

Cloetta

Interim report October–December 2022

Q4

“Cloetta is reporting the eight consecutive quarter of growth in Branded packaged products and continued volume growth in Pick & mix, with overall strengthened profitability. The dividend proposal is in line with prior year, supported by a healthy cash flow and strong balance sheet.”

- Henri de Sauvage-Nolting, President and CEO

Interim report

October–December 2022

Cloetta

Fourth quarter, October–December 2022

- **Net sales** for the quarter increased by 14.6 per cent to SEK 1,905m (1,662) including a positive impact from foreign exchange rates of 5.1 per cent.
- **Sales of Branded packaged products** increased organically by 6.1 per cent during the quarter.
- **Sales of Pick & mix** increased organically by 21.0 per cent during the quarter.
- **Operating profit adjusted** for items affecting comparability, amounted to SEK 183m (157). Operating profit amounted to SEK 187m (157).
- **Operating profit, adjusted, of Branded packaged products** amounted to SEK 180m (152).
- **Operating profit, adjusted, of Pick & mix** amounted to SEK 3m (5).
- **Profit for the period** amounted to SEK 108m (147), which equates to basic and diluted earnings per share of SEK 0.38 (0.51).
- **Cash flow** from operating activities was SEK 281m (368).
- **Net debt/EBITDA** ratio was 1.9x (2.0).
- **The Board** proposes a dividend of SEK 1.00 (1.00) per share.

Key ratios

SEKm	Fourth quarter			Full Year		
	Oct–Dec 2022	Oct–Dec 2021	Change, %	Jan–Dec 2022	Jan–Dec 2021	Change, %
Net sales	1,905	1,662	14.6 ¹	6,869	6,046	13.6 ¹
Operating profit, adjusted	183	157	16.6	691	571	21.0
Operating profit margin, adjusted %	9.6	9.4	0.2-pts	10.1	9.4	0.7-pts
Operating profit (EBIT)	187	157	19.1	466	565	-17.5
Operating profit margin (EBIT margin), %	9.8	9.4	0.4-pts	6.8	9.3	-2.5-pts
Profit before tax	150	158	-5.1	343	558	-38.5
Profit for the period	108	147	-26.5	275	472	-41.7
Earnings per share, basic and diluted, SEK	0.38	0.51	-25.5	0.96	1.64	-41.5
Net debt/EBITDA, x (Rolling 12 months)	1.9	2.0	-5.0	1.9	2.0	-5.0
Free cash flow	241	313	-23.0	305	664	-54.1
Cash flow from operating activities	281	368	-23.6	519	858	-39.5

¹ Organic growth at constant exchange rates was 9.5 per cent for the quarter and 10.0 per cent for the year. See further under Net sales on page 4.

SEK 1.9 bn
Net sales

9.5 %
Organic sales growth

9.6 %
Operating profit margin, adjusted

Strong sales and improved profitability in a challenging environment

Cloetta is reporting the eight consecutive quarter of growth in Branded packaged products and continued volume growth in Pick & mix, with overall strengthened profitability. The dividend proposal is in line with prior year, supported by a healthy cash flow and strong balance sheet.

2022 turned out to be yet another unprecedented year, largely defined by Russia's war in Ukraine that erupted at the end of February. While Cloetta's financial exposure to any of the countries involved is limited, we are – as many enterprises around the world – indirectly impacted by rising input costs and global supply chain challenges.

I am very proud that we despite the challenging environment delivered record sales levels for the year, and that we successfully offset significant cost inflation through a combination of strong pricing execution, positive mix and cost savings - while retaining healthy volumes.

Given further cost inflation, primarily driven by energy and labor, we have announced additional price increases, gradually effective throughout the first quarter. We will continue to take the actions needed to protect our business, whilst mitigating volume impact on account of the decreased consumer purchasing power.

Fourth quarter development

Sales for the quarter increased by 14.6 per cent, of which organic growth accounted for 9.5 per cent and exchange rate differences for 5.1 per cent. Sales of Branded packaged products increased organically by 6.1 per cent, driven by pricing enabled by the strengthening of our core brands and strong in-store execution. Sales of Pick & mix increased organically by 21.0 per cent during the quarter and continued to be driven by our efforts to premiumise the offering, increased consumer activation as well as pricing.

The increase in adjusted operating profit is attributable to pricing, which together with cost control are offsetting the higher input cost. The adjusted operating profit was further improved as the high marketing spend in the quarter still remained below last year.

Delivering on our strategy

This year we have again increased our marketing spend during the festive season, albeit not as strongly as in 2021 as our new initiatives are starting to take hold. We have



“Cloetta's performance this year demonstrates the resilience of our categories and the strength of our brands.”

also started to adapt our offering to meet the expected changes to the consumer demand, such as larger value packs as well as adjustments on promotional activities. Furthermore, we continued our focus to recover sales of high-margin products such as chewing gum and pastilles, with volume improvements seen during the quarter.

The Pick & mix segment recorded its seventh consecutive quarter of profitable growth. We will continue to focus on creating sustainable value within the segment, with the ambition to reach an EBIT margin in the range of 5-7 per cent in the medium-term. During the quarter, we executed a Halloween campaign in collaboration with the Nordic video on-demand service SF Anytime, creating consumer engagement and added value. We also secured the extension of a number of contracts in several of our markets, proving the attractiveness of our CandyKing concept to the retailers also after significant price increases.

We continued to drive our sustainability agenda during the quarter. To build awareness within the organisation of the European efforts to conserve energy, we launched a company-wide energy saving challenge which will run into the new year, and which aligns to our climate action goals to save energy and improve our impact. We also updated our Responsible Marketing policy to ensure that children under 13 years of age are not targeted in advertising.

The new greenfield facility project proceeded during the quarter and the union process is partially still ongoing. As communicated earlier, we will update the market about the overall development on a regular basis.

This year we once again delivered very strong cash flow, resulting in a net debt/EBITDA of 1.9x as we closed the year, well below our long-term target of 2.5x. Based on the healthy cash flow and strong balance sheet, the Board proposes a stable dividend of SEK 1.00 (1.00).

Successfully navigating through extraordinary times

As we close the year, we may conclude that our strategy and agile ways of working enabled us to successfully navigate through a year of extraordinary macroeconomic challenges. I would like to thank all our dedicated employees and business partners for their contribution in making this happen.

Cloetta's performance this year demonstrates the resilience of our categories and the strength of our brands, which has enabled us to deliver record sales levels and effective pricing execution. Looking ahead, we remain focused on executing our long-term strategy whilst managing short-term challenges to continue to deliver sustainable profitable growth and long-term shareholder value.

Henri de Sauvage-Nolting
President and CEO

Financial overview

Fourth quarter development

New greenfield facility

During the quarter, the project with the new greenfield facility in the Netherlands proceeded and the union process is partially still ongoing. As communicated earlier, Cloetta will update the market about the overall development on a regular basis.

Geopolitical developments

Russia's war in Ukraine that started at the end of February entails risks of further impact on the global economy, further cost inflation, and disruptions in supply chains. While Cloetta does not have any significant direct financial exposure to any of the countries involved, the company is being impacted by rising input costs and global supply chain challenges.

Net sales

Net sales for the fourth quarter increased by SEK 243m to SEK 1,905m (1,662) compared to the same period last year. Organic growth was 9.5 per cent and the impact of changes in exchange rates was 5.1 per cent.

	Oct–Dec 2022	Jan–Dec 2022
Changes in net sales, %		
Organic growth	9.5	10.0
Changes in exchange rates	5.1	3.6
Total	14.6	13.6

Gross profit

Gross profit amounted to SEK 648m (605), which equates to a gross margin of 34.0 per cent (36.4). The gross profit increase was driven by pricing, largely offset by higher input costs. The gross profit was further favourably impacted by a release of a provision, which net of extraordinary costs related to the new greenfield facility amounted to SEK 12m, as well as changes in foreign exchange rates.

Operating profit

Operating profit, adjusted for items affecting comparability, amounted to SEK 183m (157), and was primarily positively impacted by higher gross profit and lower marketing costs. Operating profit amounted to SEK 187m (157).

Items affecting comparability

Operating profit for the fourth quarter includes items affecting comparability of SEK 4m (0).

Net financial items

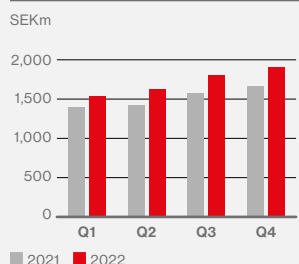
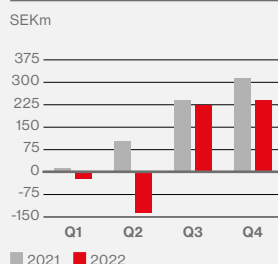
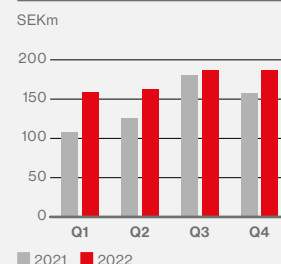
Net financial items for the quarter amounted to SEK -37m (1). Interest expenses related to external borrowings were SEK -21m (-9), exchange differences on cash and cash equivalents were SEK -27m (9) which mainly related to the development of the Swedish and Norwegian krona against the euro during the quarter. Other financial items amounted to SEK 11m (1) of which SEK 4m (3) related to the unrealised gains on single currency interest rate swaps. Of the total net financial items SEK -56m (-24) is non-cash in nature.

Profit for the period

Profit for the period was SEK 108m (147), which equates to basic and diluted earnings per share of SEK 0.38 (0.51). Income tax for the period was SEK -42m (-11).

The effective tax rate for the quarter was 28.0 per cent (7.0) and was negatively impacted by the recognition of a tax provision in one entity, non-deductible expenses and differences between expected and actual tax filings. The release of a tax provision in another entity and international tax rate differences had a positive impact on the effective tax rate for the quarter.



Net sales**Free cash flow****Operating profit, adjusted****Free cash flow**

The free cash flow was SEK 241m (313). Cash flow from operating activities before changes in working capital was SEK 223m (204). The increase compared to last year is mainly the result of a higher operating profit. The cash flow from changes in working capital was SEK 58m (164).

The cash flow from investments in property, plant and equipment and intangible assets was SEK -40m (-55).

Cash flow from changes in working capital

Cash flow from changes in working capital was SEK 58m (164). The cash flow from changes in working capital was positively impacted by a decrease in receivables of SEK 172m (202), a decrease in inventories for an amount of SEK 14m (25), partly offset by a decrease in payables amounting to SEK -128m (-63).

Cash flow from other investing activities

Cash flow from other investing activities was SEK 0m (1).

Cash flow from financing activities

Cash flow from financing activities was SEK -60m (-161). The cash flow from financing activities was related to a purchase of treasury shares of SEK -34m (-44), payments of lease liabilities of SEK -20m (-17) and net proceeds and repayments of loans from credit institutions and commercial papers including transaction costs of SEK -6m (-100).

Development during the year**Net sales**

Net sales for the year increased by SEK 823m to SEK 6,869m (6,046) compared to last year. Organic growth was 10.0 per cent and the impact of changes in exchange rates was 3.6 per cent.

Gross profit

Gross profit, adjusted for items affecting comparability, amounted to SEK 2,341m (2,147), which equates to a margin of 34.1 per cent (35.5). The gross profit was positively impacted by higher volumes, favourable mix and pricing, partly offset by higher input costs. Gross profit amounted to SEK 2,131m (2,148), which equates to a gross margin of 31.0 per cent (35.5).

Operating profit

Operating profit, adjusted for items affecting comparability, amounted to SEK 691m (571), and was primarily positively impacted by higher gross profit. Operating profit amounted to SEK 466m (565).

Items affecting comparability

Operating profit for the year includes items affecting comparability of SEK -225m (-6) that are mainly related to the greenfield facility. Total items affecting comparability for the greenfield facility consist of recognised impairments of SEK -134m and provisions and other items affecting comparability of SEK -108m.

Net financial items

Net financial items for the year amounted to SEK -123m (-7). Interest expenses related to external borrowings were SEK -48m (-33), exchange differences on cash and cash equivalents were SEK -143m (33) which mainly related to the development of the Swedish and Norwegian krona and the Great Britain pound against the euro during the year. Other financial items amounted to SEK 68m (-7) of which SEK 57m (7) related to the unrealised gains on single currency interest rate swaps. Of the total net financial items SEK -84m (-33) is non-cash in nature.

Profit for the year

Profit for the year was SEK 275m (472), driven by items affecting comparability and unrealised exchange rate differences on cash and cash equivalents, which equates to basic and diluted earnings per share of SEK 0.96 (1.64). Income tax for the period was SEK -68m (-86).

The effective tax rate for the year was 19.8 per cent (15.4) and was positively impacted by the applicable rates in the countries where the cost related to the greenfield are recognised. In addition, the release of a tax provision, international tax rate differences and differences between expected and actual tax filings impacted the effective tax rate favorably. The recognition of a tax provision and non-deductible expenses had a negative impact. The effective tax rate for the year excluding the items affecting comparability, would have been 21.8 per cent.

Free cash flow

The free cash flow was SEK 305m (664). Cash flow from operating activities before changes in working capital was SEK 822m (675). The improvement compared to last year is mainly due to the higher operating profit, adjusted. The cash flow from changes in working capital was SEK -303m (183).

The cash flow from investments in property, plant and equipment and intangible assets was SEK -214m (-194).

Cash flow from changes in working capital

Cash flow from changes in working capital was SEK -303m (183). The cash flow from changes in working capital was negatively impacted by an increase in receivables amounting to SEK -201m (-44), an increase in inventories for an amount of SEK -197m (123), partly offset by an increase in payables of SEK 95m (104).

Cash flow from other investing activities

Cash flow from other investing activities was SEK 1m (3).

Cash flow from financing activities

Cash flow from financing activities was SEK -406m (-436). The cash flow from financing activities was related to the dividend distribution of SEK -287m (-215), payments of lease liabilities of SEK -75m (-69), purchase of treasury shares of SEK -34m (-44) and net proceeds and repayments of loans from credit institutions and commercial papers including transaction costs of SEK -10m (-107). Other cash flows from financing activities amounted to SEK 0m (-1).

Financial position

Consolidated equity at 31 December 2022 amounted to SEK 4,994m (4,515), which equates to SEK 17.5 (15.7) per share outstanding. Net debt at 31 December 2022 was SEK 1,855m (1,679).

Long-term borrowings totalled SEK 2,277m (2,162) and consisted of SEK 2,190m (2,081) in gross non-current loans from credit institutions, SEK 95m (84) in non-current lease liabilities and SEK -8m (-3) in capitalised transaction costs.

Total short-term borrowings amounted to SEK 207m (206) and consisted of SEK 149m (150) in commercial papers, SEK 61m (59) in current lease liabilities and SEK -3m (-3) in capitalised transaction costs.

On 27 October 2022 Cloetta entered into an amendment and restatement agreement with the existing banking group. The amendment and restatement agreement was entered into to arrange for additional financing for the new greenfield facility to be established and comprise, in addition to the existing facilities, on in total EUR 160m.

SEKm	31 Dec 2022	31 Dec 2021
Gross non-current loans from credit institutions	2,190	2,081
Commercial papers	149	150
Lease liabilities	156	143
Derivative financial instruments	-59	-3
Interest payable	2	-
Gross debt	2,438	2,371
Cash and cash equivalents	-583	-692
Net debt	1,855	1,679

Cash and cash equivalents at 31 December 2022 amounted to SEK 583m (692). At 31 December 2022 Cloetta had an unutilised credit facility of SEK 2,447m (615) and the possibility to issue additional commercial papers for an amount of SEK 850m (850).

Performance by business segment

Cloetta has identified the "Branded packaged products" business and the "Pick & mix" business as its operating segments.

The chief operating decision-maker (CODM), which is the CEO and President of the Group, primarily uses external net sales and operating profit, adjusted for items affecting comparability, to assess the performance of its operating segments. Items affecting comparability, net financial items and income tax are not allocated to segments, as these are managed centrally.

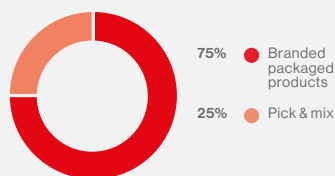
No segment information is provided to or assessed by the CODM on assets and liabilities and therefore these are not separately disclosed.

Information related to each reportable segment (business segment) is set out below. For more information regarding the determination of reportable segments reference is made to page 26.

Business segments

The Cloetta Group comprises two segments: "Branded packaged products" and "Pick & mix". The Pick & mix net sales and adjusted operating profit relate to Cloetta's complete offering in pick & mix including products, displays and accompanying store and logistic services. All other activities within the Cloetta Group are reflected in the "Branded packaged products" segment.

Business segment, share of sales



Branded packaged products



Pick & mix



Oct–Dec 2022 SEKm	Branded packaged products	Pick & mix	Total	Jan–Dec 2022 SEKm	Branded packaged products	Pick & mix	Total
Net sales	1,424	481	1,905	Net sales	5,169	1,700	6,869
Operating profit, adjusted	180	3	183	Operating profit, adjusted	669	22	691
Items affecting comparability			4	Items affecting comparability			-225
Operating profit			187	Operating profit			466
Net financial items			-37	Net financial items			-123
Profit before tax			150	Profit before tax			343
Income tax			-42	Income tax			-68
Profit for the period			108	Profit for the period			275

Oct–Dec 2021 SEKm	Branded packaged products	Pick & mix	Total	Jan–Dec 2021 SEKm	Branded packaged products	Pick & mix	Total
Net sales	1,284	378	1,662	Net sales	4,686	1,360	6,046
Operating profit, adjusted	152	5	157	Operating profit, adjusted	577	-6	571
Items affecting comparability			0	Items affecting comparability			-6
Operating profit			157	Operating profit			565
Net financial items			1	Net financial items			-7
Profit before tax			158	Profit before tax			558
Income tax			-11	Income tax			-86
Profit for the period			147	Profit for the period			472

Segment Branded packaged products

Fourth quarter development

Net Sales

Net sales for the fourth quarter increased by SEK 140m to SEK 1,424m (1,284) compared to the same period of last year for Branded packaged products. Organic growth was 6.1 per cent.

Operating profit, adjusted

Operating profit, adjusted for items affecting comparability, amounted to SEK 180 m (152). The increase in adjusted operating profit was driven by favourable mix, pricing and lower marketing costs, partly offset by higher input costs.

Development during the year

Net Sales

Net sales for the year increased by SEK 483m to SEK 5,169m (4,686) compared to last year for Branded packaged products. Organic growth was 6.8 per cent.

Operating profit, adjusted

Operating profit, adjusted for items affecting comparability, amounted to SEK 669m (577). The increase in adjusted operating profit was driven by favourable mix and pricing, partly offset by higher input costs.

Segment Pick & mix

Fourth quarter development

Net Sales

Net sales for the fourth quarter increased by SEK 103m to SEK 481m (378) compared to the same period of last year. Organic growth was 21.0 per cent.

Operating profit, adjusted

Operating profit, adjusted for items affecting comparability, amounted to SEK 3m (5). The decrease in adjusted operating profit was driven by higher input costs, partly offset by pricing, higher volumes and continued margin-enhancing initiatives.

Development during the year

Net Sales

Net sales for the year increased by SEK 340m to SEK 1,700m (1,360) compared to the same period of last year. Organic growth was 21.1 per cent.

Operating profit, adjusted

Operating profit, adjusted for items affecting comparability, amounted to SEK 22m (-6). The increase in adjusted operating profit was driven by higher volumes, pricing and continued margin-enhancing initiatives, partly offset by higher input costs.

Other disclosures

Seasonal variations

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

Employees

The average number of employees during the quarter was 2,575 (2,589).

Treasury shares

Cloetta has purchased 1,622,932 shares at an average share price, including incremental transaction costs, of SEK 20.6560 during the period 31 October 2022 till 23 November 2022. These shares are held as treasury shares. The treasury shares are held with the purpose of issuing shares to the participants of LTI'22 at vesting date.

The Board's proposed dividend

For the financial year 2022 the Board of Directors of Cloetta AB proposes to distribute a dividend to the shareholders of SEK 1.00 (1.00) per share for the 2022 financial year corresponding to 104 per cent (61) of profit for the year, equal to 63 per cent of the profit for the year excluding impact of the impairment and provisions and other items affecting comparability relating to the greenfield facility. As the impairment and provision for the new greenfield is non-cash it has not affected our ability to issue share dividends.

The proposed date for the record is 6 April 2023 and payment is expected to be made on 13 April 2023.

The ambition is to continue using future cash flows for payment of share dividends, while at the same time providing financial flexibility for complementary acquisitions. The long-term target to distribute 40–60 per cent of profit after tax continues to apply.

Annual General Meeting

The Annual General Meeting of Cloetta AB will be held on Tuesday 4 April 2023. Notice of the AGM will be published in February 2023 and will also be available at www.cloetta.com.

Events after the balance sheet date

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

Examples of new launches during the year

AHLGRENS BILAR – Green cars - Lemon, apple and pear

CLOETTA JULESKUM – Cola caramel

MALACO GODT & BLANDET – Lakridsbidder

MALACO GODT & BLANDET – Real fruit licourice

PLOPP – Milk chocolate - Fresh mint

PLOPP – Milk chocolate - Salty licorice

POLLY – Icecream - Raspberry, Pear and Caramel

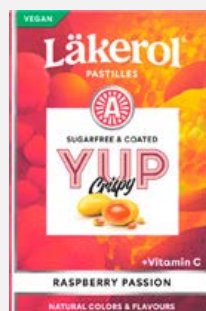
RED BAND - Real fruit candy

SISU – Tuima, mixed bag with taste of licourice, salmiac and fruit

TUPLA – Crispy puffs

VENCO CHOCO D'ROP – Salt chili

YUP – Crispy - Raspberry and passion



Cloetta

– a leading confectionery company in Northern Europe.

1862

Founded in

2,600

Employees

> 50

Countries

7

Factories

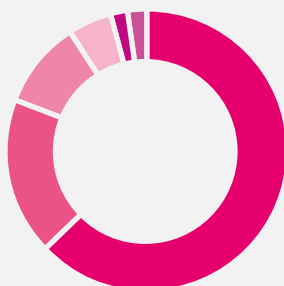
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Business segments

“We believe in the Power of True Joy”

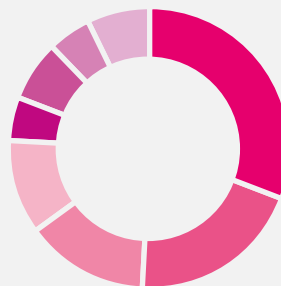


Cloetta's net sales, October–December 2022



By Category

- 63% Candy
- 18% Chocolate
- 10% Pastilles
- 5% Chewing gum
- 2% Nuts
- 2% Other



By Country

- 31% Sweden
- 20% Finland
- 14% The Netherlands
- 11% Denmark
- 5% The UK
- 7% Norway
- 5% Germany
- 7% International Markets

75%

Branded packaged products

25%

Pick & mix

69%

Nordic countries

31%

Other

Strategic priorities



Q4 highlights

1 Growth leadership in Branded packaged products

Activities

- Marketing spend increased during festive season, albeit not as strongly as in 2021
- Continued focus on recovering sales of high-margin products such as chewing gum and pastilles
- Adapting offering to meet the expected changes to the consumer demand, such as larger value packs
- New pricing gradually effective during Q1, given further inflation

2 Sustainable value within the Pick & mix business

Activities

- Halloween campaign executed in collaboration with the Nordic video on-demand service SF Anytime
- Extension of a number of contracts secured in several markets
- New pricing gradually effective during Q1, given further inflation

3 Focus on lower costs and greater efficiency

Activities

- The new greenfield facility project proceeded and the union process is partially still ongoing
- Portfolio optimisation through complexity reduction
- Dividend proposal of SEK 1.00 (1.00) per share

Sustainability

For You

We provide choices for you

We create joyful moments through our products. We aim to meet the variety of consumer preferences.

For People

We care about people

We support our employees, our suppliers and farmers, as well as our communities.

For the Planet

We improve our planet footprint

Our business depends on the environment. We take responsibility for our impacts; from sourcing to packaging.

Q4 highlights

Vegan products

- We continued the development of vegan products

Responsible Marketing

- We updated our policy regarding Responsible Marketing to ensure that children under 13 years of age are not targeted in advertising
- We participated in the Global Shea Alliance's Sustainability Working Group

Energy saving challenge

- To build awareness within the organisation, we launched a company-wide energy saving challenge, aligned with our climate action goals to save energy and improve our impact

“
A sweeter
future



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, 27 January 2023

Cloetta AB (publ)

Mikael Norman
Board Chairman

Mikael Aru
Member of the Board

Patrick Bergander
Member of the Board

Malin Jennerholm
Member of the Board

Lottie Knutson
Member of the Board

Alan McLean Raleigh
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 calendar

Annual and sustainability report 2022	13 March 2023
Annual General Meeting 2023	04 April 2023
Interim report Q1 2023	26 April 2023
Interim report Q2 2023	14 July 2023
Interim report Q3 2023	27 October 2023

Contact

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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 07:30 a.m. CET on 27 January 2023.

Financial statements in summary

Consolidated profit and loss account

SEKm	Fourth quarter		Full Year	
	Oct–Dec 2022	Oct–Dec 2021	Jan–Dec 2022	Jan–Dec 2021
Net sales	1,905	1,662	6,869	6,046
Cost of goods sold	-1,257	-1,057	-4,738	-3,898
Gross profit	648	605	2,131	2,148
Selling expenses	-283	-276	-1,009	-938
General and administrative expenses	-178	-172	-656	-645
Operating profit	187	157	466	565
Exchange differences on cash and cash equivalents in foreign currencies	-27	9	-143	33
Other financial income	18	4	83	9
Other financial expenses	-28	-12	-63	-49
Net financial items	-37	1	-123	-7
Profit before tax	150	158	343	558
Income tax	-42	-11	-68	-86
Profit for the period	108	147	275	472
<i>Profit for the period attributable to:</i>				
Owners of the Parent Company	108	147	275	472
Earnings per share, SEK				
Basic and diluted ¹	0.38	0.51	0.96	1.64
Number of shares outstanding at end of period ¹	285,405,738	287,028,670	285,405,738	287,028,670
Average number of shares (basic) ¹	286,146,642	287,685,669	286,806,351	287,480,924
Average number of shares (diluted) ¹	286,274,314	287,720,099	286,890,237	287,518,726

¹ During 1 till 9 November 2021 and during 31 October till 23 November 2022 Cloetta purchased 1.590.629 and 1.622.932 treasury shares respectively to fulfill its future obligation to deliver shares to the participants of the long-term share-based incentive plan, if vesting conditions are met.

Consolidated statement of comprehensive income

SEKm	Fourth quarter		Full Year	
	Oct–Dec 2022	Oct–Dec 2021	Jan–Dec 2022	Jan–Dec 2021
Profit for the period	108	147	275	472
<i>Other comprehensive income</i>				
Remeasurement of defined benefit pension plans	8	-37	153	9
Income tax on remeasurement of defined benefit pension plans	-1	8	-32	-2
Items that will never be reclassified to profit or loss for the period	7	-29	121	7
Currency translation differences	132	49	496	120
Hedge of a net investment in a foreign operation	-33	-10	-130	-24
Income tax on hedge of a net investment in a foreign operation	7	2	25	5
Items that are or may be reclassified to profit or loss for the period	106	41	391	101
Total other comprehensive income	113	12	512	108
Total comprehensive income, net of tax	221	159	787	580
<i>Total comprehensive income for the period attributable to:</i>				
Owners of the Parent Company	221	159	787	580

Net financial items

SEKm	Fourth quarter		Full Year	
	Oct–Dec 2022	Oct–Dec 2021	Jan–Dec 2022	Jan–Dec 2021
Exchange differences on cash and cash equivalents in foreign currencies	-27	9	-143	33
Other financial income, third parties	10	1	21	2
Unrealised gains on single currency interest rate swaps	4	3	57	7
Realised gains on single currency interest rate swaps	4	-	5	-
Total Other financial income	18	4	83	9
Interest expenses third-party borrowings and realised losses on single currency interest rate swaps	-21	-9	-48	-33
Amortisation of capitalised transaction costs	-1	-1	-3	-3
Other financial expenses, third parties	-6	-2	-12	-13
Total Other financial expenses	-28	-12	-63	-49
Net financial items	-37	1	-123	-7

Condensed consolidated balance sheet

SEKm	31 Dec 2022	31 Dec 2021
ASSETS		
Non-current assets		
Intangible assets	5,883	5,582
Property, plant and equipment	1,581	1,576
Deferred tax asset	43	42
Derivative financial instruments	25	2
Other financial assets	3	5
Total non-current assets	7,535	7,207
Current assets		
Inventories	1,090	843
Other current assets	1,074	806
Derivative financial instruments	34	1
Cash and cash equivalents	583	692
Total current assets	2,781	2,342
TOTAL ASSETS	10,316	9,549
EQUITY AND LIABILITIES		
Equity	4,994	4,515
Non-current liabilities		
Long-term borrowings	2,277	2,162
Deferred tax liability	884	863
Provisions for pensions and other long-term employee benefits	345	505
Provisions	107	-
Total non-current liabilities	3,613	3,530
Current liabilities		
Short-term borrowings	207	206
Derivative financial instruments	-	0
Other current liabilities	1,496	1,293
Provisions	6	5
Total current liabilities	1,709	1,504
TOTAL EQUITY AND LIABILITIES	10,316	9,549

Condensed consolidated statement of changes in equity

SEKm	Full Year	
	Jan–Dec 2022	Jan–Dec 2021
Equity at beginning of period	4,515	4,153
Profit for the period	275	472
Other comprehensive income	512	108
Total comprehensive income	787	580
Transactions with owners		
Forward contract to repurchase own shares	-	48
Purchase of treasury shares	-34	-44
Share-based payments	13	-7
Dividend ¹	-287	-216
Dividend on outstanding shares in forward contracts to repurchase own shares	-	1
Total transactions with owners	-308	-218
Equity at end of period	4,994	4,515

¹ The dividend paid in 2022 comprised a dividend of SEK 1.00 (0.75) per share.

Condensed consolidated cash flow statement

SEKm	Fourth quarter		Full Year	
	Oct–Dec 2022	Oct–Dec 2021	Jan–Dec 2022	Jan–Dec 2021
Cash flow from operating activities before changes in working capital	223	204	822	675
Cash flow from changes in working capital	58	164	-303	183
Cash flow from operating activities	281	368	519	858
Cash flows from investments in property, plant and equipment and intangible assets	-40	-55	-214	-194
Cash flow from other investing activities	0	1	1	3
Cash flow from investing activities	-40	-54	-213	-191
Cash flow from operating and investing activities	241	314	306	667
Cash flow from financing activities	-60	-161	-406	-436
Cash flow for the period	181	153	-100	231
Cash and cash equivalents at beginning of period	373	505	692	396
Cash flow for the period	181	153	-100	231
Exchange difference	29	34	-9	65
Total cash and cash equivalents at end of period	583	692	583	692

Condensed consolidated key figures

SEKm	Fourth quarter		Full Year	
	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Profit				
Net sales	1,905	1,662	6,869	6,046
Net sales, change, %	14.6	13.4	13.6	6.2
Organic net sales, change, %	9.5	13.8	10.0	8.4
Gross margin, %	34.0	36.4	31.0	35.5
Depreciation	-63	-61	-251	-250
Amortisation	-3	-2	-11	-10
Impairment loss other non-current assets	-4	-	-136	-1
Operating profit, adjusted	183	157	691	571
Operating profit margin, adjusted %	9.6	9.4	10.1	9.4
Operating profit (EBIT)	187	157	466	565
Operating profit margin (EBIT margin), %	9.8	9.4	6.8	9.3
EBITDA, adjusted	249	220	955	832
EBITDA	257	220	864	826
Profit margin, %	7.9	9.5	5.0	9.2
Segments				
Branded packaged products				
Net sales	1,424	1,284	5,169	4,686
Operating profit, adjusted	180	152	669	577
Operating profit margin, adjusted %	12.6	11.8	12.9	12.3
Pick & mix				
Net sales	481	378	1,700	1,360
Operating profit/loss, adjusted	3	5	22	-6
Operating profit margin, adjusted %	0.6	1.3	1.3	-0.4
Financial position				
Working capital	701	363	701	363
Capital expenditure	87	66	296	230
Net debt	1,855	1,679	1,855	1,679
Capital employed	7,823	7,388	7,823	7,388
Return on capital employed, % (Rolling 12 months)	7.2	7.9	7.2	7.9
Equity/assets ratio, %	48.4	47.3	48.4	47.3
Net debt/equity ratio, %	37.1	37.2	37.1	37.2
Return on equity, % (Rolling 12 months)	5.5	10.5	5.5	10.5
Equity per share, SEK	17.5	15.7	17.5	15.7
Net debt/EBITDA, x (Rolling 12 months)	1.9	2.0	1.9	2.0
Cash flow				
Cash flow from operating activities	281	368	519	858
Cash flow from investing activities	-40	-54	-213	-191
Cash flow after investments	241	314	306	667
Free cash flow	241	313	305	664
Free cash flow yield (Rolling 12 months), %	5.1	8.8	5.1	8.8
Cash flow from operating activities per share, SEK	1.0	1.3	1.8	3.0
Employees				
Average number of employees	2,575	2,589	2,598	2,599

Reconciliation of alternative performance measures key figures

SEKm	Fourth quarter		Full Year	
	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Items affecting comparability				
Acquisitions, integration and restructurings	-18	0	-249	-6
<i>of which: impairment loss other non-current assets</i>	-4	-	-134	-
Other items affecting comparability	22	-	24	-
Items affecting comparability	4	0	-225	-6
<i>Corresponding line in the condensed consolidated profit and loss account:</i>				
Cost of goods sold	12	1	-210	1
Selling expenses	-	-	-4	-
General and administrative expenses	-8	-1	-11	-7
Total	4	0	-225	-6
Operating profit, adjusted				
Operating profit	187	157	466	565
Minus: Items affecting comparability	4	0	-225	-6
Operating profit, adjusted	183	157	691	571
Net sales	1,905	1,662	6,869	6,046
Operating profit margin, adjusted, %	9.6	9.4	10.1	9.4
EBITDA, adjusted				
Operating profit/loss	187	157	466	565
Minus: Depreciation	-63	-61	-251	-250
Minus: Amortisation	-3	-2	-11	-10
Minus: Impairment loss other non-current assets	-4	-	-136	-1
EBITDA	257	220	864	826
Minus: Items affecting comparability (excl. impairment loss other non-current assets)	8	0	-91	-6
EBITDA, adjusted	249	220	955	832
Capital employed				
Total assets	10,316	9,549	10,316	9,549
Minus: Deferred tax liability	884	863	884	863
Minus: Non-current provisions	107	-	107	-
Minus: Current provisions	6	5	6	5
Minus: Other current liabilities	1,496	1,293	1,496	1,293
Capital employed	7,823	7,388	7,823	7,388
Capital employed comparative period previous year	7,388	7,198	7,388	7,198
Average capital employed	7,606	7,293	7,606	7,293

Reconciliation alternative performance measures, continued

SEKm	Fourth quarter		Full Year	
	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Return on capital employed				
Operating profit (Rolling 12 months)	466	565	466	565
Financial income (Rolling 12 months)	83	9	83	9
Operating profit plus financial income (Rolling 12 months)	549	574	549	574
Average capital employed	7,606	7,293	7,606	7,293
Return on capital employed, %	7.2	7.9	7.2	7.9
Free cash flow yield				
Cash flow from operating activities (Rolling 12 months)	519	858	519	858
Cash flows from investments in property, plant and equipment and intangible assets (Rolling 12 months)	-214	-194	-214	-194
Free cash flow (Rolling 12 months)	305	664	305	664
Number of shares outstanding	285,405,738	287,028,670	285,405,738	287,028,670
Free cash flow per share (Rolling 12 months), SEK	1.07	2.31	1.07	2.31
Market price per share, SEK	20.86	26.20	20.86	26.20
Free cash flow yield (Rolling 12 months), %	5.1	8.8	5.1	8.8
Changes in net sales				
Net sales	1,905	1,662	6,869	6,046
Net sales comparative period previous year	1,662	1,466	6,046	5,695
Net sales, change	243	196	823	351
Minus: Changes in exchange rates	85	-7	217	-125
Organic growth	158	203	606	476
Organic growth, %	9.5	13.8	10.0	8.4

Quarterly data

SEKm	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Profit and loss account									
Net sales	1,905	1,798	1,626	1,540	1,662	1,566	1,420	1,398	1,466
Cost of goods sold	-1,257	-1,235	-1,267	-979	-1,057	-1,015	-893	-933	-923
Gross profit	648	563	359	561	605	551	527	465	543
Selling expenses	-283	-234	-246	-246	-276	-209	-242	-211	-253
General and administrative expenses	-178	-143	-174	-161	-172	-163	-159	-151	-176
Operating profit/loss	187	186	-61	154	157	179	126	103	114
Exchange differences on cash and cash equivalents in foreign currencies	-27	-52	-70	6	9	-1	-6	31	34
Other financial income	18	35	13	17	4	2	2	1	1
Other financial expenses	-28	-15	-10	-10	-12	-12	-13	-12	-13
Net financial items	-37	-32	-67	13	1	-11	-17	20	22
Profit/loss before tax	150	154	-128	167	158	168	109	123	136
Income tax	-42	-24	34	-36	-11	-32	-23	-20	-59
Profit/loss for the period	108	130	-94	131	147	136	86	103	77
<i>Profit/loss for the period attributable to:</i>									
Owners of the Parent Company	108	130	-94	131	147	136	86	103	77
Key figures									
Profit									
Depreciation, amortisation and impairment	-70	-71	-194	-63	-63	-66	-66	-66	-74
Operating profit, adjusted	183	188	162	158	157	180	127	107	116
EBITDA, adjusted	249	255	230	221	220	246	193	173	191
EBITDA	257	257	133	217	220	245	192	169	188
Operating profit margin, adjusted %	9.6	10.5	10.0	10.3	9.4	11.5	8.9	7.7	7.9
Operating profit margin (EBIT margin), %	9.8	10.3	-3.8	10.0	9.4	11.4	8.9	7.4	7.8
Earnings per share, SEK									
Basic and diluted ¹	0.38	0.45	-0.33	0.46	0.51	0.47	0.30	0.36	0.27
Segments									
Branded packaged products									
Net sales	1,424	1,372	1,213	1,160	1,284	1,204	1,097	1,101	1,179
Operating profit, adjusted	178	186	154	149	152	171	123	131	164
Operating profit margin, adjusted %	12.5	13.6	12.7	12.8	11.8	14.2	11.2	11.9	13.9
Pick & mix									
Net sales	481	426	413	380	378	362	323	297	287
Operating profit/loss, adjusted	5	2	8	9	5	9	4	-24	-48
Operating profit margin, adjusted %	1.0	0.5	1.9	2.4	1.3	2.5	1.2	-8.1	-16.7
Financial position									
Share price, last paid, SEK	20.86	17.61	20.96	25.74	26.20	27.12	25.54	25.56	24.52
Return on equity, % (Rolling 12 months)	8.5	6.5	7.0	10.5	10.5	9.1	7.2	7.5	6.4
Equity per share, SEK	17.5	16.7	16.0	16.5	15.7	15.2	14.8	15.2	14.4
Net Debt/EBITDA, x (Rolling 12 months)	1.9	2.2	2.4	1.9	2.0	2.5	2.9	2.9	2.8
Cash flow									
Free cash flow	241	223	-136	-23	313	238	102	11	252
Cash flow from operating activities per share, SEK	1.0	1.0	-0.3	0.1	1.3	1.0	0.5	0.2	1.1

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 contract has been settled in the second quarter of 2021. During 1 till 9 November 2021 and during 31 October till 23 November 2022 Cloetta purchased 1.590.629 and 1.622.932 treasury shares respectively to fulfill its future obligation to deliver shares to the participants of the long-term share-based incentive plan, if vesting conditions are met.

Reconciliation of alternative performance measures per quarter

SEKm	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Items affecting comparability									
Acquisitions, integration and restructurings	-18	-2	-225	-4	0	-1	-1	-4	-2
<i>of which: impairment loss non-current assets</i>	-4	-4	-126	-	-	-	-	-	1
Other items affecting comparability	22	-	2	-	-	-	-	-	-
Items affecting comparability	4	-2	-223	-4	0	-1	-1	-4	-2
<i>Corresponding line in the condensed consolidated profit and loss account:</i>									
Cost of goods sold	12	-2	-220	-	1	-	0	-	0
Selling expenses	-	-	-	-4	-	-	-	-	0
General and administrative expenses	-8	0	-3	-	-1	-1	-1	-4	-2
Total	4	-2	-223	-4	0	-1	-1	-4	-2
Operating profit, adjusted									
Operating profit/loss	187	186	-61	154	157	179	126	103	114
Minus: Items affecting comparability	4	-2	-223	-4	0	-1	-1	-4	-2
Operating profit, adjusted	183	188	162	158	157	180	127	107	116
Net sales	1,905	1,798	1,626	1,540	1,662	1,566	1,420	1,398	1,466
Operating profit margin, adjusted, %	9.6	10.5	10.0	10.3	9.4	11.5	8.9	7.7	7.9
EBITDA, adjusted									
Operating profit/loss	187	186	-61	154	157	179	126	103	114
Minus: Depreciation	-63	-62	-66	-60	-61	-63	-63	-63	-72
Minus: Amortisation	-3	-3	-2	-3	-2	-3	-2	-3	-2
Minus: Impairment loss other non-current assets	-4	-6	-126	-	-	-	-1	-	0
EBITDA	257	257	133	217	220	245	192	169	188
Minus: Items affecting comparability (excl. impairment loss other non-current assets)	8	2	-97	-4	0	-1	-1	-4	-3
EBITDA, adjusted	249	255	230	221	220	246	193	173	191
Capital employed									
Total assets	10,316	10,151	9,774	9,878	9,549	9,544	9,224	9,464	9,228
Minus: Deferred tax liability	884	920	918	894	863	881	871	867	836
Minus: Non-current provisions	107	102	105	1	-	-	1	-	5
Minus: Current provisions	6	3	5	6	5	7	11	28	24
Minus: Other current liabilities	1,496	1,545	1,377	1,422	1,293	1,328	1,184	1,187	1,165
Capital employed	7,823	7,581	7,369	7,555	7,388	7,328	7,157	7,382	7,198
Capital employed comparative period previous year	7,388	7,328	7,157	7,382	7,198	7,515	7,439	7,989	7,576
Average capital employed	7,606	7,455	7,263	7,469	7,293	7,422	7,298	7,686	7,387

Reconciliation alternative performance measures, continued

SEKm	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Return on capital employed									
Operating profit (Rolling 12 months)	466	436	429	616	565	522	425	400	442
Financial income (Rolling 12 months)	83	69	36	25	9	6	4	3	3
Operating profit plus financial income (Rolling 12 months)	549	505	465	641	574	528	429	403	445
Average capital employed	7,606	7,455	7,263	7,469	7,293	7,422	7,298	7,686	7,387
Return on capital employed, %	7.2	6.8	6.4	8.6	7.9	7.1	5.9	5.2	6.0
Free cash flow yield									
Cash flow from operating activities (Rolling 12 months)	519	606	598	831	858	800	828	631	641
Cash flows from investments in property, plant and equipment and intangible assets (Rolling 12 months)	-214	-229	-206	-201	-194	-197	-211	-234	-275
Free cash flow (Rolling 12 months)	305	377	392	630	664	603	617	397	366
Number of shares outstanding	285,405,738	287,028,670	287,028,670	287,028,670	287,028,670	288,619,299	288,619,299	288,619,299	288,619,299
Free cash flow per share (Rolling 12 months), SEK	1.07	1.31	1.37	2.19	2.31	2.09	2.14	1.38	1.27
Market price per share, SEK	20.86	17.61	20.96	25.74	26.20	27.12	25.54	25.56	24.52
Free cash flow yield (Rolling 12 months), %	5.1	7.4	6.5	8.5	8.8	7.7	8.4	5.4	5.2
Changes in net sales									
Net sales	1,905	1,798	1,626	1,540	1,662	1,566	1,420	1,398	1,466
Net sales comparative period previous year	1,662	1,566	1,420	1,398	1,466	1,474	1,237	1,518	1,722
Net sales, change	243	232	206	142	196	92	183	-120	-256
Minus: Changes in exchange rates	85	52	37	43	-7	-19	-43	-56	-44
Organic growth	158	180	169	99	203	111	226	-64	-212
Organic growth, %	9.5	11.5	11.9	7.1	13.8	7.5	18.2	-4.2	-12.3

Parent company

Condensed parent company profit and loss account

SEKm	Fourth quarter		Full Year	
	Oct–Dec 2022	Oct–Dec 2021	Jan–Dec 2022	Jan–Dec 2021
Net sales	25	31	97	86
Gross profit	25	31	97	86
General and administrative expenses	-36	-38	-123	-112
Operating loss	-11	-7	-26	-26
Net financial items	-70	81	-70	69
Profit/loss before tax	-81	74	-96	43
Income tax	16	-16	20	-12
Profit/loss for the period	-65	58	-76	31

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

Condensed parent company balance sheet

SEKm	31 Dec 2022	31 Dec 2021
ASSETS		
Non-current assets	5,386	5,355
Current assets	33	91
TOTAL ASSETS	5,419	5,446
EQUITY AND LIABILITIES		
Equity	2,480	2,864
Non-current liabilities		
Borrowings	941	938
Provisions	5	2
Total non-current liabilities	946	940
Current liabilities		
Borrowings	149	150
Other current liabilities	1,844	1,492
Total current liabilities	1,993	1,642
TOTAL EQUITY AND LIABILITIES	5,419	5,446

Condensed parent company statement of changes in equity

SEKm	Full Year	
	Jan-Dec 2022	Jan-Dec 2021
Equity at beginning of period	2,864	3,100
Profit/loss for the period	-76	31
Total comprehensive income	-76	31
Transactions with owners		
Share-based payments	13	-7
Purchase of treasury shares	-34	-44
Dividend ¹	-287	-216
Total transactions with owners	-308	-267
Equity at end of period	2,480	2,864

¹ The dividend paid in 2022 comprised a dividend of SEK 1.00 (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, 2022. 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

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 31 'Changes in accounting policies' in the Annual and sustainability report 2021 at www.cloetta.com. No new standards are effective as from 1 January 2022 which have been endorsed by the EU.

Disclosures

Segment reporting

In the years after the acquisition of the Candyking Group in 2017, the Pick & mix business became a significant part of Cloetta's total business with its own focus, operational organisation, management responsibilities and reporting flows. Following the changes in the business, also the management structure of the Group evolved with the introduction of a Chief Pick & mix Officer (CPMO) responsible for the

development of the Pick & mix business and a Chief Marketing Officer (CMO) being responsible for the marketing of the Branded packaged business. Both officers are members of the executive committee and are accountable within their own business lines and report directly to the President and CEO.

In Q1 2021, Cloetta has reassessed the operating segments with an increased focus on the impact of the changes in the organisation as indicated above. The reassessment has been performed with the intention to come to a sustainable structure taking into account the current organisation, operating model and initiated initiatives related to the direction of the company.

In the assessment it has been considered that both the Branded packaged business and the Pick & mix business have their own specific characteristics. Both business lines generate their own external revenues and incur expenses and for both business lines a different companywide business and investment strategy has been developed and is in place.

The character of the more profitable Branded packaged business requires investments in the brands (A&P) with consumer visibility (traditional- and social media) to generate long term strength of our own brands, leading to value creation for the company. Cloetta manufactures nearly all products sold in this business in its own production facilities.

The much lower margin Pick & mix business is predominantly a wholesale business where Cloetta sells its own products and its competitors' products to retailers under their own private brand or under the CandyKing concept. The Pick & mix business is driven by volumes and requires investments in the pick & mix concept including investments in the fixtures in which the products are offered to the consumer.

Operating segments have been identified in accordance with the guidance provided in IFRS 8 paragraph 5–10.

The overall focus on revenues, profitability, and strategy specifically for the Branded packaged products business versus the Pick & mix business is reflected as such in Cloetta's external financial reporting and this split is aligned with the interest of Cloetta's investors.

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	Fourth quarter		Full Year	
	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Net sales				
Branded packaged products	1,424	1,284	5,169	4,686
Pick & mix	481	378	1,700	1,360
Total	1,905	1,662	6,869	6,046

Breakdown of net sales by category

%	Fourth quarter		Full Year	
	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Net sales				
Candy	63	62	62	61
Chocolate	18	18	19	19
Pastilles	10	10	10	10
Chewing gum	5	5	5	5
Nuts	2	3	2	3
Other	2	2	2	2
Total	100	100	100	100

Breakdown of net sales by country

%	Fourth quarter		Full Year	
	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Sweden	31	33	30	31
Finland	20	20	21	21
The Netherlands	14	16	14	14
Denmark	11	9	9	9
The UK	5	6	6	6
Norway	7	7	7	7
Germany	5	5	6	6
International Markets	7	4	7	6
Total	100	100	100	100

Leases**Right-of-use assets**

SEKm	31 Dec 2022	31 Dec 2021
Land and buildings	104	81
Transportation	40	50
Other equipment	11	10
Total right-of-use assets	155	141

Additions to the right-of-use assets were SEK 48m (11) during the quarter and SEK 84m (35) during the year.

Lease liability

SEKm	31 Dec 2022	31 Dec 2021
Current	61	59
Non-current (between 1 and 5 years)	83	83
Non-current (over 5 years)	12	1
Total Lease liability	156	143

The non-current lease liability of SEK 95m (84) is reflected in the 'long-term borrowings'. The current lease liability of SEK 61m (59) is reflected in the 'short-term borrowings'.

Depreciation charge right-of-use assets

SEKm	Fourth quarter		Full Year	
	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Land and buildings	-11	-7	-34	-33
Transportation	-7	-8	-29	-29
Other equipment	-4	-1	-13	-6
Total depreciation charge right-of-use assets	-22	-16	-76	-68

Other disclosures

SEKm	Fourth quarter		Full Year		Recognised in:
	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021	
Interest expense	-1	0	-2	-2	net financial items, in the profit and loss account
Expense relating to leases of low-value assets that are not short-term leases	0	-1	-1	-1	cost of goods sold, selling expenses and general and administrative expenses, in the profit and loss account
Expense relating to short-term leases, where no right-of-use asset has been recognised	-1	-1	-4	-5	cost of goods sold, selling expenses and general and administrative expenses, in the profit and loss account
Expense relating to variable lease payments not included in lease liabilities	-7	-4	-21	-16	cost of goods sold, selling expenses and general and administrative expenses, in the profit and loss account
Total cash outflow for leases	-20	-17	-76	-70	cash flow from operating activities and financing activities, in the cash flow statement

Taxes

The effective tax rate for the period was positively impacted due to the relatively high weighted applicable tax rate of the countries where the costs related to the greenfield facility are recognized, by the release of a tax provision, international tax rate differences and differences between expected and actual tax filings. The recognition of a tax provision and non-deductible expenses had a negative impact on the effective tax rate for the period.

Fair value measurement

The only items recognised at fair value after initial recognition are the interest rate swaps categorised within level 2 of the fair value hierarchy in all periods presented.

The fair values of financial assets (loans and receivables) and liabilities measured at amortised cost are approximately equal to carrying amounts.

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 (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 carrying amounts and fair values of the Group's financial assets and liabilities, including their levels in the fair value hierarchy:

31 Dec 2022	Carrying amount				Fair value			
	Mandatorily at FVTPL	Financial assets at amortised cost	Other financial liabilities at carrying value	Total	Level 1	Level 2	Level 3	Total
SEKm								
Financial assets								
• Trade and other receivables, excluding other taxes and social security receivables and prepaid expenses and accrued income	-	941	-	941				
• Single currency interest rate swaps	59	-	-	59	-	59	-	59
• Cash and cash equivalents	-	583	-	583				
Total assets	59	1,524	-	1,583	-	59	-	59
Financial liabilities								
• Loans from credit institutions	-	-	2,190	2,190				
• Commercial papers	-	-	149	149				
• Lease liabilities	-	-	156	156				
• Trade and other payables, excluding other taxes and social security payables	-	-	1,252	1,252				
Total liabilities	-	-	3,747	3,747	-	-	-	-

31 Dec 2021	Carrying amount				Fair value			
	Mandatorily at FVTPL	Financial assets at amortised cost	Other financial liabilities at carrying value	Total	Level 1	Level 2	Level 3	Total
SEKm								
Financial assets								
• Trade and other receivables, excluding other taxes and social security receivables and prepaid expenses and accrued income	-	721	-	721				
• Single currency interest rate swaps	3	-	-	3	-	3	-	3
• Cash and cash equivalents	-	692	-	692				
Total assets	3	1,413	-	1,416	-	3	-	3
Financial liabilities								
• Loans from credit institutions	-	-	2,081	2,081				
• Commercial papers	-	-	150	150				
• Single currency interest rate swaps	0	-	-	0	-	0	-	0
• Lease liabilities	-	-	143	143				
• Trade and other payables, excluding other taxes and social security payables	-	-	1,129	1,129				
Total liabilities	0	-	3,503	3,503	-	0	-	0

No transfers between fair value hierarchy levels have occurred 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 within 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 within level 2. 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.

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 December 2022. Net sales in the Parent Company amounted to SEK 97m (86) and relate mainly to intra-group services. Operating loss was SEK -26m (-26). Net financial items totaled SEK -70m (69). Loss before tax was SEK -96m (43) and loss for the period was SEK -76m (31). Cash and cash equivalents and short-term investments amounted to SEK 0m (0).

The Cloetta share

Cloetta's class B share is listed on Nasdaq Stockholm, Mid Cap. During the period from 1 January to 31 December 2022, a total of 164,452,684 shares were traded for a combined value of SEK 3,623m,

equivalent to around 58 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 December 2022 was SEK 26.62 (4 January) and the lowest was SEK 17.05 (29 September). The share price on 31 December 2022 was SEK 20.86 (last price paid). During the period from 1 January to 31 December 2022, the Cloetta share decreased by 21.0 per cent while the Nasdaq OMX Stockholm PI index decreased by 25.2 per cent. Cloetta's share capital at 31 December 2022 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. At 31 December 2022 Cloetta had 3,213,561 class B shares in treasury.

Shareholders

On 31 December 2022, Cloetta AB had 40,032 shareholders. The largest shareholder was AB Malfors Promotor with a holding corresponding to 41.0 per cent of the votes and 30.5 per cent of the share capital in the company. LSV Asset Management was the second largest shareholder with 3.0 per cent of the votes and 3.6 per cent of the share capital. The third largest shareholder was Dimensional Fund Advisors with 2.6 per cent of the votes and 3.1 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 2021 and consist of industry and market-related risks, operational risks and financial risks.

Compared to the Annual- and sustainability report which was issued on 14 March 2022, the risk-profile of Cloetta has not significantly changed although the rising input costs and global supply chain challenges, as mentioned in the Q1 interim report, are materialising and may further affect the business performance of Cloetta.

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, adjusted	Operating profit, adjusted for items affecting comparability, as a percentage of net sales.	Adjusted operating profit margin excludes the impact of items affecting comparability, enabling a comparison of operational 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.
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 of the last 12 months divided by the number of outstanding shares at the end of the period and consequently divided by the market price per share at the end of the period.	This metric is an indicator for 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 annualisation 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 were held constant, ignoring the impact of 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 outstanding 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 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 outstanding 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 outstanding 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
Amortisation	Amortisation of intangible assets except for amortisation on software which is included in "Depreciation".	Amortisation deviates from depreciation where amortisation has the purpose to spread capitalised expenses over the useful lifetime of these expenses.
Depreciation	Depreciation of property, plant and equipment and amortisation of software.	Depreciation deviates from amortisation where depreciation has the purpose to spread the cost of a non-current asset over the useful lifetime of these assets.
EBITDA	Operating profit before depreciation, amortisation and impairments of other non-current assets.	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, amortisation and impairments of other non-current assets.	Adjusted EBITDA 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 cash and cash equivalent 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.	Operating profit, adjusted increases the comparability of operating profit.
Organic growth	Net sales, change excluding acquisition-driven growth and changes in exchange 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

SEK	31 Dec 2022	31 Dec 2021
EUR, average	10.6346	10.1527
EUR, end of period	11.1218	10.2503
NOK, average	1.0532	0.9991
NOK, end of period	1.0578	1.0262
GBP, average	12.4689	11.8203
GBP, end of period	12.5397	12.1987
DKK, average	1.4295	1.3652
DKK, end of period	1.4956	1.3784



Strategic priorities

1. Growth leadership in Branded packaged products
2. Sustainable value within the Pick & mix business
3. Lower costs and greater efficiency



Our purpose

“We believe in the Power of True Joy”

Business model

Cloetta’s business model is to offer strong local brands in confectionery and nuts 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 2.5x.
- Cloetta’s long-term intention is a dividend payout of 40–60 per cent of profit after tax.

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 organisation.
- Good consumer knowledge and loyalty.
- Innovative product and packaging development.
- Effective production with high and consistent quality.

Sustainability

We provide choices for you

We create joyful moments through the quality of our products. We aim to meet the variety of consumer preferences.

We care about people

We support our employees, suppliers, and farmers, as well as our communities.

We improve our footprint

Our business depends on the environment. We are responsible for the impact we have from sourcing to packaging.

“We believe in the Power of True Joy”

Cloetta, founded in 1862, is a leading confectionery company in Northern Europe. 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, CandyKing, Jenkki, Kexchoklad, Malaco, Sportlife and Red Band. Cloetta has seven production units in five countries. Cloetta's class B shares are traded on Nasdaq Stockholm.



Cloetta

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