Interim report Q3, July – September 2018

Stockholm, 26 October 2018

- **Net sales for the quarter** increased by 2.2 per cent to SEK 1,538m (1,505) including a positive impact from foreign exchange rates of 5.8 per cent.
- **Operating profit** amounted to SEK 180m (169). Profit for the period from continuing operations amounted to SEK 132m (108). Operating profit, adjusted for items affecting comparability, amounted to SEK 194m (169).
- **Cash flow** from operating activities amounted to SEK 250m (135).
- **Net debt/EBITDA ratio** was 2.48x (2.63).

Key ratios

	Third quarter			9 months			Rolling 12	Full year
SEKm	Jul–Sep 2018	Jul–Sep 2017	Change, %	Jan–Sep 2018	Jan–Sep 2017	Change, %	Oct 2017–Sep 2018	2017
Net sales	1,538	1,505	2.2[1]	4,572	4,141	10.4[1]	6,215	5,784
Operating profit, adjusted	194	169	14.8	503	398	26.4	709	604
Operating profit margin, adjusted, %	12.6	11.2	1.4 pts	11.0	9.6	1.4 pts	11.4	10.4
Operating profit (EBIT)	180	169	6.5	501	356	40.7	672	527
Operating profit margin (EBIT margin), %	11.7	11.2	0.5 pts	11.0	8.6	2.4 pts	10.8	9.1
Profit before tax	167	142	17.6	419	299	40.1	563	443
Profit/loss for the period	132	153	–13.7	324	–117	n/a	344	–97
Profit for the period from continuing operations	132	108	22.2	324	217	49.3	344	237
Earnings per share, basic and diluted, SEK	0.46	0.53	–13.2	1.13	–0.41	n/a	1.20	–0.34
Net debt/EBITDA, x (Rolling 12 months)	2.48	2.63	–5.7	2.48	2.63	–5.7	2.48	2.39
Cash flow from operating activities	250	135	85.2	340	407	–16.5	645	712

1) Organic growth at constant exchange rates and comparable units was –3.6 per cent for the quarter and –2.7 per cent for the first three quarters of the year. See Net sales on page 4 for further information.

Cloetta

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

FOUNDED IN

1862

2,467

EMPLOYEES

SALES IN

>50

COUNTRIES

LEADING BRANDS

8

ANNUAL SALES

SEK

5.8

BILLION

CHOCOLATE

CANDY

PASTILLES

CHEWING GUM

PICK & MIX

NUTS

VISION

To be the most admired satisfier of Munchy Moments

MISSION

To bring a smile to your Munchy Moments

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

Message from the CEO

Continued growth within brands and improved EBIT

EBIT improved during the quarter driven by cost-efficiency and higher production volumes.

Confectionery market during the quarter

The packaged confectionery market declined in Sweden, Denmark and the Netherlands due to the warm weather. In Finland, the market remained unchanged and in Norway the market grew driven by the increased sugar tax, but volumes decreased. No complete market statistics are available for pick & mix, but according to our own estimates, the pick & mix markets declined substantially in all markets during the quarter driven by the warm weather, which impacted buying behaviour.

Sales development

Cloetta's sales for the quarter increased by 2.2 per cent, of which organic growth accounted for –3.6 per cent and exchange rate differences for 5.8 per cent.

Branded packaged products

Sales of branded packaged products grew by 1.6 per cent driven by Sweden, Denmark, Germany and International Markets. Sales declined in Norway, Finland and in the Netherlands.

Although the confectionery market declined in many countries, Cloetta succeeded in taking market share in 14 out of 16 categories in our core markets. This demonstrates that our focus on improved and sharper marketing activities is starting to pay off. During the quarter, pure media investments increased by approximately 10 per cent.

Pick & mix

Pick & mix sales declined by 15.6 per cent, mainly due to the previously announced lost contract in Sweden and weak development in Norway due to the increased sugar tax and the absence of campaigns, but also an overall weak development in many markets.

Increased operating profit

Cloetta's operating profit (EBIT), adjusted for items affecting comparability, amounted to SEK 194m (169) and the operating profit margin, adjusted for items affecting comparability, was 12.6 per cent (11.2). Operating profit amounted to SEK 180m (169) and includes the negative impact of remeasurement of the contingent earn-out consideration for Candyking of SEK 6m.

The improvement in operating profit is primarily due to cost efficiency and higher production volumes. Marketing costs were at the same level as last year, although pure media investments was a larger part of the total marketing spend.

Improved cash flow and net debt/EBITDA

Cash flow from operating activities amounted to SEK 250m (135). The net debt/EBITDA ratio was 2.48 (2.63).

Candyking integration in line with plan

Since May, the former Candyking markets in the Nordic countries have been part of Cloetta's business enterprise system and the merchandising organisations are integrated on all markets. However, a number of activities are still outstanding before the integration is fully finalized. When the activities are implemented, we will be able to realise the full Candyking synergy savings of SEK 100m by 2020.

Drive profitable growth of pick & mix

Pick & mix is a large and important part of the Nordic confectionery market. Cloetta has the expertise and the resources to further develop and grow the pick & mix business. Having full transparency of the now integrated Candyking operation, enables us to shape the pick & mix business for competitive growth in the markets, where the priority is to improve the EBIT margin even if this means that we sometimes have to exit unprofitable or low-margin contracts. In addition, our pick & mix business gives us the platform to work on improving the profitability both through supply, procurement, costs as well as sales and marketing activities.

Invest to grow

The rapid insourcing of Candyking products and the increased demand in branded moulded products versus plan, is creating a higher utilization of the moulding network sooner than anticipated. In the short term, this creates extra cost when additional shifts have been added in some factories. As previously communicated, investments are needed in the existing factories to be able to insource more volumes. The first investment to increase capacity in in two of our factories, mainly in drying chambers, is now being prepared.

I am happy to see that branded packaged products grew for the third consecutive quarter. It bodes well for the future. We will continue to focus on strengthening our brands through more and efficient marketing support and innovation. Year to date, we have been able to increase pure media investments by being more effective in our marketing spend, but for the fourth quarter I am excited to see some innovations and marketing activities coming to the markets, leading to an absolute increase in our marketing spend.

2018 has developed well in terms of EBIT improvement and growth of branded packaged products. Our focus on cost, synergies from Candyking and increased media investments have brought about this improvement. Therefore, my focus continues to be on driving growth up and cost down.

Henri de Sauvage-Nolting
President and CEO

Henri de Sauvage-Nolting
President and CEO

Financial overview

Third quarter development

Net sales

Net sales for the third quarter increased by SEK 33m to SEK 1,538m (1,505) compared to the same period last year. Organic growth was –3.6 per cent and exchange rate differences were 5.8 per cent.

Sales of branded packaged products grew by 1.6 per cent driven by Sweden, Denmark, Germany and International Markets. Sales declined in Norway, Finland and in the Netherlands.

Pick & mix sales declined by 15.6 per cent, mainly due to the previously announced lost contract in Sweden and weak development in Norway due to the increased sugar tax and the absence of campaigns, but also an overall weak development in many markets.

Changes in net sales, %	Jul–Sep 2018	Jan–Sep 2018
Organic growth	–3.6	–2.7
Structural changes	–	9.1
Changes in exchange rates	5.8	4.0
Total	**2.2**	**10.4**

Gross profit

Gross profit amounted to SEK 559m (527), which is equal to a gross margin of 36.3 per cent (35.0). The higher gross margin is mainly due to higher production volumes.

Operating profit

Operating profit amounted to SEK 180m (169). Operating profit, adjusted for items affecting comparability, amounted to SEK 194m (169). The increase in operating profit is due to cost efficiency and higher production volumes.

Items affecting comparability

Operating profit for the third quarter includes items affecting comparability that amounted to SEK –14m (0). These mainly relate to the negative impact of remeasurement of the contingent earn-out consideration for Candyking of SEK –6m and costs for the integration of Candyking in the amount of SEK –6m.

Net financial items

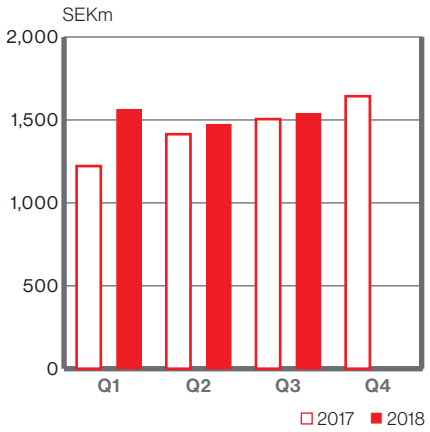
Net financial items for the quarter amounted to SEK –13m (–27). Interest expenses related to external borrowings were SEK –8m (–8), exchange differences on borrowings and cash and cash equivalents were SEK 5m (–7), which mainly related to the development of the Swedish krona against the euro during the quarter. Other financial items amounted to SEK –10m (–12). Of the total net financial items, SEK 13m (2) is non-cash in nature.

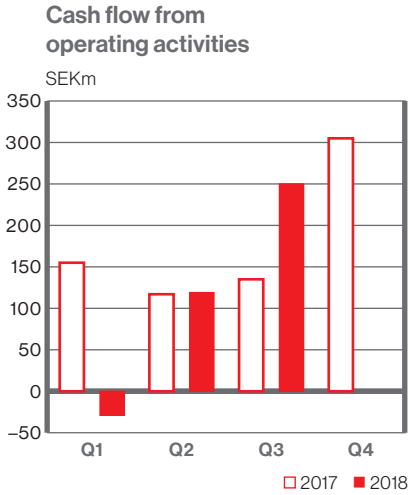
Profit for the period

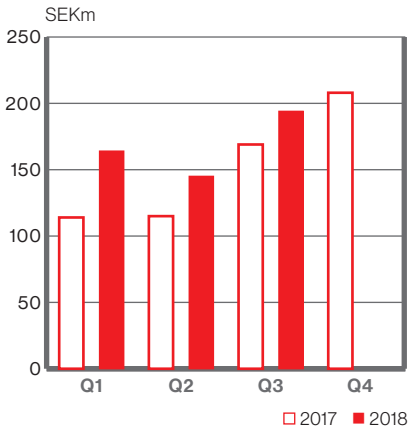
Profit from continuing operations was SEK 132m (108). Income tax for the period was SEK –35m (–34). The effective tax rate from continuing operations for the quarter was 21.0 per cent (23.9). Profit for the period was SEK 132m (153), which equates to basic and diluted earnings per share of SEK 0.46 (0.53).

Cash flow from operating and investing activities

Cash flow from operating activities before changes in working capital was SEK 226m (186). The increase compared to the prior year is mainly the result of the higher operating profit. The cash flow from changes in working capital was SEK 24m (–51). Cash flow from operating and investing activities was SEK 206m (407).







Cash flow from changes in working capital

Cash flow from changes in working capital was SEK24m (–51). The cash flow from changes in working capital was positively impacted by the decrease in inventories amounting to SEK 43m (23) and an increase in payables in the amount of SEK 18m (95) partly offset by an increase in receivables of SEK –37m (–169).

Cash flow from investing activities

Cash flow from investing activities was SEK –44m (272), of which SEK –44m (–38) is attributable to investments in property, plant and equipment and intangible assets. In the third quarter of 2017 an amount of SEK 314m was related to the divestment of Cloetta Italia s.r.l. Other cash flow from investing activities amounted to SEK 0m (–4).

Cash flow from financing activities

Cash flow from financing activities was SEK –4m (–275). The cash flow from financing activities was entirely attributable to repayments of the facilities agreements of SEK –4m (–275).

Development in the first three quarters of the year

Net sales

Net sales for the first three quarters of the year increased by SEK 431m to SEK 4,572m (4,141) compared to the same period of last year. Organic growth was –2.7 per cent, acquisition growth 9.1 per cent and exchange rate differences 4.0 per cent.

Sales of branded packaged products grew by 1.6 per cent. Pick & mix sales declined by 12.6 per cent.

Sales of packaged branded products grew or remained largely unchanged in Sweden, Finland, Denmark, the Netherlands and Germany.

Sales of pick & mix grew in Denmark and the UK, but declined on other markets.

Gross profit

Gross profit amounted to SEK 1,678m (1,500), which equates to a gross margin of 36.7 per cent (36.2). The higher gross margin is mainly due to higher production volumes.

Operating profit

Operating profit amounted to SEK 501m (356). Operating profit adjusted for items affecting comparability amounted to SEK 503m (398). The increase in operating profit is due to growth in branded packaged products, cost efficiency and higher production volumes.

Items affecting comparability

Operating profit for the first three quarters of the year includes items affecting comparability of SEK –2m (–42) which mainly relates to a positive impact of remeasurement of the contingent earn-out consideration for Candyking of SEK 21m and costs for the integration of Candyking in the amount of SEK –17m.

Net financial items

Net financial items for the first three quarters of the year amounted to SEK–82m (–57). Interest expenses related to external borrowings were SEK –24m (–26), exchange differences on borrowings and cash and cash equivalents were SEK –20m (–10), which mainly related to the development of the Swedish krona against the euro during the first three quarters of the year. Other financial items amounted to SEK–38m (–21) of which SEK –7m relates to the full amortization of the capitalized transaction costs due to the amendment and extension of the facility agreement and the issuance of commercial papers. Of the total net financial items, SEK–51m (–17) is non-cash in nature.

Profit for the period

Profit from continuing operations was SEK 324m (217). Income tax for the period was SEK –95m (–82). The effective tax rate from continuing operations for the first three quarters of the year was 22.7 per cent (27.4). Profit for the first three quarters of the year was SEK 324m (–117), which equates to basic and diluted earnings per share of SEK 1.13 (–0.41).

Cash flow from operating and investing activities

Cash flow from operating activities before changes in working capital was SEK 581m (332). The increase compared to the prior year is mainly the result of the higher operating profit. The cash flow from changes in working capital was SEK –241m (75). Cash flow from operating and investing activities was SEK 204m (362).

Cash flow from changes in working capital

Cash flow from changes in working capital was SEK –241m (75). The cash flow from changes in working capital was negatively impacted by the increase in receivables amounting to SEK –122m (32), a decrease in payables of SEK –94m (59) and the increase in inventories of SEK –25m (–16).

Cash flow from investing activities

Cash flow from investing activities was SEK –136m (–45), of which SEK –136m (–111) is attributable to investments in property, plant and equipment and intangible assets. In the first three quarters of 2017 the acquisition of Candyking Holding AB and its subsidiaries was included for a net amount of SEK –249m and SEK 314m was related to the divestment of Cloetta Italia s.r.l. Other cash flows from investing activities amounted to SEK 0m (1).

Cash flow from financing activities

Cash flow from financing activities was SEK –665m (–230). The cash flow from financing activities was related to a dividend distribution of SEK –433m (–216) and repayments related to the amendment and restatement of the facilities agreement of SEK –719m (0). These were partly offset by the proceeds coming from the issuance of commercial papers of SEK 500m (0). The other cash flows from financing activities amounted to SEK –13m (–14).

Financial position

Consolidated equity at 30 September 2018 amounted to SEK 3,848m (3,734), which equates to SEK 13.3 (12.9) per share. Net debt at 30 September 2018 was SEK 2,339m (2,256).

Long-term borrowings totalled SEK 2,085m (2,671) and consisted of SEK 2,087m (2,679) in gross non-current borrowings from credit institutions and SEK –2m (–8) in capitalized transaction costs.

Total short-term borrowings amounted to SEK 499m (2) and consisted of SEK 500m (0) in commercial papers, SEK –2m (0) in capitalized transaction costs and accrued interest on borrowings from credit institutions and commercial papers in the amount of SEK 1m (2).

SEKm	30 Sep 2018	30 Sep 2017	31 Dec 2017
Gross non-current borrowings	2,087	2,679	1,719
Gross current borrowings	–	–	1,000
Commercial papers	500	–	–
Derivative financial instruments (current and non-current)	59	73	73
Interest payable	1	2	2
Gross debt	**2,647**	**2,754**	**2,794**
Loans outstanding	–	–64	–
Cash and cash equivalents	–308	–434	– 759
Net debt	**2,339**	**2,256**	**2,035**

Cash and cash equivalents at 30 September 2018, excluding unutilized overdraft facilities, amounted to SEK 308m (434). At 30 September 2018 Cloetta had unutilized credit facilities of SEK 1,236m (1,151).

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 the quarter in which it occurs. In the fourth quarter, sales are usually higher than in the first three quarters of the year, which is mainly attributable to the sale of products in Sweden in connection with the holiday season.

Employees

The average number of employees during the quarter was 2,416 (2,450). The decrease is mainly attributable to the continued integration of Candyking.

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.

Examples of new launches during the third quarter

Sweden
Plopp Milk chocolate bars
Plopp Kexchoklad milk chocolate bars
Plopp Djungelvrål milk chocolate bars
Plopp Gott & Blandat milk chocolate bars
Malaco Gott & Blandat Original less sugar
Malaco Gott & Blandat Supersur less sugar
Malaco Crazy Face Cool

Denmark
Malaco Karamelstang Fløde
Malaco Karamelstang Lakrids

The Netherlands
Red Band Packplay: Dropfruit duo and Frisse flesjes <110kcal
Red Band Mono Cola punthoofden and Zoete Paddenstoelen

Finland
Aakoset Choco
Tupla Double layer Liquorice
Sisu Ruuti

Norway
Godt & Blandet Original less sugar
Godt & Blandet Supersur less sugar

Pick & mix
Plopp Milk chocolate bars
Plopp Djungelvrål Milk chocolate bars
Giant Cola bottle

The Board of Directors hereby gives its assurance that this 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 October 2018
Cloetta AB (publ)

The Board of Directors

Review report

Cloetta AB (publ)
Corp. id. 556308-8144

Introduction

We have reviewed the condensed interim financial information (interim report) of Cloetta AB (publ) as of 30 September 2018 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, 26 October 2018

KPMG AB
Tomas Forslund
Authorized Public Accountant

Financial statements in summary

Consolidated profit and loss account

SEKm	Third quarter Jul–Sep 2018	Third quarter Jul–Sep 2017	9 months Jan–Sep 2018	9 months Jan–Sep 2017	Rolling 12 Oct 2017–Sep 2018	Full year 2017
Net sales	1,538	1,505	4,572	4,141	6,215	5,784
Cost of goods sold	–979	–978	–2,894	–2,641	–3,931	–3,678
Gross profit	**559**	**527**	**1,678**	**1,500**	**2,284**	**2,106**
Other income	–	–	4	4	6	6
Selling expenses	–230	–232	–746	–691	–1,027	–972
General and administrative expenses	–149	–126	–435	–457	–591	–613
Operating profit	**180**	**169**	**501**	**356**	**672**	**527**
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	5	–7	–20	–10	–27	–17
Other financial income	0	0	4	7	4	7
Other financial expenses	–18	–20	–66	–54	–86	–74
Net financial items	**–13**	**–27**	**–82**	**–57**	**–109**	**–84**
Profit before tax	**167**	**142**	**419**	**299**	**563**	**443**
Income tax	–35	–34	–95	–82	–219	–206
Profit from continuing operations	**132**	**108**	**324**	**217**	**344**	**237**
Profit/loss from discontinued operation, net of tax[1]	–	45	–	–334	–	–334
Profit/loss for the period	**132**	**153**	**324**	**–117**	**344**	**–97**
Profit/loss for the period attributable to:						
Owners of the Parent Company						
Continuing operations	132	108	324	217	344	237
Discontinued operation[1]	–	45	–	–334	–	–334
Total	**132**	**153**	**324**	**–117**	**344**	**–97**
Earnings per share from continuing operations, SEK						
Basic[2]	0.46	0.38	1.13	0.76	1.20	0.83
Diluted[2]	0.46	0.38	1.13	0.76	1.20	0.83
Earnings per share from discontinued operation, SEK						
Basic[2]	–	0.16	–	–1.17	–	–1.17
Diluted[2]	–	0.16	–	–1.17	–	–1.17
Earnings per share, SEK						
Basic[2]	0.46	0.53	1.13	–0.41	1.20	–0.34
Diluted[2]	0.46	0.53	1.13	–0.41	1.20	–0.34
Number of shares at end of period	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299
Average number of shares (basic)[2]	286,627,393	286,645,530	286,446,925	286,328,460	286,409,069	286,320,464
Average number of shares (diluted)[2]	286,765,707	286,875,122	286,571,584	286,537,746	286,517,621	286,492,178

1) For the breakdown of the result from discontinued operation see page 24.
2) Cloetta entered into forward contracts to repurchase own shares to fulfill its future obligation to deliver shares to the participants of its long-term share-based incentive plan. The outstanding contracts at reporting date consist of one contract for 1,991,906 shares at a share price of SEK 29.3886.

Consolidated statement of comprehensive income

SEKm	Third quarter Jul–Sep 2018	Third quarter Jul–Sep 2017	9 months Jan–Sep 2018	9 months Jan–Sep 2017	Rolling 12 Oct 2017–Sep 2018	Full year 2017
Profit/loss for the period	**132**	**153**	**324**	**–117**	**344**	**–97**
Other comprehensive income						
Remeasurement of defined benefit pension plans	–7	–56	–33	–36	–33	–36
Income tax on other comprehensive income that subsequently will not be reclassified to profit or loss for the period	1	11	7	7	8	8
Items that will never be reclassified to profit or loss for the period	**–6**	**–45**	**–26**	**–29**	**–25**	**–28**
Currency translation differences	–50	–10	217	0	305	88
Currency translation differences on discontinued operation reclassified through profit or loss	–	–102	–	–102	–	–102
Hedge of a net investment in a foreign operation	15	15	–68	–2	–99	–33
Income tax on other comprehensive income that will be reclassified subsequently to profit or loss for the period, when specific conditions are met	–3	–4	14	0	21	7
Items that are or may be reclassified to profit or loss for the period	**–38**	**–101**	**163**	**–104**	**227**	**–40**
Total other comprehensive income	**–44**	**–146**	**137**	**–133**	**202**	**–68**
Total comprehensive income, net of tax	**88**	**7**	**461**	**–250**	**546**	**–165**
Total comprehensive income for the period attributable to:						
Owners of the Parent Company	88	7	461	–250	546	–165

Net financial items

SEKm	Third quarter Jul–Sep 2018	Third quarter Jul–Sep 2017	9 months Jan–Sep 2018	9 months Jan–Sep 2017	Rolling 12 Oct 2017–Sep 2018	Full year 2017
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	**5**	**–7**	**–20**	**–10**	**–27**	**–17**
Other financial income, third parties	0	0	4	2	5	3
Unrealized gains on single currency interest rate swaps	–	–	–	5	–1	4
Other financial income	**0**	**0**	**4**	**7**	**4**	**7**
Interest expenses third-party borrowings and realized losses on single currency interest rate swaps	–8	–8	–24	–26	–31	–33
Interest expenses, contingent earn-out considerations	–8	–5	–19	–9	–25	–15
Amortization of capitalized transaction costs	0	–1	–8	–3	–9	–4
Unrealized losses on single currency interest rate swaps	3	–	0	–	–	–
Other financial expenses	–5	–6	–15	–16	–21	–22
Other financial expenses	**–18**	**–20**	**–66**	**–54**	**–86**	**–74**
Net financial items	**–13**	**–27**	**–82**	**–57**	**–109**	**–84**

Condensed consolidated balance sheet

SEKm	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets	5,666	5,418	5,490
Property, plant and equipment	1,362	1,327	1,338
Deferred tax asset	18	45	20
Other financial assets	11	11	11
Total non-current assets	**7,057**	**6,801**	**6,859**
Current assets			
Inventories	792	711	745
Other current assets	1,031	999	889
Derivative financial instruments	3	–	0
Cash and cash equivalents	308	434	759
Total current assets	**2,134**	**2,144**	**2,393**
TOTAL ASSETS	**9,191**	**8,945**	**9,252**
EQUITY AND LIABILITIES			
Equity	**3,848**	**3,734**	**3,818**
Non-current liabilities			
Long-term borrowings	2,085	2,671	1,715
Deferred tax liability	794	625	703
Derivative financial instruments	2	1	2
Other non-current liabilities	–	137	138
Provisions for pensions and other long-term employee benefits	410	372	374
Provisions	6	5	5
Total non-current liabilities	**3,297**	**3,811**	**2,937**
Current liabilities			
Short-term borrowings	499	2	999
Derivative financial instruments	60	72	71
Other current liabilities	1,482	1,320	1,424
Provisions	5	6	3
Total current liabilities	**2,046**	**1,400**	**2,497**
TOTAL EQUITY AND LIABILITIES	**9,191**	**8,945**	**9,252**

Condensed consolidated statement of changes in equity

SEKm	9 months Jan–Sep 2018	9 months Jan–Sep 2017	Full year 2017
Equity at beginning of period	**3,818**	**4,199**	**4,199**
Profit/loss for the period	324	–117	–97
Other comprehensive income	137	–133	–68
Total comprehensive income	**461**	**–250**	**–165**
Transactions with owners			
New forward contract to repurchase own shares	–	–11	–11
Share-based payments	2	12	11
Dividend[1]	–433	–216	–216
Total transactions with owners	**–431**	**–215**	**–216**
Equity at end of period	**3,848**	**3,734**	**3,818**

1) The dividend paid consisted of an ordinary dividend of SEK 0.75 (0.75) per share and a special dividend of SEK 0.75 (0) per share.

Condensed consolidated cash flow statement

SEKm	Third quarter Jul–Sep 2018	Third quarter Jul–Sep 2017	9 months Jan–Sep 2018	9 months Jan–Sep 2017	Rolling 12 Oct 2017–Sep 2018	Full year 2017
Cash flow from operating activities before changes in working capital	226	186	581	332	781	532
Cash flow from changes in working capital	24	–51	–241	75	–136	180
Cash flow from operating activities	**250**	**135**	**340**	**407**	**645**	**712**
Cash flows from investments in property, plant and equipment and intangible assets	–44	–38	–136	–111	–182	–157
Cash flow from other investing activities	0	310	0	66	69	135
Cash flow from investing activities	**–44**	**272**	**–136**	**–45**	**–113**	**–22**
Cash flow from operating and investing activities	**206**	**407**	**204**	**362**	**532**	**690**
Cash flow from financing activities	**–4**	**–275**	**–665**	**–230**	**–673**	**–238**
Cash flow for the period	**202**	**132**	**–461**	**132**	**–141**	**452**
Cash and cash equivalents at beginning of period	109	310	759	298	434	298
Cash flow for the period	202	132	–461	132	–141	452
Exchange difference	–3	–8	10	4	15	9
Total cash and cash equivalents at end of period	**308**	**434**	**308**	**434**	**308**	**759**

Condensed consolidated key figures

SEKm	Third quarter		9 months		Rolling 12	Full year
	Jul–Sep 2018	Jul–Sep 2017	Jan–Sep 2018	Jan–Sep 2017	Oct 2017–Sep 2018	2017
Profit						
Net sales	1,538	1,505	4,572	4,141	6,215	5,784
Net sales, change, %	2.2	17.1	10.4	10.7	12.8	13.3
Organic net sales, change, %	–3.6	–2.8	–2.7	–1.8	–1.9	–1.2
Gross margin, %	36.3	35.0	36.7	36.2	36.7	36.4
Depreciation	–55	–61	–166	–162	–222	–218
Amortization	–3	–4	–9	–8	–12	–11
Impairment loss other non-current assets	–	–9	–	–9	–	–9
Operating profit, adjusted	194	169	503	398	709	604
Operating profit margin, adjusted, %	12.6	11.2	11.0	9.6	11.4	10.4
Operating profit (EBIT)	180	169	501	356	672	527
Operating profit margin (EBIT margin), %	11.7	11.2	11.0	8.6	10.8	9.1
EBITDA, adjusted	252	234	678	568	943	833
EBITDA	238	243	676	535	906	765
Profit margin, %	10.9	9.4	9.2	7.2	9.1	7.7
Financial position						
Working capital	478	330	478	330	478	232
Capital expenditure	44	39	136	112	181	157
Net debt	2,339	2,256	2,339	2,256	2,339	2,035
Capital employed	6,904	6,852	6,904	6,852	6,904	6,979
Return on capital employed, % (Rolling 12 months)	9.8	8.3	9.8	8.3	9.8	8.2
Equity/assets ratio, %	41.9	41.7	41.9	41.7	41.9	41.3
Net debt/equity ratio, %	60.8	60.4	60.8	60.4	60.8	53.3
Return on equity, % (Rolling 12 months)	8.9	9.1	8.9	9.1	8.9	6.2
Equity per share, SEK	13.3	12.9	13.3	12.9	13.3	13.2
Net debt/EBITDA, x (Rolling 12 months)	2.48	2.63	2.48	2.63	2.48	2.39
Cash flow						
Cash flow from operating activities	250	135	340	407	645	712
Cash flow from investing activities	–44	272	–136	–45	–113	–22
Cash flow after investments	206	407	204	362	532	690
Cash conversion, %	82.5	86.3	79.9	83.3	80.8	83.2
Cash flow from operating activities per share, SEK	0.9	0.5	1.2	1.4	2.2	2.5
Employees						
Average number of employees	2,416	2,450	2,391	2,308	2,410	2,467

Reconciliation of alternative performance measures

SEKm	Third quarter		9 months		Rolling 12	Full year
	Jul–Sep 2018	Jul–Sep 2017	Jan–Sep 2018	Jan–Sep 2017	Oct 2017–Sep 2018	2017
Items affecting comparability						
Acquisitions, integration and factory restructurings	–7	0	–23	–42	–43	–62
of which: impairment loss other non-current assets	–	*–9*	–	*–9*	–	*–9*
Remeasurements of contingent considerations	–6	–	21	–	26	5
Other items affecting comparability	–1	–	0	–	–20	–20
Items affecting comparability*	**–14**	**0**	**–2**	**–42**	**–37**	**–77**
* Corresponding line in the condensed consolidated profit and loss account:						
Net sales	0	–	0	–	0	–
Cost of goods sold	–1	1	–3	–17	–25	–39
Other operating income	–	–	4	4	4	4
Selling expenses	–1	–	–1	–3	–4	–6
General and administrative expenses	–12	–1	–2	–26	–12	–36
Total	**–14**	**0**	**–2**	**–42**	**–37**	**–77**
Operating profit, adjusted						
Operating profit	180	169	501	356	672	527
Minus: Items affecting comparability	–14	0	–2	–42	–37	–77
Operating profit, adjusted	**194**	**169**	**503**	**398**	**709**	**604**
Net sales	1,538	1,505	4,572	4,141	6,215	5,784
Operating profit margin, adjusted, %	**12.6**	**11,2**	**11.0**	**9,6**	**11.4**	**10.4**
EBITDA, adjusted						
Operating profit	180	169	501	356	672	527
Minus: Depreciation	–55	–61	–166	–162	–222	–218
Minus: Amortization	–3	–4	–9	–8	–12	–11
Minus: Impairment loss other non-current assets	–	–9	–	–9	–	–9
EBITDA	**238**	**243**	**676**	**535**	**906**	**765**
Minus: Items affecting comparability (excl. impairment loss other non-current assets)	–14	9	–2	–33	–37	–68
EBITDA, adjusted	**252**	**234**	**678**	**568**	**943**	**833**
Capital employed						
Total assets	9,191	8,945	9,191	8,945	9,191	9,252
Minus: Deferred tax liability	794	625	794	625	794	703
Minus: Other non-current liabilities	–	137	–	137	–	138
Minus: Non-current provisions	6	5	6	5	6	5
Minus: Current provisions	5	6	5	6	5	3
Minus: Other current liabilities	1,482	1,320	1,482	1,320	1,482	1,424
Capital employed	**6,904**	**6,852**	**6,904**	**6,852**	**6,904**	**6,979**
Capital employed in comparative period of previous year	6,852	6,273	6,852	6,273	6,852	5,966
Average capital employed	**6,878**	**6,563**	**6,878**	**6,563**	**6,878**	**6,473**

Reconciliation alternative performance measures, continued

SEKm	Third quarter Jul–Sep 2018	Third quarter Jul–Sep 2017	9 months Jan–Sep 2018	9 months Jan–Sep 2017	Rolling 12 Oct 2017–Sep 2018	Full year 2017
Return on capital employed						
Operating profit (rolling 12 months)	672	536	672	536	672	527
Financial income (rolling 12 months)	4	12	4	12	4	7
Operating profit plus financial income (rolling 12 months)	**676**	**548**	**676**	**548**	**676**	**534**
Average capital employed	6,878	6,563	6,878	6,563	6,878	6,473
Return on capital employed, %	**9.8**	**8.3**	**9.8**	**8.3**	**9.8**	**8.2**
Cash conversion						
EBITDA, adjusted	252	234	678	568	943	833
Minus: Capital expenditures	44	32	136	95	181	140
EBITDA, adjusted less capital expenditures	**208**	**202**	**542**	**473**	**762**	**693**
EBITDA, adjusted	252	234	678	568	943	833
Cash conversion, %	**82.5**	**86.3**	**79.9**	**83.3**	**80.8**	**83.2**
Changes in net sales						
Net sales	1,538	1,505	4,572	4,141	6,215	5,784
Net sales in comparative period of previous year	1,505	1,285	4,141	3,740	5,508	5,107
Net sales, change	**33**	**220**	**431**	**401**	**707**	**677**
Minus: Structural changes	–	261	375	423	660	708
Minus: Changes in exchange rates	87	–5	166	45	151	30
Organic growth	**–54**	**–36**	**–110**	**–67**	**–104**	**–61**
Structural changes, %	–	20.3	9.1	11.3	12.0	13.9
Organic growth, %	–3.6	–2.8	–2.7	–1.8	–1.9	–1.2
Profit/loss for the period excluding impact of impairment loss from discontinued operation including income tax effects and other items affecting comparability						
Profit/loss for the period	132	153	324	–117	344	–97
Minus: Impairment loss from discontinued operation including income tax effects	–	–32	–	–397	–82	–479
Minus: Other items affecting comparability	–1	–	0	–	–20	–20
Profit for the period excluding impact of impairment loss from discontinued operation including income tax effects and other items affecting comparability	**133**	**185**	**324**	**280**	**446**	**402**
Average number of shares (basic)[1]	286,627,393	286,645,530	286,446,925	286,328,460	286,409,069	286,320,464
Average number of shares (diluted)[1]	286,765,707	286,875,122	286,571,584	286,537,746	286,517,621	286,492,178
Earnings per share, basic excluding impact of impairment loss from discontinued operation including tax effects and other items affecting comparability, SEK[1]	0.46	0.65	1.13	0.98	1.56	1.40
Earnings per share, diluted excluding impact of impairment loss from discontinued operation including tax effects and other items affecting comparability, SEK[1]	0.46	0.64	1.13	0.98	1.56	1.40

1) Cloetta entered into forward contracts to repurchase own shares to fulfill its future obligation to deliver shares to the participants of its long-term share-based incentive plan. The outstanding contracts at reporting date consist of one contract for 1,991,906 shares at a share price of SEK 29.3886.

Condensed consolidated quarterly data

SEKm	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Profit and loss account									
Net sales	1,538	1,472	1,562	1,643	1,505	1,414	1,222	1,367	1,285
Cost of goods sold	–979	–913	–1,002	–1,037	–978	–895	–768	–806	–791
Gross profit	**559**	**559**	**560**	**606**	**527**	**519**	**454**	**561**	**494**
Other income	–	4	–	2	–	4	–	–	–
Selling expenses	–230	–268	–248	–281	–232	–259	–200	–207	–189
General and administrative expenses	–149	–140	–146	–156	–126	–174	–157	–174	–110
Operating profit	**180**	**155**	**166**	**171**	**169**	**90**	**97**	**180**	**195**
Exchange differences borrowings and cash and cash equivalents in foreign currencies	5	–3	–22	–7	–7	–2	–1	–10	8
Other financial income	0	4	0	0	0	1	6	5	5
Other financial expenses	–18	–28	–20	–20	–20	–18	–16	–20	–80
Net financial items	**–13**	**–27**	**–42**	**–27**	**–27**	**–19**	**–11**	**–25**	**–67**
Profit before tax	**167**	**128**	**124**	**144**	**142**	**71**	**86**	**155**	**128**
Income tax	–35	–31	–29	–124	–34	–28	–20	–33	–36
Profit from continuing operations	**132**	**97**	**95**	**20**	**108**	**43**	**66**	**122**	**92**
Profit/loss from discontinued operation, net of tax	–	–	–	–	45	–372	–7	–542	16
Profit/loss for the period	**132**	**97**	**95**	**20**	**153**	**–329**	**59**	**–420**	**108**
Profit/loss for the period attributable to:									
Owners of the Parent Company									
Continuing operations	132	97	95	20	108	43	66	122	92
Discontinued operation	–	–	–	–	45	–372	–7	–542	16
KEY FIGURES									
Profit									
Depreciation and amortization	–58	–57	–60	–59	–74	–56	–49	–55	–54
Operating profit, adjusted	194	145	164	206	169	115	114	209	203
EBITDA, adjusted	252	202	224	265	234	171	163	262	257
EBITDA	238	212	226	230	243	146	146	235	249
Operating profit margin, adjusted, %	12.6	9.9	10.5	12.5	11.2	8.1	9.3	15.3	15.8
Operating profit margin (EBIT margin), %	11.7	10.5	10.6	10.4	11.2	6.4	7.9	13.2	15.2
Earnings per share, SEK									
Basic[1]	0.46	0.34	0.33	0.07	0.53	–1.15	0.21	–1.47	0.38
Diluted[1]	0.46	0.34	0.33	0.07	0.53	–1.15	0.21	–1.47	0.38
Financial position									
Share price, last paid, SEK	27.48	27.18	31.82	29.70	28.00	34.70	35.40	28.70	31.10
Return on equity, % (rolling 12 months)	8.9	8.5	6.6	6.2	9.1	8.7	–4.1	–4.5	8.5
Equity per share, SEK	13.3	13.0	14.1	13.2	12.9	12.9	14.7	14.5	15.8
Net debt/EBITDA, x (rolling 12 months)	2.48	2.77	2.42	2.39	2.63	2.77	2.34	2.44	2.76
Cash flow									
Cash flow from operating activities per share, SEK	0.9	0.4	–0.1	1.1	0.5	0.4	0.5	1.4	0.4

1) Cloetta entered into forward contracts to repurchase own shares to fulfill its future obligation to deliver shares to the participants of its long-term share-based incentive plan. The outstanding contracts at reporting date consist of one contract for 1,991,906 shares at a share price of SEK 29.3886.

Reconciliation of alternative performance measures by quarter

SEKm	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Items affecting comparability									
Acquisitions, integration and factory restructurings	–7	–13	–3	–20	0	–25	–17	–29	–8
of which: impairment loss other non-current assets	–	–	–	–	–9	–	–	–2	–
Remeasurements of contingent considerations	–6	19	8	5	–	–	–	–	–
Other items affecting comparability	–1	4	–3	–20	–	–	–	–	–
Items affecting comparability*	**–14**	**10**	**2**	**–35**	**0**	**–25**	**–17**	**–29**	**–8**
* Corresponding line in the condensed consolidated profit and loss account:									
Net sales	0	–	–	–	–	–	–	–	–
Cost of goods sold	–1	–1	–1	–22	1	–15	–3	–3	–6
Other operating income	–	4	–	–	–	4	–	–	–
Selling expenses	–1	–	–	–3	–	–3	–	–	–
General and administrative expenses	–12	7	3	–10	–1	–11	–14	–26	–2
Total	**–14**	**10**	**2**	**–35**	**0**	**–25**	**–17**	**–29**	**–8**
Operating profit, adjusted									
Operating profit	180	155	166	171	169	90	97	180	195
Minus: Items affecting comparability	–14	10	2	–35	0	–25	–17	–29	–8
Operating profit, adjusted	**194**	**145**	**164**	**206**	**169**	**115**	**114**	**209**	**203**
Net sales	1,538	1,472	1,562	1,643	1,505	1,414	1,222	1,367	1,285
Operating profit margin, adjusted, %	**12.6**	**9.9**	**10.5**	**12.5**	**11.2**	**8.1**	**9.3**	**15.3**	**15.8**
EBITDA, adjusted									
Operating profit	180	155	166	171	169	90	97	180	195
Minus: Depreciation	–55	–54	–57	–56	–61	–53	–48	–53	–52
Minus: Amortization	–3	–3	–3	–3	–4	–3	–1	–	–2
Minus: Impairment loss other non-current assets	–	–	–	–	–9	–	–	–2	–
EBITDA	**238**	**212**	**226**	**230**	**243**	**146**	**146**	**235**	**249**
Minus: Items affecting comparability (excl. impairment loss other non-current assets)	–14	10	2	–35	9	–25	–17	–27	–8
EBITDA, adjusted	**252**	**202**	**224**	**265**	**234**	**171**	**163**	**262**	**257**
Capital employed									
Total assets	9,191	9,078	9,650	9,252	8,945	9,560	9,202	9,236	10,286
Minus: Deferred tax liability	794	786	731	703	625	641	598	586	680
Minus: Other non-current liabilities	–	–	135	138	137	132	–	–	–
Minus: Non-current provisions	6	6	5	5	5	5	9	22	10
Minus: Current provisions	5	1	1	3	6	6	46	64	7
Minus: Other current liabilities	1,482	1,452	1,459	1,424	1,320	1,219	1,189	1,235	1,383
Minus: Assets held for sale	–	–	–	–	–	830	–	–	–
Capital employed	**6,904**	**6,833**	**7,319**	**6,979**	**6,852**	**6,727**	**7,360**	**7,329**	**8,206**
Capital employed in comparative period of previous year	6,852	6,727	6,002	5,966	6,273	5,818	7,770	7,756	8,040
Average capital employed	**6,878**	**6,780**	**6,661**	**6,473**	**6,563**	**6,273**	**7,565**	**7,543**	**8,123**

Reconciliation alternative performance measures per quarter, continued

SEKm	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Return on capital employed									
Operating profit (rolling 12 months)	672	661	596	527	536	562	620	635	705
Financial income (rolling 12 months)	4	4	1	7	12	17	21	17	18
Operating profit plus financial income (rolling 12 months)	**676**	**665**	**597**	**534**	**548**	**579**	**641**	**652**	**723**
Average capital employed	6,878	6,780	6,661	6,473	6,563	6,273	5,930	5,879	8,123
Return on capital employed, %	**9.8**	**9.8**	**9.0**	**8.2**	**8.3**	**9.2**	**10.8**	**11.1**	**8.9**
Cash conversion									
EBITDA, adjusted	252	202	224	265	234	171	163	262	257
Minus: Capital expenditures	44	51	41	45	32	32	31	47	34
EBITDA, adjusted less capital expenditures	**208**	**151**	**183**	**220**	**202**	**139**	**132**	**215**	**223**
EBITDA, adjusted	252	202	224	265	234	171	163	262	257
Cash conversion, %	**82.5**	**74.8**	**81.7**	**83.0**	**86.3**	**81.3**	**81.0**	**82.1**	**86.8**
Changes in net sales									
Net sales	1,538	1,472	1,562	1,643	1,505	1,414	1,222	1,367	1,285
Net sales in comparative period of previous year	1,505	1,414	1,222	1,367	1,285	1,221	1,234	n/a	n/a
Net sales, change	**33**	**58**	**340**	**276**	**220**	**193**	**–12**	**n/a**	**n/a**
Minus: Structural changes	–	76	299	285	261	161	–	n/a	n/a
Minus: Changes in exchange rates	87	51	28	–9	–5	38	13	n/a	n/a
Organic growth	**–54**	**–69**	**13**	**0**	**–36**	**–6**	**–25**	**n/a**	**n/a**
Structural changes, %	–	5.4	24.5	20.8	20.3	13.2	–	n/a	n/a
Organic growth, %	–3.6	–4.9	1.1	0.0	–2.8	–0.5	–2.0	n/a	n/a
Profit/loss for the period excluding impact of impairment loss from discontinued operation including income tax effects and other items affecting comparability									
Profit/loss for the period	132	97	95	20	153	–329	59	–420	108
Minus: Impairment loss from discontinued operation including income tax effects	–	–	–	–82	–32	–365	–	–594	–
Minus: Other items affecting comparability	–1	4	–3	–20	–	–	–	–	–
Profit for the period excluding impact of impairment loss from discontinued operation including income tax effects and other items affecting comparability	**133**	**93**	**98**	**122**	**185**	**36**	**59**	**174**	**108**
Average number of shares (basic)[1]	286,627,393	286,413,012	286,296,737	286,645,530	286,645,530	286,339,892	286,279,569	286,279,569	286,279,569
Average number of shares (diluted)[1]	286,765,707	286,620,265	286,562,172	286,835,623	286,875,122	286,626,106	286,607,989	286,560,336	286,558,440
Earnings per share, basic excluding impact of impairment loss from discontinued operation including tax effects and other items affecting comparability, SEK[1]	0.46	0.32	0.34	0.43	0.65	0.13	0.21	0.61	0.38
Earnings per share, diluted excluding impact of impairment loss from discontinued operation including tax effects and other items affecting comparability, SEK [1]	0.46	0.32	0.34	0.43	0.64	0.13	0.21	0.61	0.38

1) Cloetta entered into forward contracts to repurchase own shares to fulfill its future obligation to deliver shares to the participants of its long-term share-based incentive plan. The outstanding contracts at reporting date consist of one contract for 1,991,906 shares at a share price of SEK 29.3886.

Parent Company

Condensed parent company profit and loss account

SEKm	Third quarter		9 months		Rolling 12	Full year
	Jul–Sep 2018	Jul–Sep 2017	Jan–Sep 2018	Jan–Sep 2017	Oct 2017–Sep 2018	2017
Net sales	19	20	65	77	95	107
Gross profit	**19**	**20**	**65**	**77**	**95**	**107**
General and administrative expenses	–21	–21	–76	–97	–108	–129
Operating loss	**–2**	**–1**	**–11**	**–20**	**–13**	**–22**
Net financial items	0	1	3	5	21	23
Profit/loss before tax	**–2**	**0**	**–8**	**–15**	**8**	**1**
Income tax	0	2	2	3	–1	0
Profit/loss for the period	**–2**	**2**	**–6**	**–12**	**7**	**1**

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

Condensed parent company balance sheet

SEKm	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS			
Non-current assets	5,365	5,352	5,353
Current assets	22	7	51
TOTAL ASSETS	5,387	5,359	5,404
EQUITY AND LIABILITIES			
Equity	3,452	3,876	3,889
Non-current liabilities			
Borrowings	932	1,132	134
Derivative financial instruments	2	–	1
Provisions	1	1	1
Total non-current liabilities	935	1,133	136
Current liabilities			
Borrowings	500	–	999
Derivative financial instruments	0	0	0
Current liabilities	500	350	380
Total current liabilities	1,000	350	1,379
TOTAL EQUITY AND LIABILITIES	5,387	5,359	5,404

Condensed parent company statement of changes in equity

	9 months		Full year
SEKm	Jan–Sep 2018	Jan–Sep 2017	2017
Equity at beginning of period	3,889	4,093	4,093
Profit/loss for the period	–6	–12	1
Total comprehensive income	–6	–12	1
Transactions with the owners			
Share–based payments	2	11	11
Dividend[1]	–433	–216	–216
Total transactions with owners	–431	–205	–205
Equity at end of period	3,452	3,876	3,889

1) The dividend paid consisted of an ordinary dividend of SEK 0.75 (0.75) per share and a special dividend of SEK 0.75 (0) per share.

Accounting and valuation policies, disclosures and risk factors

Accounting and valuation policies

Compliance with legislation and accounting standards

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board (IASB) and the interpretations issued by the IFRS Interpretations Committee (IFRIC) which have been endorsed by the European Commission for application in the EU. The applied standards and interpretations are those that were in force and had been endorsed by the EU at 1 January 2018. 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

Except for the changes below, the same accounting policies and methods of computation are applied in the interim financial statements as in the most recent annual financial statements. Reference is made to Note 1 'General information and accounting and valuation policies of the Group' and Note 34 'Changes in accounting policies' in the annual and sustainability report 2017 at www.cloetta.com.

This is the first year in which IFRS 9 'Financial Instruments' (IFRS 9) and IFRS 15 'Revenue from contracts with customers' (IFRS 15) have been applied in the Group's financial statements. Changes in significant accounting policies are described below.

Changes in significant accounting policies

The Group has adopted IFRS 9 and IFRS 15 from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements. Initially applying these standards has the following effect:

- Documentation requirements for hedge accounting applied
- Allocation and presentation of revenue to the different performance obligations identified in the pick & mix sales.

Cloetta has applied IFRS 9 retrospectively from 1 January 2018. IFRS 9, published in July 2014, replaced 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.

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 qualify 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 profit and loss account, nor does it have a material impact on other areas of Cloetta's consolidated financial statements.

IFRS 15 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. Cloetta adopted IFRS 15 with a date of initial application of 1 January 2018 and applied this standard using the full retrospective approach. This means that any cumulative impact of the adoption is to be recognized in the retained earnings as of 1 January 2017 and that any comparable information impacted is to be restated. In this context it should be noted that the impact of the adoption on the balance sheet and profit and loss account is not material. The details of the changes and quantitative impact of the changes are set out below.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. In accordance with IAS 18, Cloetta only recognized one performance obligation related to sale of goods. The adoption of IFRS 15 did not result in any changes in the accounting for packaged business as this only comprises sale of goods. However, for the pick & mix sales, Cloetta identified the following performance obligations in contracts with customers in accordance with IFRS 15:

- Sale of goods;
- Leases of fixtures;
- Merchandising services.

The different performance obligations do not give rise to a different timing for recognizing revenue. For the performance obligation merchandising services – which is satisfied over time – Cloetta has 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, wherein Cloetta recognizes revenue in the amount to which it has a right to invoice. Since delivery of goods as well as merchandising services normally takes place weekly, this output method best reflects the fulfillment of the delivery of the merchandising services, as performance obligation is satisfied at the same time as the goods are delivered.

Therefore, total revenues within the pick & mix sales only have to be allocated to an identified performance obligation, which impacts the presentation of disaggregated revenue but no line items in the profit and loss account and balance sheet are to be restated. IFRS 15 does not have an impact on the total assets, equity or loss for the year ended 31 December 2017 or for the period ended 30 September 2018. IFRS 15 does not have any other significant impact on the Group's revenue recognition.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements. None of these are expected to have any impact on the consolidated financial statements of the Group, except the following set out below:

IFRS 16, 'Leases', was issued in January 2016 and supersedes IAS 17 Leases. It will result in almost all leases being recognized on the balance sheet for Cloetta as lessee, as the distinction between operating and finance leases has been removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are to be recognized. The only exceptions are short-term and low-value leases. The standard is mandatory for financial years commencing on or after 1 January 2019.

The standard 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 the consolidated annual report 2017. Following the impact assessment, Cloetta has completed the initial extraction of relevant data points for all lease contracts. A lease accounting solution has been selected and Cloetta is in the process of uploading the data points into the lease accounting solution. Based on an impact analysis Cloetta decided to opt for the modified restrospective transition approach in which the Right of Use Asset will equal the lease liability per the transition date. For the calculation of the lease liability the discount rates as at 1 January 2019 will be used.

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.

Disclosures

Disaggregation of revenue from contracts with customers

Cloetta generates revenues from the transfer of goods and services at a point in time and over time in the following major sales categories and performance obligations

	Third quarter		9 months		Rolling 12	Full year
SEKm	Jul–Sep 2018	Jul–Sep 2017	Jan–Sep 2018	Jan–Sep 2017	Oct 2017–Sep 2018	2017
Net sales						
Packaged business	1,124	1,036	3,307	3,119	4,444	4,256
Pick & mix	414	469	1,265	1,022	1,771	1,528
Total	**1,538**	**1,505**	**4,572**	**4,141**	**6,215**	**5,784**

Breakdown of net sales by category

	Third quarter		9 months		Rolling 12	Full year
%	Jul–Sep 2018	Jul–Sep 2017	Jan–Sep 2018	Jan–Sep 2017	Oct 2017–Sep 2018	2017
Net sales						
Sales of goods						
Candy	58	58	58	57	58	58
Chocolate	18	18	18	17	17	17
Pastilles	12	12	12	12	12	12
Chewing gum	6	6	6	7	7	7
Nuts	4	4	4	5	4	4
Other	2	2	2	2	2	2
Sub total	**100**	**100**	**100**	**100**	**100**	**100**
Other income						
Other	–	–	0	0	0	0
Total	**100**	**100**	**100**	**100**	**100**	**100**

Breakdown of net sales by country

	Third quarter		9 months		Rolling 12	Full year
%	Jul–Sep 2018	Jul–Sep 2017	Jan–Sep 2018	Jan–Sep 2017	Oct 2017–Sep 2018	2017
Sweden	31	35	32	35	32	34
Finland	21	21	21	20	21	21
The Netherlands	14	13	14	15	14	14
Denmark	10	9	10	8	8	7
Norway	5	6	5	5	6	6
Germany	5	4	5	5	5	5
UK	8	7	7	5	7	5
Other countries	6	5	6	7	7	8
Total	**100**	**100**	**100**	**100**	**100**	**100**

Taxes

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

Fair value measurement

The only items recognized at fair value after initial recognition are

- the interest rate swaps and forward foreign currency contracts categorized at level 2 of the fair value hierarchy in all periods presented;
- the contingent earn-out consideration related to the acquisition of Candyking Holding AB and is subsidiaries initially categorized at level 3, 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 in the amount of SEK 128m. The fair values of financial assets (loans and receivables) and liabilities measured at amortized cost are approximately equal to carrying amounts, with the exception of the forward contract to repurchase own shares which has a fair value of SEK 6m (liability) while the carrying amount is SEK 59m (liability). For measurement purposes, the fair value of financial assets and liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value measurements by level according to the fair value measurement hierarchy are as follows:

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

The following table presents the Group's assets and liabilities that were measured at fair value at 30 September 2018:

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
– Forward foreign currency contracts	–	3	–	3
Total assets	**–**	**3**	**–**	**3**
Liabilities				
Liabilities at fair value through profit or loss				
– Interest rate swaps	–	4	–	4
– Contingent consideration	–	–	136	136
Total liabilities	**–**	**4**	**136**	**140**

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

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 at 30 September 2017:

SEKm	Level 1	Level 2	Level 3	Total
Liabilities				
Liabilities at fair value through profit or loss				
– Interest rate swaps	–	2	–	2
- Forward foreign currency contracts	–	1	–	1
– Contingent consideration	–	–	137	137
Total liabilities	**–**	**3**	**137**	**140**

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

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

SEKm	Jan–Sep 2018	Jan–Sep 2017	2017
Opening Balance	138	–	–
Business combinations	–	128	128
Remeasurements recognized in profit or loss			
– Unrealized remeasurements on contingent considerations recognized in general and administrative expenses	–21	–	–5
– Unrealized interest on contingent considerations recognized in other financial expenses	19	9	15
Closing Balance	**136**	**137**	**138**

On 28 April 2017 the contingent earn-out consideration arising from the acquisition of Candyking Holding AB and its subsidiaries was recognized in the amount of SEK 128m. At the end of the quarter the expected undiscounted contingent earn-out consideration amounted to SEK 145m (discounted: SEK 136m). No transfers between fair value hierarchy levels has occured during the financial year or the prior financial year. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined 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 was thereby initially categorized at level 3. The valuation techniques and inputs used to value financial instruments are:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign currency contracts is calculated using the difference between the exchange rate on the spot date with the contractually agreed upon exchange rates.
- 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 is:

- 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 and Candyking combined sales volume of pick & mix in confectionery and natural snacks in the Nordic countries, the UK and Poland during 2018 is higher (lower).

Parent Company

Cloetta AB's primary activities include head office functions such as group-wide management and administration. The comments below refer to the period from 1 January to 30 September 2018. Net sales in the Parent Company amounted to SEK 65m (77) and referred mainly to intra-group services. Operating loss was SEK –11m (–20). Net financial items totalled SEK 3m (5). Loss before tax was SEK –8m (–15) and loss for the period was SEK –6m (–12). 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 30 September 2018, a total of 101,359,916 shares were traded for a combined value of SEK 3,031m, equivalent to around 36 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 30 September 2018 was SEK 34.00 (30 January) and the lowest was SEK 26.52 (13 July). The share price on 30 September 2018 was SEK 27.48 (last price paid). During the period from 1 January to 30 September 2018, the Cloetta share decreased by 7.5 per cent while the Nasdaq OMX Stockholm PI index increased by 7.8 per cent. Cloetta's share capital at 30 September 2018 amounted to SEK 1,443,096,495. The total number of shares is 288,619,299, consisting of 5,735,249 (5,735,249) class A shares and 282,884,050 (282,884,050) class B shares, equal to a quota value of SEK 5 per share.

Shareholders

On 30 September 2018, Cloetta AB had 21,951 shareholders. The largest shareholder was AB Malfors Promotor with a holding corresponding to 37.5 per cent of the votes and 26.4 per cent of the share capital in the company. Wellington Management was the second largest shareholder with 8.4 per cent of the votes and 10.0 per cent of the share capital. The third largest shareholder was Franklin Templeton with 7.3 per cent of the votes and 8.7 per cent of the share capital. Institutional investors held 90.6 per cent of the votes and 88.9 per cent of the share capital. Foreign shareholders held 45 per cent of the votes and 53 per cent of the share capital.

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 a 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 recognized 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 recognized 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 were transferred within the group before the transfer of shares took place.

The following table presents the result from discontinued operation:

	Third quarter		9 months		Rolling 12	Full year
SEKm	Jul–Sep 2018	Jul–Sep 2017	Jan–Sep 2018	Jan–Sep 2017	Oct 2017–Sep 2018	2017
Net sales	–	59	–	316	–	316
Cost of goods sold						
- Impairment loss	–	–19	–	–238	–	–238
- Other cost of goods sold	–	–29	–	–181	–	–181
Total cost of goods sold	–	–48	–	–419	–	–419
Gross profit/loss	**–**	**11**	**–**	**–103**	**–**	**–103**
Selling expenses	–	–23	–	–102	–	–102
General and administrative expenses	–					
- Impairment loss	–	–13	–	–159	–	–159
- Other general and administrative expenses	–	–40	–	–80	–	–80
Total general and administrative expenses	–	–53	–	–239	–	–239
Operating loss	**–**	**–65**	**–**	**–444**	**–**	**–444**
Financial income	–	0	–	0	–	0
Financial expenses	–	0	–	–1	–	–1
Net financial items	**–**	**0**	**–**	**–1**	**–**	**–1**
Loss before tax and reclassification of currency translation differences on discontinued operation	**–**	**–65**	**–**	**–445**	**–**	**–445**
Income tax	–	8	–	9	–	9
Loss from discontinued operation before reclassification of currency translation difference on discontinued operation, net of tax	**–**	**–57**	**–**	**–436**	**–**	**–436**
Currency translation differences on discontinued operation reclassified from other comprehensive income	–	102	–	102	–	102
Profit/loss from discontinued operation, net of tax	**–**	**45**	**–**	**–334**	**–**	**–334**

The following table presents the cash flow from discontinued operation being part of the condensed consolidated cash flow statement on page 11:

	Third quarter		9 months		Rolling 12	Full year
SEKm	Jul–Sep 2018	Jul–Sep 2017	Jan–Sep 2018	Jan–Sep 2017	Oct 2017–Sep 2018	2017
Cash flow from operating activities	–	–95	–	–6	–34	–40
Cash flow from investing activities	–	307	–	297	64	361
Cash flow from financing activities	–	–	–	–	–	–
Cash flow from discontinued operation	**–**	**212**	**–**	**291**	**30**	**321**

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 operations

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 the quarter in which it occurs. In the fourth quarter, sales are usually higher than in the first three quarters of the year, which is mainly attributable to the sale of products in 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 2017 and consist of industry and market-related risks, operational risks and financial risks. Compared to the annual and sustainability report which was issued on 8 March 2018, no new risks have been identified.

Definitions

General	All amounts in the tables are presented in SEK millions unless otherwise stated. All amounts in brackets () represent comparative figures for the same period of the prior year, unless otherwise stated.	
Margins	**Definition/calculation**	**Purpose**
Gross margin	Net sales less cost of goods sold as a percentage of net sales.	Gross margin measures production profitability.
Operating profit margin (EBIT margin)	Operating profit expressed as a percentage of net sales.	Operating profit margin is used for measuring the operational profitability.
Operating profit margin, adjusted	Operating profit, adjusted for items affecting comparability, as a percentage of net sales.	Operating profit margin, adjusted excludes the impact of items affecting comparability, enabling a comparison of operational profitability.
Profit margin	Profit/loss before tax expressed as a percentage of net sales.	This metric enables the profitability to be compared across locations where corporate taxes differ.
Return	**Definition/calculation**	**Purpose**
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. It is used 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 comparative period in the previous year divided by two.	Return on capital employed is used to analyse profitability, based on the amount of capital used. The leverage of the company is the reason that this metric is used alongside return on equity, because it includes equity, but takes into account borrowings and other liabilities as well.
Return on equity	Profit from continuing operations for the period as a percentage of total equity.	Return on equity is used to measure profit generation, given the resources attributable to the owners of the Parent Company.
Capital structure	**Definition/calculation**	**Purpose**
Capital employed	Total assets less interest-free liabilities (including deferred tax).	Capital employed measures the amount of capital used and serves as input for the return on capital employed.
Equity/assets ratio	Equity at the end of the period as a percentage of total assets. The equity/assets ratio represents the amount of assets on which shareholders have a residual claim.	This ratio is an indicator of the company's leverage used to finance the firm.
Gross debt	Gross current and non-current borrowings, credit overdraft facilities, 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 were held constant, ignoring the impact from cash flows from interest, tax and capital expenditure.
Net debt/equity ratio	Net debt at the end of the period divided by equity at the end of the period.	The net debt/equity ratio measures the extent to which the company is funded by debt. Because cash and overdraft facilities can be used to pay-off debt at short notice, the leverage takes into account net debt instead of gross debt.
Working capital	Total inventories and trade and other receivables adjusted for trade and other payables.	Working capital is used to measure the company's ability, besides cash and cash equivalents, to meet current operational obligations.
Data per share	**Definition/calculation**	**Purpose**
Cash flow from operating activities per share	Cash flow from operating activities in the period divided by the average number of shares.	The cash flow from operating activities per share measures the amount of cash the company generates per share from the revenues it brings in irrespective of the capital investments and cash flows related to the financing structure of the company.

Data per share	Definition/calculation	Purpose
Earnings per share	Profit for the period divided by the average number of shares adjusted for the effect of forward contracts to repurchase own shares.	The earnings per share measures the amount of net profit that is available for payment to shareholders per share.
Equity per share	Equity at the end of the period divided by number of shares at the end of the period.	Equity per share measures the net-asset value backing up each share of the company's equity and determines if a company is increasing shareholder value over time.
Other definitions	**Definition/calculation**	**Purpose**
EBIT	Operating profit consists of comprehensive income before net financial items and income tax.	This metric enables the profitability to be compared across locations where corporate taxes differ, irrespective of the financing structure of the company.
EBIT, adjusted	Operating profit, adjusted for items affecting comparability.	EBIT, adjusted increases the comparability of EBIT.
EBITDA	Operating profit before depreciation and amortization.	EBITDA is used to measure the cash flow generated from operating activities, eliminating the impact of financing and accounting decisions.
EBITDA, adjusted	Operating profit, adjusted for items affecting comparability, before depreciation and amortization.	EBITDA, adjusted increases the comparability of EBITDA.
Effective tax rate	Income tax as a percentage of profit before tax.	This metric enables the income tax to be compared across locations where corporate taxes differ.
Items affecting comparability	Items affecting comparability are those significant items which are separately disclosed by virtue of their size or incidence in order to enable a full understanding of the Group's financial performance. These include items such as restructurings, impact from acquisitions or divestments.	Items affecting comparability increases the comparability of the Group's financial performance.
Net financial items	The total of exchange differences on borrowings and cash and cash equivalents in foreign currencies, other financial income and other financial expenses.	The net financial items reflects the company's total costs of external financing.
Net sales, change	Net sales as a percentage of net sales in the comparative period of the previous year.	Net sales, change reflects the company's realised top-line growth over time.
Operating profit, 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 are mainly 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 & mix including products, displays and accompanying store and logistic services.

Exchange rates

	30 Sep 2018	30 Sep 2017	31 Dec 2017
EUR, average	10.2329	9.5787	9.6362
EUR, end of period	10.2975	9.5919	9.8210
NOK, average	1.0671	1.0374	1.0324
NOK, end of period	1.0869	1.0219	0.9997
GBP, average	11.5798	10.9643	10.9909
GBP, end of period	11.6002	10.8690	11.0684
DKK, average	1.3737	1.2881	1.2956
DKK, end of period	1.3812	1.2890	1.3192

Financial calendar

Contact

Jacob Broberg, Senior Vice President Corporate Communications and Investor Relations, +46 70-190 00 33

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

Cloetta

Cloetta AB (publ) • Corp. ID no. 556308-8144 • Solna Business Park, Englundavägen 7D, PO Box 6036, SE-171 06 Solna, Sweden. • Tel +46 8-52 72 88 00 • www.cloetta.com

More information about Cloetta is available at www.cloetta.com