



# Interim report, Q1 January – March 2015

Stockholm, 23 April 2015

- ♦ **Net sales** for the quarter increased by 10.1 per cent to SEK 1,313m (1,193), including a positive impact from foreign exchange rates of 3.4 per cent.
- ♦ **Operating profit** was SEK 90m (52).
- ♦ **Underlying EBIT** was SEK 107m (81).
- ♦ **Cash flow from operating activities** was SEK 223m (91).
- ♦ **Net debt/EBITDA** was 3.60x (4.47). In the quarter, loans of SEK 34m were repaid.
- ♦ **The new Pick & Mix concept** was implemented in 700 Coop stores in Sweden.

SEKm	First quarter			Full year
	Jan–Mar 2015	Jan–Mar 2014	Change, %	2014
Net sales	1,313	1,193	10.1 <sup>2</sup>	5,313
Operating profit (EBIT)	90	52	73.1	577
Operating profit margin (EBIT margin), %	6.9	4.4	2.5–pts	10.9
Underlying EBIT <sup>1</sup>	107	81	32.1	635
Underlying EBIT margin, % <sup>1</sup>	8.3	6.6	1.7–pts	11.9
Profit before tax	42	2	n/a	338
Profit for the period	33	–12	n/a	242
Earnings per share, basic and diluted, SEK	0.12	–0.04	n/a	0.84
Net debt/EBITDA (Rolling 12 months), x	3.60	4.47	–19.5	3.97
Cash flow from operating activities	223	91	145.1	500

<sup>1</sup> Based on constant exchange rates, the current group structure and excluding items affecting comparability. The comparative figures for 2014 have been restated.

<sup>2</sup> Organic growth at constant exchange rates and comparable units was 4.0% for the quarter. See further under Net Sales on page 3.

# Message from the CEO

Continued sales growth, improved operating profit (EBIT) and strong cash flow.

I am highly satisfied that Cloetta continued to increase both sales and operating profit in the first quarter of the year. This demonstrates that our focus on profitable growth is paying off. Operating profit (EBIT) rose sharply to SEK 90m (52). The underlying operating profit increased to SEK 107m (81), resulting in an improvement in the underlying operating margin by 1.7 percentage points. As previously announced, we incurred one-off costs for restructuring in Italy and the implementation of the new Pick & Mix concept in Sweden during the quarter, which amounted to a total of SEK 19m.

Both the operating profit margin and underlying operating profit margin improved significantly to 6.9 per cent (4.4) and 8.3 per cent (6.6), respectively. Profit after tax also improved to SEK 33m (-12).

## Confectionery market

The confectionery market showed positive development in all markets except the Netherlands.

## Continued increase in growth

Cloetta's total sales increased by 10.1 per cent in the quarter, of which organic growth accounted for 4.0 per cent, acquisitions for 2.7 per cent and changes in exchange rates for 3.4 per cent. Sales increased in all markets except Italy, Norway and the Netherlands. Contract manufacturing declined. Sales were up markedly in Sweden due to the rollout of the new Pick & Mix concept. Denmark and Finland also showed very strong sales development. Growth in Denmark was driven by sales of pastilles and chocolate. In Finland, growth was fuelled by product launches and increased sales of pastilles.

## Cash flow remains strong

The very strong cash flow trend from last year continued through the first quarter. Just as in the fourth quarter of last year, this demonstrates Cloetta's strong cash-generating ability after the completion of the factory restructuring programme some six months ago.

## Further decrease in debt

As a result of the continued improvement in EBITDA, strong cash flow generation during the quarter, the net debt/EBITDA ratio has reached 3.60x (4.47x). The improvement demonstrates that Cloetta is continuing its journey toward the long-term target of a net debt/EBITDA ratio of around 2.5x. The ambition to use future cash flows for amortisation of debt, while at the same time providing financial flexibility for complementary acquisitions and dividends, remains unchanged.

## Pick & Mix concept at Coop implemented

Our new Pick & Mix concept consisting of candy and natural snacks for Coop Sweden was implemented in the first quarter. The rollout has gone very smoothly and the approximately 700 Coop stores have now been rebuilt. The Pick & Mix concept name "Godisfavoriter" was implemented in all stores at the end of February and the "Naturesnacks" concept was implemented in the 300 relevant stores during March. Sales leading up to and during Easter, which is of major importance for the Pick & Mix category, were in line with plan. Against this background, I feel confident that we have a concept that is highly appreciated by consumers.

## Taking additional steps toward the long-term targets

Cloetta's long-term targets are to achieve an underlying EBIT margin of 14 per cent, to grow at least in line with the market, and at the same time to reduce our debt. In the first quarter, we improved our underlying EBIT margin by 1.7 percentage points. The improved profitability, in combination with continued amortisation, led to a decrease in our debt level. Furthermore, in the past quarter we have also shown, partly driven by the new Pick & Mix concept, that it is possible to grow faster than the market. The quarter was therefore another step toward the realisation of our goals.



Bengt Baron,  
President and CEO

# Financial overview

## First quarter developments

### Net sales

Net sales for the first quarter rose by SEK 120m to SEK 1,313m (1,193) compared to the same period of last year. Organic growth was 4.0 per cent, acquisition accounted for 2.7 per cent and changes in exchange rates accounted for 3.4 per cent.

Sales increased in all markets except Italy, Norway and the Netherlands. Contract manufacturing declined. Sales were up markedly in Sweden due to the rollout of the new Pick & Mix concept. Denmark and Finland also showed very strong sales development. Growth in Denmark was driven by sales of pastilles and chocolate. In Finland, growth was fuelled by product launches and increased sales of pastilles.

Changes in net sales, %	Jan-Mar 2015
Organic growth	4.0
Structural changes	2.7
Changes in exchange rates	3.4
<b>Total</b>	<b>10.1</b>

### Gross profit

Gross profit amounted to SEK 491m (424), which is equal to a gross margin of 37.4 per cent (35.5). The improvement in the gross margin is mainly due to higher efficiency.

### Operating profit

Operating profit improved to SEK 90m (52). The improvement is mainly due to higher efficiency. Underlying EBIT improved to SEK 107m (81).

### Items affecting comparability

Operating profit for the first quarter includes items affecting comparability related to the restructuring of the Italian organisation and implementation costs for the new Pick & Mix concept in Sweden amounted to SEK 19m. Exchange rate differences was SEK -2m.

### Net financial items

Net financial items for the quarter amounted to SEK -48m (-50). Interest expenses related to external borrowings totalled SEK -39m (-34) and other financial items amounted to SEK -9m (-16). Of the total net financial items SEK -12m (-12) is non-cash in nature.

### Profit for the period

Profit for the period was SEK 33m (-12), which is equal to basic and diluted earnings per share of SEK 0.12 (-0.04). Income tax for the period was SEK -9m (-14). The effective tax rate for the quarter is 21.4 per cent.

### Acquisitions and divestments

No acquisitions or divestments took place in the first quarter.

### Cash flow from operating and investing activities for the first quarter

#### Cash flow for the first quarter

Cash flow from operating activities was SEK 223m (91). Cash flow from operating activities before changes in working capital was SEK 66m (-1). The improvement compared to the prior year is mainly the result of a higher operating profit. The cash flow from changes in working capital was SEK 157m (92). Cash flow from operating and investing activities was SEK 168m (-52).

#### Working capital

The cash flow from working capital was SEK 157m (92). This relates to cash collections from receivables from seasonal sales 2014. Furthermore inventory levels were reduced, offset by some decreases in payables.

#### Investments

Cash flow from investing activities was SEK -55m (-143). The decrease is mainly due to the acquisition of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) in 2014, which impacted cash flow in an amount of SEK 110m. The cash flow from investments in property, plant and equipment and intangibles amounted to SEK -55m (-36).

### Financial position

Consolidated equity at 31 March 2015 amounted to SEK 4,022m (3,758), which is equal to SEK 13.9 per share (13.0). Net debt at 31 March 2015 was SEK 3,118m (3,304).

Non-current borrowings totalled SEK 2,887m (3,082) and consisted of SEK 1,915m (2,128) in gross loans from credit institutions, senior secured notes of SEK 1,000m (1,000) and SEK -28m (-46) in capitalised transaction costs.

Total current borrowings amounted to SEK 268m (290) and consisted of SEK 285m (135) in gross loans from credit institutions, SEK -19m (-18) in capitalised transaction costs, SEK - (171) in a credit overdraft facility, 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 285m (135) consist of a short-term repayment obligation for the last three quarters of 2015 and the first quarter of 2016.

SEKm	31 Mar 2015	31 Mar 2014	31 Dec 2014
Gross non-current borrowings	1,915	2,128	2,026
Gross current borrowings	285	135	229
Credit overdraft facility	–	171	211
Senior secured notes	1,000	1,000	1,000
Derivative financial instruments	66	24	70
Interest payable	2	2	1
<b>Gross debt</b>	<b>3,268</b>	<b>3,460</b>	<b>3,537</b>
Cash and cash equivalents	–150	–156	–229
<b>Net debt</b>	<b>3,118</b>	<b>3,304</b>	<b>3,308</b>

Cash and cash equivalents at 31 March 2015, excluding long-term unutilised overdraft facilities, amounted to SEK 150m (156). At 31 March 2015 Cloetta had unutilised overdraft facilities for a total of SEK 684m (516).

## 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 and when in the 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 2,462 (2,410). The increase is mainly due to the new employees related to the acquisition of Aran Candy Ltd.

### 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.

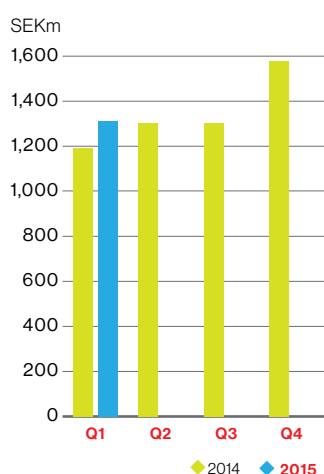
### Annual General Meeting

The Annual General Meeting will be held at 4:00 p.m. on Thursday, 23 April 2015, at conference center 7A Odenplan, Odengatan 65 in Stockholm, Sweden.

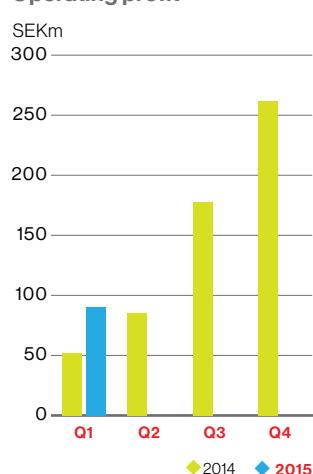
## Cash flow from operating and investing activities

SEKm	First quarter		Rolling 12	Full year
	Jan–Mar 2015	Jan–Mar 2014	Apr 2014–Mar 2015	2014
Cash flow from operating activities before changes in working capital	66	–1	559	492
Cash flow from changes in working capital	157	92	73	8
<b>Cash flow from operating activities</b>	<b>223</b>	<b>91</b>	<b>632</b>	<b>500</b>
Cash flows from investments in property, plant and equipment and intangible assets	–55	–36	–201	–182
Cash flow from other investing activities	–	–107	–80	–187
<b>Cash flow from investing activities</b>	<b>–55</b>	<b>–143</b>	<b>–281</b>	<b>–369</b>
<b>Cash flow from operating and investing activities</b>	<b>168</b>	<b>–52</b>	<b>351</b>	<b>131</b>

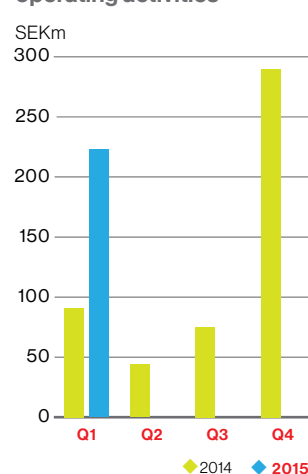
### Net sales



### Operating profit



### Cash flow from operating activities



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, 23 April 2015  
Cloetta AB (publ)

The Board

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

## Selection of key product launches during Q1



### Sweden

Polly Pask limited edition  
Malaco Viva Lakrits Kristaller  
Powerbreak 3  
Pick&Mix concept, Godisfavoriter and Natursnacks



**Finland**  
Tsinuski Toffee  
Goody Good Stuff



**The Netherlands**  
Tikkels Special Love Edition  
The Jelly Bean Factory



**Italy**  
Galatine Strawberry  
Nutisal



**Sweden, Denmark, Norway**  
Läkerol DentaFresh  
Läkerol Salty Caramel

# Financial statements in summary

## Condensed consolidated profit and loss account

SEKm	First quarter		Rolling 12	Full year
	Jan–Mar 2015	Jan–Mar 2014	Apr 2014–Mar 2015	2014
Net sales	1,313	1,193	5,433	5,313
Cost of goods sold	–822	–769	–3,378	–3,325
<b>Gross profit</b>	<b>491</b>	<b>424</b>	<b>2,055</b>	<b>1,988</b>
Other income	0	0	5	5
Selling expenses	–245	–203	–934	–892
General and administrative expenses	–156	–169	–511	–524
<b>Operating profit</b>	<b>90</b>	<b>52</b>	<b>615</b>	<b>577</b>
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	6	–1	–4	–11
Other financial income	0	1	3	4
Other financial expenses	–54	–50	–236	–232
<b>Net financial items</b>	<b>–48</b>	<b>–50</b>	<b>–237</b>	<b>–239</b>
<b>Profit before tax</b>	<b>42</b>	<b>2</b>	<b>378</b>	<b>338</b>
Income tax	–9	–14	–91	–96
<b>Profit for the period</b>	<b>33</b>	<b>–12</b>	<b>287</b>	<b>242</b>
<i>Profit for the period attributable to:</i>				
<b>Owners of the Parent Company</b>	<b>33</b>	<b>–12</b>	<b>287</b>	<b>242</b>
Earnings per share, SEK				
Basic	0.12	–0.04	1.00	0.84
Diluted <sup>1</sup>	0.12	–0.04	1.00	0.84
Number of shares at end of period	288,619,299	288,619,299	288,619,299	288,619,299
Average number of shares (basic) <sup>1</sup>	286,481,689	287,581,689	286,716,757	286,987,990
Average number of shares (diluted) <sup>1</sup>	286,685,221	287,657,851	286,857,793	287,092,780

<sup>1</sup> Cloetta entered into two long-term forward contracts in order to repurchase own shares to fulfill its future obligation to deliver the shares to the participants in the share-based long-term 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 two contracts cover a total of 2,137,610 Cloetta AB shares. One contract covers 937,610 Cloetta AB shares for an amount of SEK 18.50678 per share and the other contract covers 1,200,000 Cloetta AB shares for an amount of SEK 23.00000 per share.



## Condensed consolidated statement of comprehensive income

SEKm	First quarter		Rolling 12	Full year
	Jan-Mar 2015	Jan-Mar 2014	Apr 2014-Mar 2015	2014
<b>Profit for the period</b>	33	-12	287	242
<i>Other comprehensive income</i>				
Remeasurement of defined benefit pension plans	-34	-20	-160	-146
Income tax on other comprehensive income that will not be reclassified subsequently to profit and loss for the period	7	4	36	33
<b>Items that will never be reclassified to profit or loss for the period</b>	-27	-16	-124	-113
Hedge of a net investment in a foreign operation	11	-8	-28	-47
Currency translation differences	-43	44	145	232
Income tax on other comprehensive income that will be reclassified subsequently to profit and loss for the period, when specific conditions are met	-2	2	6	10
<b>Items that are or may be reclassified to profit or loss for the period</b>	-34	38	123	195
<b>Total other comprehensive income</b>	-61	22	-1	82
<b>Total comprehensive income, net of tax</b>	-28	10	286	324
<i>Total comprehensive income for the period attributable to:</i>				
Owners of the Parent Company	-28	10	286	324

## Net financial items

SEKm	First quarter		Rolling 12	Full year
	Jan-Mar 2015	Jan-Mar 2014	Apr 2014-Mar 2015	2014
<b>Exchange differences on borrowings and cash</b>	6	-1	-4	-11
Other financial income, third parties	0	1	3	4
<b>Other financial income</b>	0	1	3	4
Interest expenses on third-party borrowings and realised losses on single currency interest rate swaps	-39	-34	-151	-146
Interest expenses, contingent earn-out liabilities	-3	-3	-14	-14
Amortisation of capitalised transaction costs	-4	-5	-18	-19
Unrealised losses on single currency interest rate swaps	-2	-1	-24	-23
Other financial expenses	-6	-7	-29	-30
<b>Other financial expenses</b>	-54	-50	-236	-232
<b>Net financial items</b>	-48	-50	-237	-239

## Condensed consolidated balance sheet

SEKm	31 Mar 2015	31 Mar 2014	31 Dec 2014
Intangible assets	5,845	5,505	5,882
Property, plant and equipment	1,651	1,621	1,667
Deferred tax asset	79	67	84
Other financial assets	112	101	105
<b>Total non-current assets</b>	<b>7,687</b>	<b>7,294</b>	<b>7,738</b>
Inventories	822	862	853
Other current assets	959	890	1,124
Derivative financial instruments	8	–	2
Cash and cash equivalents	150	156	229
<b>Total current assets</b>	<b>1,939</b>	<b>1,908</b>	<b>2,208</b>
Assets held for sale	16	67	16
<b>TOTAL ASSETS</b>	<b>9,642</b>	<b>9,269</b>	<b>9,962</b>
<b>Equity</b>	<b>4,022</b>	<b>3,758</b>	<b>4,048</b>
Borrowings	2,887	3,082	2,993
Deferred tax liability	474	387	483
Derivative financial instruments	57	21	56
Other non-current liabilities	86	114	147
Provisions for pensions and other long-term employee benefits	538	382	505
Provisions	14	12	16
<b>Total non-current liabilities</b>	<b>4,056</b>	<b>3,998</b>	<b>4,200</b>
Borrowings	268	290	423
Derivative financial instruments	17	3	16
Other current liabilities	1,228	1,177	1,210
Provisions	51	43	65
<b>Total current liabilities</b>	<b>1,564</b>	<b>1,513</b>	<b>1,714</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>9,642</b>	<b>9,269</b>	<b>9,962</b>



## Condensed consolidated statement of changes in equity

SEKm	Jan-Mar 2015	Jan-Mar 2014	Full year 2014
Equity at beginning of period	4,048	3,747	3,747
Profit for the period	33	-12	242
Other comprehensive income	-61	22	82
<b>Total comprehensive income</b>	<b>-28</b>	<b>10</b>	<b>324</b>
<b>Transactions with owners</b>			
Forward contract to repurchase own shares	-	-	-27
Share-based payments	2	1	4
<b>Total transactions with owners</b>	<b>2</b>	<b>1</b>	<b>-23</b>
Equity at end of period	4,022	3,758	4,048

## Condensed consolidated cash flow statement

SEKm	First quarter		Rolling 12	Full year
	Jan-Mar 2015	Jan-Mar 2014	Apr 2014-Mar 2015	2014
Cash flow from operating activities before changes in working capital	66	-1	559	492
Cash flow from changes in working capital	157	92	73	8
<b>Cash flow from operating activities</b>	<b>223</b>	<b>91</b>	<b>632</b>	<b>500</b>
Cash flows from investments in property, plant and equipment and intangible assets	-55	-36	-201	-182
Other cash flow from investing activities	-	-107	-80	-187
<b>Cash flow from investing activities</b>	<b>-55</b>	<b>-143</b>	<b>-281</b>	<b>-369</b>
<b>Cash flow from operating and investing activities</b>	<b>168</b>	<b>-52</b>	<b>351</b>	<b>131</b>
<b>Cash flow from financing activities</b>	<b>-245</b>	<b>46</b>	<b>-315</b>	<b>-24</b>
<b>Cash flow for the period</b>	<b>-77</b>	<b>-6</b>	<b>36</b>	<b>107</b>
Cash and cash equivalents at beginning of period	229	167	156	167
Cash flow for the period	-77	-6	36	107
Foreign exchange difference	-2	-5	-42	-45
<b>Cash and cash equivalents at end of period</b>	<b>150</b>	<b>156</b>	<b>150</b>	<b>229</b>

## Condensed consolidated key figures

SEKm	First quarter		Rolling 12	Full year
	Jan-Mar 2015	Jan-Mar 2014	Apr 2014-Mar 2015	2014
<b>Profit</b>				
Net sales	1,313	1,193	5,433	5,313
Net sales, change, %	10.1	5.9	9.6	8.6
Organic net sales, change, %	4.0	0.6	n/a	1.0
Gross margin, %	37.4	35.5	37.8	37.4
Underlying EBITDA	161	130	867	836
Underlying EBITDA margin, %	12.5	10.5	16.0	15.7
Depreciation	-55	-47	-206	-198
Amortisation	-1	-1	-3	-3
Underlying EBIT	107	81	661	635
Underlying EBIT margin, %	8.3	6.6	12.2	11.9
Operating profit (EBIT)	90	52	615	577
Operating profit margin (EBIT), %	6.9	4.4	11.3	10.9
Profit margin, %	3.2	0.2	7.0	6.4
<b>Financial position</b>				
Working capital	657	673	657	819
Capital expenditure	-55	-36	-205	-186
Net debt	3,118	3,304	3,118	3,308
Capital employed	7,790	7,537	7,790	8,041
Return on capital employed, % (Rolling 12 months)	8.1	5.8	8.1	7.5
Equity/assets ratio, %	41.7	40.5	41.7	40.6
Net debt/equity ratio, %	77.5	87.9	77.5	81.7
Return on equity, % (Rolling 12 months)	7.1	5.7	7.1	6.0
Equity per share, SEK	13.9	13.0	13.9	14.0
Net debt/EBITDA, x (Rolling 12 months)	3.60	4.47	3.60	3.97
<b>Cash flow</b>				
Cash flow from operating activities	223	91	632	500
Cash flow from investing activities	-55	-143	-281	-369
Cash flow after investments	168	-52	351	131
Cash conversion, %	65.8	72.3	76.4	77.8
Cash flow from operating activities per share, SEK	0.8	0.3	2.2	1.7
<b>Employees</b>				
Average number of employees	2,462	2,410	2,436	2,533

## Condensed consolidated quarterly data

SEKm	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
<b>Profit and loss account</b>									
Net sales	1,313	1,579	1,303	1,238	1,193	1,441	1,194	1,131	1,127
Cost of goods sold	-822	-983	-803	-770	-769	-939	-741	-696	-705
<b>Gross profit</b>	<b>491</b>	<b>596</b>	<b>500</b>	<b>468</b>	<b>424</b>	<b>502</b>	<b>453</b>	<b>435</b>	<b>422</b>
Other income	0	1	3	1	0	0	2	3	7
Selling expenses	-245	-237	-195	-257	-203	-219	-197	-228	-206
General and administrative expenses	-156	-98	-130	-127	-169	-108	-127	-156	-165
<b>Operating profit</b>	<b>90</b>	<b>262</b>	<b>178</b>	<b>85</b>	<b>52</b>	<b>175</b>	<b>131</b>	<b>54</b>	<b>58</b>
Exchange gains/losses on borrowings and cash and cash equivalents in foreign currencies	6	-14	7	-3	-1	-5	34	-78	37
Other financial income	0	0	1	2	1	2	2	11	9
Other financial expenses	-54	-57	-60	-65	-50	-45	-66	-54	-55
<b>Net financial items</b>	<b>-48</b>	<b>-71</b>	<b>-52</b>	<b>-66</b>	<b>-50</b>	<b>-48</b>	<b>-30</b>	<b>-121</b>	<b>-9</b>
<b>Profit/loss before tax</b>	<b>42</b>	<b>191</b>	<b>126</b>	<b>19</b>	<b>2</b>	<b>127</b>	<b>101</b>	<b>-67</b>	<b>49</b>
Income tax expense	-9	-33	-39	-10	-14	59	-15	23	-13
<b>Profit/loss for the period</b>	<b>33</b>	<b>158</b>	<b>87</b>	<b>9</b>	<b>-12</b>	<b>186</b>	<b>86</b>	<b>-44</b>	<b>36</b>
<i>Profit/loss for the period attributable to:</i>									
Owners of the Parent Company	33	158	87	9	-12	186	86	-44	36
<b>Key figures</b>									
Underlying EBIT	107	244	200	110	81	n/a	n/a	n/a	n/a
Underlying EBITDA	161	298	249	159	130	n/a	n/a	n/a	n/a
Return on equity, % (Rolling 12 months)	7.1	6.0	7.0	7.0	5.7	7.0	6.7	4.6	2.5
Equity per share, SEK	13.9	14.0	13.3	13.2	13.0	13.0	12.0	11.9	11.4
Net debt/EBITDA, x (Rolling 12 months)	3.60	3.97	4.30	4.55	4.47	4.19	4.40	4.68	4.59
Cash flow from operating activities per share, SEK	0.8	1.0	0.3	0.2	0.3	0.4	0.2	-0.1	-0.1

# Parent Company

## Summary parent company profit and loss accounts

SEKm	First quarter		Rolling 12	Full year
	Jan-Mar 2015	Jan-Mar 2014	Apr 2014-Mar 2015	2014
Net sales	18	24	82	88
Gross profit	18	24	82	88
Other income	-	0	0	0
General and administrative expenses	-28	-29	-103	-104
Operating loss	-10	-5	-21	-16
Net financial items	-11	-7	-12	-8
Loss before tax	-21	-12	-33	-24
Income tax	4	3	6	5
Loss for the period	-17	-9	-27	19

Loss for the period corresponds to comprehensive income for the period.

## Summary parent company balance sheet

SEKm	31 Mar 2015	31 Mar 2014	31 Dec 2014
<b>ASSETS</b>			
Non-current assets	5,189	5,166	5,184
Current assets	44	113	62
<b>TOTAL ASSETS</b>	<b>5,233</b>	<b>5,279</b>	<b>5,246</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	4,190	4,213	4,205
<b>Non-current liabilities</b>			
Borrowings	991	986	990
Derivative financial instruments	12	0	11
Provisions	1	1	1
<b>Total non-current liabilities</b>	<b>1,004</b>	<b>987</b>	<b>1,002</b>
<b>Current liabilities</b>			
Derivative financial instruments	12	0	9
Current liabilities	27	79	30
<b>Total current liabilities</b>	<b>39</b>	<b>79</b>	<b>39</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,233</b>	<b>5,279</b>	<b>5,246</b>
Pledged assets	4,623	4,623	4,623
Contingent liabilities	2,958	3,170	3,219

## Parent company statement of changes in equity

SEKm	Jan-Mar 2015	Jan-Mar 2014	Jan-Dec 2014
Equity at beginning of period	4,205	4,221	4,221
Loss for the period	-17	-9	-19
<b>Total comprehensive income</b>	<b>-17</b>	<b>-9</b>	<b>-19</b>
<b>Transactions with owners</b>			
Share-based long-term incentive plan	2	1	3
<b>Total transactions with owners</b>	<b>2</b>	<b>1</b>	<b>3</b>
<b>Equity at end of period</b>	<b>4,190</b>	<b>4,213</b>	<b>4,205</b>

# 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 2015. Net sales in the Parent Company reached SEK 18m (24) and referred mainly to intra-group services. Operating profit was SEK -10m (-5). Net financial items totalled SEK -11m (-7). Profit before tax was SEK -21m (-12) and profit after tax was SEK -17m (-9). 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 2015, a total of 51,722,942 shares were traded for a combined value of SEK 1,271m, equal to around 19 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 2015 was SEK 26.60 (12 February) and the lowest was SEK 22.40 (7 January). The share price on 31 March 2015 was SEK 25.30 (last price paid).

During the period from 1 January to 31 March 2015, the Cloetta share rose by 11 per cent while the Nasdaq OMX Stockholm PI index rose by 15 per cent.

Cloetta's share capital at 31 March 2015 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 2015 Cloetta AB had 13,733 shareholders. The largest shareholder was AB Malfors Promotor with a holding corresponding to 41.3 per cent of the votes and 23.2 per cent of the share capital in the company. AMF was the second largest shareholder with 9.3 per cent of the votes and 12.2 per cent of the share capital. The third largest shareholder was Threadneedle Investment Funds with 3.1 per cent of the votes and 4.0 per cent of the share capital.

Institutional investors held 90.7 per cent of the votes and 87.9 per cent of the share capital. Foreign shareholders held 20.6 per cent of the votes and 27.0 per cent of the share capital.

### Related party transactions

The Parent Company has related party transactions with subsidiaries in the Group. The majority of such transactions refer to the sale of services, which for the period from 1 January to 31 March 2015 amounted to SEK 18m (24), equal to 100 per cent (100) of the period's total sales.

At 31 March 2015 the Parent Company's receivables from subsidiaries amounted to SEK 594m (648) and liabilities to subsidiaries amounted to SEK 11m (40). Transactions with related parties are priced on market-based terms. The Group Management, Board of Directors and key employees are considered to be related parties. Remuneration of these parties are in compliance with the remuneration policy. Total costs related to the Long-Term Incentive Plan (LTI) for 2013 and 2014 that were recognised in the first quarter amounted to SEK 2.5m (1.5), of which SEK 1.1m (0.4) is related to Group Management.

The Parent Company had no transactions with other related parties.

### Taxes

In the first quarter, some minor amounts of international tax rate differences and non-deductible expenses impacted the effective tax rate for the Group. Cloetta's deferred tax balances have been calculated according to the enacted tax rates.

### Risk factors and uncertainties

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 and uncertainties are described in the annual report for 2014 and consist of industry- and market-related risks, operational risks and financial risks. Compared to the annual report for 2014, which was published on 12 March 2015, no new risks have been identified.

### Accounting policies

The consolidated financial statements are 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 2015. 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 and valuation methods have been applied as in the most recent published annual report, except for amendments to standards that are effective for annual periods beginning on 1 January 2015 that have not already been applied in preparing the 2014 consolidated financial statements. The changes in these standards have not had any impact on recognition or measurement or the financial reporting disclosure requirements.

#### Fair value measurement

The only items recognised at fair value after initial recognition are the interest rate swaps and forward foreign currency contracts categorised at level 2 of the fair value hierarchy in all periods presented and the contingent earn-out consideration related to the acquisition of FTF Sweets Ltd., Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) and the contingent consideration arising from the option agreement for Aran Candy Ltd. categorised at level 3, as well as assets held for sale, in cases where the fair value less cost to sell is below the carrying amount. The fair values of financial assets (loans and receivables) and liabilities measured at amortised 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 were measured at fair value at 31 March 2015

SEKm	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<i>Assets at fair value through profit or loss</i>				
- Non-current assets measured at fair value	-	-	16	16
- Forward foreign currency contracts	-	8	-	8
<b>Total assets</b>	<b>-</b>	<b>8</b>	<b>16</b>	<b>24</b>
<b>Liabilities</b>				
<i>Liabilities at fair value through profit or loss</i>				
- Interest rate swaps	-	29	-	29
- Contingent considerations	-	-	150	150
<b>Total liabilities</b>	<b>-</b>	<b>29</b>	<b>150</b>	<b>179</b>

The non-current assets measured at fair value at 31 March 2015 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 at 31 December 2014

SEKm	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<i>Assets at fair value through profit or loss</i>				
- Non-current assets measured at fair value	-	-	16	16
- Forward foreign currency contracts	-	2	-	2
<b>Total assets</b>	<b>-</b>	<b>2</b>	<b>16</b>	<b>18</b>
<b>Liabilities</b>				
<i>Liabilities at fair value through profit or loss</i>				
- Interest rate swaps	-	27	-	27
- Contingent considerations	-	-	147	147
<b>Total liabilities</b>	<b>-</b>	<b>27</b>	<b>147</b>	<b>174</b>

#### The following table presents the Group's assets and liabilities that were measured at fair value at 31 March 2014

SEKm	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<i>Assets at fair value through profit or loss</i>				
- Non-current assets measured at fair value	-	-	67	67
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>67</b>	<b>67</b>
<b>Liabilities</b>				
<i>Liabilities at fair value through profit or loss</i>				
- Interest rate swaps	-	5	-	5
- Contingent considerations	-	-	115	115
<b>Total liabilities</b>	<b>-</b>	<b>5</b>	<b>115</b>	<b>120</b>

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

SEKm	Jan-Mar 2015	Jan-Mar 2014	Full Year 2014
Opening balance	147	2	2
Business combinations	-	110	158
<i>Remeasurements recognised in profit and loss</i>			
- Unrealised interest on contingent considerations recognised in other financial expenses	3	3	14
- Unrealised remeasurements on contingent considerations recognised in general and administrative expenses	-	-	-27
<i>Remeasurements recognised in other comprehensive income</i>			
- Unrealised currency translation differences	0	0	0
<b>Closing balance</b>	<b>150</b>	<b>115</b>	<b>147</b>



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 maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included at level 2. The valuation of the instruments is based on quoted market prices, but the underlying swap amounts are based on the specific requirements of the Group. These instruments are therefore included at level 2. The fair value measurement of the contingent earn-out liability requires the use of significant unobservable inputs and is thereby categorised at level 3. The valuation techniques and inputs used to value financial instruments are:

- ♦ Quoted market prices or dealer quotes for similar instruments.
- ♦ The fair value of interest rate swaps is calculated as the present 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 valuers.
- ♦ 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 because the fair value less cost to sell 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 2015 and 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 was higher (lower),
  - the cash balance at 31 December 2015 was higher (lower),
  - the adjusted gross profit for 2015 was higher (lower).

For the interest rate swaps, see the Financial Position paragraph on pages 3–4. For detailed information about the accounting policies, see Cloetta's annual report for 2014 at [www.cloetta.com](http://www.cloetta.com).

## Definitions

<b>General</b>	All amounts in the tables are presented in SEK millions unless otherwise stated. All amounts in brackets () represent comparable figures for the same period of the prior year, unless otherwise stated.
<b>Margins</b>	
EBITDA margin	EBITDA expressed as a percentage of net sales.
Gross margin	Net sales less cost of goods sold as a percentage of net sales.
Operating margin (EBIT margin)	Operating profit expressed as a percentage of net sales.
Profit margin	Profit/loss before tax expressed as a percentage of net sales.
<b>Return</b>	
Cash conversion	Underlying EBITDA less capital expenditures as a percentage of underlying EBITDA.
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.
<b>Capital structure</b>	
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 including credit overdraft facility, derivative financial instruments and interest payables.
Net debt	Gross debt less cash and cash equivalents.
Net debt/EBITDA ratio	Net debt/EBITDA according to the credit facility agreement definition. Difference of Net debt in credit facility agreement compared to the external Net debt-definition is that the definition in credit facility agreement includes the minimum contingent earn-out consideration but excludes the financial derivative instruments. The EBITDA in the credit facility agreement definition corresponds with the underlying EBITDA but is based on actual exchange rates and it includes the rolling twelve months of the EBITDA of the acquired companies where the underlying EBITDA excludes these results.
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.
<b>Data per share</b>	
Earnings per share	Profit for the period divided by the average number of shares.
<b>Other definitions</b>	
EBIT	Operating profit or earnings before interest and taxes.
EBITDA	Operating profit before depreciation and amortisation.
Items affecting comparability	Items affecting comparability are items of non-recurring nature, for example restructurings, impact from acquisitions and exchange rate differences between actual and constant rate."
Net sales, change	Net sales as a percentage of net sales in the comparative period of the previous year.
Underlying EBIT, EBIT margin, EBITDA, EBITDA margin	Based on constant exchange rates, the current group structure and excluding items affecting comparability related to restructurings.

## Glossary

<b>Factory restructurings / restructurings</b>	Due to excess capacity, Cloetta closed factories in Sweden, Denmark and Finland during 2012/2013. In 2014 the factory in Gävle was closed and its production was moved to Ljungsbros, Sweden, and Levice, Slovakia.
<b>Pick &amp; Mix concept</b>	Cloetta's range of candy (Godisfavoriter) and natural snacks (Natursnacks) at Coop Sweden that are picked and mixed by the consumer itself.

## Exchange rates

	31 Mar 2015	31 Mar 2014	31 Dec 2014
EUR, average	9.3792	8.8726	9.1051
EUR, end of period	9.2795	8.9430	9.3829
NOK, average	1.0744	1.0616	1.0882
NOK, end of period	1.0642	1.0827	1.0439
GBP, average	12.6410	10.7170	11.3118
GBP, end of period	12.7923	10.7955	12.0340
DKK, average	1.2590	1.1890	1.2215
DKK, end of period	1.2424	1.1980	1.2604

## Financial calendar



## Contacts

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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 23 April 2015.*

## 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 11 production units in six countries. Cloetta's class B shares are traded on Nasdaq Stockholm.



## Vision

**To be the most admired satisfier of Munchy Moments**

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

## Business model

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

## Long-term financial targets

- ◆ Cloetta's target is to increase organic sales at least in line with market growth.
- ◆ Cloetta's target is an underlying EBIT margin 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.

## Strategies

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

## Value drivers

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

# Cloetta

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