Interim report, Q1, January – March 2016

Stockholm, 21 April 2016

- **Net sales for the quarter** increased by 3.4 per cent to SEK 1,358m (1,313), including a negative impact from foreign exchange rates of 0.8 per cent.
- **Operating profit** increased to SEK 108m (90).
- **Cash flow** from operating activities increased to SEK 253m (223).
- **Net debt/EBITDA** ratio was 2.78x (3.60).

Key ratios

	First quarter			Full year
SEKm	**Jan–Mar 2016**	**Jan–Mar 2015**	**Change, %**	**2015**
Net sales	1,358	1,313	3.4[1]	5,674
Operating profit, adjusted	126	108	16.7	690
Operating profit margin, adjusted, %	9.3	8.2	1.1-pts	12.2
Operating profit (EBIT)	108	90	20.0	671
Operating profit margin (EBIT margin), %	8.0	6.9	1.1-pts	11.8
Profit before tax	62	42	47.6	493
Profit for the period	44	33	33.3	386
Earnings per share, basic and diluted, SEK	0.15	0.12	25.0	1.35
Net debt/EBITDA, x (Rolling 12 months)	2.78	3.60	–22.8	3.03
Cash flow from operating activities	253	223	13.5	927

1) Organic growth at constant exchange rates and comparable units –0.7 per cent for the quarter. See further under Net sales on page 3.

Message from the CEO

David Nuutinen, President and CEO

Improved operating profit (EBIT), stronger cash flow and lower net debt

Cloetta's operating profit (EBIT) for the quarter increased to SEK 108m (90). Operating profit, adjusted for one-off items, also increased to SEK 126m (108). Profit after tax amounted to SEK 44m (33). Both operating margin and adjusted operating margin increased to 8.0 per cent (6.9) and 9.3 per cent (8.2), respectively. The higher profit and margins show that our focus has paid off.

Sales rose during the quarter, driven by acquisitions. Organic sales were down slightly, facing a strong comparator, at the same time that foreign exchange movements also had a negative impact on sales.

Operating profit was affected by one-off costs, mainly related to remeasurement of the contingent earn-out consideration for acquisitions but also to the planned closure of the factory in Dieren, the Netherlands.

Sustained strong cash flow

Compared to the corresponding quarter of last year, cash flow from operating activities has increased for the ninth consecutive quarter. Cash flow for the quarter was SEK 253m (223). Cloetta's cash-generating ability was thus proven yet again. The 12 months rolling cash flow is now up to SEK 957m. The ambition is to use future cash flows for repayment of debt and distribution of dividends, while at the same time providing financial flexibility for complementary acquisitions.

Continued decrease in net debt

The debt level has continued to decrease and the net debt/EBITDA ratio at the end of the quarter was 2.78x (3.60). The long-term target is a net debt/EBITDA ratio of 2.5x. Loans of SEK 90m were repaid during the quarter.

Confectionery market

The confectionery market was predominantly positive in Sweden, the Netherlands, Norway, Denmark and Finland. In Italy, market development was weak during the quarter.

Increased growth through acquisitions

Cloetta's sales for the quarter rose by 3.4 per cent, of which organic growth accounted for –0.7 per cent, the acquisition of Lonka for 4.9 per cent and exchange rate differences for –0.8 per cent.

Sales in the quarter increased or were unchanged in all markets except Italy, Denmark and Norway. The positive trend in both Sweden and Finland was driven by sales of pick-and-mix. In Norway sales declined mainly within pastilles. Sales also fell in Denmark, mainly due to discontinued sales of pastilles by one customer. The market in Italy remained weak and lower sales were noted for pastilles and sugar confectionery.

Integration of Lonka according to plan

After the acquisition of Lonka in July 2015, Lonka's sales, marketing and purchasing activities are now integrated into Cloetta. The integration of the Roosendaal factory in the Netherlands, into Cloetta's ERP-system has started.

The planned closure of the factory in Dieren, the Netherlands, is underway and, as previously communicated, production will cease at the end of 2016. Expansion of the factory in Levice, Slovakia, to which the production from Dieren will be transferred, was started during the quarter.

Steps toward the long-term targets

Cloetta's organic sales declined somewhat in the quarter, facing a strong comparator from same quarter of last year. Sales may vary between quarters, for which reason the focus for organic sales should instead be on the full year. Aside from the sales development, I am pleased to say that Cloetta has had a positive performance in the quarter with a higher operating profit, a higher operating margin and lower net debt together with a sustained strong cash flow. We have thus taken another step forward toward the realization of our long-term targets. The fact that the Annual General Meeting last week also resolved to pay a share dividend is yet further proof that Cloetta stands strong.

David Nuutinen
President and CEO

Financial overview

Development in the first quarter

Net sales

Net sales for the first quarter rose by SEK 45m to SEK 1,358m (1,313) compared to the same period of last year. Organic growth was –0.7 per cent and acquisition-driven growth was 4.9 per cent.

Cloetta's sales for the quarter increased or were unchanged in all markets except Italy, Denmark and Norway. The positive trend in both Sweden and Finland was driven by sales of pick-and-mix. In Norway sales declined mainly within pastilles. Sales also fell in Denmark, mainly due to discontinued sales of pastilles by one customer. The market in Italy remained weak and lower sales were noted for pastilles and sugar confectionery.

Changes in net sales, %	Jan–Mar 2016
Organic growth	–0.7
Structural changes	4.9
Changes in exchange rates	–0.8
Total	3.4

Gross profit

Gross profit amounted to SEK 506m (491), which is equal to a gross margin of 37.3 per cent (37.4). The somewhat lower gross margin is a result of the acquisition of Lonka, but has been offset by higher efficiency within supply chain.

Operating profit

Operating profit was SEK 108m (90). The improvement is mainly attributable to higher efficiency within supply chain.

One-off items

Operating profit for the quarter includes one-off items that are mainly related to a remeasurement in the contingent earn-out consideration for acquisitions but also to the planned closure of the factory in Dieren, the Netherlands.

Net financial items

Net financial items for the quarter amounted to SEK –46m (–48). Interest expenses related to external borrowings were SEK –25m (–39) and other financial items amounted to SEK –21m (–9). Of the total net financial items, SEK –6m (–12) is non-cash in nature.

Profit for the period

Profit for the period was SEK 44m (33), which is equal to basic and diluted earnings per share of SEK 0.15 (0.12). Income tax for the period was SEK –18m (–9). The effective tax rate for the quarter is 29.0 per cent (21.4).

Acquisitions and divestments

No acquisitions or divestments took place in the first quarter.

Cash flow from operating and investing activities

Cash flow for the first quarter

Cash flow from operating activities was SEK 253m (223). Cash flow from operating activities before changes in working capital was SEK 121m (66). The improvement compared to the prior year is mainly the result of lower interest expenses and corporate income taxes for a total amount of SEK 30m. The improved operating profit also contributed to a higher cash flow from operating activities before changes in working capital. The cash flow from changes in working capital was SEK 132m (157). Cash flow from operating and investing activities was SEK 215m (168).

Working capital

Cash flow from changes in working capital follows a normal seasonal pattern and was SEK 132m (157).

Investments

Cash flow from investing activities was SEK –38m (–55) and is fully attributable to investments in property, plant and equipment and intangibles.

Financial position

Consolidated equity at 31 March 2016 amounted to SEK 4,391m (4,022), which is equal to SEK 15.2 (13.9) per share. Net debt at 31 March 2016 was SEK 2,615m (3,118).

Non-current borrowings totalled SEK 2,629m (2,887) and consisted of SEK 1,639m (1,915) in gross loans from credit institutions, senior secured notes of SEK 1,000m (1,000) and SEK –10m (–28) in capitalized transaction costs.

Total current borrowings amounted to SEK 254m (268) and consisted of SEK 270m (285) in gross loans from credit institutions, SEK –18m (–19) in capitalized transaction costs and accrued interest on loans from credit institutions and senior secured notes for an amount of SEK 2m (2). The short-term gross loans from credit institutions in an amount of SEK 270m (285) consist of the short-term repayment obligation.

SEKm	31 Mar 2016	31 Mar 2015	31 Dec 2015
Gross non-current borrowings	1,639	1,915	1,625
Gross current borrowings	270	285	360
Senior secured notes	1,000	1,000	1,000
Derivative financial instruments (current and non-current)	78	66	78
Interest payable	2	2	1
Gross debt	**2,989**	**3,268**	**3,064**
Cash and cash equivalents	–374	–150	–246
Net debt	**2,615**	**3,118**	**2,818**

Cash and cash equivalents at 31 March 2016, excluding long-term unutilized overdraft facilities, amounted to SEK 374m (150). At 31 March 2015 Cloetta had unutilized overdraft facilities for a total of SEK 699m (684).

Other disclosures

Seasonal variations

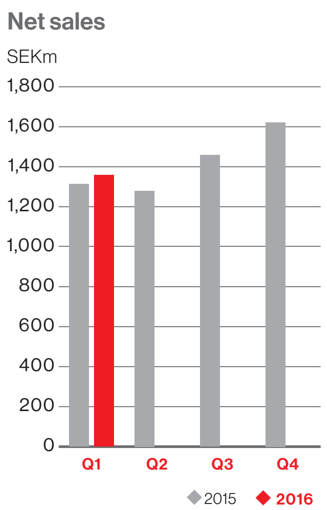
Cloetta's sales and operating profit are subject to some seasonal variations. Sales in the first and second quarters are affected by the Easter holiday, depending on in which quarter it occurs. In the fourth quarter, sales are usually higher than in the first three quarters of the year, which is mainly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

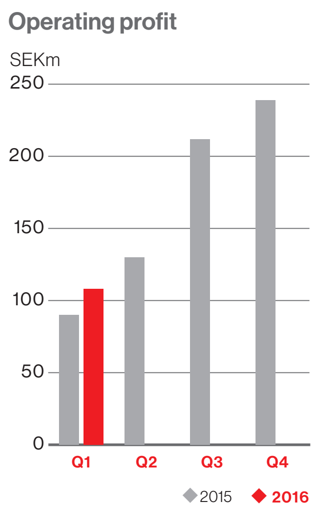
Employees

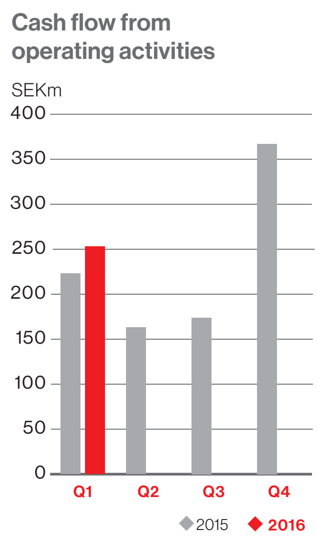
The average number of employees during the quarter was 2,613 (2,462). The increase is a result of the acquisition of Locawo B.V. including its subsidiaries.

Events after the balance sheet date

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







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, 21 April 2016
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
Nutisal – Dry Roasted Macadamia
Malaco – Snöre Cola
AKO caramel – Fruit

Sweden and Norway
Cloetta Crispy Bite –
Blueberry and Cranberry

The Netherlands
Sportlife – Lemonmint

Sweden and Denmark
Läkerol – Ginger Lime

Italy
Sperlari – three kinds of soft licorice

Denmark
Nutisal – Dry Roasted Peanuts
Lagerman konfekt –
soft bars in three flavors

Norway
Läkerol – YUP Cola Sour
Läkerol – Sour Mandarin

Finland
Nutisal – Dry Roasted Cashews
Jenkki – Vitamin D
Malaco TV-Mix – SCFI

Financial statements in summary

Consolidated profit and loss account

SEKm	First quarter Jan–Mar 2016	First quarter Jan–Mar 2015	Rolling 12 Apr 2015–Mar 2016	Full year 2015
Net sales	1,358	1,313	5,719	5,674
Cost of goods sold	–852	–822	–3,493	–3,463
Gross profit	**506**	**491**	**2,226**	**2,211**
Other income	–	0	0	0
Selling expenses	–226	–245	–930	–949
General and administrative expenses	–172	–156	–607	–591
Operating profit	**108**	**90**	**689**	**671**
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	–8	6	–15	–1
Other financial income	2	0	8	6
Other financial expenses	–40	–54	–169	–183
Net financial items	**–46**	**–48**	**–176**	**–178**
Profit before tax	**62**	**42**	**513**	**493**
Income tax	–18	–9	–116	–107
Profit for the period	**44**	**33**	**397**	**386**
Profit for the period attributable to:				
Owners of the Parent Company	44	33	397	386
Earnings per share, SEK				
Basic[1]	0.15	0.12	1.39	1.35
Diluted[1]	0.15	0.12	1.39	1.35
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]	286,051,689	286,481,689	286,183,634	286,290,840
Average number of shares (diluted)[1]	286,404,267	286,685,221	286,491,088	286,561,607

1) Cloetta entered into three long-term forward contracts to repurchase own shares to fulfil its future obligation to deliver the shares to the participants of the long-term share based incentive plan. Earnings per share are calculated on the average number of shares adjusted for the effect of the forward contracts to repurchase own shares. The three contracts cover a total of 2,567,610 Cloetta AB shares. One contract covers 937,610 Cloetta AB shares for an amount of SEK 18.50678 per share, one contract covers 1,200,000 Cloetta AB shares for an amount of SEK 23.00000 per share and the last contract covers 430,000 Cloetta AB shares for an amount of SEK 26.40000 per share.

Consolidated statement of comprehensive income

SEKm	First quarter Jan–Mar 2016	First quarter Jan–Mar 2015	Rolling 12 Apr 2015–Mar 2016	Full year 2015
Profit for the period	**44**	**33**	**397**	**386**
Other comprehensive income				
Remeasurement of defined benefit pension plans	–43	–34	118	127
Income tax on other comprehensive income that will not be reclassified subsequently to profit or loss for the period	10	7	–25	–28
Items that will never be reclassified to profit or loss for the period	**–33**	**–27**	**93**	**99**
Currency translation differences	37	–43	–44	–124
Hedge of a net investment in a foreign operation	–6	11	8	25
Income tax on other comprehensive income that will be reclassified subsequently to profit or loss for the period, when specific conditions are met	1	–2	–2	–5
Items that are or may be reclassified to profit or loss for the period	**32**	**–34**	**–38**	**–104**
Total other comprehensive income	**–1**	**–61**	**55**	**–5**
Total comprehensive income, net of tax	**43**	**–28**	**452**	**381**
Total comprehensive income for the period attributable to:				
Owners of the Parent Company	43	–28	452	381

Net financial items

SEKm	First quarter Jan–Mar 2016	First quarter Jan–Mar 2015	Rolling 12 Apr 2015–Mar 2016	Full year 2015
Exchange differences on borrowings and cash	**–8**	**6**	**–15**	**–1**
Other financial income, third parties	0	0	1	1
Unrealized gains on single currency interest rate swaps	2	–	7	5
Other financial income	**2**	**0**	**8**	**6**
Interest expenses on third-party borrowings and realized losses on single currency interest rate swaps	–25	–39	–106	–120
Interest expenses, contingent earn-out liabilities	–3	–3	–13	–13
Amortization of capitalized transaction costs	–5	–4	–19	–18
Unrealized losses on single currency interest rate swaps	–	–2	2	–
Other financial expenses	–7	–6	–33	–32
Other financial expenses	**–40**	**–54**	**–169**	**–183**
Net financial items	**–46**	**–48**	**–176**	**–178**

Condensed consolidated balance sheet

SEKm	31 Mar 2016	31 Mar 2015	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets	5,984	5,845	5,948
Property, plant and equipment	1,693	1,651	1,698
Deferred tax asset	60	79	64
Other financial assets	20	112	27
Total non-current assets	**7,757**	**7,687**	**7,737**
Current assets			
Inventories	827	822	786
Other current assets	888	959	978
Derivative financial instruments	–	8	1
Cash and cash equivalents	374	150	246
Total current assets	**2,089**	**1,939**	**2,011**
Assets held for sale	8	16	11
TOTAL ASSETS	**9,854**	**9,642**	**9,759**
EQUITY AND LIABILITIES			
Equity	**4,391**	**4,022**	**4,344**
Non-current liabilities			
Long-term borrowings	2,629	2,887	2,612
Deferred tax liability	618	474	621
Derivative financial instruments	41	57	44
Other non-current liabilities	–	86	43
Provisions for pensions and other long-term employee benefits	418	538	378
Provisions	9	14	10
Total non-current liabilities	**3,715**	**4,056**	**3,708**
Current liabilities			
Short-term borrowings	254	268	344
Derivative financial instruments	37	17	35
Other current liabilities	1,420	1,228	1,271
Provisions	37	51	57
Total current liabilities	**1,748**	**1,564**	**1,707**
TOTAL EQUITY AND LIABILITIES	**9,854**	**9,642**	**9,759**

Condensed consolidated statement of changes in equity

SEKm	First quarter Jan–Mar 2016	First quarter Jan–Mar 2015	Full year 2015
Equity at beginning of period	**4,344**	**4,048**	**4,048**
Profit for the period	44	33	386
Other comprehensive income	–1	–61	–5
Total comprehensive income	**43**	**–28**	**381**
Transactions with owners			
Reversal of capital contribution[1]	–	–	–84
Forward contract to repurchase own shares	–	–	–12
Share-based payments	4	2	11
Total transactions with owners	**4**	**2**	**–85**
Equity at end of period	**4,391**	**4,022**	**4,344**

1) Reversal of capital contribution relates to the derecognition of the tax indemnity receivable. This reversal is non-cash in nature.

Condensed consolidated cash flow statement

SEKm	First quarter Jan–Mar 2016	First quarter Jan–Mar 2015	Rolling 12 Apr 2015–Mar 2016	Full year 2015
Cash flow from operating activities before changes in working capital	121	66	752	697
Cash flow from changes in working capital	132	157	205	230
Cash flow from operating activities	**253**	**223**	**957**	**927**
Cash flow from investments in property, plant and equipment and intangible assets	–38	–55	–144	–161
Cash flow from other investing activities	–	–	–206	–206
Cash flow from investing activities	**–38**	**–55**	**–350**	**–367**
Cash flow from operating and investing activities	**215**	**168**	**607**	**560**
Cash flow from financing activities	**–90**	**–245**	**–363**	**–518**
Cash flow for the period	**125**	**–77**	**244**	**42**
Cash and cash equivalents at beginning of period	246	229	150	229
Cash flow for the period	125	–77	244	42
Foreign exchange difference	3	–2	–20	–25
Cash and cash equivalents at end of period	**374**	**150**	**374**	**246**

Condensed consolidated key figures

SEKm	First quarter Jan–Mar 2016	First quarter Jan–Mar 2015	Rolling 12 Apr 2015–Mar 2016	Full year 2015
Profit				
Net sales	1,358	1,313	5,719	5,674
Net sales, change, %	3.4	10.1	5.3	6.8
Organic net sales, change, %	–0.7	4.0	N/A	1.5
Gross margin, %	37.3	37.4	38.9	39.0
Depreciation	–58	–55	–230	–227
Amortization	–1	–1	–4	–4
Operating profit, adjusted	126	108	708	690
Operating profit margin, adjusted, %	9.3	8.2	12.4	12.2
Operating profit (EBIT)	108	90	689	671
Operating profit margin (EBIT margin), %	8.0	6.9	12.0	11.8
EBITDA, adjusted	185	164	942	921
EBITDA	167	146	923	902
Profit margin, %	4.6	3.2	9.0	8.7
Financial position				
Working capital	500	657	500	628
Capital expenditure	–38	–55	–144	–161
Net debt	2,615	3,118	2,615	2,818
Capital employed	7,770	7,790	7,770	7,756
Return on capital employed, % (Rolling 12 months)	9.0	8.1	9.0	8.6
Equity/assets ratio, %	44.6	41.7	44.6	44.5
Net debt/equity, %	59.6	77.5	59.6	64.9
Return on equity, %	N/A	N/A	9.0	8.9
Equity per share, SEK	15.2	13.9	15.2	15.1
Net debt/EBITDA, x (Rolling 12 months)	2.78	3.60	2.78	3.03
Cash flow				
Cash flow from operating activities	253	223	957	927
Cash flow from investing activities	–38	–55	–350	–367
Cash flow after investments	215	168	607	560
Cash conversion, %	79.5	66.5[1]	84.7	82.5
Cash flow from operating activities per share, SEK	0.9	0.8	3.3	3.2
Employees				
Average number of employees	2,613	2,462	2,538	2,583

1) Comparative figures have been restated due to a change in the definition of the cash conversion.

Condensed consolidated quarterly data

SEKm	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Profit and loss account									
Net sales	1,358	1,622	1,459	1,280	1,313	1,579	1,303	1,238	1,193
Cost of goods sold	–852	–991	–894	–756	–822	–983	–803	–770	–769
Gross profit	**506**	**631**	**565**	**524**	**491**	**596**	**500**	**468**	**424**
Other income	–	–	0	0	0	1	3	1	0
Selling expenses	–226	–237	–228	–239	–245	–237	–195	–257	–203
General and administrative expenses	–172	–155	–125	–155	–156	–98	–130	–127	–169
Operating profit	**108**	**239**	**212**	**130**	**90**	**262**	**178**	**85**	**52**
Exchange gains/losses on borrowings and cash and cash equivalents in foreign currencies	–8	–6	–4	3	6	–14	7	–3	–1
Other financial income	2	6	0	0	0	0	1	2	1
Other financial expenses	–40	–48	–39	–42	–54	–57	–60	–65	–50
Net financial items	**–46**	**–48**	**–43**	**–39**	**–48**	**–71**	**–52**	**–66**	**–50**
Profit before tax	**62**	**191**	**169**	**91**	**42**	**191**	**126**	**19**	**2**
Income tax expense	–18	–34	–39	–25	–9	–33	–39	–10	–14
Profit/loss for the period	**44**	**157**	**130**	**66**	**33**	**158**	**87**	**9**	**–12**
Profit/loss for the period attributable to:									
Owners of the Parent Company	44	157	130	66	33	158	87	9	–12
KEY FIGURES									
Profit									
Operating profit, adjusted	126	255	194	133	108	257	193	108	74
EBITDA, adjusted	185	315	253	189	164	313	242	156	122
EBITDA	167	299	271	186	146	318	227	133	100
Operating profit margin, adjusted, %	9.3	15.7	13.3	10.4	8.2	16.3	14.8	8.7	6.2
Operating profit margin (EBIT margin), %	8.0	14.7	14.5	10.2	6.9	16.6	13.7	6.9	4.4
Earnings per share, kr SEK									
Basic	0.15	0.55	0.45	0.23	0.12	0.55	0.30	0.03	–0.04
Diluted[1]	0.15	0.55	0.45	0.23	0.12	0.55	0.30	0.03	–0.04
Financial position									
Share price, last paid, kr SEK	25.80	28.00	23.90	25.10	25.30	22.60	21.60	22.80	23.60
Return on equity, % (Rolling 12 months)	9.0	8.9	8.9	8.4	7.1	6.0	7.0	7.0	5.7
Equity per share, SEK	15.2	15.1	15.0	14.3	13.9	14.0	13.3	13.2	13.0
Net debt/EBITDA, x (Rolling 12 months)	2.78	3.03	3.39	3.30	3.60	3.97	4.30	4.55	4.47
Cash flow									
Cash flow from operating activities per share, SEK	0.9	1.3	0.6	0.6	0.8	1.0	0.3	0.2	0.3

1 Cloetta entered into three long-term 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. Earnings per share are calculated on the average number of shares adjusted for the effect of the forward contracts to repurchase own shares. The three contracts cover a total of 2,567,610 Cloetta AB shares. One contract covers 937,610 Cloetta AB shares for an amount of SEK 18.50678 per share, one contract covers 1,200,000 Cloetta AB shares for an amount of SEK 23.00000 per share and the last contract covers 430,000 Cloetta AB shares for an amount of SEK 26.40000 per share.

Parent Company

Condensed parent company profit and loss account

	First quarter		Rolling 12	Full year
SEKm	Jan–Mar 2016	Jan–Mar 2015	Apr 2015–Mar 2016	2015
Net sales	20	18	90	88
Gross profit	**20**	**18**	**90**	**88**
Other income	–	0	0	–
General and administrative expenses	–26	–28	–111	–113
Operating loss	**–6**	**–10**	**–21**	**–25**
Net financial items	–7	–11	31	27
Profit or loss before tax	**–13**	**–21**	**10**	**2**
Income tax	2	4	–2	0
Profit or loss for the period	**–11**	**–17**	**8**	**2**

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

Condensed parent company balance sheet

SEKm	31 Mar 2016	31 Mar 2015	31 Dec 2015
ASSETS			
Non-current assets	5,322	5,189	5,307
Current assets	68	44	90
TOTAL ASSETS	5,390	5,233	5,397
EQUITY AND LIABILITIES			
Equity	4,211	4,190	4,218
Non-current liabilities			
Borrowings	1,123	991	1,122
Derivative financial instruments	–	12	3
Provisions	1	1	1
Total non-current liabilities	1,124	1,004	1,126
Current liabilities			
Derivative financial instruments	15	12	14
Current liabilities	40	27	39
Total current liabilities	55	39	53
TOTAL EQUITY AND LIABILITIES	5,390	5,233	5,397
Pledged assets	4,882	4,623	4,882
Contingent liabilities	2,690	2,958	2,763

Condensed parent company statement of changes in equity

	First quarter		Full year
SEKm	Jan–Mar 2016	Jan–Mar 2015	2015
Equity at beginning of period	4,218	4,205	4,205
Profit or loss for the period	–11	–17	2
Total comprehensive income	–11	–17	2
Transactions with owners			
Share-based payments	4	2	11
Total transactions with owners	4	2	11
Equity at end of period	4,211	4,190	4,218

Disclosures, risk factors and accounting policies

Disclosures

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 2016. Net sales in the Parent Company reached SEK 20m (18) and referred mainly to intra-group services. Operating profit was SEK –6m (–10). Net financial items totalled SEK –7m (–11). Profit before tax was SEK –13m (–21) and profit after tax was SEK –11m (–17). Cash and cash equivalents and short-term investments amounted to SEK 0m (0).

The Cloetta share

Cloetta's class B share is listed on Nasdaq Stockholm, Mid Cap. During the period from 1 January to 31 March 2016, a total of 48,789,280 shares were traded for a combined value of SEK 1,282m, equal to around 18 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 2016 was SEK 28.50 (13 January) and the lowest was SEK 24.10 (18 February). The share price on 31 March 2016 was SEK 25.80 (last price paid).

During the period from 1 January to 31 March 2016, the Cloetta share decreased by 7 per cent while the Nasdaq OMX Stockholm PI index decreased by 4 per cent.

Cloetta's share capital at 31 March 2016 amounted to SEK 1,443,096,495. The total number of shares is 288,619,299, consisting of 9,861,614 class A shares and 278,757,685 class B shares, equal to a quota value of SEK 5 per share.

Shareholders

On 31 March 2016 Cloetta AB had 14,104 shareholders. The largest shareholder was AB Malfors Promotor with a holding corresponding to 41.8 per cent of the votes and 23.9 per cent of the share capital in the company. Threadneedle (Amerprise Financial, Inc.) was the second largest shareholder with 5.1 per cent of the votes and 6.6 per cent of the share capital. The third largest shareholder was Artisan Partners Asset Management Inc. with 4.0 per cent of the votes and 5.2 per cent of the share capital.

Institutional investors held 91.1 per cent of the votes and 88.4 per cent of the share capital. Foreign shareholders held 32.7 per cent of the votes and 42.8 per cent of the share capital.

Taxes

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

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 report for 2015 and consist of industry- and market-related risks, operational risks and financial risks. Compared to the annual report for 2015, which was issued on 10 March 2016, no new risks have been identified.

Accounting policies

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 2016. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied. 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.

The same accounting policies and methods of computation are applied in the interim financial statements as in the most recent annual financial statements, except for amendments to standards that are effective for annual periods beginning on 1 January 2016 that have not been already applied in preparing the 2015 consolidated financial statements. Reference is made to Note 34 'Changes in accounting policies' in the annual report for 2015.

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 Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) and the contingent consideration arising from the option agreement for Aran Candy Ltd. categorized at level 3, as well as assets held for sale, in cases where the fair value less cost of disposal is below the carrying amount. The fair values of financial assets (loans and receivables) and liabilities measured at amortized cost are approximately equal to their carrying amounts. The fair value of financial assets and liabilities for measurement purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value measurements by level according to the fair value measurement hierarchy are as follows:

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

The following table presents the Group's assets and liabilities that are measured at fair value as per 31 March 2016

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
- Non-current assets measured at fair value	–	–	8	8
Total assets	**–**	**–**	**8**	**8**
Liabilities				
Liabilities at fair value through profit or loss				
- Interest rate swaps	–	21	–	21
- Contingent consideration	–	–	144	144
- Forward foreign currency contracts	–	1	–	1
Total liabilities	**–**	**22**	**144**	**166**

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

The non-current assets measured at fair value less cost of disposal at 31 March 2016 consisted of the land and building in Zola Predosa, Italy.

The following table presents the Group's assets and liabilities that were measured at fair value as per 31 December 2015

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
- Non-current assets measured at fair value	–	–	11	11
- Forward foreign currency contracts	–	1	–	1
Total assets	**–**	**1**	**11**	**12**
Liabilities				
Liabilities at fair value through profit or loss				
- Interest rate swaps	–	22	–	22
- Contingent consideration	–	–	125	125
- Forward foreign currency contracts	–	0	–	0
Total liabilities	**–**	**22**	**125**	**147**

The following table presents the Group's assets and liabilities that are measured at fair value as per 31 March 2015

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
- Non-current assets measured at fair value	–	–	16	16
- Forward foreign currency contracts	–	8	–	8
Total assets	**–**	**8**	**16**	**24**
Liabilities				
Liabilities at fair value through profit or loss				
- Interest rate swaps	–	29	–	29
- Contingent consideration	–	–	150	150
Total liabilities	**–**	**29**	**150**	**179**

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

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

SEKm	Jan–Mar 2016	Jan–Mar 2015	Full year 2015
Opening balance	**125**	**147**	**147**
Remeasurements recognized in profit or loss			
- Unrealized remeasurements on contingent consideration recognized in general and administrative expenses	14	–	–33
- Unrealized interest on contingent consideration recognized in other financial expenses	2	3	12
Remeasurements recognized in other comprehensive income			
- Unrealized currency translation differences	3	0	–1
Closing balance	**144**	**150**	**125**

No transfer between fair value hierarchy levels has 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 maximize 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 liability requires the use of significant unobservable inputs and is thereby 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.
- The fair value of the assets held for sale is based on valuations by external independent valuators.
- Other techniques, such as discounted cash flow analysis, are used to determine the fair value of the remaining financial instruments.

The fixed assets measured at fair value are identified as a non-recurring fair value measurement and are related to the assets held for sale. The assets are valued at fair value in case the fair value less cost of disposal is below the carrying amount. The contingent earn-out liabilities 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 would increase (decrease) if:
  –the forecasted profit before indirect cost for 2016 were higher (lower).
- The estimated fair value of the contingent consideration arising from option agreements would increase (decrease) if:
  –the working capital at 31 December 2015 were higher (lower),
  –the cash balance at 31 December 2015 were higher (lower),
  –the adjusted gross profit for 2015 were higher (lower).

For detailed information about the accounting policies, see Cloetta's annual report for 2015 at www.cloetta.com.

Acquisition of Locawo B.V.

On 17 July 2015, Cloetta acquired control of Locawo B.V. including its subsidiaries, a manufacturer of a wide range of sweets, by means of acquiring 100 per cent of the total outstanding ordinary shares. This transaction provides Cloetta with 100 per cent of the voting rights in Locawo B.V. The primary reason for the acquisition is to broaden the Cloetta product portfolio as part of its 'Munchy Moments' strategy and to gain access to the adult candy and chocolate market in The Netherlands.

SEKm	
Consideration paid	**206**
Cash paid	–
Contingent consideration	206
Consideration transferred	
Recognized amounts of identifiable assets and liabilities assumed:	
Non-current assets	**264**
Intangible assets (excl. goodwill)	143
Property, plant and equipment	119
Other non-current assets	2
Current assets	**76**
Inventories	31
Trade and other receivables	45
Cash and cash equivalents	–
Non-current liabilities	**–72**
Borrowings	–21
Provisions	–2
Deferred tax liabilities	–49
Current liabilities	**–107**
Borrowings	–30
Trade payables	–26
Derivative financial instruments	–3
Taxes and social security premiums	–6
Payables to related parties	–27
Other current liabilities	–15
Total identifiable net assets	**161**
Goodwill	45
Consideration transferred	**206**

The total consideration comprises SEK 206m of cash. No contingent consideration is arranged in the transaction.

The goodwill of SEK 45m relates primarily to the potential of new distribution channels, the workforce, creating diversity in Cloetta's branded portfolio and new market/sales opportunities in Cloetta's markets. The total goodwill of SEK 45m is not expected to be deductible for tax purposes.

The acquired receivables compromise of accounts receivable of SEK 34m which are expected to be collected in full. The contingent liabilities recognized as part of the purchase price allocation amount to SEK 1m. The total of transaction cost related to the acquisition amounted to SEK 9m and are fully recognized in the income statement for the period concerned as 'General & Administration expenses'.

Due to the short-term nature of the receivables, the fair value approximates the gross contractual amounts. The contractual cash flows which are expected not to be collected are immaterial.

Locawo B.V. contributed SEK 151m to the consolidated revenues of Cloetta as from acquisition date up to 31 December 2015. In the period 1 January 2016 up to 31 March 2016 Locawo B.V. contributed SEK 64m to the consolidated revenues of Cloetta. Because Locawo B.V. has been acquired on 17 July 2015 the accounting for the business combination is preliminary and has not yet been finalized as the company is still assessing certain information. The goodwill acquired is allocated to the cash-generating unit Middle.

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	
Gross margin	Net sales less cost of goods sold as a percentage of net sales.
Operating profit margin (EBIT margin)	Operating profit expressed as a percentage of net sales.
Operating profit margin, adjusted	Operating profit, adjusted for one-off items, as a percentage of net sales.
Profit margin	Profit/loss before tax expressed as a percentage of net sales.
Return	
Cash conversion	Operating profit, adjusted for one-off items, before depreciation and amortization less capital expenditures as a percentage of operating profit, adjusted for one-off items, before depreciation and amortization.
Return on capital employed	Operating profit plus financial income as a percentage of average capital employed.
Return on equity	Profit for the period as a percentage of total equity.
Capital structure	
Capital employed	Total assets less interest-free liabilities (including deferred tax).
Equity/assets ratio	Equity at the end of the period as a percentage of total assets.
Gross debt	Gross current and non-current borrowings, credit overdraft facilities, derivative financial instruments and interest payables.
Net debt	Gross debt less cash and cash equivalents.
Net debt/EBITDA	Net debt/EBITDA according to the definition in the credit facility agreement. The difference between net debt in the credit facility agreement and the external net debt definition is that the definition in the credit facility agreement includes the minimum contingent earn-out considerations but excludes financial derivative instruments. The definition of EBITDA in the credit facility agreement corresponds to operating profit, adjusted, before depreciation and amortization, and includes the rolling twelve-month EBITDA of acquired companies.
Net debt/equity ratio	Net debt at the end of the period divided by equity at the end of the period.
Working capital	Total inventories and trade and other receivables adjusted for trade and other payables.
Data per share	
Earnings per share	Profit for the period divided by the average number of shares.
Other definitions	
EBIT	Operating profit consists of comprehensive income before net financial items and income tax.
Net sales, change	Net sales as a percentage of net sales in the comparative period of the previous year.
One-off items	One-off items are items such as restructurings and impact from acquisitions.
Operating profit, adjusted	Operating profit adjusted for one-off items.
EBITDA	Operating profit before depreciation and amortization.
EBITDA, adjusted	Operating profit, adjusted for one-off items, before depreciation and amortization.

Glossary

Pick-and-mix concept	Cloetta's range of candy and natural snacks that are picked by the consumers themselves.

Exchange rates

	31 Mar 2016	31 Mar 2015	31 Dec 2015
EUR, average	9.3161	9.3792	9.3445
EUR, end of period	9.2329	9.2795	9.1679
NOK, average	0.9802	1.0744	1.0432
NOK, end of period	0.9800	1.0642	0.9563
GBP, average	12.0474	12.6410	12.8736
GBP, end of period	11.6961	12.7923	12.4835
DKK, average	1.2490	1.2590	1.2529
DKK, end of period	1.2391	1.2424	1.2287

Financial calendar

2016									2017				
APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY

Interim report Q1
21 April 2016

Interim report Q2
15 July 2016

Interim report Q3
27 October 2016

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The information in this interim report is such that Cloetta is required to disclose in accordance with the Securities Market Act. The report was released for publication at 8:00 a.m. CET on 21 April 2016.

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.

Strategies

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

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 one-off items, of at least 14 per cent.**
- **Cloetta's long-term target is a net debt/EBITDA ratio of around 2.5.**
- **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 organization.**
- **Good consumer knowledge and loyalty.**
- **Innovative product and packaging development.**
- **Effective production with high and consistent quality.**

About Cloetta

Cloetta, founded in 1862, is a leading confectionery company in the Nordic region, the Netherlands and Italy. 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, Jenkki, Kexchoklad, Malaco, Sportlife, Saila, Red Band and Sperlari. Cloetta has 13 production units in six countries. Cloetta's class B shares are traded on Nasdaq Stockholm.

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