Cola Icepop
Läkerol Dents Watermelon
TV Mix Salmiakki

The Netherlands
Venco Sugar free Honey
Venco Sugar free Sweet
Venco Sugar free Salt

Pick & mix
Malaco Orange bottle
Venco Fruit Tikkels
Kick Sea Salt/Raspberry

Travel&Retail
Jenkki Professional Freshmint
Jenkki Original Peppermint
Jenkki Original Spearmint
The Jelly Bean Factory – I´ll be missing you

Norway
Ahlgrens Grillbilar
Läkerol YUP Strawberry Lime & Sour Peach
Kick Sea Salt Caramel

Sweden
Ahlgrens bilar Lakritskombi
Sportlunch Almond
Sportlunch Orange

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, 13 July 2018
Cloetta AB (publ)

Lilian Fossum Biner
Board Chairman

Mikael Aru
Member of the Board

Lottie Knutson
Member of the Board

Alan McLean Raleigh
Member of the Board

Mikael Norman
Member of the Board

Camilla Svenfelt
Member of the Board

Mikael Svenfelt
Member of the Board

Lena Grönedal
Employee Board member

Mikael Ström
Employee Board member

Henri de Sauvage-Nolting
President and CEO

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

Financial statements in summary

Consolidated profit and loss account

SEKm	Second quarter Apr–Jun 2018	Second quarter Apr–Jun 2017	6 months Jan–Jun 2018	6 months Jan–Jun 2017	Rolling 12 Jul 2017–Jun 2018	Full year 2017
Net sales	1,472	1,414	3,034	2,636	6,182	5,784
Cost of goods sold	–913	–895	–1,915	–1,663	–3,930	–3,678
Gross profit	**559**	**519**	**1,119**	**973**	**2,252**	**2,106**
Other income	4	4	4	4	6	6
Selling expenses	–268	–259	–516	–459	–1,029	–972
General and administrative expenses	–140	–174	–286	–331	–568	–613
Operating profit	**155**	**90**	**321**	**187**	**661**	**527**
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	–3	–2	–25	–3	–39	–17
Other financial income	4	1	4	7	4	7
Other financial expenses	–28	–18	–48	–34	–88	–74
Net financial items	**–27**	**–19**	**–69**	**–30**	**–123**	**–84**
Profit before tax	**128**	**71**	**252**	**157**	**538**	**443**
Income tax	–31	–28	–60	–48	–218	–206
Profit from continuing operations	**97**	**43**	**192**	**109**	**320**	**237**
Profit/loss from discontinued operation, net of tax[1]	–	–372	–	–379	45	–334
Profit/loss for the period	**97**	**–329**	**192**	**–270**	**365**	**–97**
Profit/loss for the period attributable to:						
Owners of the Parent Company						
Continuing operations	97	43	192	109	320	237
Discontinued operation[1]	–	–372	–	–379	45	–334
Total	**97**	**–329**	**192**	**–270**	**365**	**–97**
Earnings per share from continuing operations, SEK						
Basic[2]	0.34	0.15	0.67	0.38	1.12	0.83
Diluted[2]	0.34	0.15	0.67	0.38	1.12	0.83
Earnings per share from discontinued operation, SEK						
Basic[2]	–	–1.30	–	–1.32	0.16	–1.17
Diluted[2]	–	–1.30	–	–1.32	0.16	–1.17
Earnings per share, SEK						
Basic[2]	0.34	–1.15	0.67	–0.94	1.27	–0.34
Diluted[2]	0.34	–1.15	0.67	–0.94	1.27	–0.34
Number of shares at end of period	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299
Average number of shares (basic)[2]	286,413,012	286,339,892	286,355,196	286,309,897	286,342,927	286,320,464
Average number of shares (diluted)[2]	286,620,265	286,626,106	286,567,365	286,517,044	286,521,041	286,492,178

1) For the breakdown of the result from discontinued operation see page 25.
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 1,991,906 shares at a share price of SEK 29.3886.

Consolidated statement of comprehensive income

SEKm	Second quarter Apr–Jun 2018	Second quarter Apr–Jun 2017	6 months Jan–Jun 2018	6 months Jan–Jun 2017	Rolling 12 Jul 2017–Jun 2018	Full year 2017
Profit/loss for the period	**97**	**–329**	**192**	**–270**	**365**	**–97**
Other comprehensive income						
Remeasurement of defined benefit pension plans	–9	9	–26	20	–82	–36
Income tax on other comprehensive income that subsequently will not be reclassified to profit or loss for the period	2	–1	6	–4	18	8
Items that will never be reclassified to profit or loss for the period	**–7**	**8**	**–20**	**16**	**–64**	**–28**
Currency translation differences	58	31	267	10	345	88
Currency translation differences on discontinued operation reclassified through profit or loss	–	–	–	–	–102	–102
Hedge of a net investment in a foreign operation	–20	–23	–83	–17	–99	–33
Income tax on other comprehensive income that will be reclassified subsequently to profit or loss for the period, when specific conditions are met	4	5	17	4	20	7
Items that are or may be reclassified to profit or loss for the period	**42**	**13**	**201**	**–3**	**164**	**–40**
Total other comprehensive income	**35**	**21**	**181**	**13**	**100**	**–68**
Total comprehensive income, net of tax	**132**	**–308**	**373**	**–257**	**465**	**–165**
Total comprehensive income for the period attributable to:						
Owners of the Parent Company	132	–308	373	–257	465	–165

Net financial items

SEKm	Second quarter Apr–Jun 2018	Second quarter Apr–Jun 2017	6 months Jan–Jun 2018	6 months Jan–Jun 2017	Rolling 12 Jul 2017–Jun 2018	Full year 2017
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	**–3**	**–2**	**–25**	**–3**	**–39**	**–17**
Other financial income, third parties	4	1	4	2	5	3
Unrealized gains on single currency interest rate swaps	0	–	0	5	–1	4
Other financial income	**4**	**1**	**4**	**7**	**4**	**7**
Interest expenses third-party borrowings and realized losses on single currency interest rate swaps	–8	–8	–16	–18	–31	–33
Interest expenses, contingent earn-out considerations	–6	–4	–11	–4	–22	–15
Amortization of capitalized transaction costs	–7	–1	–8	–2	–10	–4
Unrealized losses on single currency interest rate swaps	–3	–	–3	–	–3	–
Other financial expenses	–4	–5	–10	–10	–22	–22
Other financial expenses	**–28**	**–18**	**–48**	**–34**	**–88**	**–74**
Net financial items	**–27**	**–19**	**–69**	**–30**	**–123**	**–84**

Condensed consolidated balance sheet

SEKm	30 Jun 2018	30 Jun 2017	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets	5,711	5,475	5,490
Property, plant and equipment	1,379	1,360	1,338
Deferred tax asset	23	49	20
Derivative financial instruments	–	–	–
Other financial assets	12	10	11
Total non-current assets	**7,125**	**6,894**	**6,859**
Current assets			
Inventories	841	769	745
Other current assets	999	788	889
Derivative financial instruments	4	–	0
Cash and cash equivalents	109	279	759
Total current assets	**1,953**	**1,836**	**2,393**
Assets held for sale	–	830	–
TOTAL ASSETS	**9,078**	**9,560**	**9,252**
EQUITY AND LIABILITIES			
Equity	**3,761**	**3,734**	**3,818**
Non-current liabilities			
Long-term borrowings	2,098	2,693	1,715
Deferred tax liability	786	641	703
Derivative financial instruments	4	12	2
Other non-current liabilities	–	132	138
Provisions for pensions and other long-term employee benefits	403	355	374
Provisions	6	5	5
Total non-current liabilities	**3,297**	**3,838**	**2,937**
Current liabilities			
Short-term borrowings	506	280	999
Derivative financial instruments	61	59	71
Other current liabilities	1,452	1,219	1,424
Provisions	1	6	3
Total current liabilities	**2,020**	**1,564**	**2,497**
Liabilities directly associated with assets classified as held for sale	–	424	–
TOTAL EQUITY AND LIABILITIES	**9,078**	**9,560**	**9,252**

Condensed consolidated statement of changes in equity

SEKm	6 months Jan–Jun 2018	6 months Jan–Jun 2017	Full year 2017
Equity at beginning of period	3,818	4,199	4,199
Profit/loss for the period	192	–270	–97
Other comprehensive income	181	13	–68
Total comprehensive income	373	–257	–165
Transactions with owners			
New forward contract to repurchase own shares	–	–	–11
Share-based payments	3	8	11
Dividend[1]	–433	–216	–216
Total transactions with owners	–430	–208	–216
Equity at end of period	3,761	3,734	3,818

1) The dividend paid comprised an ordinary dividend of SEK 0.75 (0.75) per share and a special dividend of SEK 0.75 (0) per share.

Condensed consolidated cash flow statement

SEKm	Second quarter Apr–Jun 2018	Second quarter Apr–Jun 2017	6 months Jan–Jun 2018	6 months Jan–Jun 2017	Rolling 12 Jul 2017–Jun 2018	Full year 2017
Cash flow from operating activities before changes in working capital	165	84	355	146	741	532
Cash flow from changes in working capital	–46	33	–265	126	–211	180
Cash flow from operating activities	119	117	90	272	530	712
Cash flows from investments in property, plant and equipment and intangible assets	–51	–39	–92	–73	–176	–157
Cash flow from other investing activities	0	–244	0	–244	379	135
Cash flow from investing activities	–51	–283	–92	–317	203	–22
Cash flow from operating and investing activities	68	–166	–2	–45	733	690
Cash flow from financing activities	–661	45	–661	45	–944	–238
Cash flow for the period	–593	–121	–663	0	–211	452
Cash and cash equivalents at beginning of period	700	422	759	298	310	298
Cash flow for the period	–593	–121	–663	0	–211	452
Exchange difference	2	9	13	12	10	9
Total cash and cash equivalents at end of period	109	310	109	310	109	759
Cash and cash equivalents at end of period	109	279	109	279	109	759
Cash included in assets held for sale at end of period	–	31	–	31	–	–
Total cash and cash equivalents at end of period	109	310	109	310	109	759

Condensed consolidated key figures

SEKm	Second quarter Apr–Jun 2018	Second quarter Apr–Jun 2017	6 months Jan–Jun 2018	6 months Jan–Jun 2017	Rolling 12 Jul 2017–Jun 2018	Full year 2017
Profit						
Net sales	1,472	1,414	3,034	2,636	6,182	5,784
Net sales, change, %	4.1	15.8	15.1	7.4	16.9	13.3
Organic net sales, change, %	–4.9	–0.5	–2.1	–1.2	–1.7	–1.2
Gross margin, %	38.0	36.7	36.9	36.9	36.4	36.4
Depreciation	–54	–53	–111	–101	–228	–218
Amortization	–3	–3	–6	–4	–13	–11
Impairment loss other non current assets	–	–	–	–	–9	–9
Operating profit, adjusted	145	115	309	229	684	604
Operating profit margin, adjusted, %	9.9	8.1	10.2	8.7	11.1	10.4
Operating profit (EBIT)	155	90	321	187	661	527
Operating profit margin (EBIT margin), %	10.5	6.4	10.6	7.1	10.7	9.1
EBITDA, adjusted	202	171	426	334	925	833
EBITDA	212	146	438	292	911	765
Profit margin, %	8.7	5.0	8.3	6.0	8.7	7.7
Financial position						
Working capital	505	340	505	340	505	232
Capital expenditure	51	39	92	73	176	157
Net debt	2,561	2,735	2,561	2,735	2,561	2,035
Capital employed	6,833	6,727	6,833	6,727	6,833	6,979
Return on capital employed, % (Rolling 12 months)	9.8	9.2	9.8	9.2	9.8	8.2
Equity/assets ratio, %	41.4	39.1	41.4	39.1	41.4	41.3
Net debt/equity ratio, %	68.1	73.2	68.1	73.2	68.1	53.3
Return on equity, % (Rolling 12 months)	8.5	8.7	8.5	8.7	8.5	6.2
Equity per share, SEK	13.0	12.9	13.0	12.9	13.0	13.2
Net debt/EBITDA, x (Rolling 12 months)	2.77	2.77	2.77	2.77	2.77	2.39
Cash flow						
Cash flow from operating activities	119	117	90	272	530	712
Cash flow from investing activities	–51	–283	–92	–317	203	–22
Cash flow after investments	68	–166	–2	–45	733	690
Cash conversion, %	74.8	81.3	78.4	81.1	81.7	83.2
Cash flow from operating activities per share, SEK	0.4	0.4	0.3	0.9	1.8	2.5
Employees						
Average number of employees	2,459	2,314	2,441	2,223	2,454	2,467

Reconciliation of alternative performance measures

SEKm	Second quarter Apr–Jun 2018	Second quarter Apr–Jun 2017	6 months Jan–Jun 2018	6 months Jan–Jun 2017	Rolling 12 Jul 2017–Jun 2018	Full year 2017
Items affecting comparability						
Acquisitions, integration and factory restructurings	–13	–25	–16	–42	–36	–62
of which: impairment loss other non-current assets	–	–	–	–	–9	–9
Remeasurements of contingent considerations	19	–	27	–	32	5
Other items affecting comparability	4	–	1	–	–19	–20
Items affecting comparability*	**10**	**–25**	**12**	**–42**	**–23**	**–77**
* Corresponding line in the condensed consolidated profit and loss account:						
Cost of goods sold	–1	–15	–2	–18	–23	–39
Other operating income	4	4	4	4	4	4
Selling expenses	–	–3	–	–3	–3	–6
General and administrative expenses	7	–11	10	–25	–1	–36
Total	**10**	**–25**	**12**	**–42**	**–23**	**–77**
Operating profit, adjusted						
Operating profit	155	90	321	187	661	527
Minus: Items affecting comparability	10	–25	12	–42	–23	–77
Operating profit, adjusted	**145**	**115**	**309**	**229**	**684**	**604**
Net sales	1,472	1,414	3,034	2,636	6,182	5,784
Operating profit margin, adjusted, %	**9.9**	**8.1**	**10.2**	**8.7**	**11.1**	**10.4**
EBITDA, adjusted						
Operating profit	155	90	321	187	661	527
Minus: Depreciation	–54	–53	–111	–101	–228	–218
Minus: Amortization	–3	–3	–6	–4	–13	–11
Minus: Impairment loss other non-current assets	–	–	–	–	–9	–9
EBITDA	**212**	**146**	**438**	**292**	**911**	**765**
Minus: Items affecting comparability (excl. impairment loss other non-current assets)	10	–25	12	–42	–14	–68
EBITDA, adjusted	**202**	**171**	**426**	**334**	**925**	**833**
Capital employed						
Total assets	9,078	9,560	9,078	9,560	9,078	9,252
Minus: Deferred tax liability	786	641	786	641	786	703
Minus: Other non-current liabilities	–	132	–	132	–	138
Minus: Non-current provisions	6	5	6	5	6	5
Minus: Current provisions	1	6	1	6	1	3
Minus: Other current liabilities	1,452	1,219	1,452	1,219	1,452	1,424
Minus: Assets held for sale	–	830	–	830	–	–
Capital employed	**6,833**	**6,727**	**6,833**	**6,727**	**6,833**	**6,979**
Capital employed in comparative period of previous year	6,727	5,818	6,727	5,818	6,727	5,966
Average capital employed	**6,780**	**6,273**	**6,780**	**6,273**	**6,780**	**6,473**

Reconciliation alternative performance measures, continued

SEKm	Second quarter Apr–Jun 2018	Second quarter Apr–Jun 2017	6 months Jan–Jun 2018	6 months Jan–Jun 2017	Rolling 12 Jul 2017–Jun 2018	Full year 2017
Return on capital employed						
Operating profit (rolling 12 months)	661	562	661	562	661	527
Financial income (rolling 12 months)	4	17	4	17	4	7
Operating profit plus financial income (rolling 12 months)	**665**	**579**	**665**	**579**	**665**	**534**
Average capital employed	6,780	6,273	6,780	6,273	6,780	6,473
Return on capital employed, %	**9.8**	**9.2**	**9.8**	**9.2**	**9.8**	**8.2**
Cash conversion						
EBITDA, adjusted	202	171	426	334	925	833
Minus: Capital expenditures	51	32	92	63	169	140
EBITDA, adjusted less capital expenditures	**151**	**139**	**334**	**271**	**756**	**693**
EBITDA, adjusted	202	171	426	334	925	833
Cash conversion, %	**74.8**	**81.3**	**78.4**	**81.1**	**81.7**	**83.2**
Changes in net sales						
Net sales	1,472	1,414	3,034	2,636	6,182	5,784
Net sales in comparative period of previous year	1,414	1,221	2,636	2,455	5,288	5,107
Net sales, change	**58**	**193**	**398**	**181**	**894**	**677**
Minus: Structural changes	76	161	375	161	922	708
Minus: Changes in exchange rates	51	38	79	49	60	30
Organic growth	**–69**	**–6**	**–56**	**–29**	**–88**	**–61**
Structural changes, %	5.4	13.2	14.2	6.6	17.4	13.9
Organic growth, %	–4.9	–0.5	–2.1	–1.2	–1.7	–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	97	–329	192	–270	365	–97
Minus: Impairment loss discontinued operation including income tax effects	–	–365	–	–365	–114	–479
Minus: Other items affecting comparability	4	–	1	–	–19	–20
Profit for the period excluding impact of impairment loss discontinued operation including income tax effects and other items affecting comparability	**93**	**36**	**191**	**95**	**498**	**402**
Average number of shares (basic)[1]	286,413,012	286,339,892	286,355,196	286,309,897	286,342,927	286,320,464
Average number of shares (diluted)[1]	286,620,265	286,626,106	286,567,365	286,517,044	286,521,041	286,492,178
Earnings per share, basic excluding impact of impairment loss discontinued operation including tax effects and other items affecting comparability, SEK[1]	0.32	0.13	0.67	0.33	1.74	1.40
Earnings per share, diluted excluding impact of impairment loss discontinued operation including tax effects and other items affecting comparability, SEK[1]	0.32	0.13	0.67	0.33	1.74	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 1,991,906 shares at a share price of SEK 29.3886.

Condensed consolidated quarterly data

SEKm	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Profit and loss account									
Net sales	1,472	1,562	1,643	1,505	1,414	1,222	1,367	1,285	1,221
Cost of goods sold	–913	–1,002	–1,037	–978	–895	–768	–806	–791	–709
Gross profit	**559**	**560**	**606**	**527**	**519**	**454**	**561**	**494**	**512**
Other income	4	–	2	–	4	–	–	–	–
Selling expenses	–268	–248	–281	–232	–259	–200	–207	–189	–215
General and administrative expenses	–140	–146	–156	–126	–174	–157	–174	–110	–149
Operating profit	**155**	**166**	**171**	**169**	**90**	**97**	**180**	**195**	**148**
Exchange differences borrowings and cash and cash equivalents in foreign currencies	–3	–22	–7	–7	–2	–1	–10	8	2
Other financial income	4	0	0	0	1	6	5	5	5
Other financial expenses	–28	–20	–20	–20	–18	–16	–20	–80	–37
Net financial items	**–27**	**–42**	**–27**	**–27**	**–19**	**–11**	**–25**	**–67**	**–30**
Profit before tax	**128**	**124**	**144**	**142**	**71**	**86**	**155**	**128**	**118**
Income tax	–31	–29	–124	–34	–28	–20	–33	–36	–33
Profit from continuing operations	**97**	**95**	**20**	**108**	**43**	**66**	**122**	**92**	**85**
Profit/loss from discontinued operation, net of tax	–	–	–	45	–372	–7	–542	16	–8
Profit/loss for the period	**97**	**95**	**20**	**153**	**–329**	**59**	**–420**	**108**	**77**
Profit/loss for the period attributable to:									
Owners of the Parent Company									
Continuing operations	97	95	20	108	43	66	122	92	85
Discontinued operation	–	–	–	45	–372	–7	–542	16	–8
KEY FIGURES									
Profit									
Depreciation and amortization	–57	–60	–59	–74	–56	–49	–55	–54	–53
Operating profit, adjusted	145	164	206	169	115	114	209	203	156
EBITDA, adjusted	202	224	265	234	171	163	262	257	209
EBITDA	212	226	230	243	146	146	235	249	201
Operating profit margin, adjusted, %	9.9	10.5	12.5	11.2	8.1	9.3	15.3	15.8	12.8
Operating profit margin (EBIT margin), %	10.5	10.6	10.4	11.2	6.4	7.9	13.2	15.2	12.1
Earnings per share, SEK									
Basic[1]	0.34	0.33	0.07	0.53	–1.15	0.21	–1.47	0.38	0.27
Diluted[1]	0.34	0.33	0.07	0.53	–1.15	0.21	–1.47	0.38	0.27
Financial position									
Share price, last paid, SEK	27.18	31.82	29.70	28.00	34.70	35.40	28.70	31.10	29.00
Return on equity, % (rolling 12 months)	8.5	6.6	6.2	9.1	8.7	–4.1	–4.5	8.5	9.3
Equity per share, SEK	13.0	14.1	13.2	12.9	12.9	14.7	14.5	15.8	15.2
Net debt/EBITDA, x (rolling 12 months)	2.77	2.42	2.39	2.63	2.77	2.34	2.44	2.76	2.82
Cash flow									
Cash flow from operating activities per share, SEK	0.4	–0.1	1.1	0.5	0.4	0.5	1.4	0.4	0.4

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 1,991,906 shares at a share price of SEK 29.3886.

Reconciliation of alternative performance measures by quarter

SEKm	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Items affecting comparability									
Acquisitions, integration and factory restructurings	–13	–3	–20	0	–25	–17	–29	–8	–5
of which: impairment loss other non-current assets	–	–	–	*–9*	–	–	*–2*	–	–
Remeasurements of contingent considerations	19	8	5	–	–	–	–	–	–3
Other items affecting comparability	4	–3	–20	–	–	–	–	–	–
Items affecting comparability*	**10**	**2**	**–35**	**0**	**–25**	**–17**	**–29**	**–8**	**–8**
* Corresponding line in the condensed consolidated profit and loss account:									
Cost of goods sold	–1	–1	–22	1	–15	–3	–3	–6	–5
Other operating income	4	–	–	–	4	–	–	–	–
Selling expenses	–	–	–3	–	–3	–	–	–	–
General and administrative expenses	7	3	–10	–1	–11	–14	–26	–2	–3
Total	**10**	**2**	**–35**	**0**	**–25**	**–17**	**–29**	**–8**	**–8**
Operating profit, adjusted									
Operating profit	155	166	171	169	90	97	180	195	148
Minus: Items affecting comparability	10	2	–35	0	–25	–17	–29	–8	–8
Operating profit, adjusted	**145**	**164**	**206**	**169**	**115**	**114**	**209**	**203**	**156**
Net sales	1,472	1,562	1,643	1,505	1,414	1,222	1,367	1,285	1,221
Operating profit margin, adjusted, %	**9.9**	**10.5**	**12.5**	**11.2**	**8.1**	**9.3**	**15.3**	**15.8**	**12.8**
EBITDA, adjusted									
Operating profit	155	166	171	169	90	97	180	195	148
Minus: Depreciation	–54	–57	–56	–61	–53	–48	–53	–52	–51
Minus: Amortization	–3	–3	–3	–4	–3	–1	–	–2	–2
Minus: Impairment loss other non-current assets	–	–	–	–9	–	–	–2	–	–
EBITDA	**212**	**226**	**230**	**243**	**146**	**146**	**235**	**249**	**201**
Minus: Items affecting comparability (excl. impairment loss other non-current assets)	10	2	–35	9	–25	–17	–27	–8	–8
EBITDA, adjusted	**202**	**224**	**265**	**234**	**171**	**163**	**262**	**257**	**209**
Capital employed									
Total assets	9,078	9,650	9,252	8,945	9,560	9,202	9,236	10,286	9,855
Minus: Deferred tax liability	786	731	703	625	641	598	586	680	647
Minus: Other non-current liabilities	–	135	138	137	132	–	–	–	–
Minus: Non-current provisions	6	5	5	5	5	9	22	10	9
Minus: Current provisions	1	1	3	6	6	46	64	7	14
Minus: Other current liabilities	1,452	1,459	1,424	1,320	1,219	1,189	1,235	1,383	1,438
Minus: Assets held for sale	–	–	–	–	830	–	–	–	–
Capital employed	**6,833**	**7,319**	**6,979**	**6,852**	**6,727**	**7,360**	**7,329**	**8,206**	**7,747**
Capital employed in comparative period of previous year	6,727	6,002	5,966	6,273	5,818	7,770	7,756	8,040	7,756
Average capital employed	**6,780**	**6,661**	**6,473**	**6,563**	**6,273**	**7,565**	**7,543**	**8,123**	**7,752**

Reconciliation alternative performance measures per quarter, continued

SEKm	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Return on capital employed									
Operating profit (rolling 12 months)	661	596	527	536	562	620	635	705	701
Financial income (rolling 12 months)	4	1	7	12	17	21	17	18	13
Operating profit plus financial income (rolling 12 months)	**665**	**597**	**534**	**548**	**579**	**641**	**652**	**723**	**714**
Average capital employed	6,780	6,661	6,473	6,563	6,273	5,930	5,879	8,123	7,752
Return on capital employed, %	**9.8**	**9.0**	**8.2**	**8.3**	**9.2**	**10.8**	**11.1**	**8.9**	**9.2**
Cash conversion									
EBITDA, adjusted	202	224	265	234	171	163	262	257	209
Minus: Capital expenditures	51	41	45	32	32	31	47	34	26
EBITDA, adjusted less capital expenditures	**151**	**183**	**220**	**202**	**139**	**132**	**215**	**223**	**183**
EBITDA, adjusted	202	224	265	234	171	163	262	257	209
Cash conversion, %	**74.8**	**81.7**	**83.0**	**86.3**	**81.3**	**81.0**	**82.1**	**86.8**	**87.6**
Changes in net sales									
Net sales	1,472	1,562	1,643	1,505	1,414	1,222	1,367	1,285	1,221
Net sales in comparative period of previous year	1,414	1,222	1,367	1,285	1,221	1,234	n/a	n/a	n/a
Net sales, change	**58**	**340**	**276**	**220**	**193**	**–12**	**n/a**	**n/a**	**n/a**
Minus: Structural changes	76	299	285	261	161	–	n/a	n/a	n/a
Minus: Changes in exchange rates	51	28	–9	–5	38	13	n/a	n/a	n/a
Organic growth	**–69**	**13**	**0**	**–36**	**–6**	**–25**	**n/a**	**n/a**	**n/a**
Structural changes, %	5.4	24.5	20.8	20.3	13.2	–	n/a	n/a	n/a
Organic growth, %	–4.9	1.1	0.0	–2.8	–0.5	–2.0	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	97	95	20	153	–329	59	–420	108	77
Minus: Impairment loss discontinued operation including income tax effects	–	–	–82	–32	–365	–	–594	–	–
Minus: Other items affecting comparability	4	–3	–20	–	–	–	–	–	–
Profit for the period excluding impact of impairment loss discontinued operation including income tax effects and other items affecting comparability	**93**	**98**	**122**	**185**	**36**	**59**	**174**	**108**	**77**
Average number of shares (basic)[1]	286,413,012	286,296,737	286,645,530	286,645,530	286,339,892	286,279,569	286,279,569	286,279,569	286,159,369
Average number of shares (diluted)[1]	286,620,265	286,562,172	286,835,623	286,875,122	286,626,106	286,607,989	286,560,336	286,558,440	286,471,820
Earnings per share, basic excluding impact of impairment loss discontinued operation including tax effects and other items affecting comparability, SEK[1]	0.32	0.34	0.43	0.65	0.13	0.21	0.61	0.38	0.27
Earnings per share, diluted excluding impact of impairment loss discontinued operation including tax effects and other items affecting comparability, SEK[1]	0.32	0.34	0.43	0.64	0.13	0.21	0.61	0.38	0.27

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 1,991,906 shares at a share price of SEK 29.3886.

Parent Company

Condensed parent company profit and loss account

SEKm	Second quarter Apr–Jun 2018	Second quarter Apr–Jun 2017	6 months Jan–Jun 2018	6 months Jan–Jun 2017	Rolling 12 Jul 2017–Jun 2018	Full year 2017
Net sales	27	32	46	57	96	107
Gross profit	**27**	**32**	**46**	**57**	**96**	**107**
General and administrative expenses	–31	–44	–55	–76	–108	–129
Operating loss	**–4**	**–12**	**–9**	**–19**	**–12**	**–22**
Net financial items	–3	2	3	4	22	23
Profit/loss before tax	**–7**	**–10**	**–6**	**–15**	**10**	**1**
Income tax	1	2	2	1	1	0
Profit/loss the period	**–6**	**–8**	**–4**	**–14**	**11**	**1**

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

Condensed parent company balance sheet

SEKm	30 Jun 2018	30 Jun 2017	31 Dec 2017
ASSETS			
Non-current assets	5,361	5,343	5,353
Current assets	40	35	51
TOTAL ASSETS	5,401	5,378	5,404
EQUITY AND LIABILITIES			
Equity	3,455	3,871	3,889
Non-current liabilities			
Borrowings	934	1,132	134
Derivative financial instruments	3	–	1
Provisions	1	1	1
Total non-current liabilities	938	1,133	136
Current liabilities			
Borrowings	500	–	999
Derivative financial instruments	1	0	0
Current liabilities	507	374	380
Total current liabilities	1,008	374	1,379
TOTAL EQUITY AND LIABILITIES	5,401	5,378	5,404

Condensed parent company statement of changes in equity

	6 months		Full year
SEKm	Jan–Jun 2018	Jan–Jun 2017	2017
Equity at beginning of period	3,889	4,093	4,093
Profit/loss for the period	–4	–14	1
Total comprehensive income	–4	–14	1
Transactions with the owners			
Share–based payments	3	8	11
Dividend[1]	–433	–216	–216
Total transactions with owners	–430	–208	–205
Equity at end of period	3,455	3,871	3,889

1) The dividend paid comprised an ordinary dividend of SEK 0.75 (0.75) per share and a special dividend of SEK 0.75 (0) 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 year 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 hedgeaccounting 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 recognized. 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 recognized 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 recognized 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 & 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 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 year ended 31 December 2017 or for the period ended 30 June 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 recognized 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 recognized. The only exceptions are short-term and low-value leases. The standard is mandatory for financial years commencing on or after 1 January 2019.

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 completed the initial extraction of relevant data points from all lease contracts. A lease accounting solution has been selected and implementation has been initiated. 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.

	Second quarter		6 months		Rolling 12	Full year
SEKm	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jul 2017–Jun 2018	2017
Net sales						
Packaged business	1,094	1,047	2,183	2,083	4,356	4,256
Pick & mix	378	367	851	553	1,826	1,528
Total	**1,472**	**1,414**	**3,034**	**2,636**	**6,182**	**5,784**

The breakdown of net sales by category

	Second quarter		6 months		Rolling 12	Full year
%	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jul 2017–Jun 2018	2017
Net sales						
Sales of goods						
Candy	57	58	58	57	58	58
Chocolate	17	16	17	17	18	17
Pastilles	13	12	12	13	12	12
Chewing gum	7	7	7	7	6	7
Nuts	4	5	4	4	4	4
Other	2	2	2	2	2	2
Sub total	**100**	**100**	**100**	**100**	**100**	**100**
Other income						
Other	0	0	0	0	0	0
Total	**100**	**100**	**100**	**100**	**100**	**100**

The breakdown of net sales by country is as follows

	Second quarter		6 months		Rolling 12	Full year
%	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jul 2017–Jun 2018	2017
Sweden	32	36	33	36	35	34
Finland	21	21	21	21	20	21
The Netherlands	15	14	15	15	14	14
Denmark	10	8	10	7	9	7
Norway	4	4	5	5	6	6
Germany	5	5	5	5	4	5
UK	7	5	5	5	7	5
Other countries	6	7	6	6	5	8
Total	**100**	**100**	**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 30 June 2018:

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
– Forward foreign currency contracts	–	4	–	4
Total assets	**–**	**4**	**–**	**4**
Liabilities				
Liabilities at fair value through profit or loss				
– Interest rate swaps	–	6	–	6
– Contingent consideration	–	–	121	121
Total liabilities	**–**	**6**	**121**	**127**

The assets and liabilities measured at fair value are reflected in the 'derivative financial instruments' and 'other 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 30 June 2017:

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
– Assets measured at fair value less cost of disposal	–	288	–	288
Total assets	**–**	**288**	**–**	**288**
Liabilities				
Liabilities at fair value through profit or loss				
– Interest rate swaps	–	2	–	2
– Contingent consideration	–	–	132	132
Total liabilities	**–**	**2**	**132**	**134**

The assets measured at fair value less cost of disposal at 30 June 2017 consisted of the discontinued operation in Italy including the land and building in Zola Predosa, Italy. The assets and liabilities measured at fair value are reflected in the 'derivative financial instruments', 'assets held for sale' and 'other non-curent liabilities'.

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

SEKm	Jan–Jun 2018	Jan–Jun 2017	2017
Opening Balance	138	–	–
Business combinations	–	128	128
Remeasurements recognized in profit or loss			
– Unrealized remeasurements on contingent considerations recognized in general and administrative expenses	–27	–	–5
– Unrealized interest on contingent considerations recognized in other financial expenses	10	4	15
Closing Balance	**121**	**132**	**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 138m (discounted: SEK 121m). 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 are:

- 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 30 June 2018. Net sales in the Parent Company amounted to SEK 46m (57) and referred mainly to intra-group services. Operating loss was SEK –9m (–19). Net financial items totaled SEK 3m (4). Loss before tax was SEK–6m (–15) and loss for the period was SEK –4m (–14). 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 30 June 2018, a total of 70,325,724 shares were traded for a combined value of SEK 2,179m, equal to around 25 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 30 June 2018 was SEK 34.00 (30 January) and the lowest was SEK 27.18 (29 June).

The share price on 30 June 2018 was SEK 27.18 (last price paid). During the period from 1 January to 30 June 2018, the Cloetta share decreased with –8 per cent while the Nasdaq OMX Stockholm PI index increased by 1 per cent. Cloetta's share capital at 30 June 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 30 June 2018 Cloetta AB had 19,165 shareholders. The largest shareholder was AB Malfors Promotor with a holding corresponding to 37.3 per cent of the votes and 26.2 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 7.2 per cent of the votes and 8.5 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 47.0 per cent of the votes and 55.4 per cent of the share capital.

Acquisition of Candyking Holding AB

On 28 April 2017 Cloetta acquired 100 percent of the shares in Candyking Holding AB and its fully owned 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 Candykings 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 178m 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 1,082m to Cloetta's consolidated revenues from acquisition date to 28 April 2018. The accounting for the business combination has been finalized. 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**
Recognized amounts of identifiable assets and liabilities assumed:	
Non-current assets	**277**
Intangible assets (excl. goodwill)	177
Property, plant and equipment	78
Other non-current assets	22
Current assets	**253**
Inventories	88
Trade and other receivables	151
Cash and cash equivalents	14
Non-current liabilities	**–41**
Deferred tax liabilities	–41
Current liabilities	**–667**
Bond and other debt	–391
Other borrowings	–23
Trade payables	–136
Taxes and social security premiums	–50
Other current liabilities	–67
Total identifiable net assets	**–178**
Goodwill	178
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 recognized 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 recognized 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:

	Second quarter		6 months		Rolling 12	Full year
SEKm	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jul 2017–Jun 2018	2017
Net sales	–	132	–	257	59	316
Cost of goods sold						
- Impairment loss	–	–219	–	–219	–19	–238
- Other cost of goods sold	–	–78	–	–152	–29	–181
Total cost of goods sold	–	–297	–	–371	–48	–419
Gross profit/loss	**–**	**–165**	**–**	**–114**	**11**	**–103**
Selling expenses	–	–45	–	–79	–23	–102
General and administrative expenses						
- Impairment loss	–	–146	–	–146	–13	–159
- Other general and administrative expenses	–	–19	–	–40	–40	–80
Total general and administrative expenses	–	–165	–	–186	–53	–239
Operating loss	**–**	**–375**	**–**	**–379**	**–65**	**–444**
Financial income	–	1	–	–	0	0
Financial expenses	–	–1	–	–1	0	–1
Net financial items	**–**	**0**	**–**	**–1**	**0**	**–1**
Loss before tax and reclassification of currency translation differences on discontinued operation	**–**	**–375**	**–**	**–380**	**–65**	**–445**
Income tax	–	3	–	1	8	9
Loss from discontinued operation before reclassification of currency translation difference on discontinued operation, net of tax	**–**	**–372**	**–**	**–379**	**–57**	**–436**
Currency translation differences on discontinued operation reclassified from other comprehensive income	–	–	–	–	102	102
Profit/loss from discontinued operation, net of tax	**–**	**–372**	**–**	**–379**	**45**	**–334**

The following table presents the cash flow from discontinued operation being part of the condensed consolidated cash flow statement on page 11:

	Second quarter		6 months		Rolling 12	Full year
SEKm	Apr–Jun 2018	Apr–Jun 2017	Jan–Jun 2018	Jan–Jun 2017	Jul 2017–Jun 2018	2017
Cash flow from operating activities	–	–7	–	89	–129	–40
Cash flow from investing activities	–	–7	–	–10	371	361
Cash flow from financing activities	–	–	–	–	–	–
Cash flow from discontinued operation	**–**	**–14**	**–**	**79**	**242**	**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. 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 & mix including products, displays and accompanying store and logistic services.

Exchange rates

	30 Jun 2018	30 Jun 2017	31 Dec 2017
EUR, average	10.1503	9.5958	9.6362
EUR, end of period	10.4059	9.7009	9.8210
NOK, average	1.0582	1.0460	1.0324
NOK, end of period	1.0985	1.0143	0.9997
GBP, average	11.5414	11.1534	10.9909
GBP, end of period	11.7887	11.0451	11.0684
DKK, average	1.3631	1.2904	1.2956
DKK, end of period	1.3968	1.3045	1.3192

Financial calendar

2018						2019								
JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP

Interim report Q3
26 October 2018

Interim report Q4
25 January 2019

Annual General Meeting
4 April 2019
Interim report Q1
26 April 2019

Interim report Q2
12 July 2019

Contact

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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 13 July 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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More information about Cloetta is available at www.cloetta.com