Interim report Q4, October – December 2017

Stockholm, 26 January 2018

As of the second quarter of 2017, Cloetta Italia S.r.l. is accounted for as discontinued operation. The comparative figures in the consolidated profit and loss account have therefore been restated to present the discontinued operation separately from continuing operations.

- **Net sales for the quarter** increased by 20.2 per cent to SEK 1,643m (1,367), including a negative impact of exchange rates of –0.6 per cent. Organic growth was 0.0 per cent.
- **Operating profit, adjusted**, amounted to SEK 206m (209).
- **Operating profit** amounted to SEK 171m (180). Profit for the period amounted to SEK 20m (–420).
- **Cash flow** from operating activities amounted to SEK 305m (406).
- **Net debt/EBITDA ratio** was 2.39x (2.44).
- **The Board proposes an ordinary dividend** of SEK 0.75 (0.75) per share and a **special dividend** of SEK 0.75 (–) per share, in total corresponding to SEK 1.50 per share.

Key ratios

	Fourth quarter			Full year		
SEKm	Oct–Dec 2017	Oct–Dec 2016[1]	Change, %	2017	2016[1]	Change, %
Net sales	1,643	1,367	20.2[2]	5,784	5,107	13.3[2]
Operating profit, adjusted	206	209	–1.4	604	695	–13.1
Operating profit margin, adjusted, %	12.5	15.3	–2.8-pts	10.4	13.6	–3.2-pts
Operating profit (EBIT)	171	180	–5.0	527	635	–17.0
Operating profit margin (EBIT margin), %	10.4	13.2	–2.8-pts	9.1	12.4	–3.3-pts
Profit before tax	144	155	–7.1	443	469	–5.5
Profit/loss for the period	20	–420	n/a	–97	–191	n/a
Profit for the period excluding impact of impairment loss discontinued operation including income tax effects and other items affecting comparability	122	174	–29.9	402	403	–0.2
Profit for the period from continuing operations	20	122	–83.6	237	347	–31.7
Net debt/EBITDA, x (Rolling 12 months)[3]	2.39	2.44	–2.0	2.39	2.44	–2.0
Cash flow from operating activities	305	406	–24.9	712	889	–19.9

1) Comparative figures for profit and loss account items have been restated for discontinued operation. For further details see the consolidated profit and loss account on page 7.
2) Organic growth at constant exchange rates and comparable units 0.0 per cent for the quarter and –1.2 per cent for the full year. See further under Net sales on page 3.
3) Comparative figures have not been restated for discontinued operation, as only either the numerator or denominator in the calculation has been restated for discontinued operation.

Message from the CEO

A year of change – proposed special dividend

The fourth quarter was stable with organic growth of 0 per cent compared to the same period last year. Candyking developed very well during the quarter and showed a growth of 14 per cent, despite ongoing integration. This underlines that our identified synergy savings from Candyking of SEK 100m stand firm.

The acquisition of Candyking and the divestment of Cloetta Italy have changed the Group structure significantly. This enables Cloetta to focus more on driving organic growth on the Northern and Western European markets while at the same time drive synergies from the acquisition of Candyking.

Cloetta continues to generate a good cash flow that enables us to both make growth-driving investments and pay dividend to the shareholders.

Stable operating profit, adjusted

Cloetta's operating profit (EBIT) for the quarter, adjusted for items affecting comparability, amounted to SEK 206m (209) and the operating margin, adjusted for items affecting comparability, was 12.5 per cent (15.3). The lower margin is mainly related to the inclusion of Candyking, which before synergies had substantially lower margins than Cloetta. Operating profit amounted to SEK 171m (180).

The stable operating profit, adjusted for items affecting comparability, is due to good cost control. Production costs are still somewhat higher than last year as a result of the fire at a production line in the factory in Belgium. During the quarter – and thereby also for the full year - Cloetta has increased the marketing cost with approximately SEK 15m, compared to last year.

Stable cash flow

Cash flow from operating activities amounted to SEK 305m (406) in the quarter, which was good, taken into account that the comparative figure contains the divested seasonally strong Cloetta Italy.

Confectionery market in the quarter

The confectionery market as a whole developed positively in all markets except in Denmark.

Increased sales

Cloetta's sales for the quarter increased by 20.2 per cent, of which the acquisition of Candyking accounted for 20.8 per cent and exchange rate differences accounted for –0.6 per cent. Organic growth was 0.0 per cent.

Cloetta's sales in the quarter increased or were unchanged in Sweden, Finland, Norway and on the export markets, but declined in Denmark, the Netherlands, Germany and the UK. The positive sales trend in Finland was driven by both pick & mix and packaged products. In Denmark sales to a large customer were down. In the Netherlands, sales were down due to fewer promotional activities partly due to out of stock, related to the fire in the factory in Belgium. The growth in Candyking was 14.0 per cent in the quarter, driven by a very positive development on all markets except Poland. The sales increase for Candyking was particularly strong in Finland and also in Norway ahead of the increased sugar tax.

Candyking integration

The integration of Candyking continues in line with plan. The new integrated organisation is under implementation in all markets. We have decided to exit the loss making Candyking business in Poland since we do not see a profitable business going forward.

Insourcing activities, although short-term affected by the fire in the factory in Belgium, are progressing in line with plan. The insourcing activities will be more substantial in 2018 and 2019. Negotiations with some retailers for renewals of pick & mix contracts have now resulted in us being able to renew all existing large Candyking contracts, except for one contract that still is under negotiation. In addition, we have been able to gain several smaller contracts. This demonstrates the strength of the Candyking concept.

A year of change

2017 has been a challenging year. The fire at a production line in the factory in Belgium in June has created production capacity constraints resulting in lower production volumes, higher production cost and to some extent also lost sales. Organic sales have decreased somewhat during 2017, mainly due to specific challenges in a few markets.

Despite the challenges, we have for the second year in a row achieved our financial target of 2,5 x net debt/EBITDA as we landed at 2.39x. As we have received the proceeds from the divestment of Cloetta Italy, the Board of Directors is proposing a special dividend of SEK 0.75 per share (–) in addition to an unchanged ordinary dividend of SEK 0.75 per share (0.75).

My key focus for 2018 continues to be activities that will enable growth, integrate Candyking and drive cost-efficiency activities including the cost savings initiatives of SEK 50m that were announced in October. Part of the cost savings will be invested in growth and marketing activities. Our Lean 2020 program in supply chain and synergies from Candyking in combination with our growth initiatives are important drivers towards our 14 per cent EBIT-margin target.

Henri de Sauvage-Nolting
President and CEO

Henri de Sauvage-Nolting
President and CEO

Financial overview

Discontinued operation

On 5 September 2017 Cloetta Italia S.r.l. was sold to Katjes International GmbH. Cloetta Italia S.r.l. is accounted for as discontinued operation and has been presented separately in the profit and loss account. The comparative figures in the consolidated profit and loss account have been restated to present the discontinued operation separately from continuing operations. The comparative figures in the balance sheet and cash flow statements have not been restated for discontinued operation.

The development in the fourth quarter and in the full year comprises continuing operations, as presented in the section "Financial statements in summary".

See section "Accounting and valuation policies, disclosures and risk factors" for disclosures related to the discontinued operation.

Development in the fourth quarter

Net sales

Net sales for the fourth quarter increased by SEK 276m to SEK 1,643m (1,367) compared to the same period of last year. Organic growth was 0.0 per cent and changes in exchange rates accounted for –0.6 per cent.

Cloetta's sales in the quarter increased or were unchanged in Sweden, Finland, Norway and on the export markets, but declined in Denmark, the Netherlands, Germany and the UK. The positive sales trend in Finland was driven by both pick & mix and packaged products. In Denmark sales to a large customer were down. In the Netherlands, sales were down due to fewer promotional activities partly due to out of stock related to the fire in the factory in Belgium. Growth in Candyking was 14.0 per cent in the quarter, driven by a very positive development on all markets except Poland.

Changes in net sales, %	Oct–Dec 2017	2017
Organic growth	0.0	–1.2
Structural changes	20.8	13.9
Changes in exchange rates	–0.6	0.6
Total	**20.2**	**13.3**

Gross profit

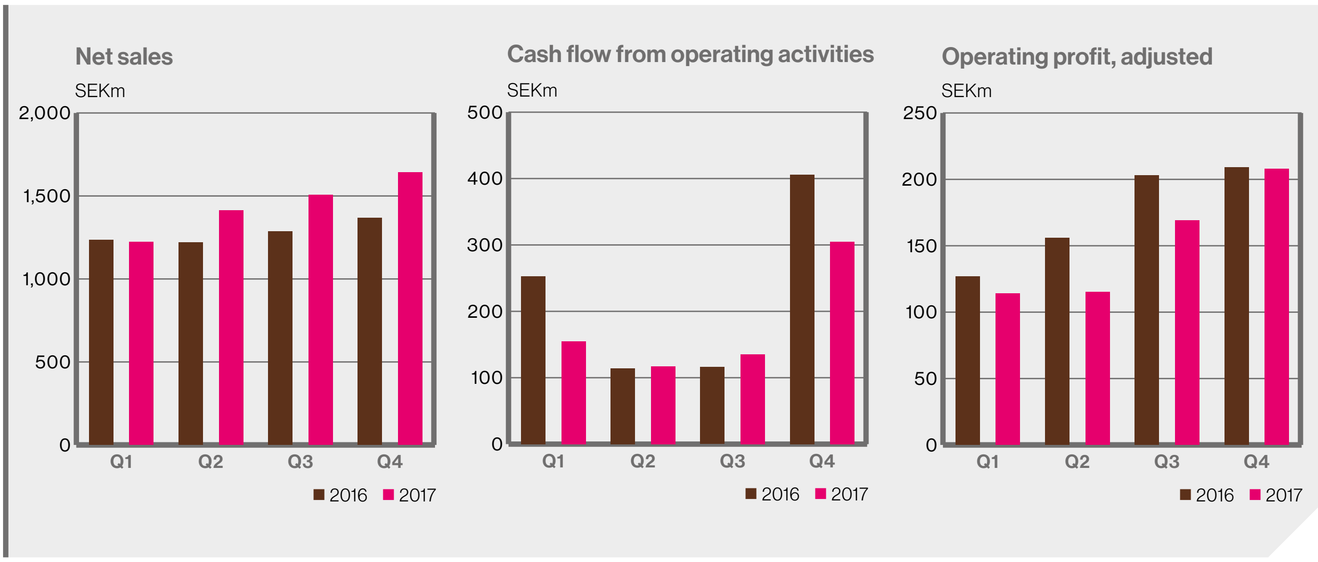
Gross profit amounted to SEK 606m (561), which is equal to a gross margin of 36.9 per cent (41.0). The decline in gross margin is mainly due to the inclusion of Candyking, but also to one-off costs related to supply chain activities.

Operating profit

Operating profit amounted to SEK 171m (180). Operating profit, adjusted for items affecting comparability, amounted to SEK 206m (209).

Items affecting comparability

Operating profit for the quarter includes items affecting comparability of SEK –35m (–29) that mainly are related to the integration of Candyking but also due to one-off costs related to supply chain activities.



Net financial items

Net financial items for the quarter amounted to SEK –27m (–25). Interest expenses related to external borrowings were SEK –7m (–11) and other financial items amounted to SEK –20m (–14). Of the total net financial items SEK –30m (–13) is non-cash in nature.

Profit for the period

Profit from continuing operations was SEK 20m (122). Income tax for the period was SEK –124m (–33). The effective tax rate from continuing operations for the quarter was 86.1 per cent (21.3). The main reason for the higher effective tax rate is the recognition of a valuation allowance on deferred tax assets in Slovakia. Profit for the period was SEK 20m (–420), which is equal to basic and diluted earnings per share of SEK 0.07 (–1.47).

Cash flow from operating and investing activities

Cash flow from operating activities before changes in working capital was SEK 200m (324). The decrease compared to prior year is mainly the result of the discontinued operation for which the cash flow was included last year but are no longer included in the fourth quarter of 2017. The cash flow from changes in working capital was SEK 105m (82). Cash flow from operating and investing activities was SEK 328m (301).

Cash flow from changes in working capital

Cash flow from changes in working capital was SEK 105m (82). The cash flow from changes in working capital was positively impacted by the increase in payables amounting to SEK 81m (–56) and a decrease in receivables of SEK 48m (4). This was partly offset by the increase in inventories for an amount of SEK –24m (134).

Cash flow from investing activities

Cash flow from investing activities was SEK 23m (–105), of which SEK 64m (0) is related to the final proceeds of the divestment of Cloetta Italia S.r.l. and SEK –46m (–58) is related to investments in tangible and intangible assets. In the fourth quarter of 2016 the settlement of the contingent earn-out consideration related to the acquisition of Alrifai Nutisal AB resulted in a cash outflow of SEK –48m. Other cash flows from investing activities amounted to SEK 5m (1).

Development during the year

Net sales

Net sales for the year rose by SEK 677m to SEK 5,784m (5,107) compared to last year. Organic growth was –1.2 per cent, acquisitions accounted for 13.9 per cent and changes in exchange rates accounted for 0.6 per cent.

Cloetta's sales were up or were unchanged in Finland, the Netherlands and on export markets, but declined on all other markets. Contract manufacturing also declined.

Gross profit

Gross profit amounted to SEK 2,106m (2,023), which is equal to a gross margin of 36.4 per cent (39.6). The decline in gross margin is due to lower production volumes and the inclusion of Candyking.

Operating profit

Operating profit amounted to SEK 527m (635). Operating profit, adjusted for items affecting comparability, amounted to SEK 604m (695).

Items affecting comparability

Operating profit for the year includes items affecting comparability of SEK –77m (–60) that mainly are related to the acquisition and integration of Candyking but also to one-off costs related to supply chain activities.

Net financial items

Net financial items for the year amounted to SEK –84m (–166). Interest expenses related to external borrowings were SEK -33m (–79) and other financial items amounted to SEK –51m (–87). The net financial items in 2016 were negatively impacted by one-of-cost related to the call-option fee for the redemption of the senior secured notes and the full amortization of the capitalized transaction costs. Of the total net financial items SEK –47m (–63) is non-cash in nature. The net financial items were positively impacted by the refinancing of the Group in July 2016.

Profit/loss for the period

Profit for the year from continuing operations was SEK 237m (347). Income tax for the period was SEK –206m (–122). The effective tax rate from continuing operations for the year is 46.5 per cent (26.0). The main reason for the higher effective tax rate is the recognition of a valuation allowance on deferred tax assets in Slovakia. Loss for the year was SEK –97m (–191), which is equal to basic and diluted earnings per share of SEK –0.34 (–0.67).

Cash flow from operating and investing activities

Cash flow from operating activities before changes in working capital was SEK 532m (813). The decrease compared to prior year is mainly the result of a lower operating profit and higher corporate income tax payments mainly related to the tax settlement in Italy, partly offset by lower interest payments as a result of the refinancing. Next to this the cash flow from operating activities of the discontinued operation was last year included for the full year while in 2017 only the cash flow until the divestment date is included. The cash flow from changes in working capital was SEK 180m (76). Cash flow from operating and investing activities was SEK 690m (567).

Cash flow from changes in working capital

The cash flow from changes in working capital was positively impacted by the increase in payables of SEK 140m (43) and a decrease in receivables for an amount of SEK 80m (3) this is partly offset by a increase in inventories for an amount of SEK –40m (30).

Cash flow from investing activities

Cash flow from investing activities was SEK –22m (–322) of which SEK 378m (0) is related to the divestment of Cloetta Italia S.r.l., SEK –249m (0) related to the acquisition of Candyking Holding AB and its subsidiaries and SEK –157m (–170m) is related to investments in tangible and intangible assets.

In the third quarter of 2016 the settlement of the contingent consideration arising from the option agreement regarding Cloetta Ireland Ltd. (former Aran Candy Ltd.) resulted in a cash outflow of SEK –106m.

In the fourth quarter of 2016 the settlement of the contingent earn-out consideration related to the acquisition of Alrifai Nutisal AB resulted in a cash outflow of SEK –48m. Other cash flows from investing activities amounted to SEK 6m (2).

Acquisitions and divestments

Acquisition of Candyking

On 28 April 2017 Cloetta completed the acquisition of Candyking Holding AB and its subsidiaries. Candyking is a leading concept supplier of pick & mix candy in the Nordic countries and the UK. The acquisition strengthens Cloetta's position within pick & mix and creates substantial synergies.

The purchase price amounts to SEK 325m on a cash and debt free basis with a potential additional purchase price of maximum SEK 225m. In connection with completion of the transaction, Cloetta has become owner of all shares in Candyking Holding AB and the outstanding bond loan and other debt. For additional information on the acquisition, reference is made to the press releases dated 17 February 2017 and 28 April 2017. For the preliminary accounting for the business combination, see page 23.

Given the current volume outlook identified synergy savings from Candyking are expected to be SEK 100m on an annual basis as of 2020. These synergies will be gradually realized with the majority in 2018 and 2019. One-off cost and capital investments related to the integration of Candyking are expected to amount to approximately SEK 175m. The pick & mix business is however volatile as it is predominantly based on contracts with different maturity, which means that the savings can differ depending on the volume development.

Divestment of Cloetta Italia S.r.l.

On 5 September 2017 Cloetta Italia S.r.l. was sold to Katjes International GmbH. The sale equals an Enterprise Value of approximately SEK 450m. The proceeds have generated a positive net cash effect of SEK 378m. The divestment resulted in an impairment of in total SEK 397m which was accounted for in the second and third quarter of the year. See section "Accounting and valuation policies, disclosures and risk factors" for disclosures related to the discontinued operation.

Financial position

Consolidated equity at 31 December 2017 amounted to SEK 3,818m (4,199), which is equal to SEK 13.2 (14.5) per share. Net debt at 31 December 2017 was SEK 2,035m (2,443).

Long-term borrowings totalled SEK 1,715m (2,666) and consisted of SEK 1,719m (2,677) in gross loans from credit institutions and SEK –4m (–11) in capitalized transaction costs.

Total short-term borrowings amounted to SEK 999m (2) and consisted of SEK 1.000m (0) in gross loans from credit institutions, accrued interest on loans from credit institutions for an amount of SEK 2m (2), and SEK –3m (0) in capitalized transaction costs.

SEKm	31 Dec 2017	31 Dec 2016
Gross non-current borrowings	1,719	2,677
Gross current borrowings	1,000	–
Derivative financial instruments (current and non-current)	73	62
Interest payable	2	2
Gross debt	**2,794**	**2,741**
Cash and cash equivalents	–759	–298
Net debt	**2,035**	**2,443**

Cash and cash equivalents at 31 December 2017, excluding unutilized overdraft facilities, amounted to SEK 759m (298). At 31 December 2017 Cloetta had unutilized credit facilities for a total of SEK 1,179m (1,150).

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 increased sale of products in Sweden in connection with the holiday season.

Employees

The average number of employees during the quarter was 2.465 (2.116). The increase is mainly attributable to the impact of the acquisition of Candyking Holding AB and its subsidiaries.

The Board's proposed dividend

For the financial year 2017 the Board proposes an ordinary dividend of SEK 0.75 per share (0.75), corresponding to around 54 per cent (53) of profit for the year excluding the impact of the impairment loss discontinued operation including income tax effects and other items affecting comparability. In addition, and at the background of the proceeds received from the divestment of Cloetta Italy, the Board also proposes a special dividend of SEK 0.75 per share (–). Proposed date for the record is the 18 April 2018 and payment is expected to be made on 23 April 2018.

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 Monday, 16 April 2018, 3.00 p.m. at Stockholm Waterfront Congress Centre, Nils Ericsons Plan 4, in Stockholm. Notice of the AGM will be published in March 2018 and will also be available at www.cloetta. com

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, 26 January 2018
Cloetta AB (publ)

Lilian Fossum Biner
Board Chairman

Mikael Aru
Member of the Board

Lottie Knutson
Member of the Board

Mikael Norman
Member of the Board

Adriaan Nühn
Member of the Board

Camilla Svenfelt
Member of the Board

Mikael Svenfelt
Member of the Board

Lena Grönedal
Employee Board member

Mikael Ström
Employee Board member

Henri de Sauvage-Nolting
President and CEO

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

Financial statements in summary

Consolidated profit and loss account

SEKm	Fourth quarter Oct–Dec 2017	Fourth quarter Oct–Dec 2016[1]	Full year 2017	Full year 2016[1]
Net sales	1,643	1,367	5,784	5,107
Cost of goods sold	–1,037	–806	–3,678	–3,084
Gross profit	**606**	**561**	**2,106**	**2,023**
Other income	2	–	6	–
Selling expenses	–281	–207	–972	–806
General and administrative expenses	–156	–174	–613	–582
Operating profit	**171**	**180**	**527**	**635**
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	–7	–10	–17	–8
Other financial income	0	5	7	17
Other financial expenses	–20	–20	–74	–175
Net financial items	**–27**	**–25**	**–84**	**–166**
Profit before tax	**144**	**155**	**443**	**469**
Income tax	– 124	–33	–206	–122
Profit from continuing operations	**20**	**122**	**237**	**347**
Loss from discontinued operation, net of tax[2]	–	–542	–334	–538
Profit/loss for the period	**20**	**–420**	**–97**	**–191**
Profit/loss for the period attributable to:				
Owners of the Parent Company				
Continuing operations	20	122	237	347
Discontinued operation	–	–542	–334	–538
Total	**20**	**–420**	**–97**	**–191**
Earnings per share from continuing operations, SEK				
Basic	0.07	0.43	0.83	1.21
Diluted[3]	0.07	0.43	0.83	1.21
Earnings per share from discontinued operation, SEK				
Basic	–	–1.89	–1.17	–1.88
Diluted[3]	–	–1.89	–1.17	–1.88
Earnings per share, SEK				
Basic	0.07	–1.47	–0.34	–0.67
Diluted[3]	0.07	–1.47	–0.34	–0.67
Number of shares at end of period	288,619,299	288,619,299	288,619,299	288,619,299
Average number of shares (basic)[3]	286,645,530	286,279,569	286,320,464	286,193,024
Average number of shares (diluted)[3]	286,835,623	286,560,336	286,492,178	286,447,465

1) Comparative figures have been restated for discontinued operation.
2) For the breakdown of the result from discontinued operation see page 24.
3) 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 table on page 15 presents the movements in the contracts as of 1 January 2016.

Consolidated statement of comprehensive income

SEKm	Fourth quarter Oct–Dec 2017	Fourth quarter Oct–Dec 2016	Full year 2017	Full year 2016
Profit/loss for the period	**20**	**–420**	**–97**	**–191**
Other comprehensive income				
Remeasurement of defined benefit pension plans	0	78	–36	–17
Income tax on other comprehensive income that subsequently will not be reclassified to profit and loss for the period	1	–18	8	4
Items that will never be reclassified to profit or loss for the period	**1**	**60**	**–28**	**–13**
Currency translation differences	88	–20	88	225
Currency translation differences on discontinued operation reclassified through profit and loss	–	–	–102	–
Hedge of a net investment in a foreign operation	–31	17	–33	–38
Income tax on other comprehensive income that will be reclassified subsequently to profit and loss for the period, when specific conditions are met	7	–5	7	7
Items that are or may be reclassified to profit or loss for the period	**64**	**–8**	**–40**	**194**
Total other comprehensive income	**65**	**52**	**–68**	**181**
Total comprehensive income, net of tax	**85**	**–368**	**–165**	**–10**
Total comprehensive income for the period attributable to:				
Owners of the Parent Company	85	–368	–165	–10

Net financial items

SEKm	Fourth quarter Oct–Dec 2017	Fourth quarter Oct–Dec 2016[1]	Full year 2017	Full year 2016[1]
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	**–7**	**–10**	**–17**	**–8**
Other financial income, third parties	1	–	3	1
Unrealized gains on single currency interest rate swaps	–1	5	4	16
Other financial income	**0**	**5**	**7**	**17**
Interest expenses third-party borrowings and realized losses on single currency interest rate swaps	–7	–11	–33	–79
Interest expenses, contingent earn-out considerations	–6	–	–15	–10
Call option fee redemption senior secured notes	–	–	–	–30
Amortization of capitalized transaction costs	–1	–1	–4	–31
Other financial expenses	–6	–8	–22	–25
Other financial expenses	**–20**	**–20**	**–74**	**–175**
Net financial items	**–27**	**–25**	**–84**	**–166**

1) Comparative figures have been restated for discontinued operation.

Condensed consolidated balance sheet

SEKm	31 Dec 2017	31 Dec 2016
ASSETS		
Non-current assets		
Intangible assets	5,490	5,354
Property, plant and equipment	1,338	1,700
Deferred tax asset	20	54
Other financial assets	11	13
Total non-current assets	**6,859**	**7,121**
Current assets		
Inventories	745	780
Other current assets	889	1,024
Derivative financial instruments	0	4
Cash and cash equivalents	759	298
Total current assets	**2,393**	**2,106**
Assets held for sale	–	9
TOTAL ASSETS	**9,252**	**9,236**
EQUITY AND LIABILITIES		
Equity	**3,818**	**4,199**
Non-current liabilities		
Long-term borrowings	1,715	2,666
Deferred tax liability	703	586
Derivative financial instruments	2	12
Other non-current liabilities	138	–
Provisions for pensions and other long-term employee benefits	374	396
Provisions	5	22
Total non-current liabilities	**2,937**	**3,682**
Current liabilities		
Short-term borrowings	999	2
Derivative financial instruments	71	54
Other current liabilities	1,424	1,235
Provisions	3	64
Total current liabilities	**2,497**	**1,355**
TOTAL EQUITY AND LIABILITIES	**9,252**	**9,236**

Condensed consolidated statement of changes in equity

SEKm	Full year 2017	Full year 2016
Equity at beginning of period	**4,199**	**4,344**
Profit/loss for the period	–97	–191
Other comprehensive income	–68	181
Total comprehensive income	**–165**	**–10**
Transactions with owners		
New forward contract to repurchase own shares	–11	–
Share-based payments	11	9
Dividend[1]	–216	–144
Total transactions with owners	**–216**	**–135**
Equity at end of period	**3,818**	**4,199**

1) The dividend paid comprised a dividend of SEK 0.75 (0.50) per share.

Condensed consolidated cash flow statement

SEKm	Fourth quarter Oct–Dec 2017	Fourth quarter Oct–Dec 2016	Full year 2017	Full year 2016
Cash flow from operating activities before changes in working capital	200	324	532	813
Cash flow from changes in working capital	105	82	180	76
Cash flow from operating activities	**305**	**406**	**712**	**889**
Cash flow from investments in property, plant and equipment and intangible assets	–46	–58	–157	–170
Cash flow from other investing activities	69	–47	135	–152
Cash flow from investing activities	**23**	**–105**	**–22**	**–322**
Cash flow from operating and investing activities	**328**	**301**	**690**	**567**
Cash flow from financing activities	**–8**	**–425**	**–238**	**–534**
Cash flow for the period	**320**	**–124**	**452**	**33**
Cash and cash equivalents at beginning of period	434	418	298	246
Cash flow for the period	320	–124	452	33
Exchange difference	5	4	9	19
Total cash and cash equivalents at end of period	**759**	**298**	**759**	**298**

Condensed consolidated key figures

SEKm	Fourth quarter Oct–Dec 2017	Fourth quarter Oct–Dec 2016[1]	Full year 2017	Full year 2016[1]
Profit				
Net sales	1,643	1,367	5,784	5,107
Net sales, change, %	20.2	n/a	13.3	n/a
Organic net sales, change, %	0.0	n/a	–1.2	n/a
Gross margin, %	36.9	41.0	36.4	39.6
Depreciation	–56	–53	–218	–206
Amortization	–3	0	–11	–5
Impairment loss other non current assets	–	–2	–9	–2
Operating profit, adjusted	206	209	604	695
Operating profit margin, adjusted, %	12.5	15.3	10.4	13.6
Operating profit (EBIT)	171	180	527	635
Operating profit margin (EBIT margin), %	10.4	13.2	9.1	12.4
EBITDA, adjusted	265	262	833	906
EBITDA	230	235	765	848
Profit margin, %	8.8	11.3	7.7	9.2
Financial position				
Working capital	232	572	232	572
Capital expenditure	45	58	157	170
Net debt	2,035	2,443	2,035	2,443
Capital employed	6,979	7,329	6,979	7,329
Return on capital employed, % (Rolling 12 months)[2, 3]	8.2	11.1	8.2	11.1
Equity/assets ratio, %	41.3	45.5	41.3	45.5
Net debt/equity ratio, %	53.3	58.2	53.3	58.2
Return on equity, % (Rolling 12 months)[2]	6.2	–4.5	6.2	–4.5
Equity per share, SEK	13.2	14.5	13.2	14.5
Net debt/EBITDA, x (Rolling 12 months)[2]	2.39	2.44	2.39	2.44
Cash flow				
Cash flow from operating activities	305	406	712	889
Cash flow from investing activities	23	–105	–22	–322
Cash flow after investments	328	301	690	567
Cash conversion, %[4]	83.0	82.1	83.2	84.5
Cash flow from operating activities per share, SEK	1.1	1.4	2.5	3.1
Employees				
Average number of employees[5]	2,465	2,116	2,467	2,115

1) Comparative figures for profit and loss account items have been restated for discontinued operation. For further details see the consolidated profit and loss account on page 7.
2) Comparative figures have not been restated for discontinued operation, as only either the numerator or denominator in the calculation has been restated for discontinued operation.
3) Return on capital employed for Q4 2017 is calculated for continuing operations. Return on capital employed for Q4 2016 is calculated pro-forma for continuing operations.
4) The capital expenditure included in the calculation of the cash conversion has been adjusted for the capital expenditure related to discontinued operation.
5) Average number of employees is presented for continuing operations.

Reconciliation of alternative performance measures

SEKm	Fourth quarter Oct–Dec 2017	Fourth quarter Oct–Dec 2016[1]	Full year 2017	Full year 2016[1]
Items affecting comparability				
Acquisitions, integration and factory restructurings	–20	–29	–62	–43
of which: impairment loss other non-current assets	*–*	*–2*	*–9*	*–2*
Remeasurements of contingent considerations	5	–	5	–17
Other items affecting comparability	–20	–	–20	–
Items affecting comparability*	**–35**	**–29**	**–77**	**–60**
* Corresponding line in the condensed consolidated profit and loss account:				
Cost of goods sold	–22	–3	–39	–15
Other operating income	–	–	4	–
Selling expenses	–3	–	–6	–
General and administrative expenses	–10	–26	–36	–45
Total	**–35**	**–29**	**–77**	**–60**
Operating profit, adjusted				
Operating profit	171	180	527	635
Minus: Items affecting comparability	–35	–29	–77	–60
Operating profit, adjusted	**206**	**209**	**604**	**695**
Net sales	1,643	1,367	5,784	5,107
Operating profit margin, adjusted, %	**12.5**	**15.3**	**10.4**	**13.6**
EBITDA, adjusted				
Operating profit/loss	171	180	527	635
Minus: Depreciation	–56	–53	–218	–206
Minus: Amortization	–3	–	–11	–5
Minus: Impairment loss other non-current assets	–	–2	–9	–2
EBITDA	**230**	**235**	**765**	**848**
Minus: Items affecting comparability (excl. impairment loss other non-current assets)	–35	–27	–68	–58
EBITDA, adjusted	**265**	**262**	**833**	**906**
Capital employed[2]				
Total assets	9,252	9,236	9,252	9,236
Minus: Deferred tax liability	703	586	703	586
Minus: Other non-current liabilities	138	–	138	–
Minus: Non-current provisions	5	22	5	22
Minus: Current provisions	3	64	3	64
Minus: Other current liabilities	1,424	1,235	1,424	1,235
Capital employed	**6,979**	**7,329**	**6,979**	**7,329**
Capital employed in comparative period of previous year	5,966	7,756	5,966	7,756
Average capital employed	**6,473**	**7,543**	**6,473**	**7,543**

1) Comparative figures for profit and loss account items have been restated for discontinued operation. For further details see the consolidated profit and loss account on page 7.
2) Average capital employed for Q4 2017 is calculated pro-forma for continuing operations.

*Reconciliation alternative performance measures, **continued***

SEKm	Fourth quarter Oct–Dec 2017	Fourth quarter Oct–Dec 2016[1]	Full year 2017	Full year 2016[1]
Return on capital employed[3]				
Operating profit (rolling 12 months)	527	635	527	635
Financial income (rolling 12 months)	7	17	7	17
Operating profit plus financial income (rolling 12 months)	**534**	**652**	**534**	**652**
Average capital employed	6,473	5,879	6,473	5,879
Return on capital employed, %	**8,2**	**11.1**	**8,2**	**11.1**
Cash conversion[4]				
EBITDA, adjusted	265	262	833	906
Minus: Capital expenditures	45	47	140	140
EBITDA, adjusted less capital expenditures	**220**	**215**	**693**	**766**
EBITDA, adjusted	265	262	833	906
Cash conversion, %	**83.0**	**82.1**	**83.2**	**84.5**
Changes in net sales[5]				
Net sales	1,643	1,367	5,784	5,107
Net sales in comparative period of previous year	1,367	n/a	5,107	n/a
Net sales, change	**276**	**n/a**	**677**	**n/a**
Minus: Structural changes	285	n/a	708	n/a
Minus: Changes in exchange rates	–9	n/a	30	n/a
Organic growth	**0**	**n/a**	**–61**	**n/a**
Structural changes, %	20.8	n/a	13.9	n/a
Organic growth, %	0,0	n/a	–1.2	n/a
Profit for the period excluding impact of impairment loss discontinued operation including income tax effects and other items affecting comparability				
Profit/loss for the period	20	–420	–97	–191
Minus: Impairment loss discontinued operation including income tax effects	–82	–594	–479	–594
Minus: Other items affecting comparability	–20	–	–20	–
Profit for the period excluding impact of impairment loss discontinued operation including income tax effects and other items affecting comparability	**122**	**174**	**402**	**403**
Average number of shares (basic)	286,645,530	286,279,569	286,320,464	286,193,024
Average number of shares (diluted)	286,835,623	286,560,336	286,492,178	286,447,465
Earnings per share, basic excluding impact of impairment loss discontinued operation including tax effects and other items affecting comparability, SEK	0.43	0.61	1.40	1.41
Earnings per share, diluted excluding impact of impairment loss discontinued operation including tax effects and other items affecting comparability, SEK	0.43	0.61	1.40	1.41

1) Comparative figures for profit and loss account items have been restated for discontinued operation. For further details see the consolidated profit and loss account on page 7.
2) Average capital employed for Q4 2017 is calculated pro-forma for continuing operations.
3) Comparative figures for Q4 2016 have not been restated for discontinued operation, as only either the numerator or denominator in the calculation has been restated for discontinued operation.
4) The capital expenditure included in the calculation of the cash conversion has been adjusted for the capital expenditure related to discontinued operation.
5) The changes in net sales for Q1 2016 to Q4 2016 have not been restated for discontinued operation, as the net sales of the comparative periods are not comparable to the net sales of the current period.

Condensed consolidated quarterly data

SEKm	Q4 2017	Q3 2017	Q2 2017	Q1 2017[1]	Q4 2016[1]	Q3 2016[1]	Q2 2016[1]	Q1 2016[1]	Q4 2015
Profit and loss account									
Net sales	1,643	1,505	1,414	1,222	1,367	1,285	1,221	1,234	1,622
Cost of goods sold	–1,037	–978	–895	–768	–806	–791	–709	–778	–991
Gross profit	**606**	**527**	**519**	**454**	**561**	**494**	**512**	**456**	**631**
Other income	2	–	4	–	–	–	–	–	–
Selling expenses	–281	–232	–259	–200	–207	–189	–215	–195	–237
General and administrative expenses	–156	–126	–174	–157	–174	–110	–149	–149	–155
Operating profit	**171**	**169**	**90**	**97**	**180**	**195**	**148**	**112**	**239**
Exchange differences borrowings and cash and cash equivalents in foreign currencies	–7	–7	–2	–1	–10	8	2	–8	–6
Other financial income	0	0	1	6	5	5	5	2	6
Other financial expenses	–20	–20	–18	–16	–20	–80	–37	–38	–48
Net financial items	**–27**	**–27**	**–19**	**–11**	**–25**	**–67**	**–30**	**–44**	**–48**
Profit before tax	**144**	**142**	**71**	**86**	**155**	**128**	**118**	**68**	**191**
Income tax	–124	–34	–28	–20	–33	–36	–33	–20	–34
Profit from continuing operations	**20**	**108**	**43**	**66**	**122**	**92**	**85**	**48**	**157**
Profit/loss from discontinued operation, net of tax	–	45	–372	–7	–542	16	–8	–4	–
Profit/loss for the period	**20**	**153**	**–329**	**59**	**–420**	**108**	**77**	**44**	**157**
Profit/loss for the period attributable to:									
Owners of the Parent Company									
Continuing operations	20	108	43	66	122	92	85	48	157
Discontinued operation	–	45	–372	–7	–542	16	–8	–4	–
KEY FIGURES									
Profit									
Depreciation and amortization	–59	–74	–56	–49	–55	–54	–53	–51	–60
Operating profit, adjusted	206	169	115	114	209	203	156	127	255
EBITDA, adjusted	265	234	171	163	262	257	209	178	315
EBITDA	230	243	146	146	235	249	201	163	299
Operating profit margin, adjusted, %	12.5	11.2	8.1	9.3	15.3	15.8	12.8	10.3	15.7
Operating profit margin (EBIT margin), %	10.4	11.2	6.4	7.9	13.2	15.2	12.1	9.1	14.7
Earnings per share, SEK									
Basic	0.07	0.53	–1.15	0.21	–1.47	0.38	0.27	0.15	0.55
Diluted[2]	0.07	0.53	–1.15	0.21	–1.47	0.38	0.27	0.15	0.55
Financial position									
Share price, last paid, SEK	29.70	28.00	34.70	35.40	28.70	31.10	29.00	25.80	28.00
Return on equity, % (rolling 12 months)[3]	6.2	9.1	8.7	–4.1	–4.5	8.5	9.3	9.0	8.9
Equity per share, SEK	13.2	12.9	12.9	14.7	14.5	15.8	15.2	15.2	15.1
Net debt/EBITDA, x (rolling 12 months)[3,4]	2.39	2.63	2.77	2.34	2.44	2.76	2.82	2.78	3.03
Cash flow									
Cash flow from operating activities per share, SEK	1.1	0.5	0.4	0.5	1.4	0.4	0.4	0.9	1.3

1) Comparative figures for profit and loss account items have been restated for discontinued operation. For further details see the consolidated profit and loss account on page 7.
2) Cloetta entered into forward contracts to repurchase own shares to fulfill its future obligation to deliver the shares to the participants of the long-term share-based incentive plan. The table on page 15 presents the movements in the contracts as of 1 January 2016.
3) Comparative figures have not been restated for discontinued operation, as only either the numerator or denominator in the calculation has been restated for discontinued operation.
4) The definition of net debt/EBITDA has been adjusted per Q3 2016 to present a key figure over time which is irrespective of the applicable facility agreement. Comparative figures have not been restated as the differences have a limited effect.

Movements in forward contracts to repurchase own shares

Transaction	Date	Number of shares					
		Contract 1	Contract 2	Contract 3	Contract 4	Contract 5	Contract 6
Balance at	**1 Jan 2016**	**937,610**	**1,200,000**	**430,000**	**–**	**–**	**–**
Shares granted to participants LTI'13 (settlement of forward contract to repurchase own shares)	18 May 2016	–227,880	–	–	–	–	–
Roll-forward to new forward contract to repurchase own shares	15 Jun 2016	–709,730	–	–	709,730	–	–
Balance at	**31 Dec 2016**	**–**	**1,200,000**	**430,000**	**709,730**	**–**	**–**
Shares granted to participants LTI'14 (settlement of forward contract to repurchase own shares)	8 May 2017	–	–362,029	–	–	–	–
Repurchased own shares	8 May 2017	–	–3,932	–	–	–	–
Roll-forward to new forward contract to repurchase own shares	15 Jun 2017	–	–834,039	–	–709,730	1,543,769	–
Roll-forward to new forward contract to repurchase own shares	14 Jul 2017	–	–	–	–	–1,543,769	1,543,769
New forward contract to repurchase own shares	14 Jul 2017	–	–	–	–	–	348,793
Balance at	**31 Dec 2017**	**–**	**–**	**430,000**	**–**	**–**	**1,892,562**
	Price, SEK	18.50678	23.00000	26.40000	28.50000	36.10000	30.97320

Reconciliation of alternative performance measures by quarter

SEKm	Q4 2017	Q3 2017	Q2 2017	Q1 2017[1]	Q4 2016[1]	Q3 2016[1]	Q2 2016[1]	Q1 2016[1]	Q4 2015
Items affecting comparability									
Acquisitions, integration and factory restructurings	–20	0	–25	–17	–29	–8	–5	–1	–14
of which: impairment loss other non-current assets	–	–9	–	–	–2	–	–	–	–
Remeasurements of contingent considerations	5	–	–	–	–	–	–3	–14	3
Remeasurements of assets held for sale	–	–	–	–	–	–	–	–	–5
Other items affecting comparability	–20	–	–	–	–	–	–	–	–
Items affecting comparability*	**–35**	**0**	**–25**	**–17**	**–29**	**–8**	**–8**	**–15**	**–16**
* Corresponding line in the condensed consolidated profit and loss account:									
Cost of goods sold	–22	1	–15	–3	–3	–6	–5	–1	–20
Other operating income	–	–	4	–	–	–	–	–	–
Selling expenses	–3	–	–3	–	–	–	–	–	1
General and administrative expenses	–10	–1	–11	–14	–26	–2	–3	–14	3
Total	**–35**	**0**	**–25**	**–17**	**–29**	**–8**	**–8**	**–15**	**–16**
Operating profit, adjusted									
Operating profit	171	169	90	97	180	195	148	112	239
Minus: Items affecting comparability	–35	0	–25	–17	–29	–8	–8	–15	–16
Operating profit, adjusted	**206**	**169**	**115**	**114**	**209**	**203**	**156**	**127**	**255**
Net sales	1,643	1,505	1,414	1,222	1,367	1,285	1,221	1,234	1,622
Operating profit margin, adjusted, %	**12.5**	**11.2**	**8.1**	**9.3**	**15.3**	**15.8**	**12.8**	**10.3**	**15.7**
EBITDA, adjusted									
Operating profit	171	169	90	97	180	195	148	112	239
Minus: Depreciation	–56	–61	–53	–48	–53	–52	–51	–50	–59
Minus: Amortization	–3	–4	–3	–1	–	–2	–2	–1	–1
Minus: Impairment loss other non-current assets	–	–9	–	–	–2	–	–	–	–
EBITDA	**230**	**243**	**146**	**146**	**235**	**249**	**201**	**163**	**299**
Minus: Items affecting comparability (excl. impairment loss other non-current assets)	–35	9	–25	–17	–27	–8	–8	–15	–16
EBITDA, adjusted	**265**	**234**	**171**	**163**	**262**	**257**	**209**	**178**	**315**
Capital employed[2]									
Total assets	9,252	8,945	9,560	9,202	9,236	10,286	9,855	9,854	9,759
Minus: Deferred tax liability	703	625	641	598	586	680	647	618	621
Minus: Other non-current liabilities	138	137	132	–	–	–	–	–	43
Minus: Non-current provisions	5	5	5	9	22	10	9	9	10
Minus: Current provisions	3	6	6	46	64	7	14	37	57
Minus: Other current liabilities	1,424	1,320	1,219	1,189	1,235	1,383	1,438	1,420	1,271
Minus: Assets held for sale	–	–	830	–	–	–	–	–	–
Plus: Interest-bearing other current liabilities	–	–	–	–	–	–	–	–	–1
Capital employed	**6,979**	**6,852**	**6,727**	**7,360**	**7,329**	**8,206**	**7,747**	**7,770**	**7,756**
Capital employed in comparative period of previous year	5,966	6,273	5,818	7,770	7,756	8,040	7,756	7,790	8,041
Average capital employed	**6,473**	**6,563**	**6,273**	**7,565**	**7,543**	**8,123**	**7,752**	**7,780**	**7,899**

1) Comparative figures for profit and loss account items have been restated for discontinued operation. For further details see the consolidated profit and loss account on page 7.
2) Capital employed for Q2 2017 and Q3 2017 is for continuing operations. Average capital employed for Q2 2017, Q3 2017 and Q4 2017 is calculated pro-forma for continuing operations.

*Reconciliation alternative performance measures per quarter, **continued***

SEKm	Q4 2017	Q3 2017	Q2 2017	Q1 2017[1]	Q4 2016[1]	Q3 2016[1]	Q2 2016[1]	Q1 2016[1]	Q4 2015
Return on capital employed[3]									
Operating profit (rolling 12 months)	527	536	562	620	635	705	701	689	671
Financial income (rolling 12 months)	7	12	17	21	17	18	13	8	6
Operating profit plus financial income (rolling 12 months)	**534**	**548**	**579**	**641**	**652**	**723**	**714**	**697**	**677**
Average capital employed	6,473	6,563	6,273	5,930	5,879	8,123	7,752	7,780	7,899
Return on capital employed, %	**8.2**	**8.3**	**9.2**	**10.8**	**11.1**	**8.9**	**9.2**	**9.0**	**8.6**
Cash conversion[4]									
EBITDA, adjusted	265	234	171	163	262	257	209	178	315
Minus: Capital expenditures	45	32	32	31	47	34	26	33	47
EBITDA, adjusted less capital expenditures	**220**	**202**	**139**	**132**	**215**	**223**	**183**	**145**	**268**
EBITDA, adjusted	265	234	171	163	262	257	209	178	315
Cash conversion, %	**83.0**	**86.3**	**81.3**	**81.0**	**82.1**	**86.8**	**87.6**	**81.5**	**85.1**
Changes in net sales[5]									
Net sales	1,643	1,505	1,414	1,222	1,367	1,285	1,221	1,234	1,622
Net sales in comparative period of previous year	1,367	1,285	1,221	1,234	n/a	n/a	n/a	n/a	1,579
Net sales, change	**276**	**220**	**193**	**–12**	**n/a**	**n/a**	**n/a**	**n/a**	**43**
Minus: Structural changes	285	261	161	–	n/a	n/a	n/a	n/a	75
Minus: Changes in exchange rates	–9	–5	38	13	n/a	n/a	n/a	n/a	4
Organic growth	**0**	**–36**	**–6**	**–25**	**n/a**	**n/a**	**n/a**	**n/a**	**–36**
Structural changes, %	20.8	20.3	13.2	–	n/a	n/a	n/a	n/a	4.7
Organic growth, %	0.0	–2.8	–0.5	–2.0	n/a	n/a	n/a	n/a	–2.3
Profit for the period excluding impact of impairment loss discontinued operation including income tax effects and other items affecting comparability									
Profit/loss for the period	20	153	–329	59	–420	108	77	44	157
Minus: Impairment loss discontinued operation including income tax effects	–82	–32	–365	–	–594	–	–	–	–
Minus: Other items affecting comparability	–20	–	–	–	–	–	–	–	–
Profit for the period excluding impact of impairment loss discontinued operation including income tax effects and other items affecting comparability	**122**	**185**	**36**	**59**	**174**	**108**	**77**	**44**	**157**
Average number of shares (basic)	286,645,530	286,645,530	286,339,892	286,279,569	286,279,569	286,279,569	286,159,369	286,051,689	286,051,689
Average number of shares (diluted)	286,835,623	286,875,122	286,626,106	286,607,989	286,560,336	286,558,440	286,471,820	286,404,267	286,359,672
Earnings per share, basic excluding impact of impairment loss discontinued operation including tax effects and other items affecting comparability, SEK	0.43	0.65	0.13	0.21	0.61	0.38	0.27	0.15	0.55
Earnings per share, diluted excluding impact of impairment loss discontinued operation including tax effects and other items affecting comparability, SEK	0.43	0.64	0.13	0.21	0.61	0.38	0.27	0.15	0.55

1) Comparative figures for profit and loss account items have been restated for discontinued operation. For further details see the consolidated profit and loss account on page 7.
2) Capital employed for Q2 2017 and Q3 2017 is for continuing operations. Average capital employed for Q2 2017, Q3 2017 and Q4 2017 is calculated pro-forma for continuing operations.
3) Comparative figures for Q2 2015 till Q3 2016 have not been restated for discontinued operation, as only either the numerator or denominator in the calculation has been restated for discontinued operation. Return on capital employed for Q4 2016 to Q4 2017 has been calculated pro-forma for continuing operations.
4) The capital expenditure included in the calculation of the cash conversion has been adjusted for the capital expenditure related to discontinued operation.
5) The changes in net sales for Q1 2016 to Q4 2016 have not been restated for discontinued operation, as the net sales of the comparative period previous are not comparable to the net sales of the current period.

Parent Company

Condensed parent company profit and loss account

	Fourth quarter		Full year	
SEKm	Oct–Dec 2017	Oct–Dec 2016	2017	2016
Net sales	30	27	107	100
Gross profit	**30**	**27**	**107**	**100**
Administrative expenses	–32	–32	–129	–122
Operating loss	**–2**	**–5**	**–22**	**–22**
Net financial items	18	89	23	35
Profit before tax	**16**	**84**	**1**	**13**
Income tax	–3	–19	0	–3
Profit for the period	**13**	**65**	**1**	**10**

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

Condensed parent company balance sheet

SEKm	31 Dec 2017	31 Dec 2016
ASSETS		
Non-current assets	5,353	5,329
Current assets	51	117
TOTAL ASSETS	5,404	5,446
EQUITY AND LIABILITIES		
Equity	3,889	4,093
Non-current liabilities		
Borrowings	134	1,131
Derivative financial instruments	1	0
Provisions	1	1
Total non-current liabilities	136	1,132
Current liabilities		
Borrowings	999	–
Derivative financial instruments	0	4
Current liabilities	380	217
Total current liabilities	1,379	221
TOTAL EQUITY AND LIABILITIES	5,404	5,446

Condensed parent company statement of changes in equity

	Full year	
SEKm	2017	2016
Equity at beginning of period	4,093	4,218
Profit/loss for the period	1	10
Total comprehensive income	1	10
Transactions with the owners		
Share-based payments	11	9
Dividend	–216	–144
Total transactions with owners	–205	–135
Equity at end of period	3,889	4,093

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 2017. 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.

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 34 'Changes in accounting policies' in the annual and sustainability report for 2016. No new standards are effective as from 1 January 2017 which have been endorsed by the EU.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these consolidated financial statements. None of these is expected to have impact on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial Instruments', published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments, Recognition and Measurement. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The standard must be applied for financial years commencing on or after 1 January 2018, with early adoption permitted.

The Group has reviewed its financial assets and liabilities and assessed the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Based on the assessments performed Cloetta concluded that its current hedge relationships qualifies as continuing hedges upon the adoption of IFRS 9 and has updated its hedge documentation in accordance with IFRS 9. This does not have an impact on the company's balance sheet or income statement. Also in other areas IFRS 9 does not have a material impact on Cloetta's consolidated financial statements. The Group applies the new rules retrospectively from 1 January 2018.

IFRS 15, 'Revenue from contracts with customers', establishes a comprehensive framework for determining whether, how much and when revenue is recognized. This standard replaces IAS 18 covering contracts for goods and services, IAS 11 covering construction contracts and IFRIC 13 covering Customer Loyalty Programmes. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The standard is mandatory for financial years commencing on or after 1 January 2018, with early adoption permitted.

The Group started the implementation process in 2016 and finalized the impact assessment during the past financial year. Based on a detailed contract analysis Cloetta identified additional performance obligations within the pick & mix business to which revenue should be allocated. In accordance with IAS 18 Cloetta only recognised one performance 0bligation related to the sale of goods. In accordance with IFRS 15 Cloetta identified the following performance obligations:

- Sale of goods
- Leases of racks
- Merchandising services

The additional performance obligations do no give rise to a different timing of recognising revenue. For the performance obligation merchandising services – which is satisfied over time - Cloetta selected an appropriate method for measuring Cloetta's progress towards complete satisfaction of that performance obligation. For merchandising services the practical expedient (IFRS 15.B16) is applicable, whereas Cloetta can recognise revenue in the amount to which it has a right to invoice. Since normally delivery of goods as well as merchandising services take place weekly this output method best reflects the measure of progress of the merchandising service as performance obligation and timing of revenue recognition will not change compared to sale of goods.

Total revenues within the pick & mix full concept business for 2017 can be allocated to the identified performance obligation: sale of goods (84%), leases of racks (4%) and merchandising services (12%). Other areas of change identified during the impact assessment will not have any material impact on the Group's revenue recognition. Cloetta is currently in the process of updating:

- Its accounting systems;
- Accounting manuals;
- Controls framework; and
- Management reporting.

The above activities are not significant for Cloetta. The Group will adopt the standard from 1 January 2018 using the full retrospective approach which means that the cumulative impact of the adoption, which is not expected to be material, will be recognised in retained earnings as of 1 January 2017 and that comparatives will be restated.

IFRS 16, 'Leases', was issued in January 2016 and supersedes IAS 17 Leases. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The standard is mandatory for financial years commencing on or after 1 January 2019. A company can choose to apply IFRS 16 before this date but only if it also applies IFRS 15 Revenue from contracts with customers.

The standard will affect the accounting for the Group's operating leases. The Group started the implementation process in 2016 and is on track with the transition process as disclosed in our consolidated annual report 2016. Following the impact assessment, Cloetta has nearly completed the extraction of relevant data points from all lease contracts. These will be used for the impact analysis and further quantification of the impact. The operating leases that will be recorded on Cloetta's balance sheet as a result of IFRS 16 will mainly be for land and buildings (offices and warehouses), transport (cars, forklifts and trucks) and other equipment (e.g. IT, machinery, equipment, printers and coffee machines).

At this stage, the Group is not able to quantify the impact of the new rules on the Group's financial statements or to decide on the method of first-time application. However, the Group does not intend to adopt the standard before its effective date.

Disclosures

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 2017. Net sales in the Parent Company amounted to SEK 107m (100) and referred mainly to intra-group services. Operating loss was SEK –22m (–22). Net financial items totaled SEK 23m (35). Profit before tax was SEK 1m (13) and profit after tax was SEK 1m (10). 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 2017, a total of 181,962,630 shares were traded for a combined value of SEK 5,722m, equal to around 64 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 2017 was SEK 38.80 (5 June) and the lowest was SEK 26.00 (15 September and 26 October). The share price on 31 December 2017 was SEK 29.70 (last price paid).

During the period from 1 January to 31 December 2017, the Cloetta share increased by 3 per cent while the Nasdaq OMX Stockholm PI index increased by 6 per cent. Cloetta's share capital at 31 December 2017 amounted to 1,443,096,495. The total number of shares is 288,619,299, consisting of 5,735,249 (9,861,614) class A shares and 282,884,050 (278,757,685) class B shares, equal to a quota value of SEK 5 per share

Shareholders

On 31 December 2017 Cloetta AB had 20,125 shareholders. The largest shareholder was AB Malfors Promotor with a holding corresponding to 36.7 per cent of the votes and 25.4 per cent of the share capital in the company. Wellington Management was the second largest shareholder with 8.6 per cent of the votes and 10.2 per cent of the share capital. The third largest shareholder was Franklin Templeton with 6.0 per cent of the votes and 7.1 per cent of the share capital. Institutional investors held 91.0 per cent of the votes and 89.4 per cent of the share capital. Foreign shareholders held 46.6 per cent of the votes and 55.0 per cent of the share capital.

Guidelines on Alternative Performance Measures

On 8 December 2015 the Swedish Financial Supervisory Authority (FSA) ("Finansinspektionen") announced its intention to follow the ESMA (European Securities and Markets Authority) guidelines on Alternative Performance Measures (APMs). These guidelines are applicable for (interim) financial statements published after 3 July 2016. In accordance with these guidelines additional information on the use of APMs, including explanations of use and reconciliation of the APMs to the most directly reconcilable measures in the financial statements, have been included in these interim financial statements.

APMs presented in these interim financial statements should not be considered as a substitute for measures of performance in accordance with IFRS and may not be comparable to similarly titled measures by other companies.

Fair value measurement

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

- the interest rate swaps and forward foreign currency contracts categorised at level 2 of the fair value hierarchy in all periods presented;
- the contingent earn-out consideration related to the acquisition of Candyking Holding AB and is subsidiaries initially categorized at level 3, as well as;
- assets held for sale, in cases where the fair value less cost of disposal is below the carrying amount.

On 28 April 2017 the contingent earn-out consideration arising from the acquisition of Candyking Holding AB and its subsidiaries was recognized for an amount of SEK 128m.

The fair value of financial assets (loans and receivables) and liabilities measured at amortised cost is approximately equal to carrying amounts. The fair value of financial assets and liabilities for measurement purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value measurements by level according to the fair value measurement hierarchy are as follows:

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

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2017:

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
- Forward foreign currency contracts	–	0	–	0
Total assets	**–**	**0**	**–**	**0**
Liabilities				
Liabilities at fair value through profit or loss				
- Interest rate swaps	–	3	–	3
- Contingent consideration	–	–	138	138
Total liabilities	**–**	**3**	**138**	**141**

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

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

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
- Forward foreign currency contracts	–	4	–	4
- Assets measured at fair value	–	–	9	9
Total assets	**–**	**4**	**9**	**13**
Liabilities				
Liabilities at fair value through profit or loss				
- Interest rate swaps	–	7	–	7
Total liabilities	**–**	**7**	**–**	**7**

The assets measured at fair value less cost of disposal at 31 December 2016 consisted of the land and building in Zola Predosa, Italy. The assets and liabilities measured at fair value are reflected in the 'derivative financial instruments' and 'assets held for sale'.

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

SEKm	2017	2016
Opening Balance	–	125
Business combinations	128	–
Remeasurements recognized in profit and loss		
- Unrealized remeasurements on contingent considerations recognised in general and administrative expenses	–5	17
- Unrealized interest on contingent considerations recognised in other financial expenses	15	10
Remeasurements recognized in other comprehensive income		
- Unrealized currency translation differences	–	2
Settlements		
- Settlement via balance sheet	–	–154
Closing Balance	**138**	**–**

On 28 April 2017 the contingent earn-out consideration arising from the acquisition of Candyking Holding AB and its subsidiaries was recognized for an amount of SEK 128m. At the end of the quarter the expected undiscounted contingent earn-out consideration amounted to SEK 170m (discounted: SEK 138m). On 4 October 2016 the contingent earn-out consideration related to the acquisition of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) was settled for an amount of SEK 48m, resulting in a transfer from fair value hierarchy level 3 to 2 in the third quarter of 2016. No other transfers between fair value hierarchy levels has occured during the financial year or the prior financial year. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included at level 2. The valuation of the instruments is based on quoted market prices, but the underlying swap amounts are based on the specific requirements of the Group. These instruments are therefore included at level 2. The fair value measurement of the contingent (earn-out) considerations requires the use of significant unobservable inputs and were thereby initially categorised at level 3. The valuation techniques and inputs used to value financial instruments are:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present valueof the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign currency contracts is calculated using the difference between the exchange rate on the spot date with the contractually agreed upon exchange rates.
- The fair value of the assets held for sale is based on valuations by external independent valuators.
- Other techniques, such as discounted cash flow analysis, are used to determine the fair value of the remaining financial instruments.

The fixed assets measured at fair value are identified as a non-recurring fair value measurement and are related to the assets held for sale. The assets are valued at fair value in case the fair value less cost of disposal is below the carrying amount. The contingent (earn-out) considerations are measured at fair value using a scenario model with an earn-out threshold, different results and related changes, and an applicable multiplier as input. These data are aligned with the earn-out contracts.

The inter-relationship between significant unobservable inputs and fair value measurement are:

- The estimated fair value of the contingent earn-out consideration related to the acquisition of Alrifai Nutisal AB 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 was higher (lower),
  - the cash balance at 31 December 2015 was higher (lower),
  - the adjusted gross profit for 2015 was higher (lower).
- The estimated fair value of the contingent earn-out consideration related to the acquisition of Candyking Holding AB and its subsidiaries will increase (decrease) if:
  - the forecasted Cloetta's and Candyking's combined sales volume of pick & mix in confectionery and natural snacks in the Nordic countries, the UK and Poland during 2018 is higher (lower).

For detailed information about the accounting policies, see Cloetta's annual and sustainability report 2016 at www.cloetta.com.

Taxes

The net effect of international tax rate differences and rate changes, recognition of a valuation allowance on deferred tax assets, changes in filing positions and non-deductible expenses impacted the effective tax rate of the Group unfavourably. Cloetta's deferred tax balances have been calculated according to the enacted or substantially enacted tax rates.

Acquisition of Candyking Holding AB

On 28 April 2017 Cloetta acquired control of Candyking Holding AB and its subsidiaries, a leading concept supplier of pick & mix candy in the Nordic countries and the UK. The acquisition strengthens Cloetta's position within pick & mix and creates substantial synergies.

Cloetta acquired 100 per cent of the shares in Candyking as well as 100 percent of Candyking's outstanding bond and other debt. The purchase price amounted to SEK 325m on a cash and debt free basis, adjusted for transaction adjustments for net debt and working capital of SEK –62m, with a potential additional purchase price of maximum SEK 225m based on Cloetta's and Candyking's combined sales volume of pick & mix in confectionery and natural snacks in the Nordic countries, the UK and Poland during 2018. The seller of the shares was the former CEO of Candyking, Dani Evanoff. The majority of the purchase price as well as the potential additional purchase price has been allocated to the previous holders of Candyking's SEK 750m bond loan. In connection with closing of the acquisition, Candyking's bonds have been delisted from Nasdaq Stockholm. At the time of delisting the bond, an earn-out instrument has been issued to the previous bondholders and the previous shareholder that entitles to the future potential additional purchase price. The instrument is registered at Euroclear in order to facilitate the distribution of any additional purchase price to the instrument-holders.

The total goodwill of SEK 172m is not expected to be deductible for tax purposes. The acquired receivables contain of trade receivables of SEK 128m which are expected to be collected in full. The total transaction cost related to the acquisition amounted to SEK 14m and is fully recognized in the profit and loss account for of the period concerned as 'general and administrative expenses'. Due to the short-term nature of the receivables, the fair value approximates the gross contractual amounts. The contractual cash flows which are not expected to be collected are immaterial. Candyking Holding AB and its subsidiaries contributed SEK 708m to Cloetta's consolidated revenues from acquisition date to 31 December 2017 had Candyking Holding AB and its subsidiaries been consolidated from 1 January 2017, it would have (pro forma) contributed SEK 1,092m to consolidated revenues over the period from 1 January 2017 to 31 December 2017. Because Candyking Holding AB and its subsidiaries were acquired on 28 April 2017, 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 Scandinavia.

Acquisition of Candyking Holding AB

SEKm	
Consideration transferred	
Purchase price	325
Transaction adjustment	–62
Contingent consideration	128
Consideration transferred	**391**
Acquisition Candyking bond and other debt	–391
Net consideration	**0**
Recognised amounts of identifiable assets and liabilities assumed:	
Non-current assets	**279**
Intangible assets (excl. goodwill)	177
Property, plant and equipment	80
Other non-current assets	22
Current assets	**256**
Inventories	90
Trade and other receivables	152
Cash and cash equivalents	14
Non-current liabilities	**–41**
Deferred tax liabilities	–41
Current liabilities	**–666**
Bond and other debt	–391
Other borrowings	–23
Trade payables	–136
Taxes and social security premiums	–50
Other current liabilities	–66
Total identifiable net assets	**–172**
Goodwill	172
Net consideration	**0**

Discontinued operation

On 5 September 2017 Cloetta Italia S.r.l. was sold to Katjes International GmbH.

Cloetta Italia S.r.l. is accounted for as discontinued operation. The comparative figures in the consolidated profit and loss account and consolidated statement of comprehensive income have been restated to present the discontinued operation separately from continuing operations.

Cloetta has recognised an impairment loss of SEK 159m on intangible assets and an impairment loss of SEK 238m on property, plant and equipment as a result of a write-down of the carrying value of the assets subject to the disposal to their lower fair value less cost of disposal in the second and third quarter of 2017. The impairment loss is recognised in profit/loss from discontinued operation, net of tax.

The disposal was completed via a transfer of the shares of Cloetta Italia S.r.l. Assets and liabilities which will be retained in the Cloetta Group have been transferred within the group before the transfer of shares took place.

The following table presents the result from discontinued operation:

	Fourth quarter		Full year	
SEKm	Oct–Dec 2017	Oct–Dec 2016	2017	2016
Net sales	–	317	316	745
Cost of goods sold				
- Impairment loss	–	–	–238	–
- Other cost of goods sold	–	–211	–181	–449
Total cost of goods sold	–	–211	–419	–449
Gross profit	**–**	**106**	**–103**	**296**
Selling expenses	–	–40	–102	–149
General and administrative expenses				
- Impairment loss	–	–771	–159	–771
- Other general and administrative expenses	–	–23	–80	–93
Total general and administrative expenses	–	–794	–239	–864
Operating profit/loss	**–**	**–728**	**–444**	**–717**
Financial income	–	0	0	0
Financial expenses	–	0	–1	–8
Net financial items	**–**	**0**	**–1**	**–8**
Profit/loss before tax and reclassification of currency translation differences on discontinued operation	**–**	**–728**	**–445**	**–725**
Income tax	–	186	9	187
Profit/loss from discontinued operation before reclassification of currency translation difference on discontinued operation, net of tax	**–**	**–542**	**–436**	**–538**
Currency translation differences on discontinued operation reclassified from other comprehensive income	–	–	102	–
Profit/loss from discontinued operation, net of tax	**–**	**–542**	**–334**	**–538**

The following table presents the cash flow from discontinued operation being part of the condensed consolidated cash flow statement on page 10:

	Fourth quarter		Full year	
SEKm	Oct–Dec 2017	Oct–Dec 2016	2017	2016
Cash flow from operating activities	–34	63	–40	141
Cash flow from investing activities	64	–11	361	–30
Cash flow from financing activities	–	–	–	–
Cash flow from discontinued operation	**30**	**52**	**321**	**111**

The following assets and liabilities were classified as held for sale in relation to the discontinued operation at 5 September 2017:

SEKm	5 Sep 2017
Intangible assets	99
Property, plant and equipment	165
Deferred tax asset	7
Other financial assets	1
Inventories	176
Other current assets	197
Cash and cash equivalents	18
Total assets disposed	**663**
Borrowings	64
Deferred tax liability	11
Provisions for pensions and other long-term employee benefits	61
Provisions	3
Other current liabilities	194
Total liabilities disposed	**333**
Carrying amount of net assets held for sale	**330**
Disposal consideration received	330
Minus: Carrying amount of net assets disposed	–330
Result on disposal, before income tax	**–**
Income tax on result on disposal	–
Result on disposal, net of tax	**–**

Seasonal variations – discontinued operation

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 Italy in connection with the holiday season.

Risk factors

Cloetta is an internationally active company that is exposed to a number of market and financial risks. All identified risks are monitored continuously and, if needed, risk mitigating measures are taken to limit their impact. The most relevant risk factors are described in the annual and sustainability report 2016 and consist of industry- and market-related risks, operational risks and financial risks. Compared to the annual and sustainability report which was published on 9 March 2017, Cloetta is more dependent on contracts with different maturity after the acquisition of Candyking which makes Cloetta's sales development somewhat more volatile.

Definitions

General	All amounts in the tables are presented in SEK millions unless otherwise stated. All amounts in brackets () represent comparative figures for the same period of the prior year, unless otherwise stated.	
Margins	**Definition/calculation**	**Purpose**
Gross margin	Net sales less cost of goods sold as a percentage of net sales.	Gross margin measures production profitability.
Operating profit margin (EBIT margin)	Operating profit expressed as a percentage of net sales.	Operating profit margin is used for measuring the operational profitability.
Operating profit margin, adjusted	Operating profit, adjusted for items affecting comparability, as a percentage of net sales.	Operating profit margin, adjusted excludes the impact of items affecting comparability, enabling a comparison of operational profitability.
Profit margin	Profit/loss before tax expressed as a percentage of net sales.	This measure enables the profitability to be compared across locations where corporate taxes differ.
Return	**Definition/calculation**	**Purpose**
Cash conversion	Operating profit, adjusted for items affecting comparability, before depreciation and amortization less capital expenditures as a percentage of operating profit, adjusted for items affecting comparability, before depreciation and amortization.	Cash conversion measures the proportion of profits that are converted to cash flow. Its use is to analyze how much of the profit attributable to shareholders is turned into cash that could be paid to investors without damaging the business, except for cash flows related to interest and tax.
Return on capital employed	Operating profit plus financial income as a percentage of average capital employed. The average capital employed is calculated by taking the capital employed per period end and the capital employed by period end of the comparitive period in the previous year divided by two.	Return on capital employed is used to analyse profitability, based on the amount of capital used. The leverage of the company is the reason that this metric is used next to return on equity, because it not only includes equity, but takes into account borrowings and other liabilities as well.
Return on equity	Profit for the period as a percentage of total equity.	Return on equity is used to measure profit generation, given the resources attributable to the owners of the Parent Company.
Capital structure	**Definition/calculation**	**Purpose**
Capital employed	Total assets less interest-free liabilities (including deferred tax).	Capital employed measures the amount of capital used and serves as input for the return on capital employed.
Equity/assets ratio	Equity at the end of the period as a percentage of total assets. The equity/assets ratio represents the amount of assets on which shareholders have a residual claim.	This ratio is an indicator of the company's leverage used to finance the firm.
Gross debt	Gross current and non-current borrowings, credit overdraft facilities, derivative financial instruments and interest payables.	Gross debt represents the total debt obligation of the company irrespective its maturity.
Net debt	Gross debt less cash and cash equivalents.	The net debt is used as an indication of the ability to pay off all debts if these became due simultaneously on the day of calculation, using only available cash and cash equivalents.
Net debt/EBITDA	Net Debt at the end of the period divided by the EBITDA, adjusted, for the last 12 months, taking into consideration the annualization of EBITDA for acquired or divested companies.	The net debt/EBITDA ratio approximates the company's ability to decrease its debt. It represents the number of years it would take to pay back debt if net debt and EBITDA are held constant, ignoring the impact from cash flows from interest, tax and capital expenditure.
Net debt/equity ratio	Net debt at the end of the period divided by equity at the end of the period.	The net debt/equity ratio measures the extent to which the company is funded by debt. Because cash and overdraft facilities can be used to pay-off debt at short notice, the leverage is taking into account net debt instead of gross debt.
Working capital	Total inventories and trade and other receivables adjusted for trade and other payables.	Working capital is used to measure the company's ability, besides cash and cash equivalents, to meet current operational obligations.

Data per share	Definition/calculation	Purpose
Cash flow from operating activities per share	Cash flow from operating activities in the period divided by the average number of shares.	The cash flow from operating activities per share measures the amount of cash the company generates per share from the revenues it brings in irrespective the capital investments and cash flows related to the financing structure of the company.
Earnings per share	Profit for the period divided by the average number of shares adjusted for the effect of forward contracts to repurchase own shares.	The earnings per share measures the amount of net profit that is available for payment to its shareholders per share.
Equity per share	Equity at the end of the period divided by number of shares at the end of the period.	Equity per share measures the net-asset value backing up each share of the company's equity and determines if a company is increasing shareholder value over time.

Other definitions	Definition/calculation	Purpose
EBIT	Operating profit consists of comprehensive income before net financial items and income tax.	This measure enables the profitability to be compared across locations where corporate taxes differ and irrespective the financing structure of the company.
EBITDA	Operating profit before depreciation and amortization.	EBITDA is used to measure the cash flow generated from operating activities, eliminating the impact of financing and accounting decisions.
EBITDA, adjusted	Operating profit, adjusted for items affecting comparability, before depreciation and amortization.	EBITDA, adjusted increases the comparability of EBITDA.
Effective tax rate	Income tax as a percentage of profit before tax.	This measure enables the income tax to be compared across locations where corporate taxes differ.
Items affecting comparability	Items affecting comparability are those significant items which are separately disclosed by virtue of their size or incidence in order to enable a full understanding of the Group's financial performance such as restructurings, impact from acquisitions or divestments.	Items affecting comparability increases the comparability of the Group's financial performance.
Net financial items	The total of exchange differences on borrowings and cash and cash equivalents in foreign currencies, other financial income and other financial expenses.	The net financial items reflects the company's total costs of the external financing.
Net sales, change	Net sales as a percentage of net sales in the comparative period of the previous year.	Net sales, change reflects the company's realised top-line growth over time.
Operating profit, adjusted	Operating profit adjusted for items affecting comparability.	Operating profit, adjusted increases the comparability of operating profit.
Organic growth	Net sales, change exluding acquisition-driven growth and changes in exchanges rates.	Organic growth excludes the impact of changes in group structure and exchange rates, enabling a comparison on net sales growth over time.
Structural changes	Net sales, change resulting from changes in group structure.	Structural changes measure the contribution of changes in group structure to the net sales growth.

Glossary

Packaged products	Products that mainly are sold under brands and are packaged.
Pick & mix	Cloetta's range of candy and natural snacks that are picked by the consumers themselves.
Pick & mix concept	Cloetta's complete concept in pick and mix including products, displays and accompanying store and logistic services.

Exchange rates

	31 Dec 2017	31 Dec 2016
EUR, average	9.6362	9.4700
EUR, end of period	9.8210	9.5804
NOK, average	1.0324	1.0200
NOK, end of period	0.9997	1.0548
GBP, average	10.9909	11.5480
GBP, end of period	11.0684	11.1673
DKK, average	1.2956	1.2721
DKK, end of period	1.3192	1.2888

Examples of new launches during the fourth quarter

The Netherlands
Red Band bag-in-bag 12 portions (x3)
Red Band 30% less sugar
Red Band Vegetarian
Red Band Sugar free
Red Band Original

Sweden
Juleskum Lingon
Juleskum julkalender
Skipper's Pipes julkalender

Financial calendar

2018

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

2019

Annual report
8 March 2018

AGM 2018
16 April 2018

Interim report Q1
24 April 2018

Interim report Q2
13 July 2018

Interim report Q3
26 October 2018

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This information is information that Cloetta AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8:00 a.m. CET on 26 January 2018.

Vision

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

Business model

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

Long-term financial targets

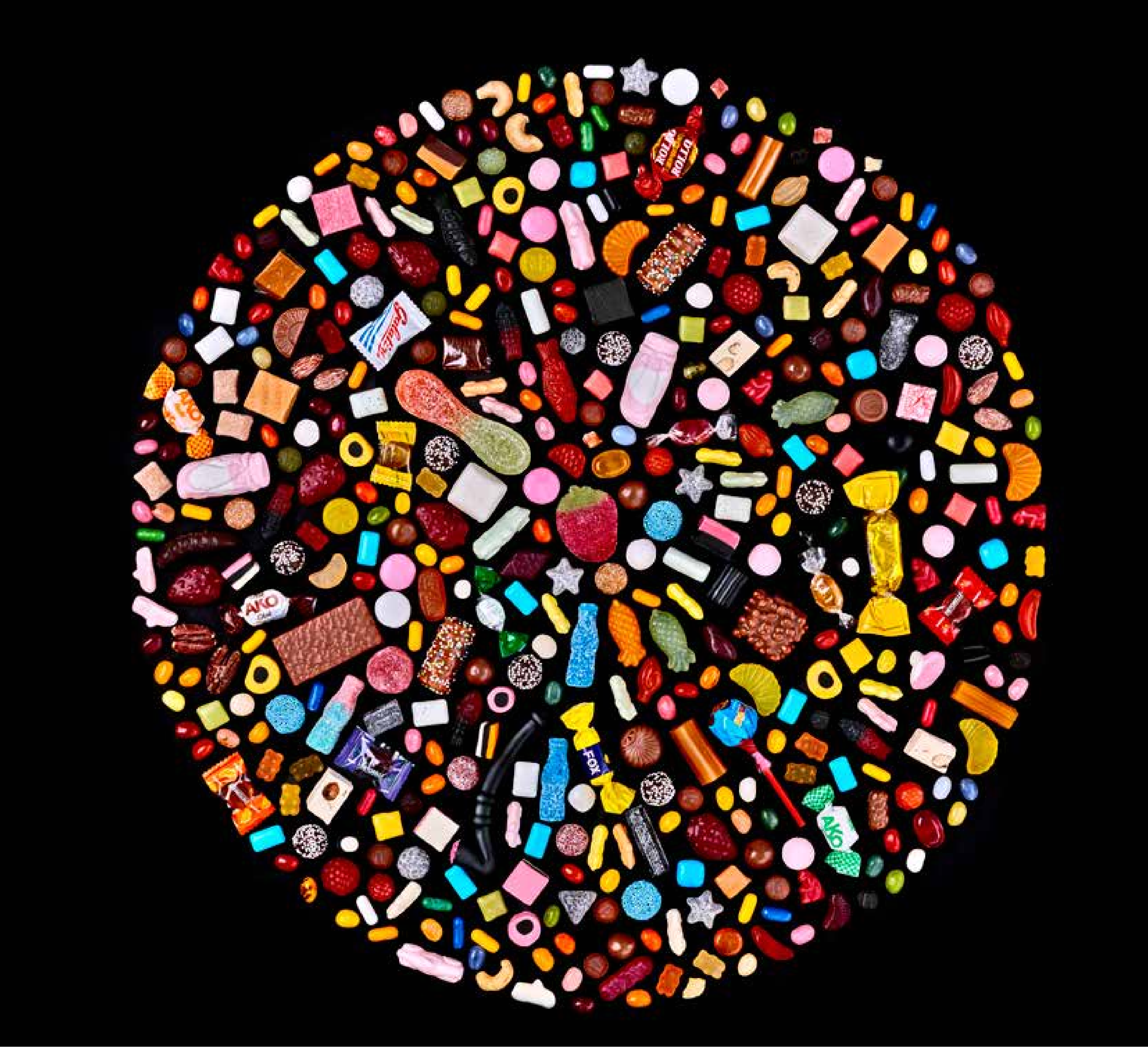
- **Cloetta's target is to increase organic sales at least in line with market growth.**
- **Cloetta's target is an EBIT margin, adjusted for items affecting comparability, of at least 14 per cent.**
- **Cloetta's long-term target is a net debt/EBITDA ratio of around 2.5x.**
- **Cloetta's long-term intention is a dividend payout of 40–60 per cent of profit after tax.**

Strategies

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

Value drivers

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



About Cloetta

Cloetta, founded in 1862, is a leading confectionery company in the Nordic region and the Netherlands. In total, Cloetta products are sold in more than 50 countries worldwide. Cloetta owns some of the strongest brands on the market, such as Läkerol, Cloetta, Candyking, Jenkki, Kexchoklad, Malaco, Sportlife and Red Band. Cloetta has eight production units in five countries. Cloetta's class B shares are traded on Nasdaq Stockholm.

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