



# Interim report Q1, January – March 2020

Stockholm, 24 April 2020

“We will continue to pursue our strategy whilst adjusting our implementation plans to a new reality. I am grateful for the efforts and hard work by our employees to help safeguard the business during these times and I am convinced that Cloetta stands strong.”

*Henri de Sauvage-Nolting, President and CEO*

## First quarter, January–March 2020

- **Net sales for the quarter** decreased by 2.6 per cent to SEK 1,518m (1,559) including a positive impact from foreign exchange rates of 1.4 per cent.
- **Operating profit** amounted to SEK 149m (164). Profit for the period amounted to SEK 44m (99). Operating profit, adjusted for items affecting comparability, amounted to SEK 152m (166).
- **Cash flow** from operating activities amounted to SEK 67m (154).
- **Net debt/EBITDA ratio** was 2.4x (2.4).
- **As a consequence of the current uncertainty** due to the global outbreak of COVID-19, the Board of Directors decided to withdraw the dividend proposal of SEK 1.00 per share.
- **The expected impact from COVID-19** is that the demand for branded packaged products will be lower during the second quarter and that the demand for pick & mix will be significantly reduced. Cloetta also assesses that the operating profit, adjusted, for the second quarter will be significantly lower than prior year.

## Key ratios

	First quarter			Rolling 12	Full year
	Jan–Mar 2020	Jan–Mar 2019	Change, %	Apr 2019–Mar 2020	2019
<b>SEKm</b>					
Net sales	1,518	1,559	–2.6 <sup>1</sup>	6,452	6,493
Operating profit, adjusted	152	166	–8.4	729	743
Operating profit margin, adjusted, %	10.0	10.6	–0.6-pts	11.3	11.4
Operating profit (EBIT)	149	164	–9.1	712	727
Operating profit margin (EBIT margin), %	9.8	10.5	–0.7-pts	11.0	11.2
Profit before tax	60	131	–54.2	577	648
Profit for the period	44	99	–55.6	443	498
Earnings per share, basic, SEK	0.15	0.35	–57.1	1.55	1.74
Earnings per share, diluted, SEK	0.15	0.35	–57.1	1.54	1.74
Net debt/EBITDA, x (Rolling 12 months)	2.4	2.4	0.0	2.4	2.2
Free cash flow	–20	111	n/a	407	538
Cash flow from operating activities	67	154	–56.5	637	724

<sup>1</sup> Organic growth at constant exchange rates and comparable units was –4.0 per cent. See further under Net sales on page 4.

# Cloetta

– a leading confectionery company in Northern Europe.



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# Start of the year negatively impacted by COVID-19

*Cloetta remains well positioned for long-term growth.*

The rapid course of events and the extraordinary governmental actions taken to reduce the spread of the coronavirus have put people, communities and companies in an unprecedented situation. For Cloetta, this has had a major impact on many of our sales channels as well as changed consumer behaviors. While we have seen an increased demand on branded packaged products from grocery stores and e-commerce, approximately 30 per cent of the sales channels where we sell branded packaged products have either closed or had a reduction in the number of shoppers. For pick & mix, a majority of the sales has been negatively impacted by retailers taking measures to reduce groups of people in front of the pick & mix shelves. In addition, we have seen lower consumer demand for pick & mix.

“We will continue to pursue our strategy whilst adjusting our implementation plans to a new reality and I am convinced that Cloetta stands strong.”

## First quarter development

Sales for the quarter decreased by 2.6 per cent, of which organic growth accounted for -4.0 per cent and exchange rate differences for 1.4 per cent. Sales of branded packaged products declined organically by 2.5 per cent and pick & mix sales declined organically by 8.0 per cent, as sales were negatively impacted by COVID-19 towards the end of the quarter. An unprofitable pick & mix contract will be discontinued during the second quarter, with a 2020 sales impact of approximately SEK 40m.

The decrease in operating profit, adjusted, was driven by lower volumes and negative exchange rates, partly offset by cost efficiencies.

## Expected impact from COVID-19

Due to the exceptional market situation, we are providing an outlook for 2020. We do not intend to provide guidance once the situation normalizes.

Given the impact on several sales channels, the demand for branded packaged products will continue to be lower during the second quarter compared to the previous year. We also forecast that the demand for pick & mix will continue to be significantly reduced. Due to lower sales combined with expected unfavorable exchange rates, we expect that the operating profit, adjusted, for the second quarter will be significantly lower than prior year. Due to the high uncertainty, it is not at this point possible to predict the full-year impact from

COVID-19. However, we do assess a delay until the full consumer demand for pick & mix returns, once the situation normalizes. Furthermore, we don't expect the loss-making Swedish pick & mix business to break even by year-end.

## Continue on strategic direction

At Cloetta, various measures have been taken to mitigate the impact, the highest priority being the health and safety of our employees, customers and consumers. In addition, various initiatives to reduce costs have been actioned, including temporary layoffs in several markets and a step up of our VIP+ cost program. We are also adjusting the advertising spend to reflect new media consumption patterns, whilst at the same time continuing our strategic direction to further strengthen our key brands. In order to adapt our offer to the new demand, measures have been taken such as utilizing the pick & mix shelf space in stores for branded products and selling packaged pick & mix products. Furthermore, we expect a decrease in planned capital expenditures as suppliers' operations are affected by COVID-19.

Cloetta has a strong financial position with leverage below the long-term target of 2.5x net debt/EBITDA. During this period of high market uncertainty, I do however welcome the Board's decision to withdraw the dividend proposal, thereby ensuring that Cloetta's strong financial position is maintained, with the ambition to summon the shareholders to an extraordinary general meeting later this year to resolve on a dividend.

Historically, the confectionery market has been relatively mildly affected by economic downturns and this is particularly true for Cloetta's strong leading local brands. Looking ahead, we will continue to pursue our strategy whilst adjusting our implementation plans to a new reality, in particular for our pick & mix business. I am grateful for the efforts and hard work by our employees to help safeguard the business during these times and I am convinced that Cloetta stands strong.



Henri de Sauvage-Nolting  
President and CEO

# Financial overview

## First quarter development

### COVID-19

At Cloetta, various measures have been taken to mitigate the short term and long term impact of the coronavirus with the highest priority being the health and safety of our employees, customers and consumers. We are following the situation closely and when needed adapt our actions according to local government advice and regulations, whilst at the same time striving to mitigate any disruptions to our business.

Cloetta assesses that the risk of negative financial impact from the end of March has increased significantly. Towards the end of the quarter we saw a negative impact from lower volumes in both branded packaged products and pick & mix. COVID-19 has and will continue to have a negative impact in the operating profit of the company in the near future.

The current economic developments are assessed in relation to the valuation of goodwill, non-financial assets and financial assets. Cloetta is of the opinion that the financial impact for the medium and longer term is uncertain. Alternative scenarios and sensitivity analysis have been assessed concluding that as per reporting date no impairment is required. Cloetta will continue to closely monitor the developments and assess the impact of these on the valuation of goodwill or on non-financial and financial assets.

For more information on measures taken by Cloetta in relation to COVID-19, please visit [www.cloetta.com](http://www.cloetta.com).

### Net sales

Net sales for the first quarter decreased by SEK 41m to SEK 1,518m (1,559) compared to the same period of last year. Organic growth was -4.0 per cent and changes in exchange rates 1.4 per cent.

### Changes in net sales, %

	Jan-Mar 2020
Organic growth	-4.0
Changes in exchange rates	1.4
<b>Total</b>	<b>-2.6</b>

### Gross profit

Gross profit amounted to SEK 540m (566), which equates to a gross margin of 35.6 per cent (36.3). The gross profit decrease was driven by lower volumes and a negative impact of foreign exchange rates mainly related to the Swedish and Norwegian krona, which weakened against Euro during the quarter.

### Operating profit

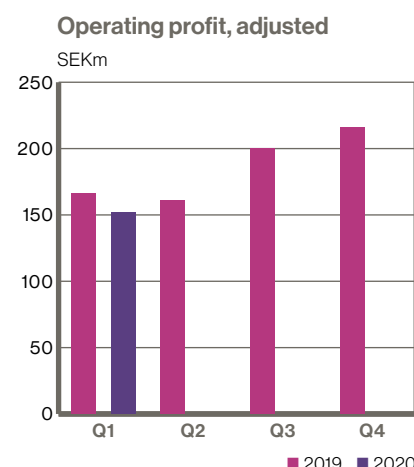
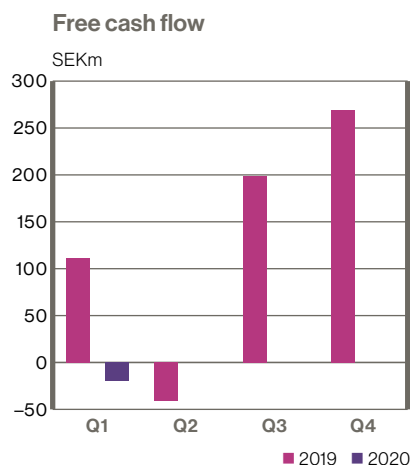
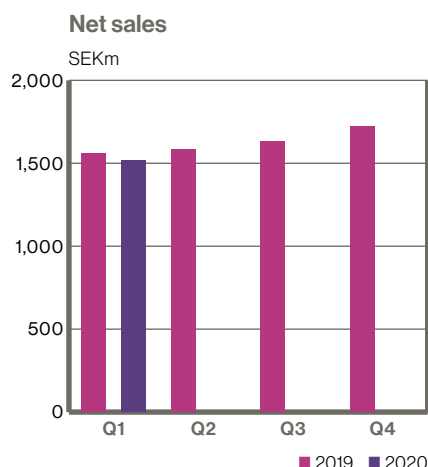
Operating profit amounted to SEK 149m (164). Operating profit, adjusted for items affecting comparability, amounted to SEK 152m (166). The decrease in operating profit, adjusted, was driven by lower volumes and negative impact from foreign exchange rates, partly offset by cost efficiencies.

### Items affecting comparability

Operating profit for the first quarter includes items affecting comparability of SEK -3m (-2) that mainly are related to costs for restructuring.

### Net financial items

Net financial items for the quarter amounted to SEK -89m (-33). Interest expenses related to external borrowings were SEK -7m (-7), exchange differences on cash and cash equivalents were SEK -78m (-12) and are mainly related to the development of the Swedish and Norwegian krona against the euro during the quarter. Net of other financial items amounted to SEK -4m (-14). Of the total net financial items SEK -54m (-27) is non-cash in nature.



### Profit for the period

Profit for the period was SEK 44m (99), which equates to basic and diluted earnings per share of SEK 0.15 (0.35).

Income tax for the period was SEK –16m (–32). The effective tax rate for the quarter was 26.7 per cent (24.4). Compared to the same quarter last year the higher effective tax rate is mainly due to the impact of non-deductible expenses on the effective tax rate as a result of the lower profit before tax.

### Free cash flow

The free cash flow was SEK –20m (111). Cash flow from operating activities before changes in working capital was SEK 166m (204). The reduction compared to last year is due to lower operating profit and increased corporate income tax payments due to less availability of tax loss carry forwards. The cash flow from changes in working capital was SEK –99m (–50), due to negative impact of COVID-19.

The cash flow from investments in property, plant and equipment and intangible assets was SEK –87m (–43).

### Cash flow from changes in working capital

Cash flow from changes in working capital was SEK –99m (–50). The cash flow from changes in working capital was negatively impacted by the increase in inventories of SEK –184m (–75) and an increase in receivables for an amount of SEK –60m (–159) which were partly offset by the increase in payables amounting to SEK 145m (184).

### Cash flow from other investing activities

Cash flow from other investing activities was SEK 0m (–146). In the first quarter of 2019 an amount of SEK –146m was related to the final settlement of the contingent earn-out consideration arising from the acquisition of Candyking Holding AB and its subsidiaries.

### Cash flow from financing activities

Cash flow from financing activities was SEK 93m (190). The cash flow from financing activities was related to net proceeds and repayments of loans from credit institutions and commercial papers of SEK 111m (209) and payments of lease liabilities of SEK –18m (–19).

### Financial position

Consolidated equity at 31 March 2020 amounted to SEK 4,445m (4,107), which equates to SEK 15.4 (14.2) per share. Net debt at 31 March 2020 was SEK 2,420m (2,378).

Long-term borrowings totalled SEK 912m (2,242) and consisted of SEK 800m (2,100) in gross non-current loans from credit institutions, SEK 112m (144) in non-current lease liabilities and SEK 0m (–2) in capitalized transaction costs.

Total short-term borrowings amounted to SEK 2,055m (778) and consisted of SEK 1,693m (0) in gross current loans from credit institutions, SEK 300m (710) in commercial papers, SEK 61m (67) in current lease liabilities, SEK –1m (–1) in capitalized transaction costs and accrued interest on loans from credit institutions and commercial papers for an amount of SEK 2m (2). Cloetta has an extension option for a current loan from credit institutions of SEK 1,383m for one or two years, and Cloetta is in contact with the credit institutions with the intention to extend the loan in the second quarter of 2020.

SEKm	31 Mar 2020	31 Mar 2019	31 Dec 2019
Gross non-current loans from credit institutions	800	2,100	800
Gross current loans from credit institutions	1,693	–	1,306
Commercial papers	300	710	499
Lease liabilities	173	211	204
Derivative financial instruments (non-current and current)	71	66	71
Interest payable	2	2	1
<b>Gross debt</b>	<b>3,039</b>	<b>3,089</b>	<b>2,881</b>
Cash and cash equivalents	–619	–711	–579
<b>Net debt</b>	<b>2,420</b>	<b>2,378</b>	<b>2,302</b>

Cash and cash equivalents at 31 March 2020 amounted to SEK 619m (711). At 31 March 2020 Cloetta had an unutilized credit facility of SEK 1,017m (1,248) and the possibility to issue additional commercial papers for an amount of SEK 700m (290).

### 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.

#### Dividend

As a consequence of the current uncertainty due to the global outbreak of COVID-19, the Board of Directors decided to withdraw the previously communicated proposal to the Annual General Meeting 2020 regarding a dividend of SEK 1.00 per share, while expressing the ambition to summon the shareholders to an extraordinary general meeting later this year to resolve on a dividend. At the Annual General Meeting the Board of Directors proposed to carry forward the earnings of SEK 1,764,226,166. This proposal has been accepted by the Annual General Meeting

#### Employees

The average number of employees during the quarter was 2,709 (2,557). The increase in number of employees is mainly related to changes in the Dutch employment law leading to an increased number of employees in production, that previously have been working at employment agencies. Furthermore, the new HR system Workday, implemented in 2019, enables a more accurate tracking of number of merchandisers.

#### 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.

# Key Business Priorities

Prioritized activities for managing COVID-19 with the aim of reaching organic growth and 14% operating profit margin, adjusted





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, 24 April 2020  
Cloetta AB (publ)

*The Board*

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

## Examples of new launches during the first quarter



### THE NETHERLANDS

In cooperation with "Holiday Ice" Red Band Dropfruit Duo's & Venco Schoolkrijt Icecream  
Lonka range Gluten free



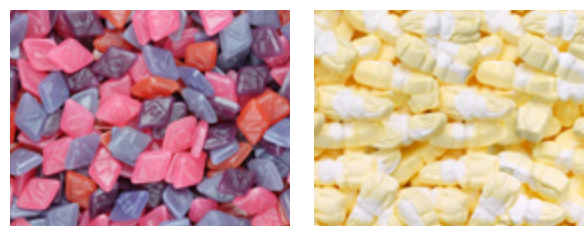
### SWEDEN

Ahlgrens bilar electric cars  
Läkerol Raspberry Licorice  
Easter specials: Påskehare and PåskeSkum



### FINLAND

Aakkoset Salmiak 50 years anniversary edition  
Jenkki Enjoy Strawberry ice cream and lemon cheesecake



### PICK AND MIX

Aakkoset Marja  
Cloetta Påskeskum

# Financial statements in summary

## Consolidated profit and loss account

SEKm	First quarter		Rolling 12	Full year
	Jan–Mar 2020	Jan–Mar 2019	Apr 2019– Mar 2020	2019
Net sales	1,518	1,559	6,452	6,493
Cost of goods sold	–978	–993	–4,097	–4,112
<b>Gross profit</b>	<b>540</b>	<b>566</b>	<b>2,355</b>	<b>2,381</b>
Selling expenses	–237	–243	–1,005	–1,011
General and administrative expenses	–154	–159	–638	–643
<b>Operating profit</b>	<b>149</b>	<b>164</b>	<b>712</b>	<b>727</b>
Exchange differences on cash and cash equivalents in foreign currencies	–78	–12	–85	–19
Other financial income	1	1	2	2
Other financial expenses	–12	–22	–52	–62
<b>Net financial items</b>	<b>–89</b>	<b>–33</b>	<b>–135</b>	<b>–79</b>
<b>Profit before tax</b>	<b>60</b>	<b>131</b>	<b>577</b>	<b>648</b>
Income tax	–16	–32	–134	–150
<b>Profit for the period</b>	<b>44</b>	<b>99</b>	<b>443</b>	<b>498</b>
<i>Profit for the period attributable to:</i>				
Owners of the Parent Company	44	99	443	498
Earnings per share, kr SEK				
Basic <sup>1</sup>	0.15	0.35	1.55	1.74
Diluted <sup>1</sup>	0.15	0.35	1.54	1.74
Number of shares at end of period	288,619,299	288,619,299	288,619,299	288,619,299
Average number of shares (basic) <sup>1</sup>	286,538,416	286,627,393	286,556,406	286,578,395
Average number of shares (diluted) <sup>1</sup>	286,764,134	286,795,950	286,737,459	286,724,049

<sup>1</sup> 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	First quarter		Rolling 12	Full year
	Jan–Mar 2020	Jan–Mar 2019	Apr 2019–Mar 2020	2019
<b>Profit for the period</b>	<b>44</b>	<b>99</b>	<b>443</b>	<b>498</b>
<i>Other comprehensive income</i>				
Remeasurement of defined benefit pension plans	–18	–42	–56	–80
Income tax on remeasurement of defined benefit pension plans	4	9	12	17
<b>Items that will never be reclassified to profit or loss for the period</b>	<b>–14</b>	<b>–33</b>	<b>–44</b>	<b>–63</b>
Currency translation differences	286	87	302	103
Hedge of a net investment in a foreign operation	–91	–20	–95	–24
Income tax on hedge of a net investment in a foreign operation	19	4	20	5
<b>Items that are or may be reclassified to profit or loss for the period</b>	<b>214</b>	<b>71</b>	<b>227</b>	<b>84</b>
<b>Total other comprehensive income</b>	<b>200</b>	<b>38</b>	<b>183</b>	<b>21</b>
<b>Total comprehensive income, net of tax</b>	<b>244</b>	<b>137</b>	<b>626</b>	<b>519</b>
<i>Total comprehensive income for the period attributable to:</i>				
Owners of the Parent Company	244	137	626	519

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# Net financial items

SEKm	First quarter		Rolling 12	Full year
	Jan–Mar 2020	Jan–Mar 2019	Apr 2019– Mar 2020	2019
Exchange differences on cash and cash equivalents in foreign currencies	–78	–12	–85	–19
Other financial income, third parties	1	1	2	2
Unrealized gains on single currency interest rate swaps	–	–	0	0
<b>Other financial income</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>
Interest expenses third-party borrowings and realized losses on single currency interest rate swaps	–7	–7	–29	–29
Interest expenses, contingent earn-out considerations	–	–4	–	–4
Amortization of capitalized transaction costs	0	0	–1	–1
Unrealized losses on single currency interest rate swaps	0	–3	2	–1
Other financial expenses	–5	–8	–24	–27
<b>Other financial expenses</b>	<b>–12</b>	<b>–22</b>	<b>–52</b>	<b>–62</b>
<b>Net financial items</b>	<b>–89</b>	<b>–33</b>	<b>–135</b>	<b>–79</b>

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# Condensed consolidated balance sheet

SEKm	31 Mar 2020	31 Mar 2019	31 Dec 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	5,883	5,686	5,684
Property, plant and equipment	1,629	1,575	1,559
Deferred tax asset	14	12	9
Other financial assets	3	12	7
<b>Total non-current assets</b>	<b>7,529</b>	<b>7,285</b>	<b>7,259</b>
<b>Current assets</b>			
Inventories	1,104	848	888
Other current assets	1,008	1,009	934
Derivative financial instruments	–	1	–
Cash and cash equivalents	619	711	579
<b>Total current assets</b>	<b>2,731</b>	<b>2,569</b>	<b>2,401</b>
<b>TOTAL ASSETS</b>	<b>10,260</b>	<b>9,854</b>	<b>9,660</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>4,445</b>	<b>4,107</b>	<b>4,197</b>
<b>Non-current liabilities</b>			
Long-term borrowings	912	2,242	939
Deferred tax liability	814	768	803
Derivative financial instruments	3	5	3
Provisions for pensions and other long-term employee benefits	519	460	499
Provisions	–	6	5
<b>Total non-current liabilities</b>	<b>2,248</b>	<b>3,481</b>	<b>2,249</b>
<b>Current liabilities</b>			
Short-term borrowings	2,055	778	1,870
Derivative financial instruments	68	62	68
Other current liabilities	1,437	1,407	1,271
Provisions	7	19	5
<b>Total current liabilities</b>	<b>3,567</b>	<b>2,266</b>	<b>3,214</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>10,260</b>	<b>9,854</b>	<b>9,660</b>

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# Condensed consolidated statements of changes in equity

SEKm	First quarter		Full year
	Jan–Mar 2020	Jan–Mar 2019	2019
Equity at beginning of period	4,197	3,968	3,968
Profit for the period	44	99	498
Other comprehensive income	200	38	21
<b>Total comprehensive income</b>	<b>244</b>	<b>137</b>	<b>519</b>
<b>Transactions with owners</b>			
Forward contract to repurchase own shares	–	–	–6
Share-based payments	4	2	3
Dividend <sup>1</sup>	–	–	–289
Dividend on outstanding shares in forward contracts to repurchase own shares	–	–	2
<b>Total transactions with owners</b>	<b>4</b>	<b>2</b>	<b>–290</b>
<b>Equity at end of period</b>	<b>4,445</b>	<b>4,107</b>	<b>4,197</b>

<sup>1</sup> The dividend paid in 2019 comprised an ordinary dividend of SEK 1.00 per share.

# Condensed consolidated cash flow statement

SEKm	First quarter		Rolling 12	Full year
	Jan–Mar 2020	Jan–Mar 2019	Apr 2019–Mar 2020	2019
Cash flow from operating activities before changes in working capital	166	204	870	908
Cash flow from changes in working capital	–99	–50	–233	–184
<b>Cash flow from operating activities</b>	<b>67</b>	<b>154</b>	<b>637</b>	<b>724</b>
Cash flows from investments in property, plant and equipment and intangible assets	–87	–43	–230	–186
Cash flow from other investing activities	–	–146	2	–144
<b>Cash flow from investing activities</b>	<b>–87</b>	<b>–189</b>	<b>–228</b>	<b>–330</b>
<b>Cash flow from operating and investing activities</b>	<b>–20</b>	<b>–35</b>	<b>409</b>	<b>394</b>
Cash flow from financing activities	93	190	–459	–362
<b>Cash flow for the period</b>	<b>73</b>	<b>155</b>	<b>–50</b>	<b>32</b>
Cash and cash equivalents at beginning of period	579	551	711	551
Cash flow for the period	73	155	–50	32
Exchange difference	–33	5	–42	–4
<b>Total cash and cash equivalents at end of period</b>	<b>619</b>	<b>711</b>	<b>619</b>	<b>579</b>

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# Condensed consolidated key figures

SEKm	First quarter		Rolling 12	Full year
	Jan–Mar 2020	Jan–Mar 2019	Apr 2019–Mar 2020	2019
<b>Profit</b>				
Net sales	1,518	1,559	6,452	6,493
Net sales, change, %	–2.6	–0.2	3.8	4.4
Organic net sales, change, %	–4.0	–2.8	2.1	2.3
Gross margin, %	35.6	36.3	36.5	36.7
Depreciation	–66	–74	–282	–290
Amortization	–3	–3	–11	–11
Impairment loss other non current assets	–2	–	–4	–2
Operating profit, adjusted	152	166	729	743
Operating profit margin, adjusted, %	10.0	10.6	11.3	11.4
Operating profit (EBIT)	149	164	712	727
Operating profit margin (EBIT margin), %	9.8	10.5	11.0	11.2
EBITDA, adjusted	223	243	1,026	1,046
EBITDA	220	241	1,009	1,030
Profit margin, %	4.0	8.4	8.9	10.0
<b>Financial position</b>				
Working capital	713	453	713	589
Capital expenditure	92	46	281	235
Net debt	2,420	2,378	2,420	2,302
Capital employed	8,002	7,654	8,002	7,576
Return on capital employed, % (Rolling 12 months)	9.1	8.9	9.1	10.0
Equity/assets ratio, %	43.3	41.7	43.3	43.4
Net debt/equity ratio, %	54.4	57.9	54.4	54.8
Return on equity, % (Rolling 12 months)	10.0	11.9	10.0	11.9
Equity per share, SEK	15.4	14.2	15.4	14.5
Net debt/EBITDA, x (Rolling 12 months)	2.4	2.4	2.4	2.2
<b>Cash flow</b>				
Cash flow from operating activities	67	154	637	724
Cash flow from investing activities	–87	–189	–228	–330
Cash flow after investments	–20	–35	409	394
Free cash flow	–20	111	407	538
Free cash flow yield (Rolling 12 months), %	6.0	9.0	6.0	5.9
Cash flow from operating activities per share, SEK	0.2	0.5	2.2	2.5
<b>Employees</b>				
Average number of employees	2,709	2,557	2,670	2,629

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# Reconciliation of alternative performance measures key figures

SEKm	First quarter		Rolling 12	Full year
	Jan–Mar 2020	Jan–Mar 2019	Apr 2019–Mar 2020	2019
<b>Items affecting comparability</b>				
Acquisitions, integration and restructurings	–3	–2	–14	–13
Other items affecting comparability	–	0	–3	–3
<b>Items affecting comparability</b>	<b>–3</b>	<b>–2</b>	<b>–17</b>	<b>–16</b>
*Corresponding line in the condensed consolidated profit and loss account:				
Cost of goods sold	–	–1	3	2
Selling expenses	–	–	–6	–6
General and administrative expenses	–3	–1	–14	–12
<b>Total</b>	<b>–3</b>	<b>–2</b>	<b>–17</b>	<b>–16</b>
<b>Operating profit, adjusted</b>				
Operating profit	149	164	712	727
Minus: Items affecting comparability	–3	–2	–17	–16
<b>Operating profit, adjusted</b>	<b>152</b>	<b>166</b>	<b>729</b>	<b>743</b>
Net sales	1,518	1,559	6,452	6,493
<b>Operating profit margin, adjusted, %</b>	<b>10.0</b>	<b>10.6</b>	<b>11.3</b>	<b>11.4</b>
<b>EBITDA, adjusted</b>				
Operating profit	149	164	712	727
Minus: Depreciation	–66	–74	–282	–290
Minus: Amortization	–3	–3	–11	–11
Minus: Impairment loss other non-current assets	–2	–	–4	–2
<b>EBITDA</b>	<b>220</b>	<b>241</b>	<b>1,009</b>	<b>1,030</b>
Minus: Items affecting comparability	–3	–2	–17	–16
<b>EBITDA, adjusted</b>	<b>223</b>	<b>243</b>	<b>1,026</b>	<b>1,046</b>
<b>Capital employed</b>				
Total assets	10,260	9,854	10,260	9,660
Minus: Deferred tax liability	814	768	814	803
Minus: Non-current provisions	–	6	–	5
Minus: Current provisions	7	19	7	5
Minus: Other current liabilities	1,437	1,407	1,437	1,271
<b>Capital employed</b>	<b>8,002</b>	<b>7,654</b>	<b>8,002</b>	<b>7,576</b>
Capital employed comparative period previous year	7,654	7,319	7,654	7,027
<b>Average capital employed</b>	<b>7,828</b>	<b>7,487</b>	<b>7,828</b>	<b>7,302</b>

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## Reconciliation alternative performance measures, continued

SEKm	First quarter		Rolling 12	Full year
	Jan–Mar 2020	Jan–Mar 2019	Apr 2019–Mar 2020	2019
<b>Return on capital employed</b>				
Operating profit (Rolling 12 months)	712	658	712	727
Financial income (Rolling 12 months)	2	6	2	2
<b>Operating profit plus financial income (Rolling 12 months)</b>	<b>714</b>	<b>664</b>	<b>714</b>	<b>729</b>
Average capital employed	7,828	7,487	7,828	7,302
<b>Return on capital employed, %</b>	<b>9.1</b>	<b>8.9</b>	<b>9.1</b>	<b>10.0</b>
<b>Free cash flow yield</b>				
Cash flow from operating activities (Rolling 12 months)	637	811	637	724
Cash flows from investments in property, plant and equipment and intangible assets (Rolling 12 months)	–230	–186	–230	–186
<b>Free cash flow (Rolling 12 months)</b>	<b>407</b>	<b>625</b>	<b>407</b>	<b>538</b>
Number of shares	288,619,299	288,619,299	288,619,299	288,619,299
<b>Free cash flow per share (Rolling 12 months), SEK</b>	<b>1.41</b>	<b>2.17</b>	<b>1.41</b>	<b>1.86</b>
Market price per share, SEK	23.52	24.00	23.52	31.70
<b>Free cash flow yield (Rolling 12 months), %</b>	<b>6.0</b>	<b>9.0</b>	<b>6.0</b>	<b>5.9</b>
<b>Changes in net sales</b>				
Net sales	1,518	1,559	6,452	6,493
Net sales comparative period previous year	1,559	1,562	6,215	6,218
<b>Net sales, change</b>	<b>–41</b>	<b>–3</b>	<b>237</b>	<b>275</b>
Minus: Changes in exchange rates	21	44	106	129
<b>Organic growth</b>	<b>–62</b>	<b>–47</b>	<b>131</b>	<b>146</b>
<b>Organic growth, %</b>	<b>–4.0</b>	<b>–3.0</b>	<b>2.1</b>	<b>2.3</b>

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# Quarterly data

SEKm	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
<b>Profit and loss account</b>									
Net sales	1,518	1,722	1,629	1,583	1,559	1,646	1,538	1,472	1,562
Cost of goods sold	-978	-1,073	-1,042	-1,004	-993	-1,040	-979	-913	-1,002
<b>Gross profit</b>	<b>540</b>	<b>649</b>	<b>587</b>	<b>579</b>	<b>566</b>	<b>606</b>	<b>559</b>	<b>559</b>	<b>560</b>
Other income	-	-	-	-	-	-	-	4	-
Selling expenses	-237	-271	-244	-253	-243	-279	-230	-268	-248
General and administrative expenses	-154	-169	-148	-167	-159	-168	-149	-140	-146
<b>Operating profit</b>	<b>149</b>	<b>209</b>	<b>195</b>	<b>159</b>	<b>164</b>	<b>159</b>	<b>180</b>	<b>155</b>	<b>166</b>
Exchange differences on cash and cash equivalents in foreign currencies	-78	13	-8	-12	-12	4	5	-3	-22
Other financial income	1	0	1	0	1	1	0	4	0
Other financial expenses	-12	-9	-13	-18	-22	-21	-18	-28	-20
<b>Net financial items</b>	<b>-89</b>	<b>4</b>	<b>-20</b>	<b>-30</b>	<b>-33</b>	<b>-16</b>	<b>-13</b>	<b>-27</b>	<b>-42</b>
<b>Profit before tax</b>	<b>60</b>	<b>213</b>	<b>175</b>	<b>129</b>	<b>131</b>	<b>143</b>	<b>167</b>	<b>128</b>	<b>124</b>
Income tax	-16	-41	-45	-32	-32	16	-35	-31	-29
<b>Profit for the period</b>	<b>44</b>	<b>172</b>	<b>130</b>	<b>97</b>	<b>99</b>	<b>159</b>	<b>132</b>	<b>97</b>	<b>95</b>
<i>Profit for the period attributable to:</i>									
Owners of the Parent Company	44	172	130	97	99	159	132	97	95
<b>Key figures</b>									
<b>Profit</b>									
Depreciation, amortization and impairment	-71	-74	-75	-77	-77	-55	-58	-57	-60
Operating profit, adjusted	152	216	200	161	166	174	194	145	164
EBITDA, adjusted	223	290	275	238	243	229	252	202	224
EBITDA	220	283	270	236	241	214	238	212	226
Operating profit margin, adjusted, %	10.0	12.5	12.3	10.2	10.6	10.6	12.6	9.9	10.5
Operating profit margin (EBIT margin), %	9.8	12.1	12.0	10.0	10.5	9.7	11.7	10.5	10.6
Earnings per share, SEK									
Basic <sup>1</sup>	0.15	0.60	0.45	0.34	0.35	0.55	0.46	0.34	0.33
Diluted <sup>1</sup>	0.15	0.60	0.45	0.34	0.35	0.55	0.46	0.34	0.33
<b>Financial position</b>									
Share price, last paid, SEK	23.52	31.70	28.26	30.20	24.00	24.30	27.48	27.18	31.82
Return on equity, % (Rolling 12 months)	10.0	11.9	11.8	12.3	11.9	12.2	8.9	8.5	6.6
Equity per share, SEK	15.4	14.5	14.2	13.7	14.2	13.7	13.3	13.0	14.1
Net Debt/EBITDA, x (Rolling 12 months)	2.4	2.2	2.5	2.7	2.4	2.3	2.5	2.8	2.4
<b>Cash flow</b>									
Free cash flow	-20	269	199	-41	111	240	206	68	-70
Cash flow from operating activities per share, SEK	0.2	1.1	0.9	-0.0	0.5	1.0	0.9	0.4	-0.1

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.

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# Reconciliation of alternative performance measures per quarter

SEKm	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
<b>Items affecting comparability</b>									
Acquisitions, integration and restructurings	-3	-7	-5	1	-2	-15	-7	-13	-3
Remeasurements of contingent considerations	-	-	-	-	-	0	-6	19	8
Other items affecting comparability	-	-	-	-3	0	0	-1	4	-3
<b>Items affecting comparability*</b>	<b>-3</b>	<b>-7</b>	<b>-5</b>	<b>-2</b>	<b>-2</b>	<b>-15</b>	<b>-14</b>	<b>10</b>	<b>2</b>
*Corresponding line in the condensed consolidated profit and loss account:									
Net sales	-	-	-	-	-	0	0	-	-
Cost of goods sold	-	-	-	3	-1	6	-1	-1	-1
Other operating income	-	-	-	-	-	-	-	4	-
Selling expenses	-	-4	-2	-	-	-	-1	-	-
General and administrative expenses	-3	-3	-3	-5	-1	-21	-12	7	3
<b>Total</b>	<b>-3</b>	<b>-7</b>	<b>-5</b>	<b>-2</b>	<b>-2</b>	<b>-15</b>	<b>-14</b>	<b>10</b>	<b>2</b>
<b>Operating profit, adjusted</b>									
Operating profit	149	209	195	159	164	159	180	155	166
Minus: Items affecting comparability	-3	-7	-5	-2	-2	-15	-14	10	2
<b>Operating profit, adjusted</b>	<b>152</b>	<b>216</b>	<b>200</b>	<b>161</b>	<b>166</b>	<b>174</b>	<b>194</b>	<b>145</b>	<b>164</b>
Net sales	1,518	1,722	1,629	1,583	1,559	1,646	1,538	1,472	1,562
<b>Operating profit margin, adjusted, %</b>	<b>10.0</b>	<b>12.5</b>	<b>12.3</b>	<b>10.2</b>	<b>10.6</b>	<b>10.6</b>	<b>12.6</b>	<b>9.9</b>	<b>10.5</b>
<b>EBITDA, adjusted</b>									
Operating profit	149	209	195	159	164	159	180	155	166
Minus: Depreciation	-66	-69	-73	-74	-74	-52	-55	-54	-57
Minus: Amortization	-3	-3	-2	-3	-3	-3	-3	-3	-3
Minus: Impairment loss other non-current assets	-2	-2	-	-	-	-	-	-	-
<b>EBITDA</b>	<b>220</b>	<b>283</b>	<b>270</b>	<b>236</b>	<b>241</b>	<b>214</b>	<b>238</b>	<b>212</b>	<b>226</b>
Minus: Items affecting comparability (excl. impairment loss other non-current assets)	-3	-7	-5	-2	-2	-15	-14	10	2
<b>EBITDA, adjusted</b>	<b>223</b>	<b>290</b>	<b>275</b>	<b>238</b>	<b>243</b>	<b>229</b>	<b>252</b>	<b>202</b>	<b>224</b>
<b>Capital employed</b>									
Total assets	10,260	9,660	9,676	9,410	9,854	9,168	9,191	9,078	9,650
Minus: Deferred tax liability	814	803	801	792	768	754	794	786	731
Minus: Other non-current liabilities	-	-	-	-	-	-	-	-	135
Minus: Non-current provisions	-	5	5	6	6	9	6	6	5
Minus: Current provisions	7	5	7	11	19	23	5	1	1
Minus: Other current liabilities	1,437	1,271	1,349	1,239	1,407	1,355	1,482	1,452	1,459
<b>Capital employed</b>	<b>8,002</b>	<b>7,576</b>	<b>7,514</b>	<b>7,362</b>	<b>7,654</b>	<b>7,027</b>	<b>6,904</b>	<b>6,833</b>	<b>7,319</b>
Capital employed comparative period previous year	7,654	7,027	6,904	6,833	7,319	6,979	6,852	6,727	6,002
<b>Average capital employed</b>	<b>7,828</b>	<b>7,302</b>	<b>7,209</b>	<b>7,098</b>	<b>7,487</b>	<b>7,003</b>	<b>6,878</b>	<b>6,780</b>	<b>6,661</b>

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*Reconciliation alternative performance measures, continued*

SEKm	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
<b>Return on capital employed</b>									
Operating profit (Rolling 12 months)	712	727	677	662	658	660	672	661	596
Financial income (Rolling 12 months)	2	2	3	2	6	5	4	4	1
<b>Operating profit plus financial income (Rolling 12 months)</b>	<b>714</b>	<b>729</b>	<b>680</b>	<b>664</b>	<b>664</b>	<b>665</b>	<b>676</b>	<b>665</b>	<b>597</b>
Average capital employed	7,828	7,302	7,209	7,098	7,487	7,003	6,878	6,780	6,661
<b>Return on capital employed, %</b>	<b>9.1</b>	<b>10.0</b>	<b>9.4</b>	<b>9.4</b>	<b>8.9</b>	<b>9.5</b>	<b>9.8</b>	<b>9.8</b>	<b>9.0</b>
<b>Free cash flow yield</b>									
Cash flow from operating activities (Rolling 12 months)	637	724	694	689	811	628	645	530	528
Cash flows from investments in property, plant and equipment and intangible assets (Rolling 12 months)	-230	-186	-185	-173	-186	-184	-182	-176	-164
<b>Free cash flow (Rolling 12 months)</b>	<b>407</b>	<b>538</b>	<b>509</b>	<b>516</b>	<b>625</b>	<b>444</b>	<b>463</b>	<b>354</b>	<b>364</b>
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
<b>Free cash flow per share (Rolling 12 months), SEK</b>	<b>1.41</b>	<b>1.86</b>	<b>1.76</b>	<b>1.79</b>	<b>2.17</b>	<b>1.54</b>	<b>1.60</b>	<b>1.23</b>	<b>1.26</b>
Market price per share, SEK	23.52	31.70	28.26	30.20	24.00	24.30	27.48	27.18	31.82
<b>Free cash flow yield (Rolling 12 months), %</b>	<b>6.0</b>	<b>5.9</b>	<b>6.2</b>	<b>5.9</b>	<b>9.0</b>	<b>6.3</b>	<b>5.8</b>	<b>4.5</b>	<b>4.0</b>
<b>Changes in net sales</b>									
Net sales	1,518	1,722	1,629	1,583	1,559	1,646	1,538	1,472	1,562
Net sales comparative period previous year	1,559	1,646	1,538	1,472	1,562	1,643	1,505	1,414	1,222
<b>Net sales, change</b>	<b>-41</b>	<b>76</b>	<b>91</b>	<b>111</b>	<b>-3</b>	<b>3</b>	<b>33</b>	<b>58</b>	<b>340</b>
Minus: Structural changes	-	-	-	-	-	-	-	76	299
Minus: Changes in exchange rates	21	33	25	27	44	51	87	51	28
<b>Organic growth</b>	<b>-62</b>	<b>43</b>	<b>66</b>	<b>84</b>	<b>-47</b>	<b>-48</b>	<b>-54</b>	<b>-69</b>	<b>13</b>
Structural changes, %	-	-	-	-	-	-	-	5.4	24.5
Organic growth, %	-4.0	2.6	4.3	5.7	-3.0	-3.2	-3.6	-4.9	1.1

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# Parent company

## Condensed parent company profit and loss account

	First quarter		Rolling 12	Full year
SEKm	Jan-Mar 2020	Jan-Mar 2019	Apr 2019– Mar 2020	2019
Net sales	22	15	90	83
Gross profit	22	15	90	83
General and administrative expenses	–24	–26	–103	–105
Operating loss	–2	–11	–13	–22
Net financial items	–2	–2	59	59
Profit/loss before tax	–4	–13	46	37
Income tax	0	3	–8	–5
Profit/loss for the period	–4	–10	38	32

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

# Condensed parent company balance sheet

SEKm	31 Mar 2020	31 Mar 2019	31 Dec 2019
<b>ASSETS</b>			
Non-current assets	5,358	5,360	5,361
Current assets	85	31	99
<b>TOTAL ASSETS</b>	<b>5,443</b>	<b>5,391</b>	<b>5,460</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	3,204	3,450	3,204
Non-current liabilities			
Borrowings	936	934	935
Derivative financial instruments	2	4	2
Provisions	1	1	1
<b>Total non-current liabilities</b>	<b>939</b>	<b>939</b>	<b>938</b>
Current liabilities			
Borrowings	500	710	499
Derivative financial instruments	2	2	2
Other current liabilities	798	290	817
<b>Total current liabilities</b>	<b>1,300</b>	<b>1,002</b>	<b>1,318</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,443</b>	<b>5,391</b>	<b>5,460</b>

# Condensed parent company statement of changes in equity

SEKm	First quarter		Full year
	Jan–Mar 2020	Jan–Mar 2019	2019
Equity at beginning of period	3,204	3,458	3,458
Profit/loss for the period	–4	–10	32
<b>Total comprehensive income</b>	<b>–4</b>	<b>–10</b>	<b>32</b>
Transactions with owners			
Share-based payments	4	2	3
Dividend <sup>1</sup>	–	–	–289
<b>Total transactions with owners</b>	<b>4</b>	<b>2</b>	<b>–286</b>
<b>Equity at end of period</b>	<b>3,204</b>	<b>3,450</b>	<b>3,204</b>

<sup>1</sup> The dividend paid in 2019 comprised a dividend of SEK 1.00 per share.

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# 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 2020. 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

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 31 'Changes in accounting policies' in the annual and sustainability report 2019 at [www.cloetta.com](http://www.cloetta.com). No new standards are effective as from 1 January 2020 which have been endorsed by the EU.

## 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	First quarter		Rolling 12	Full year
	Jan–Mar 2020	Jan–Mar 2019	Apr 2019–Mar 2020	2019
<b>Net sales</b>				
Branded packaged business	1,118	1,131	4,696	4,709
Pick & mix	400	428	1,756	1,784
<b>Total</b>	<b>1,518</b>	<b>1,559</b>	<b>6,452</b>	<b>6,493</b>

#### Breakdown of net sales by category

%	First quarter		Rolling 12	Full year
	Jan–Mar 2020	Jan–Mar 2019	Apr 2019–Mar 2020	2019
<b>Net sales</b>				
<i>Sales of goods</i>				
Candy	59	59	59	59
Chocolate	17	18	17	17
Pastilles	12	12	12	12
Chewing gum	7	6	6	6
Nuts	3	3	4	4
Other	2	2	2	2
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

#### Breakdown of net sales by country

%	First quarter		Rolling 12	Full year
	Jan–Mar 2020	Jan–Mar 2019	Apr 2019–Mar 2020	2019
Sweden	29	30	31	31
Finland	21	21	21	21
The Netherlands	15	15	14	14
Denmark	10	10	10	10
UK	7	6	7	7
Norway	6	7	5	5
Germany	5	6	5	6
Other countries	7	5	7	6
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

**Leases****Right-of-use assets**

SEKm	31 Mar 2020	31 Mar 2019	31 Dec 2019
Land and buildings	89	111	113
Transport	55	60	56
Other equipment	29	41	34
<b>Total right-of-use assets</b>	<b>173</b>	<b>212</b>	<b>203</b>

Additions to the right-of-use assets were SEK 5m (3) during the quarter.

**Lease liability**

SEKm	31 Mar 2020	31 Mar 2019	31 Dec 2019
Current	61	67	64
Non-current (between 1 and 5 years)	111	137	135
Non-current (over 5 years)	1	7	5
<b>Total lease liability</b>	<b>173</b>	<b>211</b>	<b>204</b>

The non-current lease liability of SEK 112m (144) is reflected in the 'long-term borrowings'. The current lease liability of SEK 61m (67) is reflected in the 'short-term borrowings'.

**Depreciation charge right-of-use assets**

SEKm	First quarter		Rolling 12	Full year
	Jan-Mar 2020	Jan-Mar 2019	Apr 2019-Mar 2020	2019
Land and buildings	-8	-8	-34	-34
Transport	-8	-7	-32	-31
Other equipment	-2	-3	-10	-11
<b>Total depreciation charge right-of-use assets</b>	<b>-18</b>	<b>-18</b>	<b>-76</b>	<b>-76</b>

Cloetta makes use of the exemptions under IFRS 16 for short-term leases and leases of low-value assets.

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	First quarter		Rolling 12	Full year	Recognized in:
	Jan-Mar 2020	Jan-Mar 2019	Apr 2019-Mar 2020	2019	
Interest expense	-1	-1	-3	-3	net financial items, in the profit and loss account
Expense relating to leases of low-value assets that are not short-term leases	0	0	0	0	cost of goods sold, selling expenses and general and administrative expenses, in the profit and loss account
Expense relating to short-term leases, where no right-of-use asset has been recognized	-2	-2	-9	-9	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	-4	-2	-15	-13	cost of goods sold, selling expenses and general and administrative expenses, in the profit and loss account
<b>Total cash outflow for leases</b>	<b>-19</b>	<b>-19</b>	<b>-75</b>	<b>-75</b>	cash flow from operating activities and financing activities, in the cash flow statement

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### 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. 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 17m (liability) while the car-

rying 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:

31 Mar 2020	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
<b>SEKm</b>								
<b>Financial assets</b>								
• Forward foreign currency contracts	–	–	–	–	–	–	–	–
• Trade and other receivables, excluding other taxes and social security receivables and prepaid expenses and accrued income	–	895	–	895				
• Cash and cash equivalents	–	619	–	619				
<b>Total assets</b>	–	<b>1,514</b>	–	<b>1,514</b>	–	–	–	–
<b>Financial liabilities</b>								
• Loans from credit institutions	–	–	2,493	2,493				
• Commercial papers	–	–	300	300				
• Forward contract to repurchase own shares	–	–	65	65	–	17	–	17
• Interest rate swaps	6	–	–	6	–	6	–	6
• Lease liabilities	–	–	173	173				
• Trade and other payables, excluding other taxes and social security payables and excluding contingent consideration	–	–	1,236	1,236				
<b>Total liabilities</b>	<b>6</b>	–	<b>4,267</b>	<b>4,273</b>	–	<b>23</b>	–	<b>23</b>

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31 Dec 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
<b>SEKm</b>								
<b>Financial assets</b>								
• Trade and other receivables, excluding other taxes and social security receivables and prepaid expenses and accrued income	–	832	–	832				
• Cash and cash equivalents	–	579	–	579				
<b>Total assets</b>	–	1,411	–	1,411	–	–	–	–
<b>Financial liabilities</b>								
• Loans from credit institutions	–	–	2,106	2,106				
• Commercial papers	–	–	499	499				
• Forward contract to repurchase own shares	–	–	65	65	–	0	–	0
• Interest rate swaps	6	–	–	6	–	6	–	6
• Lease liabilities	–	–	204	204				
• Trade and other payables, excluding other taxes and social security payables and excluding contingent consideration	–	–	1,052	1,052				
<b>Total liabilities</b>	6	–	3,926	3,932	–	6	–	6

31 Mar 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
<b>SEKm</b>								
<b>Financial assets</b>								
• 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	–	908	–	908				
• Cash and cash equivalents	–	711	–	711				
<b>Total assets</b>	1	1,619	–	1,620	–	1	–	1
<b>Financial liabilities</b>								
• Loans from credit institutions	–	–	2,100	2,100				
• Commercial papers	–	–	710	710				
• Forward contract to repurchase own shares	–	–	59	59	–	12	–	12
• Interest rate swaps	8	–	–	8	–	8	–	8
• Trade and other payables, excluding other taxes and social security payables and excluding contingent consideration	–	–	211	211				
• Contingent consideration	–	–	1,213	1,213				
<b>Total liabilities</b>	8	–	4,293	4,301	–	20	–	20

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

SEKm	First quarter		Full year
	Jan–Mar 2020	Jan–Mar 2019	2019
<b>Opening Balance</b>	–	142	142
<i>Remeasurements recognized in profit or loss</i>			
– Unrealized interest on contingent considerations recognised in other financial expenses	–	4	4
<i>Settlements</i>			
– Settlement via balance sheet	–	–146	–146
<b>Closing Balance</b>	–	–	–

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 was 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.

### Parent Company

Cloetta AB's primary activities include head office functions such as group-wide management and administration. The comments below refer to the period from 1 January to 31 March 2020. Net sales in the Parent Company amounted to SEK 22m (15) and referred mainly to intra-group services. Operating loss was SEK –2m (–11). Net financial items totaled SEK –2m (–2). Profit before tax was SEK –4m (–13) and loss for the period was SEK –4m (–10). Cash and cash equivalents and short-term investments amounted to SEK 0m (0).

### The Cloetta share

Cloetta's class B share is listed on Nasdaq Stockholm, Mid Cap. During the period from 1 January to 31 March 2020, a total of 44,178,384 shares were traded for a combined value of SEK 1,235m, equivalent to around 16 per cent of the total number of class B shares at the end of the period. The highest quoted bid price during the period from 1 January to 31 March 2020 was 34.18 (31 January) and the lowest was SEK 21.04 (24 March). The share price on 31 March 2020 was SEK 23.52 (last price paid). During the period from 1 January to 31 March 2020, the Cloetta share decreased by 25.8 per cent while the Nasdaq OMX Stockholm PI index decreased by 18.4 per cent. Cloetta's share capital at 31 March 2020 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

On 31 March 2020, Cloetta AB had 25,779 shareholders. The largest shareholder was AB Malfors Promotor with a holding corresponding to 38.5 per cent of the votes and 27.6 per cent of the share capital in the company. Franklin Templeton was the second largest shareholder with 5.0 per cent of the votes and 5.9 per cent of the share capital. The third largest shareholder was Wellington Management with 4.1 per cent of the votes and 4.8 per cent of the share capital. Institutional investors held 89.8 per cent of the votes and 88.0 per cent of the share capital. Foreign shareholders held 41.0 per cent of the votes and 48.8 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 2019 and consist of industry and market-related risks, operational risks and financial risks. Compared to the annual and sustainability report which was issued on 12 March 2020, the risk-profile of Cloetta has changed due to the outbreak of the COVID-19 virus on nearly all identified risk categories. Cloetta has established a dedicated Business Continuity Team, within the Group management team, tasked with identifying critical changes in market, operational and financial risks. The Business Continuity Team takes proactive measures to limit the risks, or prevent them from materializing. This process takes place in close dialogue with various stakeholders.



# Definitions

<b>General</b>	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.	
<b>Margins</b>	<b>Definition/calculation</b>	<b>Purpose</b>
<b>Gross margin</b>	Net sales less cost of goods sold as a percentage of net sales.	Gross margin measures production profitability.
<b>Operating profit margin (EBIT margin)</b>	Operating profit expressed as a percentage of net sales.	Operating profit margin is used for measuring the operational profitability.
<b>Operating profit margin, adjusted</b>	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.
<b>Profit margin</b>	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.
<b>Return</b>	<b>Definition/calculation</b>	<b>Purpose</b>
<b>Free cash flow</b>	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.
<b>Free cash flow yield</b>	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.
<b>Return on capital employed</b>	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.
<b>Return on equity</b>	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.
<b>Capital structure</b>	<b>Definition/calculation</b>	<b>Purpose</b>
<b>Capital employed</b>	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.
<b>Equity/assets ratio</b>	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.
<b>Gross debt</b>	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.
<b>Net debt</b>	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.
<b>Net debt/EBITDA</b>	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.
<b>Net debt/equity ratio</b>	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.
<b>Working capital</b>	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.
<b>Data per share</b>	<b>Definition/calculation</b>	<b>Purpose</b>
<b>Cash flow from operating activities per share</b>	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.
<b>Earnings per share</b>	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.
<b>Equity per share</b>	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.

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Other definitions	Definition/calculation	Purpose
<b>EBITDA</b>	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.
<b>EBITDA, adjusted</b>	Operating profit, adjusted for items affecting comparability, before depreciation and amortization.	EBITDA, adjusted increases the comparability of EBITDA.
<b>Effective tax rate</b>	Income tax as a percentage of profit before tax.	This metric enables the income tax to be compared across locations where corporate taxes differ.
<b>Items affecting comparability</b>	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.
<b>Net financial items</b>	The total of exchange differences on 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.
<b>Net sales, change</b>	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.
<b>Operating profit (EBIT)</b>	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.
<b>Operating profit (EBIT), adjusted</b>	Operating profit, adjusted for items affecting comparability.	EBIT, adjusted increases the comparability of EBIT.
<b>Organic growth</b>	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.
<b>Structural changes</b>	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

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

## Exchange rates

SEK	31 Mar 2020	31 Mar 2019	31 Dec 2019
EUR, average	10.6920	10.4196	10.5815
EUR, end of period	11.0613	10.3980	10.4468
NOK, average	1.0164	1.0707	1.0748
NOK, end of period	0.9610	1.0765	1.0591
GBP, average	12.4128	11.9551	12.0732
GBP, end of period	12.4785	12.1146	12.2788
DKK, average	1.4312	1.3961	1.4173
DKK, end of period	1.4813	1.3929	1.3982

# Financial calendar



## Contact



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*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 24 April 2020.*

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### Our purpose

**“We believe in  
the Power of True Joy”**

### Business model

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

### Sustainability

#### For You

The consumer should not be concerned about the ingredients but instead enjoy the choices offered in Cloetta's products.

#### For the People

We create joy for the people involved in our offices and operations, but also across our supply chain all the way from our impacts on the farmers to our role in society.

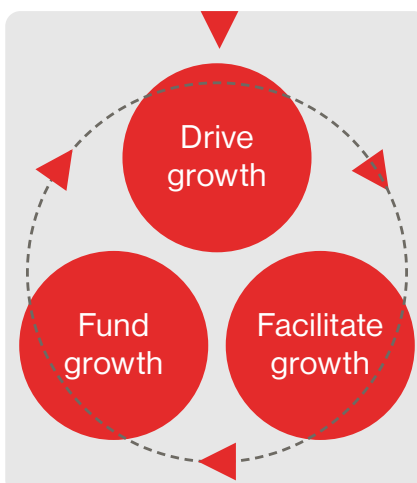
#### For the Planet

Our company is dependent on the environment and we should therefore be an advocate for the planet and responsible for our impacts, all the way from sourcing to packaging.

### 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 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.



## “We believe in the Power of True Joy”

Cloetta, founded in 1862, is a leading confectionery company in Northern Europe. 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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