Interim report Q1, January – March 2019

Stockholm, 26 April 2019

- **Net sales for the quarter** declined by 0.2 per cent to SEK 1,559m (1,562) including a positive impact from foreign exchange rates of 2.8 per cent.
- **Operating profit[2]** amounted to SEK 164m (166). Profit for the period amounted to SEK 99m (95). Operating profit, adjusted for items affecting comparability, amounted to SEK 166m (164).
- **Cash flow[2]** from operating activities amounted to SEK 154m (–29).
- **Net debt/EBITDA ratio[2]** was 2.4x (2.4).

Key ratios

	First quarter			Rolling 12	Full year
SEKm	Jan–Mar 2019	Jan–Mar 2018	Change, %	Apr 2018–Mar 2019	2018
Net sales	1,559	1,562	–0,2[1]	6,215	6,218
Operating profit, adjusted[2]	166	164	1,2	679	677
Operating profit margin, adjusted, %[2]	10,6	10.5	0,1-pts	10,9	10.9
Operating profit (EBIT)[2]	164	166	-1,2	658	660
Operating profit margin (EBIT margin), %[2]	10,5	10.6	–0,1-pts	10,6	10.6
Profit before tax	131	124	5,6	569	562
Profit for the period	99	95	4,2	487	483
Earnings per share, basic, SEK	0.35	0.33	6.1	1.70	1.69
Earnings per share, diluted, SEK	0.35	0.33	6.1	1.70	1.68
Net debt/EBITDA, x (Rolling 12 months)[2]	2.4	2.4	0.0	2.4	2.3
Cash flow from operating activities[2]	154	–29	n/a	811	628

1 Organic growth at constant exchange rates and comparable units was –3,0 per cent for the quarter. See further under Net sales on page 4.
2 This metric has been affected by IFRS 16 ‘Leases’ as of 1 January 2019. Comparative figures have not been restated. See page 23 for indicative key figures excluding the impact of IFRS 16.

Cloetta

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

FOUNDED IN **1862**

2,500 EMPLOYEES

SALES IN **>50** COUNTRIES

LEADING BRANDS

8

ANNUAL SALES SEK **6.2** 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

Continued growth in branded packaged products and stable operating profit

This quarter became the fifth consecutive quarter showing growth within branded packaged products. Operating profit, adjusted, improved slightly driven by growth in branded packaged products and cost efficiency.

Confectionery market during the quarter

The packaged confectionery market declined somewhat in Sweden, Finland, Norway and the Netherlands. In Denmark, the market increased. No complete market statistics are available for pick & mix, but according to our own estimates, the pick & mix markets grew in all markets during the quarter, except for Sweden where volumes decreased driven by the timing of Easter.

Sales development

Cloetta's sales for the quarter decreased by 0.2 per cent, of which organic growth accounted for –3.0 per cent and exchange rate differences for 2.8 per cent. In Norway, the majority of the sales that had been lost in December 2018 ahead of the lower sugar tax in 2019 were regained during the quarter.

Branded packaged products

Sales of branded packaged products grew by 0.6 per cent, which is good given the Easter effect. Sales increased or remained unchanged in Sweden, Denmark, Finland, Norway, the Netherlands and the UK. Sales declined in Germany and in International Markets.

By using the marketing investments more effectively, we have been able to increase our working media investments by approximately 10 per cent. This supported Cloetta in taking market shares in 10 out of 16 categories in our core markets.

Pick & mix

Pick & mix sales declined by 11.4 per cent. Almost the entire decline comes from Sweden where the main impact is due to a tough Easter timing comparator. In addition, the previously announced lost contract in Sweden was discontinued during the first quarter of last year and is thus in the comparative period.

Sales of pick & mix increased or remained unchanged in Finland, Denmark and Norway and declined in Sweden and the UK.

Operating profit

Cloetta's operating profit, adjusted for items affecting comparability, amounted to SEK 166m (164) and the operating profit margin, adjusted for items affecting comparability, was 10.6 per cent (10.5). Operating profit amounted to SEK 164m (166). The improvement in operating profit, adjusted, is primarily driven by branded packaged products growth and cost efficiency offset by changes in exchange rates.

Improved cash flow and stable net debt/EBITDA

Cash flow from operating activities amounted to SEK 154m (–29). The net debt/EBITDA ratio was 2.4x (2.4).

Focus on profitable growth, pick & mix profitability and cost efficiency

As presented at our Capital Market Day in March, my key focus continues to be on branded packaged products growth, pick & mix profitability and on cost efficiency.

I am pleased to see that we have now been able to organically grow the branded packaged business, which has a margin above 14 per cent, for five quarters in a row.

The increased demand in branded packaged products and insourcing of Candyking volumes makes it necessary for us to invest to be able to grow. By investing SEK 100m in additional drying capacity in two factories we will add 10 per cent capacity to the moulding factory network in 2020.

Several activities have been initiated to improve profitability in the loss-making pick & mix business in Sweden. We have recently announced price increases from which we expect the impact to be seen during the second half of this year.

To improve efficiency and create less waste, we have during the quarter launched improvement activities in two of our largest factories. To further drive cost down, we have launched our Value Improvement Program Plus.

We have all the building blocks in place to drive both growth and profitability, and in the medium term this will drive Cloetta's operating profit margin to 14 per cent.

Henri de Sauvage-Nolting
President and CEO

Henri de Sauvage-Nolting
President and CEO

Financial overview

First quarter development

Net sales

Net sales for the first quarter decreased by SEK 3m to SEK 1,559m (1,562) compared to the same period of last year. Organic growth was –3.0 per cent and changes in exchange rates accounted for 2.8 per cent. The decline in organic sales was fully driven by pick & mix, which declined by 11.4 per cent. Branded packaged products grew by 0.6 per cent.

Sales increased or was unchanged in Denmark, Norway, Finland, the Netherlands, Germany and the UK. Sales declined in Sweden and in International Markets.

Changes in net sales, %	Jan–Mar 2019
Organic growth	–3.0
Changes in exchange rates	2.8
Total	**–0.2**

Gross profit

Gross profit amounted to SEK 566m (560), which is equal to a gross margin of 36.3 per cent (35.9).

Operating profit

Operating profit amounted to SEK 164m (166). Operating profit, adjusted for items affecting comparability, amounted to SEK 166m (164). The improvement in operating profit, adjusted, is primarily driven by branded packaged products growth and cost efficiency offset by changes in exchange rates.

Items affecting comparability

Operating profit for the quarter includes items affecting comparability of SEK –2m (2) mainly related to the integration of Candyking.

Net financial items

Net financial items for the quarter amounted to SEK –33m (–42). Interest expenses related to external borrowings were SEK –7m (–8), exchange differences on borrowings and cash and cash equivalents were SEK –12m (–22) which mainly related to the development of the Swedish krona against the euro during the quarter. Other financial items amounted to SEK –14m (–12). Of the total net financial items SEK –27m (–42) is non–cash in nature.

Profit for the period

Profit for the period was SEK 99m (95), which equates to basic and diluted earnings per share of SEK 0.35 (0.33).

Income tax for the period was SEK –32m (–29). The effective tax rate for the quarter was 24.4 per cent (23.4).

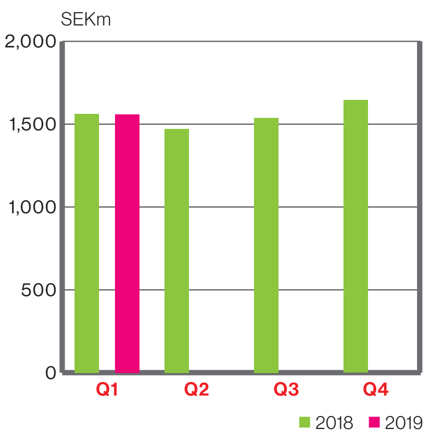
Cash flow from operating and investing activities

Cash flow from operating activities before changes in working capital was SEK 204m (190). The increase compared to the prior year is mainly the result of a higher EBITDA which has been positively affected by the impact of IFRS 16 'Leases' in the amount of SEK 19m and a corresponding negative effect on the cash flow from financing activities. The cash flow from changes in working capital was SEK –50m (–219). Cash flow from operating and investing activities was SEK –35m (–70).

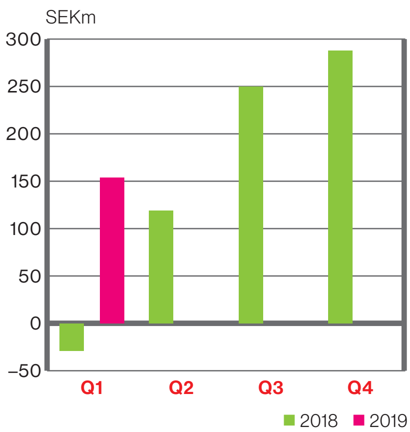
Cash flow from changes in working capital

Cash flow from changes in working capital was SEK –50m (–219). The cash flow from changes in working capital was negatively impacted by the increase in receivables amounting to SEK –159m (–186) and an increase in inventories of SEK –75m (–26), which were partly offset by the increase in payables in the amount of SEK 184m (–7).

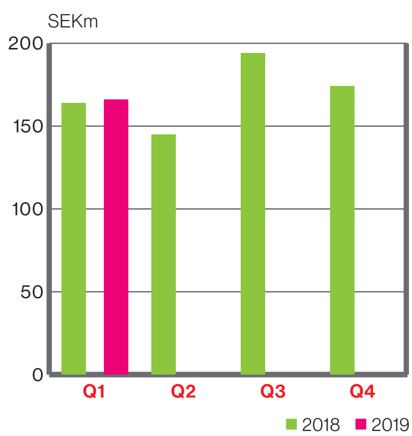
Net sales



Cash flow from operating activities



Operating profit (EBIT), adjusted



Cash flow from investing activities

Cash flow from investing activities was SEK –189m (–41), of which SEK –43m (–41) is attributable to investments in property, plant and equipment and intangible assets. In the first quarter of 2019 an amount of SEK –146m was related to the settlement of the contingent earn–out consideration arising from the acquisition of Candyking Holding AB and its subsidiaries.

Cash flow from financing activities

Cash flow from financing activities was SEK 190m (0). The cash flow from financing activities was related to net proceeds from issued commercial papers of SEK 209m (0) and payments of lease liabilities related to IFRS 16 'Leases' of SEK –19m (0).

Financial position

Consolidated equity at 31 March 2019 amounted to SEK 4,107m (4,058), which equates to SEK 14.2 (14.1) per share. Net debt at 31 March 2019 was SEK 2,378m (2,173). As a consequence of the application of IFRS 16 'Leases' as per 1 January 2019, the net debt composition changed. From this date onwards, the lease liabilities are included in net debt.

Long–term borrowings totalled SEK 2,242m (1,796) and consisted of SEK 2,100m (1,799) in gross non–current loans from credit institutions, SEK 144m (0) in non–current lease liabilities and SEK –2m (–3) in capitalized transaction costs.

Total short–term borrowings amounted to SEK 778m (999) and consisted of SEK 710m (0) in commercial papers, SEK 67m (0) in current lease liabilities, SEK 0m (1,000) in gross current loans from credit institutions, SEK –1m (–3) in capitalized transaction costs, and accrued interest on borrowings from credit institutions and commercial papers in the amount of SEK 2m (2).

SEKm	31 Mar 2019	31 Mar 2018	31 Dec 2018
Gross non-current loans from credit institutions	2,100	1,799	2,078
Gross current loans from credit institutions	–	1,000	–
Commercial papers	710	–	500
Lease liabilities[1]	211	–	–
Derivative financial instruments (current and non-current)	66	72	63
Interest payable	2	2	1
Gross debt	**3,089**	**2,873**	**2,642**
Cash and cash equivalents	–711	–700	–551
Net debt	**2,378**	**2,173**	**2,091**

1 The lease liabilities related to the leased right-of-use assets are included in the gross debt as of 1 January 2019. Comparative figures have not been restated. See page 23 for indicative key figures excluding the impact of IFRS 16 'Leases'.

Cash and cash equivalents at 31 March 2019 amounted to SEK 711m (700). At 31 March 2019 Cloetta had an unutilized credit facility of SEK 1,248m (1,234).

Other disclosures

Seasonal variations

Cloetta's sales and operating profit (EBIT) are subject to some seasonal variations. Sales in the first and second quarters are affected by the Easter holiday, depending on the quarter in which 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 2,557 (2,477).

Events after the balance sheet date

The Annual General Meeting that was held on 4 April 2019, decided to pay an ordinary dividend of SEK 1.00 (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, 26 April 2019
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

SWEDEN

Läkerol DentaFresh Kids Strawberry
Läkerol DentaFresh Kids Pear
Malaco ABC, small bag 70 g
Plopp Popcorn, double piece 50 g

DENMARK

Läkerol Apple Elderflower
Malaco Godt & Blandet Original
30% less sugar, 140 g
Malaco Godt & Blandet Supersur
30% less sugar, 110 g

THE NETHERLANDS

Red Band Portion Packs Dropfruit duo's
Red Band Portion Packs Berries 30% less sugar
Venco Portion Packs Schoolkrijt
Venco Portion Packs NL Drop

NORWAY

Läkerol Apple Elderflower
Malaco Godt & Blandet Original downsize
Malaco Godt & Blandet Supersur downsize

FINLAND

PusPus 14 g
Sisu 70 g Roihu
Jenkki Enjoy 70 g Aakoset
Hyvää makumaasta 120 g Original less sugar

Financial statements in summary

Consolidated profit and loss account

SEKm	First quarter Jan–Mar 2019	First quarter Jan–Mar 2018	Rolling 12 Apr 2018–Mar 2019	Full year 2018
Net sales	1,559	1,562	6,215	6,218
Cost of goods sold	–993	–1,002	–3,925	–3,934
Gross profit	**566**	**560**	**2,290**	**2,284**
Other income	–	–	4	4
Selling expenses	–243	–248	–1,020	–1,025
General and administrative expenses	–159	–146	–616	–603
Operating profit	**164**	**166**	**658**	**660**
Exchange differences borrowings and cash and cash equivalents in foreign currencies	–12	–22	–6	–16
Other financial income	1	0	6	5
Other financial expenses	–22	–20	–89	–87
Net financial items	**–33**	**–42**	**–89**	**–98**
Profit before tax	**131**	**124**	**569**	**562**
Income tax	–32	–29	–82	–79
Profit for the period	**99**	**95**	**487**	**483**
Profit for the period attributable to:				
Owners of the Parent Company	99	95	487	483
Earnings per share, kr SEK				
Basic[1]	0.35	0.33	1.70	1.69
Diluted[1]	0.35	0.33	1.70	1.68
Number of shares at end of period	288,619,299	288,619,299	288,619,299	288,619,299
Average number of shares (basic)[1]	286,627,393	286,296,737	286,573,944	286,492,413
Average number of shares (diluted)[1]	286,795,950	286,562,172	286,717,866	286,650,070

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.

Consolidated statement of comprehensive income

SEKm	First quarter Jan–Mar 2019	First quarter Jan–Mar 2018	Rolling 12 Apr 2018–Mar 2019	Full year 2018
Profit for the period	**99**	**95**	**487**	**483**
Other comprehensive income				
Re-measurement of defined benefit pension plans	–42	–17	–66	–41
Income tax on other comprehensive income that subsequently will not be reclassified to profit or loss for the period	9	4	14	9
Items that will never be reclassified to profit or loss for the period	**–33**	**–13**	**–52**	**–32**
Currency translation differences	87	209	54	176
Hedge of a net investment in a foreign operation	–20	–63	–15	–58
Income tax on other comprehensive income that will be reclassified subsequently to profit or loss for the period, when specific conditions are met	4	13	3	12
Items that are or may be reclassified to profit or loss for the period	**71**	**159**	**42**	**130**
Total other comprehensive income	**38**	**146**	**–10**	**98**
Total comprehensive income, net of tax	**137**	**241**	**477**	**581**
Total comprehensive income for the period attributable to:				
Owners of the Parent Company	137	241	477	581

Net financial items

SEKm	First quarter Jan–Mar 2019	First quarter Jan–Mar 2018	Rolling 12 Apr 2018–Mar 2019	Full year 2018
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	**–12**	**–22**	**–6**	**–16**
Other financial income, third parties	1	0	6	5
Unrealized gains on single currency interest rate swaps	–	0	–	–
Other financial income	**1**	**0**	**6**	**5**
Interest expenses third-party borrowings and realized losses on single currency interest rate swaps	–7	–8	–30	–31
Interest expenses, contingent earn-out considerations	–4	–5	–24	–25
Amortization of capitalized transaction costs	0	–1	–7	–8
Unrealized losses on single currency interest rate swaps	–3	0	–5	–2
Other financial expenses	–8	–6	–23	–21
Other financial expenses	**–22**	**–20**	**–89**	**–87**
Net financial items	**–33**	**–42**	**–89**	**–98**

Condensed consolidated balance sheet

SEKm	31 Mar 2019	31 Mar 2018	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	5,686	5,657	5,626
Property, plant and equipment[1]	1,575	1,373	1,354
Deferred tax asset	12	19	16
Other financial assets	12	13	11
Total non-current assets	**7,285**	**7,062**	**7,007**
Current assets			
Inventories	848	792	765
Other current assets	1,009	1,095	844
Derivative financial instruments	1	1	1
Cash and cash equivalents	711	700	551
Total current assets	**2,569**	**2,588**	**2,161**
TOTAL ASSETS	**9,854**	**9,650**	**9,168**
EQUITY AND LIABILITIES			
Equity	**4,107**	**4,058**	**3,968**
Non-current liabilities			
Long-term borrowings[1]	2,242	1,796	2,076
Deferred tax liability	768	731	754
Derivative financial instruments	5	2	3
Other non-current liabilities	–	135	–
Provisions for pensions and other long-term employee benefits	460	393	419
Provisions	6	5	9
Total non-current liabilities	**3,481**	**3,062**	**3,261**
Current liabilities			
Short-term borrowings[1]	778	999	500
Derivative financial instruments	62	71	61
Other current liabilities	1,407	1,459	1,355
Provisions	19	1	23
Total current liabilities	**2,266**	**2,530**	**1,939**
TOTAL EQUITY AND LIABILITIES	**9,854**	**9,650**	**9,168**

1 The right-of-use assets and the corresponding lease liabilities are included in the property, plant and equipment and long- and short-term borrowings respectively as of 1 January 2019. Comparative figures have not been restated. See further on page 22.

Condensed consolidated statements of changes in equity

SEKm	First quarter Jan–Mar 2019	Jan–Mar 2018	Full year 2018
Equity at beginning of period	**3,968**	**3,818**	**3,818**
Profit for the period	99	95	483
Other comprehensive income	38	146	98
Total comprehensive income	**137**	**241**	**581**
Transactions with owners			
Share-based payments	2	–1	2
Dividend[1]	–	–	–433
Total transactions with owners	**2**	**–1**	**–431**
Equity at end of period	**4,107**	**4,058**	**3,968**

1 The dividend paid in 2018 comprised an ordinary dividend of SEK 0.75 and a special dividend of SEK 0.75 per share.

Condensed consolidated cash flow statement

SEKm	First quarter Jan–Mar 2019	Jan–Mar 2018	Rolling 12 Apr 2018–Mar 2019	Full year 2018
Cash flow from operating activities before changes in working capital[1]	204	190	806	792
Cash flow from changes in working capital	–50	–219	5	–164
Cash flow from operating activities	**154**	**–29**	**811**	**628**
Cash flows from investments in property, plant and equipment and intangible assets	–43	–41	–186	–184
Cash flow from other investing activities	–146	0	–146	0
Cash flow from investing activities	**–189**	**–41**	**–332**	**–184**
Cash flow from operating and investing activities	**–35**	**–70**	**479**	**444**
Cash flow from financing activities	**190**	**–**	**–475**	**–665**
Cash flow for the period	**155**	**–70**	**4**	**–221**
Cash and cash equivalents at beginning of period	551	759	700	759
Cash flow for the period	155	–70	4	–221
Exchange difference	5	11	7	13
Total cash and cash equivalents at end of period	**711**	**700**	**711**	**551**

1 The repayments of lease liabilities are reported as cash flow from financing activities as of 1 January 2019, whereas under IAS 17 the lease payments were reported as cash flow from operating activities. Comparative figures have not been restated. See page 23 for indicative key figures excluding the impact of IFRS 16 'Leases'.

Condensed consolidated key figures

SEKm	First quarter Jan–Mar 2019	First quarter Jan–Mar 2018	Rolling 12 Apr 2018–Mar 2019	Full year 2018
Profit				
Net sales	1,559	1,562	6,215	6,218
Net sales, change, %	–0.2	27.8	1.5	7.5
Organic net sales, change, %	–2.8	1.1	–3.6	–2.8
Gross margin, %	36.3	35.9	36.8	36.7
Depreciation[1]	–74	–57	–235	–218
Amortization	–3	–3	–12	–12
Operating profit, adjusted[1]	166	164	679	677
Operating profit margin, adjusted, %[1]	10.6	10.5	10.9	10.9
Operating profit (EBIT)[1]	164	166	658	660
Operating profit margin (EBIT margin), %[1]	10.5	10.6	10.6	10.6
EBITDA, adjusted[1]	243	224	926	907
EBITDA[1]	241	226	905	890
Profit margin, %	8.4	7.9	9.2	9.0
Financial position				
Working capital	453	458	453	402
Capital expenditure[1]	46	41	189	184
Net debt[1]	2,378	2,173	2,378	2,091
Capital employed[1]	7,654	7,319	7,654	7,027
Return on capital employed, % (Rolling 12 months)[1]	8.9	9.0	8.9	9.5
Equity/assets ratio, %[1]	41.7	42.1	41.7	43.3
Net debt/equity ratio, %[1]	57.9	53.5	57.9	52.7
Return on equity, % (Rolling 12 months)	11.9	6.6	11.9	12.2
Equity per share, SEK	14.2	14.1	14.2	13.7
Net debt/EBITDA, x (Rolling 12 months)[1]	2.4	2.4	2.4	2.3
Cash flow				
Cash flow from operating activities[1]	154	–29	811	628
Cash flow from investing activities	–189	–41	–332	–184
Cash flow after investments[1]	–35	–70	479	444
Free cash flow[1]	111	–70	625	444
Free cash flow yield (Rolling 12 months), %[1]	9.0	4.0	9.0	6.3
Cash flow from operating activities per share, SEK[1]	0.5	–0.1	2.8	2.2
Employees				
Average number of employees[2]	2,557	2,477	2,499	2,458

1 The key figure has been affected by IFRS 16 'Leases' as of 1 January 2019. Comparative figures have not been restated. See page 23 for indicative key figures excluding the impact of IFRS 16 'Leases'.
2 Employee numbers have been updated following the implementation of a new company-wide HR system. Comparative figures have not been restated.

Reconciliation of alternative performance measures key figures

SEKm	First quarter Jan–Mar 2019	First quarter Jan–Mar 2018	Rolling 12 Apr 2018–Mar 2019	Full year 2018
Items affecting comparability				
Acquisitions, integration and factory restructurings	–2	–3	–37	–38
Remeasurements of contingent considerations	–	8	13	21
Other items affecting comparability	0	–3	3	0
Items affecting comparability	**–2**	**2**	**–21**	**–17**
*Corresponding line in the condensed consolidated profit and loss account:				
Net sales	–	–	–	0
Cost of goods sold	–1	–1	3	3
Other operating income	–	–	4	4
Selling expenses	–	–	–1	–1
General and administrative expenses	–1	3	–27	–23
Total	**–2**	**2**	**–21**	**–17**
Operating profit, adjusted[1]				
Operating profit	164	166	658	660
Minus: Items affecting comparability	–2	2	–21	–17
Operating profit, adjusted	**166**	**164**	**679**	**677**
Net sales	1,559	1,562	6,215	6,218
Operating profit margin, adjusted, %	**10.6**	**10.5**	**10.9**	**10.9**
EBITDA, adjusted[1]				
Operating profit	164	166	658	660
Minus: Depreciation	–74	–57	–235	–218
Minus: Amortization	–3	–3	–12	–12
EBITDA	**241**	**226**	**905**	**890**
Minus: Items affecting comparability	–2	2	–21	–17
EBITDA, adjusted	**243**	**224**	**926**	**907**
Capital employed[1]				
Total assets	9,854	9,650	9,854	9,168
Minus: Deferred tax liability	768	731	768	754
Minus: Other non-current liabilities	–	135	–	–
Minus: Non-current provisions	6	5	6	9
Minus: Current provisions	19	1	19	23
Minus: Other current liabilities	1,407	1,459	1,407	1,355
Capital employed	**7,654**	**7,319**	**7,654**	**7,027**
Capital employed comparative period previous year	7,319	6,002	7,319	6,979
Average capital employed	**7,487**	**6,661**	**7,487**	**7,003**

1 The key figure has been affected by IFRS 16 'Leases' as of 1 January 2019. Comparative figures have not been restated. See page 23 for indicative key figures excluding the impact of IFRS 16 'Leases'.

Reconciliation alternative performance measures, continued

SEKm	First quarter Jan–Mar 2019	First quarter Jan–Mar 2018	Rolling 12 Apr 2018–Mar 2019	Full year 2018
Return on capital employed[1]				
Operating profit (Rolling 12 months)	658	596	658	660
Financial income (Rolling 12 months)	6	1	6	5
Operating profit plus financial income (Rolling 12 months)	**664**	**597**	**664**	**665**
Average capital employed	7,487	6,661	7,487	7,003
Return on capital employed, %	**8.9**	**9.0**	**8.9**	**9.5**
Free cash flow yield[1]				
Cash flow from operating activities (Rolling 12 months)	811	528	811	628
Cash flows from investments in property, plant and equipment and intangible assets (Rolling 12 months)	–186	–164	–186	–184
Free cash flow (Rolling 12 months)	**625**	**364**	**625**	**444**
Number of shares	288,619,299	288,619,299	288,619,299	288,619,299
Free cash flow per share (Rolling 12 months), SEK	**2.17**	**1.26**	**2.17**	**1.54**
Market price per share, SEK	24.00	31.82	24.00	24.30
Free cash flow yield (Rolling 12 months), %	**9.0**	**4.0**	**9.0**	**6.3**
Changes in net sales				
Net sales	1,559	1,562	6,215	6,218
Net sales comparative period previous year	1,562	1,222	6,124	5,784
Net sales, change	**–3**	**340**	**91**	**434**
Minus: Structural changes	–	299	76	375
Minus: Changes in exchange rates	44	28	233	217
Organic growth	**–47**	**13**	**–218**	**–158**
Structural changes, %	–	24.5	1.2	6.5
Organic growth, %	–3.0	1.1	–3.6	–2.8

1 The key figure has been affected by IFRS 16 ‘Leases’ as of 1 January 2019. Comparative figures have not been restated. See page 23 for indicative key figures excluding the impact of IFRS 16 ‘Leases’.

Quarterly data

SEKm	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Profit and loss account									
Net sales	1,559	1,646	1,538	1,472	1,562	1,643	1,505	1,414	1,222
Cost of goods sold	–993	–1,040	–979	–913	–1,002	–1,037	–978	–895	–768
Gross profit	**566**	**606**	**559**	**559**	**560**	**606**	**527**	**519**	**454**
Other income	–	–	–	4	–	2	–	4	–
Selling expenses	–243	–279	–230	–268	–248	–281	–232	–259	–200
General and administrative expenses	–159	–168	–149	–140	–146	–156	–126	–174	–157
Operating profit	**164**	**159**	**180**	**155**	**166**	**171**	**169**	**90**	**97**
Exchange differences borrowings and cash and cash equivalents in foreign currencies	–12	4	5	–3	–22	–7	–7	–2	–1
Other financial income	1	1	0	4	0	0	0	1	6
Other financial expenses	–22	–21	–18	–28	–20	–20	–20	–18	–16
Net financial items	**–33**	**–16**	**–13**	**–27**	**–42**	**–27**	**–27**	**–19**	**–11**
Profit before tax	**131**	**143**	**167**	**128**	**124**	**144**	**142**	**71**	**86**
Income tax	–32	16	–35	–31	–29	–124	–34	–28	–20
Profit from continuing operations	**99**	**159**	**132**	**97**	**95**	**20**	**108**	**43**	**66**
Profit/loss from discontinued operation, net of tax	–	–	–	–	–	–	45	–372	–7
Profit/loss for the period	**99**	**159**	**132**	**97**	**95**	**20**	**153**	**–329**	**59**
Profit/loss for the period attributable to:									
Owners of the Parent Company									
Continuing operations	99	159	132	97	95	20	108	43	66
Discontinued operation	–	–	–	–	–	–	45	–372	–7
Key figures									
Profit									
Depreciation and amortization, and impairment[1]	–77	–55	–58	–57	–60	–59	–74	–56	–49
Operating profit, adjusted[1]	166	174	194	145	164	206	169	115	114
EBITDA, adjusted[1]	243	229	252	202	224	265	234	171	163
EBITDA[1]	241	214	238	212	226	230	243	146	146
Operating profit margin, adjusted, %[1]	10.6	10.6	12.6	9.9	10.5	12.5	11.2	8.1	9.3
Operating profit margin (EBIT margin), %[1]	10.5	9.7	11.7	10.5	10.6	10.4	11.2	6.4	7.9
Earnings per share, SEK									
Basic[2]	0.35	0.55	0.46	0.34	0.33	0.07	0.53	–1.15	0.21
Diluted[2]	0.35	0.55	0.46	0.34	0.33	0.07	0.53	–1.15	0.21
Financial position									
Share price, last paid, SEK	24.00	24.30	27.48	27.18	31.82	29.70	28.00	34.70	35.40
Return on equity, % (Rolling 12 months)	11.9	12.2	8.9	8.5	6.6	6.2	9.1	8.7	–4.1
Equity per share, SEK	14.2	13.7	13.3	13.0	14.1	13.2	12.9	12.9	14.7
Net Debt/EBITDA, x (Rolling 12 months)[1]	2.4	2.3	2.5	2.8	2.4	2.4	2.6	2.8	2.3
Cash flow									
Cash flow from operating activities per share, SEK[1]	0.5	1.0	0.9	0.4	–0.1	1.1	0.5	0.4	0.5

1 The key figure has been affected by IFRS 16 'Leases' as of 1 January 2019. Comparative figures have not been restated. See page 23 for indicative key figures excluding the impact of IFRS 16 'Leases'.
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.

Reconciliation of alternative performance measures per quarter

SEKm	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Items affecting comparability									
Acquisitions, integration and factory restructurings	–2	–15	–7	–13	–3	–20	0	–25	–17
of which: impairment loss other non-current assets	–	–	–	–	–	–	–9	–	–
Remeasurements of contingent considerations	–	0	–6	19	8	5	–	–	–
Other items affecting comparability	0	0	–1	4	–3	–20	–	–	–
Items affecting comparability*	**–2**	**–15**	**–14**	**10**	**2**	**–35**	**0**	**–25**	**–17**
*Corresponding line in the condensed consolidated profit and loss account:									
Net sales	–	0	0	–	–	–	–	–	–
Cost of goods sold	–1	6	–1	–1	–1	–22	1	–15	–3
Other operating income	–	–	–	4	–	–	–	4	–
Selling expenses	–	–	–1	–	–	–3	–	–3	–
General and administrative expenses	–1	–21	–12	7	3	–10	–1	–11	–14
Total	**–2**	**–15**	**–14**	**10**	**2**	**–35**	**0**	**–25**	**–17**
Operating profit, adjusted[1]									
Operating profit	164	159	180	155	166	171	169	90	97
Minus: Items affecting comparability	–2	–15	–14	10	2	–35	0	–25	–17
Operating profit, adjusted	**166**	**174**	**194**	**145**	**164**	**206**	**169**	**115**	**114**
Net sales	1,559	1,646	1,538	1,472	1,562	1,643	1,505	1,414	1,222
Operating profit margin, adjusted, %	**10.6**	**10.6**	**12.6**	**9.9**	**10.5**	**12.5**	**11.2**	**8.1**	**9.3**
EBITDA, adjusted[1]									
Operating profit	164	159	180	155	166	171	169	90	97
Minus: Depreciation	–74	–52	–55	–54	–57	–56	–61	–53	–48
Minus: Amortization	–3	–3	–3	–3	–3	–3	–4	–3	–1
Minus: Impairment loss other non-current assets	–	–	–	–	–	–	–9	–	–
EBITDA	**241**	**214**	**238**	**212**	**226**	**230**	**243**	**146**	**146**
Minus: Items affecting comparability (excl. impairment loss other non-current assets)	–2	–15	–14	10	2	–35	9	–25	–17
EBITDA, adjusted	**243**	**229**	**252**	**202**	**224**	**265**	**234**	**171**	**163**
Capital employed[1]									
Total assets	9,854	9,168	9,191	9,078	9,650	9,252	8,945	9,560	9,202
Minus: Deferred tax liability	768	754	794	786	731	703	625	641	598
Minus: Other non-current liabilities	–	–	–	–	135	138	137	132	–
Minus: Non-current provisions	6	9	6	6	5	5	5	5	9
Minus: Current provisions	19	23	5	1	1	3	6	6	46
Minus: Other current liabilities	1,407	1,355	1,482	1,452	1,459	1,424	1,320	1,219	1,189
Minus: Assets held for sale	–	–	–	–	–	–	–	830	–
Capital employed	**7,654**	**7,027**	**6,904**	**6,833**	**7,319**	**6,979**	**6,852**	**6,727**	**7,360**
Capital employed comparative period previous year	7,319	6,979	6,852	6,727	6,002	5,966	6,273	5,818	7,770
Average capital employed	**7,487**	**7,003**	**6,878**	**6,780**	**6,661**	**6,473**	**6,563**	**6,273**	**7,565**

1 The key figure has been affected by IFRS 16 'Leases' as of 1 January 2019. Comparative figures have not been restated. See page 23 for indicative key figures excluding the impact of IFRS 16 'Leases'.

Reconciliation alternative performance measures, continued

SEKm	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Return on capital employed[1]									
Operating profit (Rolling 12 months)	658	660	672	661	596	527	536	562	620
Financial income (Rolling 12 months)	6	5	4	4	1	7	12	17	21
Operating profit plus financial income (Rolling 12 months)	**664**	**665**	**676**	**665**	**597**	**534**	**548**	**579**	**641**
Average capital employed	7,487	7,003	6,878	6,780	6,661	6,473	6,563	6,273	5,930
Return on capital employed, %	**8.9**	**9.5**	**9.8**	**9.8**	**9.0**	**8.2**	**8.3**	**9.2**	**10.8**
Free cash flow yield[1]									
Cash flow from operating activities (Rolling 12 months)	811	628	645	530	528	712	813	794	791
Cash flows from investments in property, plant and equipment and intangible assets (Rolling 12 months)	–186	–184	–182	–176	–164	–157	–169	–173	–166
Free cash flow (Rolling 12 months)	**625**	**444**	**463**	**354**	**364**	**555**	**644**	**621**	**625**
Number of shares	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299
Free cash flow per share (Rolling 12 months), SEK	**2.17**	**1.54**	**1.60**	**1.23**	**1.26**	**1.92**	**2.23**	**2.15**	**2.17**
Market price per share, SEK	24.00	24.30	27.48	27.18	31.82	29.70	28.00	34.70	35.40
Free cash flow yield (Rolling 12 months), %	**9.0**	**6.3**	**5.8**	**4.5**	**4.0**	**6.5**	**8.0**	**6.2**	**6.1**
Changes in net sales									
Net sales	1,559	1,646	1,538	1,472	1,562	1,643	1,505	1,414	1,222
Net sales comparative period previous year	1,562	1,643	1,505	1,414	1,222	1,367	1,285	1,221	1,234
Net sales, change	**–3**	**3**	**33**	**58**	**340**	**276**	**220**	**193**	**–12**
Minus: Structural changes	–	–	–	76	299	285	261	161	–
Minus: Changes in exchange rates	44	51	87	51	28	–9	–5	38	13
Organic growth	**–47**	**–48**	**–54**	**–69**	**13**	**0**	**–36**	**–6**	**–25**
Structural changes, %	–	–	–	5.4	24.5	20.8	20.3	13.2	–
Organic growth, %	–3,0	–3.2	–3.6	–4.9	1.1	0.0	–2.8	–0.5	–2.0

1 The key figure has been affected by IFRS 16 ‘Leases’ as of 1 January 2019. Comparative figures have not been restated. See page 23 for indicative key figures excluding the impact of IFRS 16 ‘Leases’.

Parent company

Condensed parent company profit and loss account

SEKm	First quarter Jan–Mar 2019	First quarter Jan–Mar 2018	Rolling 12 Apr 2018–Mar 2019	Full year 2018
Net sales	15	19	80	84
Gross profit	**15**	**19**	**80**	**84**
General and administrative expenses	–26	–24	–95	–93
Operating loss	**–11**	**–5**	**–15**	**–9**
Net financial items	–2	6	3	11
Profit/loss before tax	**–13**	**1**	**–12**	**2**
Income tax	3	1	0	–2
Profit/loss for the period	**–10**	**2**	**–12**	**0**

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

Condensed parent company balance sheet

SEKm	31 Mar 2019	31 Mar 2018	31 Dec 2018
ASSETS			
Non-current assets	**5,360**	**5,356**	**5,366**
Current assets	**31**	**44**	**38**
TOTAL ASSETS	**5,391**	**5,400**	**5,404**
EQUITY AND LIABILITIES			
Equity	**3,450**	**3,890**	**3,458**
Non-current liabilities			
Borrowings	934	134	933
Derivative financial instruments	4	1	3
Provisions	1	1	1
Total non-current liabilities	**939**	**136**	**937**
Current liabilities			
Borrowings	710	999	500
Derivative financial instruments	2	0	1
Other current liabilities	290	375	508
Total current liabilities	**1,002**	**1,374**	**1,009**
TOTAL EQUITY AND LIABILITIES	**5,391**	**5,400**	**5,404**

Condensed parent company statement of changes in equity

	First quarter		Full year
SEKm	Jan–Mar 2019	Jan–Mar 2018	2018
Equity at beginning of period	**3,458**	**3,889**	**3,889**
Other comprehensive income	–10	2	0
Total comprehensive income	**–10**	**2**	**0**
Transactions with owners			
Share-based payments	2	–1	2
Dividend[1]	–	–	–433
Total transactions with owners	**2**	**–1**	**–431**
Equity at end of period	**3,450**	**3,890**	**3,458**

1 The dividend paid in 2018 comprised an ordinary dividend of SEK 0.75 and a special 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 2019. 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. For lease accounting the company makes use of the exemption under RFR2 to treat all leases as operating lease.

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 2018 at www.cloetta.com.

This is the first year in which IFRS 16 'Leases' (IFRS 16) is applied. Changes in significant accounting policies are described below.

Changes in significant accounting policies

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019. None of these are expected to have an impact on the consolidated financial statements of the Group, with the exception of IFRS 16 as 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, as the distinction between perating and finance leases has been removed. Under the new standard, an asset (the right to use the leased item) and a lease 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 affects the accounting for the Group's operating leases. Cloetta decided to opt for the modified retrospective transition approach in which the right-of-use asset equals the lease liability per the transition date. For the calculation of the lease liability the discount rates as at 1 January 2019 were used. The leases that have been recorded on Cloetta's balance sheet as a result of IFRS 16 are categorized in land and buildings (offices and warehouses), transport (cars, forklifts and trucks) and other equipment (e.g. IT, machinery, equipment, printers and coffee machines).

The Group has assessed the estimated impact that initial application of IFRS 16 has on its consolidated financial statement, as described below. Until 31 December 2018, the Group recognized lease expenses on a straight-line basis over the term of the lease, and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expenses recognized. Based on the information currently available, the Group recognized an additional lease liability of SEK 229m, and a right-of-use asset of SEK 229m, as at 1 January 2019. The impact for 2019 is assessed to be an improvement in EBITDA of SEK 74m, an increase in depreciation costs of SEK 71m and increased financial expenses of SEK 3m. No significant impact is expected for leases in which the Group is a lessor.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Disclosures

Disaggregation of revenue from contracts with customers

Cloetta generates 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:

Disaggregation of revenue

SEKm	First quarter Jan–Mar 2019	First quarter Jan–Mar 2018	Rolling 12 Apr 2018–Mar 2019	Full year 2018
Net sales				
Packaged business	1,131	1,089	4,541	4,499
Pick & mix	428	473	1,674	1,719
Total	**1,559**	**1,562**	**6,215**	**6,218**

Breakdown of net sales by category %	First quarter Jan–Mar 2019	First quarter Jan–Mar 2018	Rolling 12 Apr 2018–Mar 2019	Full year 2018
Net sales				
Sales of goods				
Candy	59	59	58	58
Chocolate	18	18	17	18
Pastilles	12	12	12	12
Chewing gum	6	6	7	6
Nuts	3	3	4	4
Other	2	2	2	2
Sub total	**100**	**100**	**100**	**100**
Other income				
Other	–	–	0	0
Total	**100**	**100**	**100**	**100**

Breakdown of net sales by country %	First quarter Jan–Mar 2019	First quarter Jan–Mar 2018	Rolling 12 Apr 2018–Mar 2019	Full year 2018
Sweden	30	34	32	31
Finland	21	20	21	21
The Netherlands	15	14	14	14
Denmark	10	9	10	9
Norway	7	6	5	6
Germany	6	5	5	5
UK	6	6	7	7
Other countries	5	6	6	7
Total	**100**	**100**	**100**	**100**

Leases

Right-of-use assets

SEKm	31 Mar 2019	31 Mar 2018	31 Dec 2018
Land and buildings	111	na	na
Transport	60	na	na
Other equipment	41	na	na
Total right-of-use assets	**212**	**na**	**na**

Additions to the right-of-use assets during the first quarter of 2019 were SEK 3m.

Lease liability

SEKm	31 Mar 2019	31 Mar 2018	31 Dec 2018
Current (less than 1 year)	67	na	na
Non-current (between 1 and 5 years)	137	na	na
Non-current (over 5 years)	7	na	na
Total lease liability	**211**	**na**	**na**

The non-current lease liability of SEK 144m is reflected in 'long-term borrowings'. The current lease liability of SEK 67m is reflected in 'short-term borrowings'.

Depreciation charge right-of-use assets

	First quarter		Rolling 12	Full year
SEKm	Jan–Mar 2019	Jan–Mar 2018	Apr 2018–Mar 2019	2018
Land and buildings	–8	na	na	na
Transport	–7	na	na	na
Other equipment	–3	na	na	na
Total depreciation charge right-of-use assets	**–18**	**na**	**na**	**na**

Cloetta makes use of the exemptions under IFRS 16 for short-term leases and leases of low-value assets, with the exception of any leases of vehicles with a remaining lease term at implementation date of less than 12 months.

For a number of lease arrangements Cloetta cannot reliably separate the lease and non-lease elements. For these lease arrangements the non-lease elements have been included in the calculation of the right-of-use asset.

Other disclosures IFRS 16

	First quarter		Rolling 12	Full year	
SEKm	Jan–Mar 2019	Jan–Mar 2018	Apr 2018–Mar 2019	2018	Recognized in:
Interest expense	–1	na	na	na	net financial items in the profit and loss account
Expense relating to short-term leases, where no right-of-use asset has been recognized	0	na	na	na	cost of goods sold and general and administrative expenses in the profit and loss account
Expense relating to leases of low-value assets that are not short-term leases	–2	na	na	na	cost of goods sold and general and administrative expenses in the profit and loss account
Expense relating to variable lease payments not included in lease liabilities	–2	na	na	na	cost of goods sold and general and administrative expenses in the profit and loss account
Total cash outflow for leases	–19	na	na	na	cash flow from operating activities (interest) and financing activities (repayment lease liabilities) in the cash flow statement

Some of Cloetta's key figures have been impacted as a consequence of the application of IFRS 16 'Leases' as per 1 January 2019. The key figures which are affected are indicatively adjusted for the IFRS 16 impact in the overview below.

SEKm	31 Mar 2019
Net debt	
Net debt	2,378
Adjustment for: IFRS 16 Lease liabilities	–211
Net debt excluding IFRS 16 impact	**2,167**
Capital employed	
Capital employed	7,654
Adjustment for: Right-of-use assets	–212
Capital employed excluding IFRS 16 impact	**7,442**

SEKm	Jan–Mar 2019
Depreciation	
Depreciation	–74
Adjustment for: Depreciation right-of-use assets	18
Depreciation excluding IFRS 16 impact	**–56**
Operating profit, adjusted	
Operating profit, adjusted	166
Adjustment for: Interest on lease liabilities	–1
Operating profit, adjusted excluding IFRS 16 impact	**165**
Operating profit margin, adjusted, %	
Operating profit margin, adjusted,%	10.6
Adjustment for: Interest on lease liabilities, %	–0.0
Operating profit margin, adjusted excluding IFRS 16 impact, %	**10.6**
Operating profit (EBIT)	
Operating profit (EBIT)	164
Adjustment for: Interest on lease liabilities	–1
Operating profit (EBIT) excluding IFRS 16 impact	**163**
Operating profit margin (EBIT margin), %	
Operating profit margin (EBIT margin),%	10.5
Adjustment for: Interest on lease liabilities, %	–0.1
Operating profit margin (EBIT margin) excluding IFRS 16 impact, %	**10.4**
EBITDA, adjusted	
EBITDA, adjusted	243
Adjustment for: Depreciation right-of-use assets and interest on lease liabilities	–19
EBITDA, adjusted excluding IFRS 16 impact	**224**
EBITDA	
EBITDA	241
Adjustment for: Depreciation right-of-use assets and interest on lease liabilities	–19
EBITDA excluding IFRS 16 impact	**222**

SEKm	Jan–Mar 2019
Net debt/EBITDA	
Net debt excluding IFRS 16 impact	2,167
EBITDA, adjusted excluding IFRS 16 impact[1] (Rolling 12 months)	908
Net debt/EBITDA excluding IFRS 16 impact, x (Rolling 12 months)	**2.4**
Return on capital employed	
Return on capital employed (Rolling 12 months), %	8.9
Adjustment for: Right-of-use assets, %	0.1
Return on capital employed (Rolling 12 months) excluding IFRS 16 impact, %	**9.0**
Capital expenditure	
Capital expenditure	46
Adjustment for: additions right-of-use assets	–3
Capital expenditure excluding IFRS 16 impact	**43**
Equity/assets ratio	
Equity/assets ratio, %	41.7
Adjustment for: Right-of-use assets, %	0.9
Equity/asset ratio excluding IFRS 16 impact, %	**42.6**
Net debt/equity ratio	
Net debt/equity ratio, %	57.9
Adjustment for: IFRS 16 Lease liabilities, %	–5.1
Net debt/equity ratio excluding IFRS 16 impact, %	**52.8**
Cash flow from operating activities	
Cash flow from operating activities	154
Adjustment for: Repayments of lease liabilities	–19
Cash flow from operating activities excluding IFRS 16 impact	**135**
Cash flow from financing activities	
Cash flow from financing activities	190
Adjustment for: Repayments of lease liabilities	19
Cash flow from financing activities excluding IFRS 16 impact	**209**
Free cash flow	
Free cash flow	197
Adjustment for: Repayments of lease liabilities	–19
Free cash flow excluding IFRS 16 impact	**178**
Free cash flow yield	
Free cash flow yield (Rolling 12 months), %	9.0
Adjustment for: Repayments of lease liabilities (Rolling 12 months), %[1]	–1.1
Free cash flow yield (Rolling 12 months) excluding IFRS 16 impact, %	**7.9**
Cash flow from operating activities per share	
Cash flow from operating activities per share	0.5
Adjustment for: Repayments of lease liabilities	–0.0
Cash flow from operating activities per share excluding IFRS 16 impact	**0.5**

1 Pro-forma annualized.

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 applying the tax rates enacted or substantially enacted at the end of the reporting period.

Fair value measurement

The only items recognized at fair value after initial recognition are:

- The interest rate swaps and forward foreign currency contracts categorized 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.

The fair values of financial assets (loans and receivables) and liabilities measured at amortized cost are approximately equal to the carrying amounts, with the exception of the forward contract to repurchase own shares which has a fair value of SEK 12m (liability) while the carrying amount is SEK 59m (liability). For measurement purposes, the fair value of financial assets and liabilities 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 (i.e. as prices) or indirectly (i.e. 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 carrying amounts and fair values of the Group's financial assets and liabilities, including their levels in the fair value hierarchy:

31 Mar 2019	Carrying amount				Fair value			
SEKm	Mandatorily at FVTPL	Financial assets at amortized cost	Other financial liabilities at carrying value	Total	Level 1	Level 2	Level 3	Total
Financial assets								
• Forward foreign currency contracts	1	–	–	1	–	1	–	1
• Trade and other receivables, excluding other taxes and social security receivables and prepaid expenses and accrued income	–	908	–	908				
• Cash and cash equivalents	–	711	–	711				
Total assets	**1**	**1,619**	**–**	**1,620**	**–**	**1**	**–**	**1**
Financial liabilities								
• Loans from credit institutions	–	–	2,100	2,100				
• Commercial papers	–	–	710	710				
• Forward contract to repurchase own shares	–	–	59	59	–	12	–	12
• Interest rate swaps	8	–	–	8	–	8	–	8
• Lease liabilities	–	–	211	211				
• Trade and other payables, excluding other taxes and social security payables and excluding contingent consideration	–	–	1,213	1,213				
Total liabilities	**8**	**–**	**4,293**	**4,301**	**–**	**20**	**–**	**20**

31 Dec 2018	Carrying amount				Fair value			
SEKm	Mandatorily at FVTPL	Financial assets at amortized cost	Other financial liabilities at carrying value	Total	Level 1	Level 2	Level 3	Total
Financial assets								
• Forward foreign currency contracts	1	–	–	1	–	1	–	1
• Trade and other receivables, excluding other taxes and social security receivables and prepaid expenses and accrued income	–	756	–	756				
• Cash and cash equivalents	–	551	–	551				
Total assets	**1**	**1,307**	**–**	**1,308**	**–**	**1**	**–**	**1**
Financial liabilities								
• Loans from credit institutions	–	–	2,078	2,078				
• Commercial papers	–	–	500	500				
• Forward contract to repurchase own shares	–	–	59	59	–	11	–	11
• Interest rate swaps	5	–	–	5	–	5	–	5
• Trade and other payables, excluding other taxes and social security payables and excluding contingent consideration	–	–	1,040	1,040				
• Contingent consideration	142	–	–	142	–	–	142	142
Total liabilities	**147**	**–**	**3,677**	**3,824**	**–**	**16**	**142**	**158**

31 Mar 2018	Carrying amount				Fair value			
SEKm	Mandatorily at FVTPL	Financial assets at amortized cost	Other financial liabilities at carrying value	Total	Level 1	Level 2	Level 3	Total
Financial assets								
• Forward foreign currency contracts	1	–	–	1	–	1	–	1
• Trade and other receivables, excluding other taxes and social security receivables and prepaid expenses and accrued income	–	987	–	987				
• Cash and cash equivalents	–	700	–	700				
Total assets	**1**	**1,687**	**–**	**1,688**	**–**	**1**	**–**	**1**
Financial liabilities								
• Loans from credit institutions	–	–	2,799	2,799				
• Forward contract to repurchase own shares	–	–	70	70	–	–1	–	–1
• Interest rate swaps	3	–	–	3	–	3	–	3
• Trade and other payables, excluding other taxes and social security payables and excluding contingent consideration	–	–	1,196	1,196				
• Contingent consideration	135	–	–	135	–	–	135	135
Total liabilities	**138**	**–**	**4,065**	**4,203**	**–**	**2**	**135**	**137**

The movement of financial instruments categorised at level 3 of the fair value hierarchy is specified as follows:

SEKm	Jan–Mar 2019	Jan–Mar 2018	2018
Opening Balance	142	138	138
Remeasurements recognized in profit or loss			
– Unrealized remeasurements on contingent considerations recognised in general and administrative expenses	–	–8	–21
– Unrealized interest on contingent considerations recognised in other financial expenses	4	5	25
Settlements			
– Settlement via balance sheet	–146	–	–
Closing Balance	–	135	142

On 28 April 2017 the contingent earn-out consideration arising from the acquisition of Candyking Holding AB and its subsidiaries was recognized in the amount of SEK 128m. The final earn-out consideration amounted to SEK 146m and has been settled in the first quarter of 2019. 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 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 was thereby initially categorized 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 value of 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.
- 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 the event that 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 would increase (decrease) if the Cloetta and Candyking combined sales volume of pick & mix in confectionery and natural snacks in the Nordic countries, the UK and Poland during 2018 were 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 2019. Net sales in the Parent Company amounted to SEK 15m (19) and referred mainly to intra-group services. Operating loss was SEK –11m (–5). Net financial items totalled SEK –2m (6). Profit before tax was SEK –13m (1) and profit for the period was SEK –10m (2). Cash and cash equivalents and short-term investments amounted to SEK 0m (0).

The Cloetta share

Cloetta's class B share is listed on the Nasdaq Stockholm, Mid Cap. During the period from 1 January to 31 March 2019, a total of 61,982,060 shares were traded for a combined value of SEK 1,462m, equivalent to around 22 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 2019 was SEK 25.40 (23 January) and the lowest was SEK 23.32 (28 January). The share price on 31 March 2019 was SEK 24.00 (last price paid). During the period from 1 January to 31 March 2019, the Cloetta share decreased by 1.5 per cent while the Nasdaq OMX Stockholm PI index increased by 11.7 per cent. Cloetta's share capital at 31 March 2019 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

As of 31 March 2019 Cloetta had 28,021 shareholders. The principal shareholder was AB Malfors Promotor, with a holding corresponding to 38.1 per cent of the votes and 27.0 per cent of the share capital in the company. Franklin Templeton was the second largest shareholder with a holding corresponding to 6.8 per cent of the votes and 8.0 per cent of the share capital. The third largest shareholder was Wellington Management with a holding corresponding to 4.1 per cent of the votes and 4.8 per cent of the share capital in the company. Institutional investors held 87.9 per cent of the votes and 85.7 per cent of the share capital. Foreign shareholders held 38.7 per cent of the votes and 45.6 per cent of the share capital.

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 2018 and consist of industry and market-related risks, operational risks and financial risks. Compared to the annual and sustainability report which was issued on 13 March 2019, 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 metric enables the profitability to be compared across locations where corporate taxes differ.
Return	**Definition/calculation**	**Purpose**
Free cash flow	Sum of the cash flow from operating activities and cash flow from investments in property, plant and equipment and intangible assets.	The free cash flow is the cash flow available to all investors consisting of shareholders and lenders.
Free cash flow yield	Free cash flow over the last 12 months divided by the number of shares at the end of the period and subsequently divided by the market price per share at the end of the period.	This metric is an indicator of the return on investment of investors in the company.
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 comparative 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 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, lease liabilities, derivative financial instruments and interest payable.	Gross debt represents the total debt obligation of the company irrespective of 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 represent the number of years it would take to pay back debt if net debt and EBITDA were 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 takes 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 irrespective of 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 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
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 metric 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. These include items 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 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 (EBIT)	Operating profit consists of comprehensive income before net financial items and income tax.	This metric enables the profitability to be compared across locations where corporate taxes differ, irrespective the financing structure of the company.
Operating profit (EBIT), adjusted	Operating profit, adjusted for items affecting comparability.	EBIT, adjusted increases the comparability of EBIT.
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

Branded packaged products	Products that are mainly sold under brands and are packaged.
FVTPL	Fair Value Through Profit and Loss.
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

SEKm	31 Mar 2019	31 Mar 2018	31 Dec 2018
EUR, average	10.4196	9.9825	10.2543
EUR, end of period	10.3980	10.2824	10.2274
NOK, average	1.0707	1.0357	1.0672
NOK, end of period	1.0765	1.0616	1.0294
GBP, average	11.9551	11.3145	11.5917
GBP, end of period	12.1146	11.7527	11.3992
DKK, average	1.3961	1.3406	1.3760
DKK, end of period	1.3929	1.3798	1.3698

Financial calender 2019

Interim report Q2
12 July 2019

Interim report Q3
25 October 2019

Interim report Q4
29 January 2020

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This information is information that Cloetta AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person detailed above, at 8:00 a.m. CET on 26 April 2019.

Vision

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

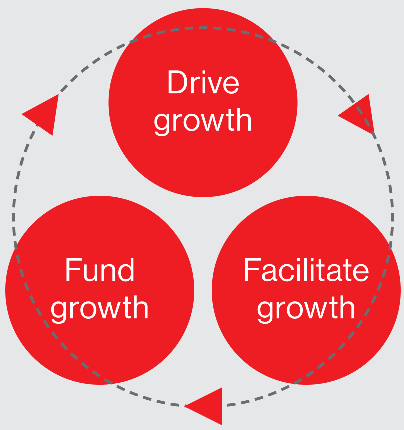
Business model

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



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.

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