

Cloutier

Interim report Q2, April – June 2019

Stockholm, 12 July 2019

- **Net sales for the quarter** increased by 7.5 per cent to SEK 1,583m (1,472) including a positive impact from foreign exchange rates of 1.8 per cent.
- **Operating profit¹** amounted to SEK 159m (155). Profit for the period amounted to SEK 97m (97). Operating profit, adjusted for items affecting comparability, amounted to SEK 161m (145).
- **Cash flow¹** from operating activities amounted to SEK –3m (119).
- **Net debt/EBITDA ratio¹** was 2.7x (2.8).

Key ratios

SEKm	Second quarter			6 months			Rolling 12	Full year
	Apr–Jun 2019	Apr–Jun 2018	Change, %	Jan–Jun 2019	Jan–Jun 2018	Change, %	Jul 2018–Jun 2019	2018
Net sales	1,583	1,472	7.5 ²	3,142	3,034	3.6 ²	6,326	6,218
Operating profit, adjusted ¹	161	145	11.0	327	309	5.8	695	677
Operating profit margin, adjusted, % ¹	10.2	9.9	0.3-pts	10.4	10.2	0.2-pts	11.0	10.9
Operating profit (EBIT) ¹	159	155	2.6	323	321	0.6	662	660
Operating profit margin (EBIT margin), % ¹	10.0	10.5	–0.5-pts	10.3	10.6	–0.3-pts	10.5	10.6
Profit before tax	129	128	0.8	260	252	3.2	570	562
Profit for the period	97	97	0.0	196	192	2.1	487	483
Earnings per share, basic, SEK	0.34	0.34	0.0	0.68	0.67	1.5	1.70	1.69
Earnings per share, diluted, SEK	0.34	0.34	0.0	0.68	0.67	1.5	1.70	1.68
Net debt/EBITDA, x (Rolling 12 months) ¹	2.7	2.8	–3.6	2.7	2.8	–3.6	2.7	2.3
Cash flow from operating activities ¹	–3	119	na	151	90	67.8	689	628

¹ This metric has been affected by IFRS16 'Leases' as of 1 January 2019. Comparative figures are not restated. See pages 24–25 for indicative key figures excluding the impact of IFRS 16.

² Organic growth at constant exchange rates and comparable units was 5.7 per cent for the quarter and 1.2 per cent for the first half of the year. See further under Net sales on page 4.

Cloetta

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

FOUNDED IN

1862



2,500

EMPLOYEES

SALES IN

>50

COUNTRIES



LEADING
BRANDS

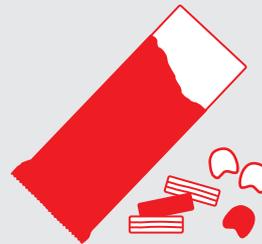


ANNUAL SALES

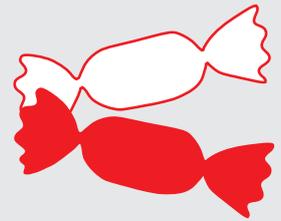
SEK

6.2

BILLION



CHOCOLATE



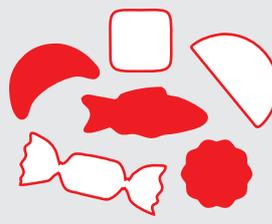
CANDY



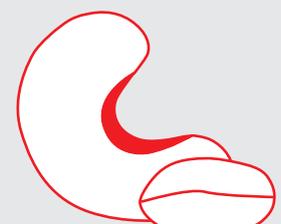
PASTILLES



CHEWING GUM



PICK & MIX



NUTS

Munchy Moments

VISION

To be the most admired satisfier of Munchy Moments

MISSION

To bring a smile to your Munchy Moments

Munchy Moments

Munchy Moments

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

Munchy Moments

Strong organic growth driven by Easter and improved EBIT

Cloetta again shows organic growth, driven by very strong pick & mix sales and branded packaged growth. The quarter showed an improvement in operating profit, adjusted, driven by growth in branded packaged products and cost efficiency.

Confectionery market during the quarter

The packaged confectionery market increased in all markets. No complete market statistics are available for pick & mix, but according to our own estimates, the pick & mix markets grew in all markets during the quarter, driven particularly by Easter in Sweden.

Sales development

Sales for the quarter increased by 7.5 per cent, of which organic growth accounted for 5.7 per cent and exchange rate differences for 1.8 per cent.

Branded packaged products

Sales of branded packaged products grew by 1.4 per cent. Sales increased or remained unchanged in Sweden, Denmark, Norway, Finland, the Netherlands, Germany and in International Markets. Sales declined in the UK. Growth was driven by fewer but bigger innovations and was particularly strong in Sweden. Cloetta took market shares in 8 out of 16 categories in our core markets.

Pick & mix

Pick & mix sales increased by 18.1 per cent. Sales increased or remained unchanged in Sweden, Denmark, Norway, Finland and the UK. Sales were particularly strong in Sweden and Norway, driven by Easter sales. During the first half of 2019, pick & mix sales grew by 1.6 per cent.

Operating profit

Operating profit, adjusted for items affecting comparability, amounted to SEK 161m (145) and the operating profit margin, adjusted

for items affecting comparability, was 10.2 per cent (9.9). Operating profit amounted to SEK 159m (155). The improvement in operating profit, adjusted, was primarily driven by branded packaged products growth and cost efficiency.

Cash flow and net debt/EBITDA

Cash flow from operating activities amounted to SEK -3m (119). Cash flow from operating activities was in the quarter affected by the timing of Easter. For the first half year 2019, cash flow from operating activities amounted to SEK 151m (90). The net debt/EBITDA ratio was 2.7x (2.8).

Focus on branded growth, pick & mix profitability and cost efficiency

We have three key focus areas that supports us in reaching our financial targets.

The first focus area is branded packaged growth. We are working with fewer but bigger innovations and we are increasing our marketing investments that are visible to the consumers. This has resulted in six consecutive quarters of growth in branded packaged products, a category that has a profit margin above 14 per cent.

Secondly, we are addressing the loss-making pick & mix business in Sweden with the ambition of turning it around towards the end of next year. Loss-making or low-margin pick & mix contracts, representing about half of the volumes in Sweden, have been renegotiated during the quarter. Price increases have been accepted on most of the contracts with an effect as of the second half of 2019. The renegotiations for the other contracts representing half of the volumes, which include some large contracts, are expected to

be completed towards the end of the year. In addition, and equally important, activities to reduce cost for warehousing and distribution, merchandising efficiency and assortment harmonization have been initiated but are not yet fully implemented.

Thirdly, several cost efficiency activities have been initiated. "Perfect Factory" is aimed at creating higher efficiency and less waste in our factories, thereby increasing capacity and decreasing cost. Our Value Improvement Program Plus is centered around zero-based budgeting in order to address and reduce indirect spend.

Our new strategy and ways of working have started to deliver results. Growth is returning, and costs are decreasing. This makes me confident to say that we are on track to reach our financial targets in the medium term.



Henri de Sauvage-Nolting
President and CEO

Financial overview

Second quarter development

Net sales

Net sales for the second quarter increased by SEK 111m to SEK 1,583m (1,472) compared to the same period of last year. Organic growth was 5.7 per cent and changes in exchange rates 1.8 per cent.

Changes in net sales, %	Apr–Jun 2019	Jan–Jun 2019
Organic growth	5.7	1.2
Changes in exchange rates	1.8	2.4
Total	7.5	3.6

Gross profit

Gross profit amounted to SEK 579m (559), which equates to a gross margin of 36.6 per cent (38.0). The lower gross margin is mainly due to a higher share of pick & mix and changes in exchange rates.

Operating profit

Operating profit amounted to SEK 159m (155). Operating profit, adjusted for items affecting comparability, amounted to SEK 161m (145). The improvement in operating profit, adjusted, is primarily driven by branded packaged products growth and cost efficiency.

Items affecting comparability

Operating profit for the second quarter includes items affecting comparability of SEK –2m (10) that mainly are related to costs for the integration of Candyking.

Net financial items

Net financial items for the quarter amounted to SEK –30m (–27). Interest expenses related to external borrowings were SEK –8m (–8), exchange differences on borrowings and cash and cash equivalents were SEK –12m (–3) which mainly related to the development of the Swedish krona against the euro during the quarter. Other financial

items amounted to SEK –10m (–16). In the second quarter of 2018 an amount of SEK –7m of the other financial items was related to the full amortization of the capitalized transaction costs due to the amendment and extension of the facilities agreement and the launch of commercial papers. Of the total net financial items SEK –22m (–11) is non-cash in nature.

Profit for the period

Profit for the period was SEK 97m (97), which equates to basic and diluted earnings per share of SEK 0.34 (0.34).

Income tax for the period was SEK –32m (–31). The effective tax rate for the quarter was 24.8 per cent (24.2).

Cash flow from operating and investing activities

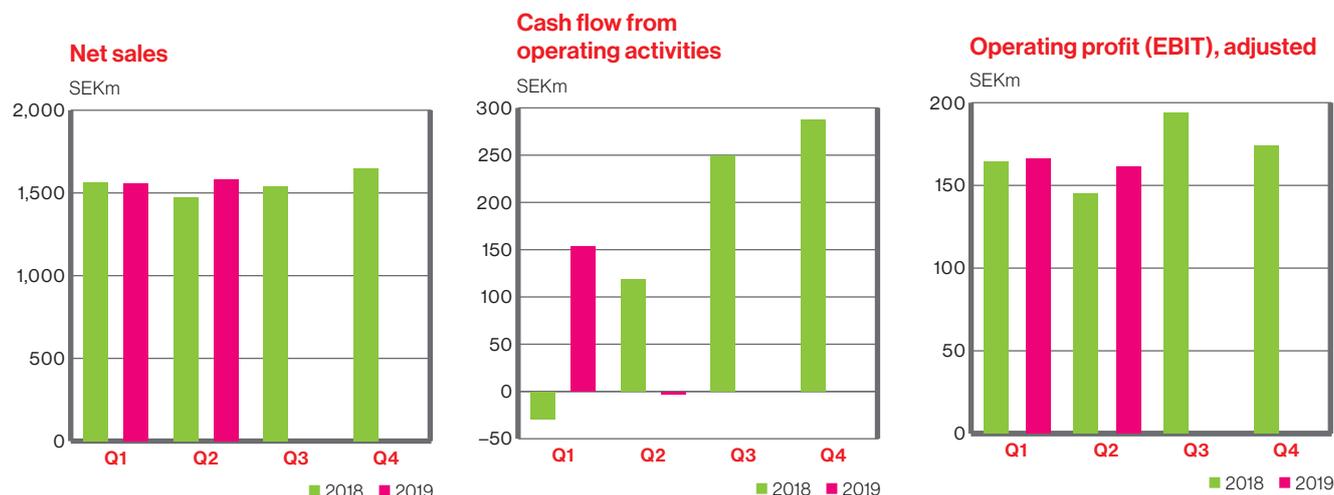
Cash flow from operating activities before changes in working capital was SEK 201m (165). The increase compared to prior year is mainly the result of a higher EBITDA which is positively affected by the impact of IFRS 16 'Leases' for an amount of SEK 19m and a corresponding negative effect on the cash flow from financing activities. The cash flow from changes in working capital was SEK –204m (–46). Cash flow from operating and investing activities was SEK –39m (68).

Cash flow from changes in working capital

Cash flow from changes in working capital was SEK –204m (–46). The cash flow from changes in working capital was negatively impacted by the decrease in payables for an amount of SEK –171m (–105), the increase in inventories of SEK –52m (–42) partly offset by a decrease of receivables amounting to SEK 19m (101). The changes in cash flow from working capital was mainly affected by the timing of Easter.

Cash flow from investing activities

Cash flow from investing activities was SEK –36m (–51) and is for SEK –38m (–51) attributable to investments in property, plant and equipment and intangible assets. Cash flow from other investing activities amounted to SEK 2m (0).



Cash flow from financing activities

Cash flow from financing activities was SEK -466m (-661). The cash flow from financing activities was related to the dividend distribution of SEK -287m (-433), net repayments of commercial papers of SEK -160m (500) and payments of lease liabilities related to IFRS 16 'Leases' of SEK -19m (0). The other cash flow from financing activities amounted to SEK 0m (-9). In the second quarter of 2018 the repayments related to the amendment and restatement of the facilities agreement amounted to SEK -719m.

Development during the year

Net sales

Net sales for the first half of the year increased by SEK 108m to SEK 3,142m (3,034) compared to the same period of last year. Organic growth was 1.2 per cent and changes in exchange rates 2.4 per cent.

Gross profit

Gross profit amounted to SEK 1,145m (1,119), which equates to a gross margin of 36.4 per cent (36.9).

Operating profit

Operating profit amounted to SEK 323m (321). Operating profit, adjusted for items affecting comparability, amounted to SEK 327m (309). The improvement in operating profit, adjusted, is primarily driven by branded packaged products growth and cost efficiency.

Items affecting comparability

Operating profit for the first half year includes items affecting comparability of SEK -4m (12) that mainly are related to costs for the integration of Candyking.

Net financial items

Net financial items for the first half of the year amounted to SEK -63m (-69). Interest expenses related to external borrowings were SEK -15m (-16), exchange differences on borrowings and cash and cash equivalents were SEK -24m (-25) which mainly related to the development of the Swedish krona against the euro during the first half of the year. Other financial items amounted to SEK -24m (-28). In the second quarter of 2018 an amount of SEK -7m of the other financial items was related to the full amortization of the capitalized transaction costs due to the amendment and extension of the facilities agreement and the launch of commercial papers. Of the total net financial items SEK -49m (-53) is non-cash in nature.

Profit for the period

Profit for the period was SEK 196m (192), which equates to basic and diluted earnings per share of SEK 0.68 (0.67). Income tax for the period was SEK -64m (-60). The effective tax rate for the first half of the year was 24.6 per cent (23.8).

Cash flow from operating and investing activities

Cash flow from operating activities before changes in working capital was SEK 405m (355). The increase compared to prior year is mainly the result of a higher EBITDA which is positively affected by the impact of IFRS 16 'Leases' for an amount of SEK 38m and a corresponding negative effect of the cash flow from financing activities. The cash flow from changes in working capital was SEK -254m (-265). Cash flow from operating and investing activities was SEK -74m (-2).

Cash flow from changes in working capital

Cash flow from changes in working capital was SEK -254m (-265). The cash flow from changes in working capital was negatively impacted by the increase in receivables amounting to SEK -140m (-85), an increase in inventories of SEK -127m (-68) which were partly offset by the increase in payables for an amount of SEK 13m (-112).

Cash flow from investing activities

Cash flow from investing activities was SEK -225m (-92) of which SEK -81m (-92) is attributable to investments in property, plant and equipment and intangible assets. In the first quarter of 2019 an amount of SEK -146m was related to settlement of the contingent earn-out consideration arising from the acquisition of Candyking Holding AB and its subsidiaries. Cash flow from other investing activities amounted to SEK 2m (0).

Cash flow from financing activities

Cash flow from financing activities was SEK -276m (-661). The cash flow from financing activities was related to the dividend distribution of SEK -287m (-433), net proceeds from issued commercial papers of SEK 49m (500) and payments of lease liabilities related to IFRS 16 'Leases' of SEK -38m (0). The other cash flow from financing activities amounted to SEK 0m (-9). In the second quarter of 2018 the repayments related to the amendment and restatement of the facilities agreement amounted to SEK -719m.

Financial position

Consolidated equity at 30 June 2019 amounted to SEK 3,955m (3,761), which equates to SEK 13.7 (13.0) per share. Net debt at 30 June 2019 was SEK 2,727m (2,561). As a consequence of the application of IFRS 16 'Leases' as per 1 January 2019 the net debt composition changed as from this date the lease liabilities are included in net debt.

Long-term borrowings totalled SEK 2,240m (2,098) and consisted of SEK 2,119m (2,101) in gross non-current loans from credit institutions, SEK 123m (0) in non-current lease liabilities and SEK -2m (-3) in capitalized transaction costs.

Total short-term borrowings amounted to SEK 615m (506) and consisted of SEK 549m (500) in commercial papers, SEK 66m (0) in current lease liabilities, SEK 0m (7) in gross current loans from credit

institutions, SEK –1m (–2) in capitalized transaction costs and accrued interest on borrowings from credit institutions and commercial papers for an amount of SEK 1m (1).

SEKm	30 Jun 2019	30 Jun 2018	31 Dec 2018
Gross non-current loans from credit institutions	2,119	2,101	2,078
Gross current loans from credit institutions	–	7	–
Commercial papers	549	500	500
Lease liabilities ¹	189	–	–
Derivative financial instruments (current and non-current)	77	61	63
Interest payable	1	1	1
Gross debt	2,935	2,670	2,642
Cash and cash equivalents	–208	–109	–551
Net debt	2,727	2,561	2,091

¹ The lease liabilities related to the leased right-of-use assets are included in the gross debt as of 1 January 2019. Comparative figures have not been restated. See pages 24–25 for indicative key figures excluding the impact of IFRS 16 'Leases'.

Cash and cash equivalents at 30 June 2019 amounted to SEK 208m (109). At 30 June 2019 Cloetta had an unutilized credit facility of SEK 1,262m (1,242).

Other disclosures

Seasonal variations

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

Employees

The average number of employees during the quarter was 2,623 (2,459).

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 second quarter



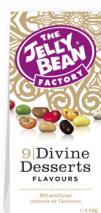
THE NETHERLANDS

Lonka Soft Nougat Peanuts & Milk chocolate
Lonka Soft Nougat Peanuts & Fruit
Red Band Enjoy Mix



FINLAND

Aakoset Marja
Jenkki Cool peppermint
Malaco Suosikit



TRAVEL RETAIL

Nutisal Almond Mix
The Jelly Bean Factory Divine Desserts
Läkerol Strawberry Lime, 4-pack



SWEDEN

Malaco Gott & Blandat Fizzypop & Co
Polly for a Swedish Fika
Läkerol YUP Mix Frozen Mango & Lime
Sportlunch Caramel



NORWAY

Kick Mango



PICK&MIX

Gott & Blandat original
30 per cent less sugar
Polly for a Swedish Fika

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, 12 July 2019
Cloetta AB (publ)

Lilian Fossum Biner
Board Chairman

Mikael Aru
Member of the Board

Patrick Bergander
Member of the Board

Lottie Knutson
Member of the Board

Alan McLean Raleigh
Member of the Board

Camilla Svenfelt
Member of the Board

Mikael Svenfelt
Member of the Board

Lena Grönedal
Employee Board member

Mikael Ström
Employee Board member

Henri de Sauvage-Nolting
President and CEO

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

Financial statements in summary

Consolidated profit and loss account

SEKm	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jul 2018–Jun 2019	2018
Net sales	1,583	1,472	3,142	3,034	6,326	6,218
Cost of goods sold	–1,004	–913	–1,997	–1,915	–4,016	–3,934
Gross profit	579	559	1,145	1,119	2,310	2,284
Other income	–	4	–	4	–	4
Selling expenses	–253	–268	–496	–516	–1,005	–1,025
General and administrative expenses	–167	–140	–326	–286	–643	–603
Operating profit	159	155	323	321	662	660
Exchange differences borrowings and cash and cash equivalents in foreign currencies	–12	–3	–24	–25	–15	–16
Other financial income	0	4	1	4	2	5
Other financial expenses	–18	–28	–40	–48	–79	–87
Net financial items	–30	–27	–63	–69	–92	–98
Profit before tax	129	128	260	252	570	562
Income tax	–32	–31	–64	–60	–83	–79
Profit for the period	97	97	196	192	487	483
<i>Profit for the period attributable to:</i>						
Owners of the Parent Company	97	97	196	192	487	483
Earnings per share, kr SEK						
Basic ¹	0.34	0.34	0.68	0.67	1.70	1.69
Diluted ¹	0.34	0.34	0.68	0.67	1.70	1.68
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) ¹	286,610,771	286,413,012	286,587,980	286,355,196	286,623,249	286,492,413
Average number of shares (diluted) ¹	286,844,136	286,620,265	286,755,102	286,567,365	286,762,768	286,650,070

¹ Cloetta entered into forward contracts to repurchase own shares to fulfill its future obligation to deliver the shares to the participants of the long-term share-based incentive plan. The outstanding contracts at reporting date consist of one contract for 2,080,883 shares at a share price of SEK 31.2385.

Consolidated statement of comprehensive income

SEKm	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jul 2018–Jun 2019	2018
Profit for the period	97	97	196	192	487	483
<i>Other comprehensive income</i>						
Remeasurement of defined benefit pension plans	-14	-9	-56	-26	-71	-41
Income tax on other comprehensive income that subsequently will not be reclassified to profit or loss for the period	3	2	12	6	15	9
Items that will never be reclassified to profit or loss for the period	-11	-7	-44	-20	-56	-32
Currency translation differences	72	58	159	267	68	176
Hedge of a net investment in a foreign operation	-26	-20	-46	-83	-21	-58
Income tax on other comprehensive income that will be reclassified subsequently to profit or loss for the period, when specific conditions are met	5	4	9	17	4	12
Items that are or may be reclassified to profit or loss for the period	51	42	122	201	51	130
Total other comprehensive income	40	35	78	181	-5	98
Total comprehensive income, net of tax	137	132	274	373	482	581
<i>Total comprehensive income for the period attributable to:</i>						
Owners of the Parent Company	137	132	274	373	482	581

Net financial items

SEKm	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jul 2018–Jun 2019	2018
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	-12	-3	-24	-25	-15	-16
Other financial income, third parties	0	4	1	4	2	5
Unrealized gains on single currency interest rate swaps	-	0	-	0	-	-
Other financial income	0	4	1	4	2	5
Interest expenses third-party borrowings and realized losses on single currency interest rate swaps	-8	-8	-15	-16	-30	-31
Interest expenses, contingent earn-out considerations	-	-6	-4	-11	-18	-25
Amortization of capitalized transaction costs	-1	-7	-1	-8	-1	-8
Unrealized losses on single currency interest rate swaps	-3	-3	-6	-3	-5	-2
Other financial expenses	-6	-4	-14	-10	-25	-21
Other financial expenses	-18	-28	-40	-48	-79	-87
Net financial items	-30	-27	-63	-69	-92	-98

Condensed consolidated balance sheet

SEKm	30 Jun 2019	30 Jun 2018	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	5,733	5,711	5,626
Property, plant and equipment ¹	1,555	1,379	1,354
Deferred tax asset	11	23	16
Other financial assets	11	12	11
Total non-current assets	7,310	7,125	7,007
Current assets			
Inventories	907	841	765
Other current assets	985	999	844
Derivative financial instruments	–	4	1
Cash and cash equivalents	208	109	551
Total current assets	2,100	1,953	2,161
TOTAL ASSETS	9,410	9,078	9,168
EQUITY AND LIABILITIES			
Equity	3,955	3,761	3,968
Non-current liabilities			
Long-term borrowings ¹	2,240	2,098	2,076
Deferred tax liability	792	786	754
Derivative financial instruments	7	4	3
Provisions for pensions and other long-term employee benefits	475	403	419
Provisions	6	6	9
Total non-current liabilities	3,520	3,297	3,261
Current liabilities			
Short-term borrowings ¹	615	506	500
Derivative financial instruments	70	61	61
Other current liabilities	1,239	1,452	1,355
Provisions	11	1	23
Total current liabilities	1,935	2,020	1,939
TOTAL EQUITY AND LIABILITIES	9,410	9,078	9,168

¹ The right-of-use assets and the corresponding lease liabilities are as of 1 January 2019 included in the property, plant and equipment and long- and short-term borrowings respectively. Comparative figures have not been restated. See further on page 23.

Condensed consolidated statements of changes in equity

SEKm	6 months		Full year
	Jan–Jun 2019	Jan–Jun 2018	2018
Equity at beginning of period	3,968	3,818	3,818
Profit for the period	196	192	483
Other comprehensive income	78	181	98
Total comprehensive income	274	373	581
Transactions with owners			
Forward contract to repurchase own shares	–6	0	0
Share-based payments	6	3	2
Dividend ¹	–287	–433	–433
Total transactions with owners	–287	–430	–431
Equity at end of period	3,955	3,761	3,968

1 The dividend paid in 2019 comprised an ordinary dividend of SEK 1.00 per share. The dividend paid in 2018 comprised an ordinary dividend of SEK 0.75 per share and a special dividend of SEK 0.75 per share.

Condensed consolidated cash flow statement

SEKm	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jul 2018–Jun 2019	2018
Cash flow from operating activities before changes in working capital ¹	201	165	405	355	842	792
Cash flow from changes in working capital	–204	–46	–254	–265	–153	–164
Cash flow from operating activities	–3	119	151	90	689	628
Cash flows from investments in property, plant and equipment and intangible assets	–38	–51	–81	–92	–173	–184
Cash flow from other investing activities	2	0	–144	0	–144	0
Cash flow from investing activities	–36	–51	–225	–92	–317	–184
Cash flow from operating and investing activities	–39	68	–74	–2	372	444
Cash flow from financing activities¹	–466	–661	–276	–661	–280	–665
Cash flow for the period	–505	–593	–350	–663	92	–221
Cash and cash equivalents at beginning of period	711	700	551	759	109	759
Cash flow for the period	–505	–593	–350	–663	92	–221
Exchange difference	2	2	7	13	7	13
Total cash and cash equivalents at end of period	208	109	208	109	208	551

1 The repayments of lease liabilities are as of 1 January 2019 reported as cash flow from financing activities, whereas under IAS 17 the lease payments were reported as cash flow from operating activities. Comparative figures have not been restated. See pages 24–25 for indicative key figures excluding the impact of IFRS 16 'Leases'.

Condensed consolidated key figures

SEKm	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jul 2018–Jun 2019	2018
Profit						
Net sales	1,583	1,472	3,142	3,034	6,326	6,218
Net sales, change, %	7.5	4.1	3.6	15.1	2.3	7.5
Organic net sales, change, %	5.7	–4.9	1.2	–2.1	–1.1	–2.8
Gross margin, %	36.6	38.0	36.4	36.9	36.5	36.7
Depreciation ¹	–74	–54	–148	–111	–255	–218
Amortization	–3	–3	–6	–6	–12	–12
Operating profit, adjusted ¹	161	145	327	309	695	677
Operating profit margin, adjusted, % ¹	10.2	9.9	10.4	10.2	11.0	10.9
Operating profit (EBIT) ¹	159	155	323	321	662	660
Operating profit margin (EBIT margin), % ¹	10.0	10.5	10.3	10.6	10.5	10.6
EBITDA, adjusted ¹	238	202	481	426	962	907
EBITDA ¹	236	212	477	438	929	890
Profit margin, %	8.1	8.7	8.3	8.3	9.0	9.0
Financial position						
Working capital	660	505	660	505	660	402
Capital expenditure ¹	46	51	92	92	184	184
Net debt ¹	2,727	2,561	2,727	2,561	2,727	2,091
Capital employed ¹	7,362	6,833	7,362	6,833	7,362	7,027
Return on capital employed, % (Rolling 12 months) ¹	9.4	9.8	9.4	9.8	9.4	9.5
Equity/assets ratio, % ¹	42.0	41.4	42.0	41.4	42.0	43.3
Net debt/equity ratio, % ¹	69.0	68.1	69.0	68.1	69.0	52.7
Return on equity, % (Rolling 12 months)	12.3	8.5	12.3	8.5	12.3	12.2
Equity per share, SEK	13.7	13.0	13.7	13.0	13.7	13.7
Net debt/EBITDA, x (Rolling 12 months) ¹	2.7	2.8	2.7	2.8	2.7	2.3
Cash flow						
Cash flow from operating activities ¹	–3	119	151	90	689	628
Cash flow from investing activities	–36	–51	–225	–92	–317	–184
Cash flow after investments ¹	–39	68	–74	–2	372	444
Free cash flow ¹	–41	68	70	–2	516	444
Free cash flow yield (Rolling 12 months), % ¹	5.9	4.5	5.9	4.5	5.9	6.3
Cash flow from operating activities per share, SEK ¹	–0.0	0.4	0.5	0.3	2.4	2.2
Employees						
Average number of employees ²	2,623	2,459	2,586	2,441	2,532	2,458

¹ The key figure has been affected by IFRS 16 'Leases' as of 1 January 2019. Comparative figures are not restated. See pages 24–25 for indicative key figures excluding the impact of IFRS 16 'Leases'.

² Employee numbers have been updated following the implementation of a new company-wide HR system. Comparative figures have not been restated.

Reconciliation of alternative performance measures key figures

SEKm	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jul 2018–Jun 2019	2018
Items affecting comparability						
Acquisitions, integration and factory restructurings	1	-13	-1	-16	-23	-38
Remeasurements of contingent considerations	-	19	-	27	-6	21
Other items affecting comparability	-3	4	-3	1	-4	0
Items affecting comparability	-2	10	-4	12	-33	-17
*Corresponding line in the condensed consolidated profit and loss account:						
Net sales	-	-	-	-	-	0
Cost of goods sold	3	-1	2	-2	7	3
Other operating income	-	4	-	4	-	4
Selling expenses	-	-	-	-	-1	-1
General and administrative expenses	-5	7	-6	10	-39	-23
Total	-2	10	-4	12	-33	-17
Operating profit, adjusted¹						
Operating profit	159	155	323	321	662	660
Minus: Items affecting comparability	-2	10	-4	12	-33	-17
Operating profit, adjusted	161	145	327	309	695	677
Net sales	1,583	1,472	3,142	3,034	6,326	6,218
Operating profit margin, adjusted, %	10.2	9.9	10.4	10.2	11.0	10.9
EBITDA, adjusted¹						
Operating profit	159	155	323	321	662	660
Minus: Depreciation	-74	-54	-148	-111	-255	-218
Minus: Amortization	-3	-3	-6	-6	-12	-12
EBITDA	236	212	477	438	929	890
Minus: Items affecting comparability	-2	10	-4	12	-33	-17
EBITDA, adjusted	238	202	481	426	962	907
Capital employed¹						
Total assets	9,410	9,078	9,410	9,078	9,410	9,168
Minus: Deferred tax liability	792	786	792	786	792	754
Minus: Non-current provisions	6	6	6	6	6	9
Minus: Current provisions	11	1	11	1	11	23
Minus: Other current liabilities	1,239	1,452	1,239	1,452	1,239	1,355
Capital employed	7,362	6,833	7,362	6,833	7,362	7,027
Capital employed comparative period previous year	6,833	6,727	6,833	6,727	6,833	6,979
Average capital employed	7,098	6,780	7,098	6,780	7,098	7,003

¹ The key figure has been affected by IFRS 16 'Leases' as of 1 January 2019. Comparative figures are not restated. See pages 24–25 for indicative key figures excluding the impact of IFRS 16 'Leases'.

Reconciliation alternative performance measures, continued

SEKm	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jul 2018–Jun 2019	2018
Return on capital employed¹						
Operating profit (Rolling 12 months)	662	661	662	661	662	660
Financial income (Rolling 12 months)	2	4	2	4	2	5
Operating profit plus financial income (Rolling 12 months)	664	665	664	665	664	665
Average capital employed	7,098	6,780	7,098	6,780	7,098	7,003
Return on capital employed, %	9.4	9.8	9.4	9.8	9.4	9.5
Free cash flow yield¹						
Cash flow from operating activities (Rolling 12 months)	689	530	689	530	689	628
Cash flows from investments in property, plant and equipment and intangible assets (Rolling 12 months)	-173	-176	-173	-176	-173	-184
Free cash flow (Rolling 12 months)	516	354	516	354	516	444
Number of shares	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299
Free cash flow per share (Rolling 12 months), SEK	1.79	1.23	1.79	1.23	1.79	1.54
Market price per share, SEK	30.20	27.18	30.20	27.18	30.20	24.30
Free cash flow yield (Rolling 12 months), %	5.9	4.5	5.9	4.5	5.9	6.3
Changes in net sales						
Net sales	1,583	1,472	3,142	3,034	6,326	6,218
Net sales comparative period previous year	1,472	1,414	3,034	2,636	6,182	5,784
Net sales, change	111	58	108	398	144	434
Minus: Structural changes	-	76	-	375	-	375
Minus: Changes in exchange rates	27	51	71	79	209	217
Organic growth	84	-69	37	-56	-65	-158
Structural changes, %	-	5.4	-	14.2	-	6.5
Organic growth, %	5.7	-4.9	1.2	-2.1	-1.1	-2.8

¹ The key figure has been affected by IFRS 16 'Leases' as of 1 January 2019. Comparative figures are not restated. See pages 24–25 for indicative key figures excluding the impact of IFRS 16 'Leases'.

Quarterly data

SEKm	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Profit and loss account									
Net sales	1,583	1,559	1,646	1,538	1,472	1,562	1,643	1,505	1,414
Cost of goods sold	-1,004	-993	-1,040	-979	-913	-1,002	-1,037	-978	-895
Gross profit	579	566	606	559	559	560	606	527	519
Other income	-	-	-	-	4	-	2	-	4
Selling expenses	-253	-243	-279	-230	-268	-248	-281	-232	-259
General and administrative expenses	-167	-159	-168	-149	-140	-146	-156	-126	-174
Operating profit	159	164	159	180	155	166	171	169	90
Exchange differences borrowings and cash and cash equivalents in foreign currencies	-12	-12	4	5	-3	-22	-7	-7	-2
Other financial income	0	1	1	0	4	0	0	0	1
Other financial expenses	-18	-22	-21	-18	-28	-20	-20	-20	-18
Net financial items	-30	-33	-16	-13	-27	-42	-27	-27	-19
Profit before tax	129	131	143	167	128	124	144	142	71
Income tax	-32	-32	16	-35	-31	-29	-124	-34	-28
Profit from continuing operations	97	99	159	132	97	95	20	108	43
Profit/loss from discontinued operation, net of tax	-	-	-	-	-	-	-	45	-372
Profit/loss for the period	97	99	159	132	97	95	20	153	-329
<i>Profit/loss for the period attributable to:</i>									
Owners of the Parent Company									
Continuing operations	97	99	159	132	97	95	20	108	43
Discontinued operation	-	-	-	-	-	-	-	45	-372
Key figures									
Profit									
Depreciation, amortization and impairment ¹	-77	-77	-55	-58	-57	-60	-59	-74	-56
Operating profit, adjusted ¹	161	166	174	194	145	164	206	169	115
EBITDA, adjusted ¹	238	243	229	252	202	224	265	234	171
EBITDA ¹	236	241	214	238	212	226	230	243	146
Operating profit margin, adjusted, % ¹	10.2	10.6	10.6	12.6	9.9	10.5	12.5	11.2	8.1
Operating profit margin (EBIT margin), % ¹	10.0	10.5	9.7	11.7	10.5	10.6	10.4	11.2	6.4
Earnings per share, SEK									
Basic ²	0.34	0.35	0.55	0.46	0.34	0.33	0.07	0.53	-1.15
Diluted ²	0.34	0.35	0.55	0.46	0.34	0.33	0.07	0.53	-1.15
Financial position									
Share price, last paid, SEK	30.20	24.00	24.30	27.48	27.18	31.82	29.70	28.00	34.70
Return on equity, % (Rolling 12 months)	12.3	11.9	12.2	8.9	8.5	6.6	6.2	9.1	8.7
Equity per share, SEK	13.7	14.2	13.7	13.3	13.0	14.1	13.2	12.9	12.9
Net Debt/EBITDA, x (Rolling 12 months) ¹	2.7	2.4	2.3	2.5	2.8	2.4	2.4	2.6	2.8
Cash flow									
Cash flow from operating activities per share, SEK ¹	-0.0	0.5	1.0	0.9	0.4	-0.1	1.1	0.5	0.4

1 The key figure has been affected by IFRS 16 'Leases' as of 1 January 2019. Comparative figures are not restated. See pages 24–25 for indicative key figures excluding the impact of IFRS 16 'Leases'.

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 outstanding contracts at reporting date consist of one contract for 2,080,883 shares at a share price of SEK 31.2385.

Reconciliation of alternative performance measures per quarter

SEKm	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Items affecting comparability									
Acquisitions, integration and factory restructurings	1	-2	-15	-7	-13	-3	-20	0	-25
<i>of which: impairment loss other non-current assets</i>	-	-	-	-	-	-	-	-9	-
Remeasurements of contingent considerations	-	-	0	-6	19	8	5	-	-
Other items affecting comparability	-3	0	0	-1	4	-3	-20	-	-
Items affecting comparability*	-2	-2	-15	-14	10	2	-35	0	-25
*Corresponding line in the condensed consolidated profit and loss account:									
Net sales	-	-	0	0	-	-	-	-	-
Cost of goods sold	3	-1	6	-1	-1	-1	-22	1	-15
Other operating income	-	-	-	-	4	-	-	-	4
Selling expenses	-	-	-	-1	-	-	-3	-	-3
General and administrative expenses	-5	-1	-21	-12	7	3	-10	-1	-11
Total	-2	-2	-15	-14	10	2	-35	0	-25
Operating profit, adjusted¹									
Operating profit	159	164	159	180	155	166	171	169	90
Minus: Items affecting comparability	-2	-2	-15	-14	10	2	-35	0	-25
Operating profit, adjusted	161	166	174	194	145	164	206	169	115
Net sales	1,583	1,559	1,646	1,538	1,472	1,562	1,643	1,505	1,414
Operating profit margin, adjusted, %	10.2	10.6	10.6	12.6	9.9	10.5	12.5	11.2	8.1
EBITDA, adjusted¹									
Operating profit	159	164	159	180	155	166	171	169	90
Minus: Depreciation	-74	-74	-52	-55	-54	-57	-56	-61	-53
Minus: Amortization	-3	-3	-3	-3	-3	-3	-3	-4	-3
Minus: Impairment loss other non-current assets	-	-	-	-	-	-	-	-9	-
EBITDA	236	241	214	238	212	226	230	243	146
Minus: Items affecting comparability (excl. impairment loss other non-current assets)	-2	-2	-15	-14	10	2	-35	9	-25
EBITDA, adjusted	238	243	229	252	202	224	265	234	171
Capital employed¹									
Total assets	9,410	9,854	9,168	9,191	9,078	9,650	9,252	8,945	9,560
Minus: Deferred tax liability	792	768	754	794	786	731	703	625	641
Minus: Other non-current liabilities	-	-	-	-	-	135	138	137	132
Minus: Non-current provisions	6	6	9	6	6	5	5	5	5
Minus: Current provisions	11	19	23	5	1	1	3	6	6
Minus: Other current liabilities	1,239	1,407	1,355	1,482	1,452	1,459	1,424	1,320	1,219
Minus: Assets held for sale	-	-	-	-	-	-	-	-	830
Capital employed	7,362	7,654	7,027	6,904	6,833	7,319	6,979	6,852	6,727
Capital employed comparative period previous year	6,833	7,319	6,979	6,852	6,727	6,002	5,966	6,273	5,818
Average capital employed	7,098	7,487	7,003	6,878	6,780	6,661	6,473	6,563	6,273

1 The key figure has been affected by IFRS 16 'Leases' as of 1 January 2019. Comparative figures are not restated. See pages 24–25 for indicative key figures excluding the impact of IFRS 16 'Leases'.

Reconciliation alternative performance measures, continued

SEKm	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Return on capital employed¹									
Operating profit (Rolling 12 months)	662	658	660	672	661	596	527	536	562
Financial income (Rolling 12 months)	2	6	5	4	4	1	7	12	17
Operating profit plus financial income (Rolling 12 months)	664	664	665	676	665	597	534	548	579
Average capital employed	7,098	7,487	7,003	6,878	6,780	6,661	6,473	6,563	6,273
Return on capital employed, %	9.4	8.9	9.5	9.8	9.8	9.0	8.2	8.3	9.2
Free cash flow yield¹									
Cash flow from operating activities (Rolling 12 months)	689	811	628	645	530	528	712	813	794
Cash flows from investments in property, plant and equipment and intangible assets (Rolling 12 months)	-173	-186	-184	-182	-176	-164	-157	-169	-173
Free cash flow (Rolling 12 months)	516	625	444	463	354	364	555	644	621
Number of shares	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299
Free cash flow per share (Rolling 12 months), SEK	1.79	2.17	1.54	1.60	1.23	1.26	1.92	2.23	2.15
Market price per share, SEK	30.20	24.00	24.30	27.48	27.18	31.82	29.70	28.00	34.70
Free cash flow yield (Rolling 12 months), %	5.9	9.0	6.3	5.8	4.5	4.0	6.5	8.0	6.2
Changes in net sales									
Net sales	1,583	1,559	1,646	1,538	1,472	1,562	1,643	1,505	1,414
Net sales comparative period previous year	1,472	1,562	1,643	1,505	1,414	1,222	1,367	1,285	1,221
Net sales, change	111	-3	3	33	58	340	276	220	193
Minus: Structural changes	-	-	-	-	76	299	285	261	161
Minus: Changes in exchange rates	27	44	51	87	51	28	-9	-5	38
Organic growth	84	-47	-48	-54	-69	13	0	-36	-6
Structural changes, %	-	-	-	-	5.4	24.5	20.8	20.3	13.2
Organic growth, %	5.7	-3.0	-3.2	-3.6	-4.9	1.1	0.0	-2.8	-0.5

1 The key figure has been affected by IFRS 16 'Leases' as of 1 January 2019. Comparative figures are not restated. See pages 24–25 for indicative key figures excluding the impact of IFRS 16 'Leases'.

Parent company

Condensed parent company profit and loss account

SEKm	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jul 2018–Jun 2019	2018
Net sales	20	27	35	46	73	84
Gross profit	20	27	35	46	73	84
General and administrative expenses	-21	-31	-47	-55	-85	-93
Operating loss	-1	-4	-12	-9	-12	-9
Net financial items	-5	-3	-7	3	1	11
Profit/loss before tax	-6	-7	-19	-6	-11	2
Income tax	-1	1	2	2	-2	-2
Profit/loss for the period	-7	-6	-17	-4	-13	0

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

Condensed parent company balance sheet

SEKm	30 Jun 2019	30 Jun 2018	31 Dec 2018
ASSETS			
Non-current assets	5,360	5,361	5,366
Current assets	50	40	38
TOTAL ASSETS	5,410	5,401	5,404
EQUITY AND LIABILITIES			
Equity	3,158	3,455	3,458
Non-current liabilities			
Borrowings	934	934	933
Derivative financial instruments	5	3	3
Provisions	1	1	1
Total non-current liabilities	940	938	937
Current liabilities			
Borrowings	549	500	500
Derivative financial instruments	4	1	1
Other current liabilities	759	507	508
Total current liabilities	1,312	1,008	1,009
TOTAL EQUITY AND LIABILITIES	5,410	5,401	5,404

Condensed parent company statement of changes in equity

SEKm	6 months		Full year
	Jan–Jun 2019	Jan–Jun 2018	2018
Equity at beginning of period	3,458	3,889	3,889
Other comprehensive income	–17	–4	0
Total comprehensive income	–17	–4	0
Transactions with owners			
Share-based payments	6	3	2
Dividend ¹	–289	–433	–433
Total transactions with owners	–283	–430	–431
Equity at end of period	3,158	3,455	3,458

¹ The dividend paid in 2019 comprised an ordinary dividend of SEK 1.00 per share. The dividend paid in 2018 comprised an ordinary dividend of SEK 0.75 per share and a special dividend of SEK 0.75 per share.

Accounting and valuation policies, disclosures and risk factors

Accounting and valuation policies

Compliance with legislation and accounting standards

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board (IASB) and the interpretations issued by the IFRS Interpretations Committee (IFRIC) which have been endorsed by the European Commission for application in the EU. The applied standards and interpretations are those that were in force and had been endorsed by the EU at 1 January 2019. The consolidated interim report is presented compliant with IAS 34, Interim Financial Reporting, and in compliance with the relevant provisions in the Swedish Annual Accounts Act and the Swedish Securities Market Act. The interim report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Securities Market Act, which are consistent with the provisions in recommendation RFR 2, Accounting for Legal Entities. For lease accounting the company makes use of the exemption under RFR2 to treat all leases as operating lease.

Basis of accounting

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 2018 at www.cloetta.com.

This is the first year in which IFRS 16 'Leases' (IFRS 16) is applied. Changes in significant accounting policies are described below.

Changes in significant accounting policies

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019. None of these are expected to have impact on the consolidated financial statements of the Group, except for IFRS 16 as 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, 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 lease 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 affects the accounting for the Group's operating leases. Cloetta decided to opt for the modified retrospective transition approach in which the right-of-use asset equals the lease

liability per the transition date. For the calculation of the lease liability the discount rates as at 1 January 2019 were used. The leases that have been recorded on Cloetta's balance sheet as a result of IFRS 16 are categorized in land and buildings (offices and warehouses), transport (cars, forklifts and trucks) and other equipment (e.g. IT, machinery, equipment, printers and coffee machines).

The Group has assessed the estimated impact that initial application of IFRS 16 has on its consolidated financial statement, as described below. Until 31 December 2018, the Group recognized lease expenses on a straight-line basis over the term of the lease, and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expenses recognized. Based on the information currently available, the Group recognized an additional lease liability of SEK 229m, and a right-of-use asset of SEK 229m, as at 1 January 2019. The impact for 2019 is assessed to be an improvement in EBITDA of SEK 74m, an increase in depreciation costs of SEK 71m and increased financial expenses of SEK 3m. No significant impact is expected for leases in which the Group is a lessor.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

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:

Disaggregation of revenue

SEKm	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jul 2018–Jun 2019	2018
Net sales						
Branded packaged business	1,130	1,094	2,261	2,183	4,577	4,499
Pick & mix	453	378	881	851	1,749	1,719
Total	1,583	1,472	3,142	3,034	6,326	6,218

%	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jul 2018–Jun 2019	2018
Net sales						
<i>Sales of goods</i>						
Candy	59	57	59	58	59	58
Chocolate	17	17	17	17	18	18
Pastilles	12	13	13	12	12	12
Chewing gum	6	7	6	7	6	6
Nuts	4	4	3	4	3	4
Other	2	2	2	2	2	2
Sub total	100	100	100	100	100	100
<i>Other income</i>						
Other	–	0	–	0	–	0
Total	100	100	100	100	100	100

%	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2019	Apr–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jul 2018–Jun 2019	2018
Breakdown of net sales by country						
Sweden	32	32	31	33	32	31
Finland	21	21	21	21	21	21
The Netherlands	14	15	15	15	14	14
Denmark	9	10	10	10	10	9
Norway	4	4	6	5	5	6
Germany	6	5	6	5	5	5
UK	7	7	6	5	7	7
Other countries	7	6	5	6	6	7
Total	100	100	100	100	100	100

Leases**Right-of-use assets**

SEKm	30 Jun 2019
Land and buildings	91
Transport	62
Other equipment	36
Total right-of-use assets	189

Additions to the right-of-use assets were SEK 11m during the first half of the year and SEK 8m during the second quarter of 2019.

Lease liability

SEKm	30 Jun 2019
Current (less than 1 year)	66
Non-current (between 1 and 5 years)	118
Non-current (over 5 years)	5
Total lease liability	189

The non-current lease liability of SEK 123m is reflected in the 'long-term borrowings'. The current lease liability of SEK 66m is reflected in the 'short-term borrowings'.

Depreciation charge right-of-use assets

SEKm	Second quarter	6 months
	Apr–Jun 2019	Jan–Jun 2019
Land and buildings	–9	–17
Transport	–8	–15
Other equipment	–2	–5
Total depreciation charge right-of-use assets	–19	–37

Cloetta makes use of the exemptions under IFRS 16 for short-term leases and leases of low-value assets, except for any leases of vehicles with a remaining lease term at implementation date of less than 12 months.

For a number of lease arrangements Cloetta cannot reliably separate the lease- and non-lease elements. For these lease arrangements the non-lease elements have been included in the calculation of the right-of-use asset.

Other disclosures

SEKm	Second quarter	6 months	Recognized in:
	Apr–Jun 2019	Jan–Jun 2019	
Interest expense	–1	–2	net financial items in the profit and loss account
Expense relating to short-term leases, where no right-of-use asset has been recognized	0	0	cost of goods sold, selling expenses and general and administrative expenses in the profit and loss account
Expense relating to leases of low-value assets that are not short-term leases	–3	–5	cost of goods sold, selling expenses and general and administrative expenses in the profit and loss account
Expense relating to variable lease payments not included in lease liabilities	–3	–5	cost of goods sold, selling expenses and general and administrative expenses in the profit and loss account
Total cash outflow for leases	–19	–38	cash flow from operating activities and financing activities (repayment lease liabilities) in the cash flow statement

Some of Cloetta's key figures have been impacted as a consequence of the application of IFRS 16 'Leases' as per 1 January 2019. The key figures which are affected are indicatively adjusted for the IFRS 16 impact in the overview below.

SEKm	30 Jun 2019
Net debt	
Net debt	2,727
Adjustment for: IFRS 16 Lease liabilities	-189
Net debt excluding IFRS 16 impact	2,538
Capital employed	
Capital employed	7,362
Adjustment for: Right-of-use assets	-189
Capital employed excluding IFRS 16 impact	7,173

SEKm	Second quarter	6 months
	Apr–Jun 2019	Jan–Jun 2019
Depreciation		
Depreciation	-74	-148
Adjustment for: Depreciation right-of-use assets	19	37
Depreciation excluding IFRS 16 impact	-55	-111
Operating profit, adjusted		
Operating profit, adjusted	161	327
Adjustment for: Interest on lease liabilities	-1	-2
Operating profit, adjusted excluding IFRS 16 impact	160	325
Operating profit margin, adjusted, %		
Operating profit margin, adjusted,%	10.2	10.4
Adjustment for: Interest on lease liabilities, %	-0.1	-0.1
Operating profit margin, adjusted excluding IFRS 16 impact, %	10.1	10.3
Operating profit (EBIT)		
Operating profit (EBIT)	159	323
Adjustment for: Interest on lease liabilities	-1	-2
Operating profit (EBIT) excluding IFRS 16 impact	158	321
Operating profit margin (EBIT margin), %		
Operating profit margin (EBIT margin),%	10.0	10.3
Adjustment for: Interest on lease liabilities, %	-0.0	-0.1
Operating profit margin (EBIT margin) excluding IFRS 16 impact, %	10.0	10.2
EBITDA, adjusted		
EBITDA, adjusted	238	481
Adjustment for: Depreciation right-of-use assets and interest on lease liabilities	-20	-39
EBITDA, adjusted excluding IFRS 16 impact	218	442
EBITDA		
EBITDA	236	477
Adjustment for: Depreciation right-of-use assets and interest on lease liabilities	-20	-39
EBITDA excluding IFRS 16 impact	216	438

SEKm	Second quarter	6 months
	Apr–Jun 2019	Jan–Jun 2019
Net debt/EBITDA		
Net debt excluding IFRS 16 impact	2,538	2,538
EBITDA, adjusted excluding IFRS 16 impact ¹ (Rolling 12 months)	923	923
Net debt/EBITDA excluding IFRS 16 impact¹, x (Rolling 12 months)	2.7	2.7
Return on capital employed		
Return on capital employed (Rolling 12 months), %	9.4	9.4
Adjustment for: Right-of-use assets, %	0.1	0.1
Return on capital employed (Rolling 12 months) excluding IFRS 16 impact¹, %	9.5	9.5
Capital expenditure		
Capital expenditure	46	92
Adjustment for: additions right-of-use assets	–8	–11
Capital expenditure excluding IFRS 16 impact	38	81
Equity/assets ratio		
Equity/assets ratio, %	42.0	42.0
Adjustment for: Right-of-use assets, %	0.9	0.9
Equity/asset ratio excluding IFRS 16 impact, %	42.9	42.9
Net debt/equity ratio		
Net debt/equity ratio, %	69.0	69.0
Adjustment for: IFRS 16 Lease liabilities, %	–4.8	–4.8
Net debt/equity ratio excluding IFRS 16 impact, %	64.2	64.2
Cash flow from operating activities		
Cash flow from operating activities	–3	151
Adjustment for: Repayments of lease liabilities	–19	–38
Cash flow from operating activities excluding IFRS 16 impact	–22	113
Cash flow from financing activities		
Cash flow from financing activities	–466	–276
Adjustment for: Repayments of lease liabilities	19	38
Cash flow from financing activities excluding IFRS 16 impact	–447	–238
Free cash flow		
Free cash flow	–41	70
Adjustment for: Repayments of lease liabilities	–19	–38
Free cash flow excluding IFRS 16 impact	–60	32
Free cash flow yield		
Free cash flow yield (Rolling 12 months), %	5.9	5.9
Adjustment for: Repayments of lease liabilities (Rolling 12 months), % ¹	–0.4	–0.4
Free cash flow yield (Rolling 12 months) excluding IFRS 16 impact, %	5.5	5.5
Cash flow from operating activities per share		
Cash flow from operating activities per share	–0.0	0.5
Adjustment for: Repayments of lease liabilities	–0.1	–0.1
Cash flow from operating activities per share excluding IFRS 16 impact	–0.1	0.4

¹ Pro-forma annualized.

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 unfavourably. Cloetta's deferred tax balances have been calculated applying the tax rates enacted or substantially enacted at the end of the reporting period.

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, as well as;
- the contingent earn-out consideration related to the acquisition of Candyking Holding AB and its subsidiaries initially categorized at level 3.

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 4m (liability) while the carrying amount is SEK 65m (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 (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

30 Jun 2019	Carrying amount				Fair value			
	Mandatorily at FVTPL	Financial assets at amortized cost	Other financial liabilities at carrying value	Total	Level 1	Level 2	Level 3	Total
SEKm								
Financial assets								
• Trade and other receivables, excluding other taxes and social security receivables and prepaid expenses and accrued income	–	885	–	885				
• Cash and cash equivalents	–	208	–	208				
Total assets	–	1,093	–	1,093	–	–	–	–
Financial liabilities								
• Loans from credit institutions	–	–	2,119	2,119				
• Commercial papers	–	–	549	549				
• Forward contract to repurchase own shares	–	–	65	65	–	4	–	4
• Interest rate swaps	12	–	–	12	–	12	–	12
• Lease liabilities	–	–	189	189				
• Trade and other payables, excluding other taxes and social security payables and excluding contingent consideration	–	–	1,059	1,059				
Total liabilities	12	–	3,981	3,993	–	16	–	16

31 Dec 2018	Carrying amount				Fair value			
	Mandatorily at FVTPL	Financial assets at amortized cost	Other financial liabilities at carrying value	Total	Level 1	Level 2	Level 3	Total
Financial assets								
• Forward foreign currency contracts	1	–	–	1	–	1	–	1
• Trade and other receivables, excluding other taxes and social security receivables and prepaid expenses and accrued income	–	756	–	756				
• Cash and cash equivalents	–	551	–	551				
Total assets	1	1,307	–	1,308	–	1	–	1
Financial liabilities								
• Loans from credit institutions	–	–	2,078	2,078				
• Commercial papers	–	–	500	500				
• Forward contract to repurchase own shares	–	–	59	59	–	11	–	11
• Interest rate swaps	5	–	–	5	–	5	–	5
• Trade and other payables, excluding other taxes and social security payables and excluding contingent consideration	–	–	1,040	1,040				
• Contingent consideration	142	–	–	142	–	–	142	142
Total liabilities	147	–	3,677	3,824	–	16	142	158

30 Jun 2018	Carrying amount				Fair value			
	Mandatorily at FVTPL	Financial assets at amortized cost	Other financial liabilities at carrying value	Total	Level 1	Level 2	Level 3	Total
Financial assets								
• Forward foreign currency contracts	4	–	–	4	–	4	–	4
• Trade and other receivables, excluding other taxes and social security receivables and prepaid expenses and accrued income	–	902	–	902				
• Cash and cash equivalents	–	109	–	109				
Total assets	4	1,011	–	1,015	–	4	–	4
Financial liabilities								
• Loans from credit institutions	–	–	2,108	2,108				
• Commercial papers	–	–	500	500				
• Forward contract to repurchase own shares	–	–	59	59	–	4	–	4
• Interest rate swaps	6	–	–	6	–	6	–	6
• Trade and other payables, excluding other taxes and social security payables and excluding contingent consideration	–	–	1,136	1,136				
• Contingent consideration	121	–	–	121	–	–	121	121
Total liabilities	127	–	3,803	3,930	–	10	121	131

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

SEKm	Jan–Jun 2019	Jan–Jun 2018	2018
Opening Balance	142	138	138
<i>Remeasurements recognized in profit or loss</i>			
– Unrealized remeasurements on contingent considerations recognised in general and administrative expenses	–	–27	–21
– Unrealized interest on contingent considerations recognised in other financial expenses	4	10	25
<i>Settlements</i>			
– Settlement via balance sheet	–146	–	–
Closing Balance	–	121	142

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 final earn-out consideration amounted to SEK 146m and has been settled in the first quarter of 2019. No transfers between fair value hierarchy levels has occurred during the financial year or the prior financial year. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included at level 2. The valuation of the instruments is based on quoted market prices, but the underlying swap amounts are based on the specific requirements of the Group. These instruments are therefore included at level 2. The fair value measurement of the contingent (earn-out) 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.
- 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 Candyking Holding AB and its subsidiaries would increase (decrease) if the Cloetta and Candyking combined sales volume of pick & mix in confectionery and natural snacks in the Nordic countries, the UK and Poland during 2018 were 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 June 2019. Net sales in the Parent Company amounted to SEK 35m (46) and referred mainly to intra-group services. Operating loss was SEK –12m (–9). Net financial items totaled SEK –7m (3). Loss before tax was SEK –19m (–6) and loss for the period was SEK –17m (–4). 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 June 2019, a total of 133,125,963 shares were traded for a combined value of SEK 3,481m, equivalent to around 47 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 June 2019 was SEK 31.80 (13 June) and the lowest was SEK 22.32 (28 January). The share price on 30 June 2019 was SEK 30.20 (last price paid). During the period from 1 January to 30 June 2019, the Cloetta share increased by 24 per cent while the Nasdaq OMX Stockholm PI index increased by 16.9 per cent. Cloetta's share capital at 30 June 2019 amounted to 1,443,096,495. The total number of shares is 288,619,299, consisting of 5,735,249 (5,735,249) class A shares and 282,884,050 (282,884,050) class B shares, equal to a quota value of SEK 5 per share.

Shareholders

As of 30 June 2019 Cloetta had 26,004 shareholders. The principal shareholder was AB Malfors Promotor, with a holding corresponding to 38.1 per cent of the votes and 27.0 per cent of the share capital in the company. Franklin Templeton was the second largest shareholder with a holding corresponding to 6.5 per cent of the votes and 7.6 per cent of the share capital. The third largest shareholder was Wellington Management with a holding of corresponding to 4.1 per cent of the votes and 4.8 per cent of the share capital in the company. Institutional investors held 89.4 per cent of the votes and 87.5 per cent of the share capital. Foreign shareholders held 40.2 per cent of the votes and 47.4 per cent of the share capital.

Risk factors

Cloetta is an internationally active company that is exposed to a number of market and financial risks. All identified risks are monitored continuously and, if needed, risk mitigating measures are taken to limit their impact. The most relevant risk factors are described in the annual and sustainability report 2018 and consist of industry and market-related risks, operational risks and financial risks. Compared to the annual and sustainability report which was issued on 13 March 2019, 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
Free cash flow	Sum of the cash flow from operating activities and cash flow from investments in property, plant and equipment and intangible assets.	The free cash flow is the cash flow available to all investors consisting of shareholders and lenders.
Free cash flow yield	Free cash flow over the last 12 months divided by the number of shares at the end of the period and subsequently divided by the market price per share at the end of the period.	This metric is an indicator of the return on investment of investors in the company.
Return on capital employed	Operating profit plus financial income as a percentage of average capital employed. The average capital employed is calculated by taking the capital employed per period end and the capital employed by period end of the comparative period in the previous year divided by two.	Return on capital employed is used to analyse profitability, based on the amount of capital used. The leverage of the company is the reason that this metric is used next to return on equity, because it includes equity, but takes into account borrowings and other liabilities as well.
Return on equity	Profit from continuing operations for the period as a percentage of total equity.	Return on equity is used to measure profit generation, given the resources attributable to the owners of the Parent Company.
Capital structure	Definition/calculation	Purpose
Capital employed	Total assets less interest-free liabilities (including deferred tax).	Capital employed measures the amount of capital used and serves as input for the return on capital employed.
Equity/assets ratio	Equity at the end of the period as a percentage of total assets. The equity/assets ratio represents the amount of assets on which shareholders have a residual claim.	This ratio is an indicator of the company's leverage used to finance the firm.
Gross debt	Gross current and non-current borrowings, credit overdraft facilities, lease liabilities, derivative financial instruments and interest payable.	Gross debt represents the total debt obligation of the company irrespective of its maturity.
Net debt	Gross debt less cash and cash equivalents.	The net debt is used as an indication of the ability to pay off all debts if these became due simultaneously on the day of calculation, using only available cash and cash equivalents.
Net debt/EBITDA	Net debt at the end of the period divided by the EBITDA, adjusted, for the last 12 months, taking into consideration the annualization of EBITDA for acquired or divested companies.	The net debt/EBITDA ratio approximates the company's ability to decrease its debt. It represent 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 irrespective of the capital investments and cash flows related to the financing structure of the company.
Earnings per share	Profit for the period divided by the average number of 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
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 (EBIT)	Operating profit consists of comprehensive income before net financial items and income tax.	This metric enables the profitability to be compared across locations where corporate taxes differ, irrespective the financing structure of the company.
Operating profit (EBIT), adjusted	Operating profit, adjusted for items affecting comparability.	EBIT, adjusted increases the comparability of EBIT.
Organic growth	Net sales, change excluding acquisition-driven growth and changes in exchange rates.	Organic growth excludes the impact of changes in group structure and exchange rates, enabling a comparison on net sales growth over time.
Structural changes	Net sales, change resulting from changes in group structure.	Structural changes measure the contribution of changes in group structure to the net sales growth.

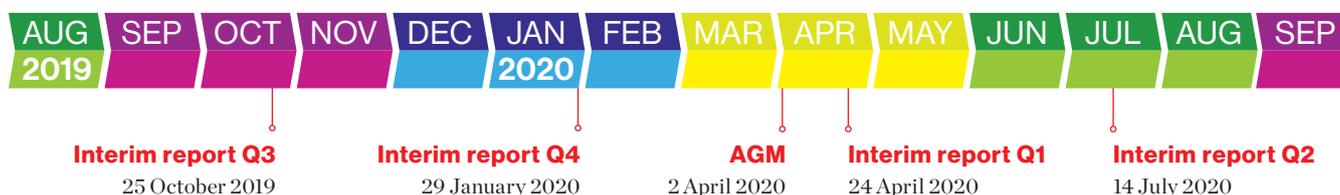
Glossary

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

Exchange rates

SEKm	30 Jun 2019	30 Jun 2018	31 Dec 2018
EUR, average	10.5168	10.1503	10.2543
EUR, end of period	10.5488	10.4059	10.2274
NOK, average	1.0813	1.0582	1.0672
NOK, end of period	1.0893	1.0985	1.0294
GBP, average	12.0459	11.5414	11.5917
GBP, end of period	11.7959	11.7887	11.3992
DKK, average	1.4089	1.3631	1.3760
DKK, end of period	1.4133	1.3968	1.3698

Financial calendar



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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 detailed above, at 8:00 a.m. CET on 12 July 2019.

Vision

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

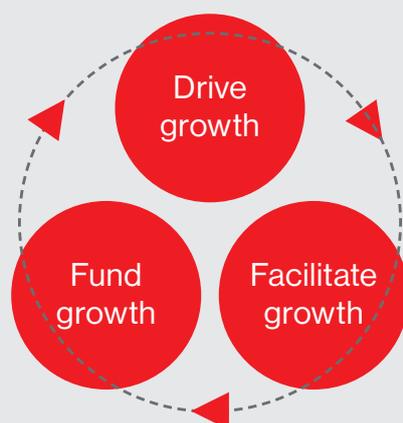
Business model

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



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.



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 Lakerol, 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

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