



Interim report Q2, April – June 2017

Stockholm, 13 July 2017

As of this quarterly report, Cloetta Italia S.r.l. is accounted for as assets held for sale and discontinued operation. The comparative figures in the consolidated profit and loss account have therefore been restated to present the discontinued operation separately from continuing operations.

- **Net sales for the quarter** increased by 15.8 per cent to SEK 1,414m (1,221) including a positive impact from foreign exchange rates of 3.1 per cent.
- **Operating profit** amounted to SEK 90m (148). Profit for the period amounted to SEK –329m (77). Operating profit, adjusted for items affecting comparability, amounted to SEK 115m (156).
- **Cash flow** from operating activities amounted to SEK 117m (114).
- **Net debt/EBITDA ratio** was 2.77x (2.82).
- On 28 April 2017, Cloetta completed the **acquisition of Candyking Holding AB** and its subsidiaries.
- On 6 July 2017, Cloetta signed an agreement to **sell Cloetta Italia S.r.l.** to Katjes International GmbH.

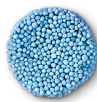
Key ratios	Second quarter			6 months			Rolling 12	Full year
	Apr–Jun 2017	Apr–Jun 2016 ²	Change, %	Jan–Jun 2017	Jan–Jun 2016 ²	Change, %	Jul 2016–Jun 2017	2016 ²
SEKm								
Net sales	1,414	1,221	15.8 ¹	2,636	2,455	7.4 ¹	5,288	5,107
Operating profit, adjusted	115	156	–26.3	229	283	–19.1	641	695
Operating profit margin, adjusted, %	8.1	12.8	–4.7-pts	8.7	11.5	–2.8-pts	12.1	13.6
Operating profit/loss (EBIT)	90	148	–39.2	187	260	–28.1	562	635
Operating profit/loss margin (EBIT margin), %	6.4	12.1	–5.7-pts	7.1	10.6	–3.5-pts	10.6	12.4
Profit/loss before tax	71	118	–39.8	157	186	–15.6	440	469
Profit/loss for the period	–329	77	n/a	–270	121	n/a	–582	–191
Profit for the period excluding impact of impairment loss	36	77	–53.2	95	121	–21.5	377	403
Profit/loss for the period from continuing operations	43	85	–49.4	109	133	–18.0	323	347
Net debt/EBITDA, x (Rolling 12 months) ^{3,4}	2.77	2.82	–1.8	2.77	2.82	–1.8	2.77	2.44
Cash flow from operating activities	117	114	2.6	272	367	–25.9	794	889

1) Organic growth at constant exchange rates and comparable units –0.5 per cent for the quarter and –1.2 per cent for the first two quarters of the year. See further under Net sales on page 3.

2) Comparative figures for profit and loss items have been restated for discontinued operation. For further details see the consolidated profit and loss account on page 7.

3) The definition of net debt/EBITDA has been adjusted per Q3 2016 to present a key figure over time which is irrespective of the applicable facility agreement. Comparative figures have not been restated as the differences have a limited effect.

4) Comparative figures have not been restated for discontinued operation, as only either the numerator or denominator in the calculation has been restated for discontinued operation.



Message from the CEO

Two major transactions carried out

The quarter was challenging both in terms of sales and operating profit and going forward we need to focus even more on our organic sales and profit development. Cloetta's business structure now also changes significantly due to the acquisition of Candyking and the agreement to divest Cloetta Italy. As a result, Cloetta Italy is no longer part of the comparative figures and is accounted for as assets held for sale and discontinued operation.

Cloetta's operating profit decreased to SEK 90m (148) in the quarter. Operating profit, adjusted for items affecting comparability, decreased to SEK 115m (156), equal to an operating profit margin, adjusted for items affecting comparability, of 8.1 per cent (12.8). Due to the impairment of Cloetta Italy of SEK -365m, profit for the period amounted to SEK -329m (77).

The lower operating profit, adjusted, is mainly due to considerably lower production volumes in the quarter and a strong comparator. The cost per produced unit has thus increased. The increased proportion of pick & mix compared to previous year has also affected the profit development.

During the quarter, an incident in a factory caused a production line to be damaged, resulting in some production being lost.

Confectionery market

The confectionery market grew in all of Cloetta's core markets during the quarter.

Sales development

Cloetta's sales for the quarter increased by 15.8 per cent, of which organic growth accounted for -0.5 per cent, the acquisition of Candyking for 13.2 per cent and positive exchange rate differences for 3.1 per cent.

Sales increased in our core markets in Sweden, Finland and the Netherlands, as well as in the export markets. Sales declined in Norway, Denmark, Germany and in contract manufacturing. In Denmark, sales to a large customer declined due to tougher competition and in Norway sales of pastilles declined.

Sales from Candyking were up slightly in the quarter, which gives us a good base to build on during the integration process.

Candyking integration in line with plan

The acquisition of Candyking will create synergies through insourcing of production and reduced costs. In the quarter, considerable efforts were put into planning and preparing the integration of Candyking.

Given the current volume outlook, we have identified synergy savings from Candyking of SEK 100m on an annual basis as of 2020. These synergies will be gradually realized with the majority in 2018 and 2019.

The pick & mix business is however more volatile as it is predominantly based on contracts with different maturity, which means that the savings can differ depending on the volume development.

The largest synergy driver is the insourcing of products, and we plan to start production of the first volumes in the second half of this year. The consumer is our number one priority when making insourcing decisions, since an attractive assortment, including competitor products, will drive consumer and customer preference and hence volume growth.

The Cloetta Group's target of an underlying EBIT margin of 14 per cent stands firm.

Focus on strategy

My primary focus for Cloetta is on enhancing our competitiveness, to thereby generate volume growth across our core markets and selected international hubs. Our strategy is therefore underpinned by four pillars: we must improve the strength of our brands, we must improve our ability to grow our categories together with our customers, we need to have people with the

right skills and performance culture and we need to fund it through a strong cost saving culture.

This means that we need to implement sharper category and brand plans while at the same time improving our ways of working when we develop, launch, market and sell our products. We need to be more effective in our marketing spending and, over time, also increase our brand investments. In addition, we need to drive down our overhead cost in order to fund new brand investments. Furthermore, our Lean2020 program is vital in enabling us to decrease production cost and increase the capacity for the Candyking insourcing.

In the past six months, our primary focus has been on the acquisition of Candyking and the divestment of Cloetta Italy. These activities have been very time-consuming and have demanded a great deal of management attention. However, I am convinced that when we have integrated Candyking and finalized the divestment of Cloetta Italy, we will have created a stronger and more competitive company.

Henri de Sauvage-Nolting
President and CEO



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President and CEO



Financial overview

Discontinued operation

On 18 January 2017 the Board announced a strategic review of Cloetta Italia S.r.l. On 6 July 2017 Cloetta signed an agreement to sell Cloetta Italia S.r.l. to Katjes International GmbH. Cloetta Italia S.r.l. is accounted for as assets held for sale and discontinued operation. The discontinued operation and assets held for sale have been presented separately in the profit and loss account and balance sheet of the second quarter.

The comparative figures in the consolidated profit and loss account have been restated to present the discontinued operation separately from continuing operations. The comparative figures in the balance sheet and cash flow statement have not been restated for discontinued operation.

The developments in the second quarter and in the first half of the year comprise continuing operations, as presented in the section "Financial statements in summary". See section "Accounting and valuation policies, disclosures and risk factors" for disclosures related to the discontinued operation.

Development in the second quarter

Net sales

Net sales for the second quarter rose by SEK 193m to SEK 1,414m (1,221) compared to the same period of last year. Organic growth was –0.5 per cent, acquisitions accounted for 13.2 per cent and changes in exchange rates accounted for 3.1 per cent.

Sales in the quarter were up in Sweden, Finland, the Netherlands and in export markets and declined in the other markets. In Sweden and Finland, it was predominantly pick & mix that drove the positive development. In Denmark, sales to a large customer declined due to tougher competition and in Norway, sales in pastilles declined.

Changes in net sales, %

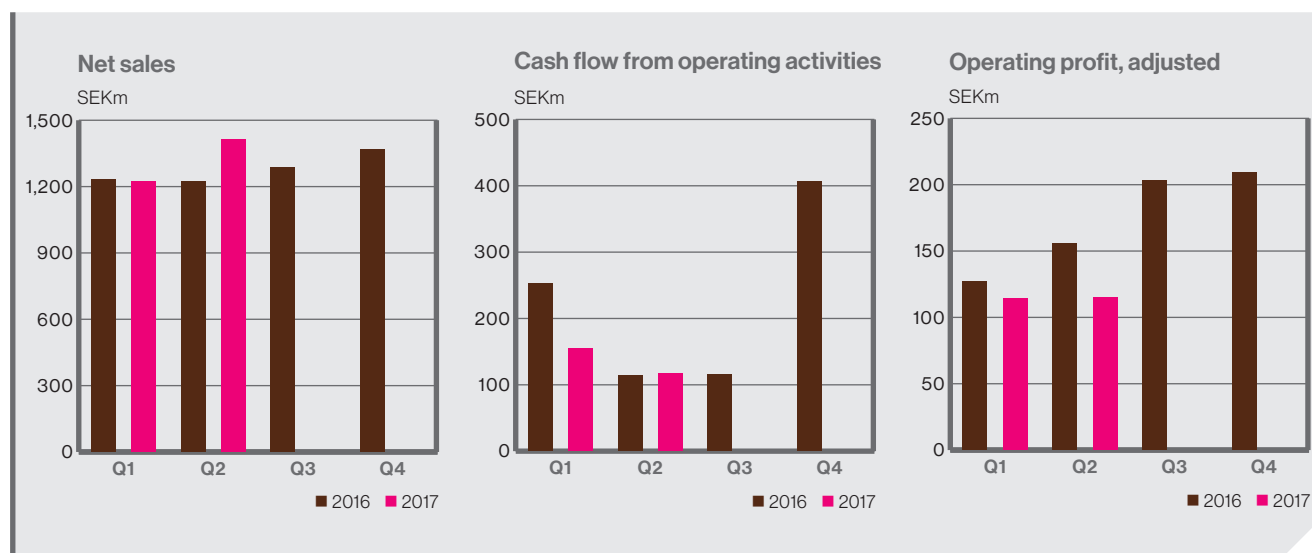
	Apr–Jun 2017		Jan–Jun 2017	
	Continuing operations	Total operations	Continuing operations	Total operations
Organic growth	–0.5	–1.0	–1.2	–1.5
Structural changes	13.2	11.8	6.6	5.9
Changes in exchange rates	3.1	2.7	2.0	2.0
Total	15.8	13.5	7.4	6.4

Gross profit

Gross profit amounted to SEK 519m (512), which is equal to a gross margin of 36.7 per cent (41.9). The change in gross margin is due to lower production volumes and the inclusion of Candyking.

Operating profit

Operating profit amounted to SEK 90m (148). The change is mainly due to lower production volumes, higher proportion of pick & mix compared to previous year and one-off costs related to acquisitions and divestments. General and administrative expenses increased due to the acquisition of Candyking. Operating profit, adjusted for items affecting comparability, declined to SEK 115m (156).



**Items affecting comparability**

Operating profit for the second quarter includes items affecting comparability that mainly are related to costs for the acquisition of Candyking Holding AB and its subsidiaries and for the divestment of Cloetta Italia S.r.l.

Net financial items

Net financial items for the quarter amounted to SEK -19m (-30). Interest expenses related to external borrowings were SEK -8m (-22) and other financial items amounted to SEK -11m (-8). Of the total net financial items SEK -19m (-15) is non-cash in nature. The net financial items were positively impacted by the refinancing of the Group in July 2016.

Profit for the period

Profit from continuing operations was SEK 43m (85). Income tax for the period was SEK -28m (-33). The effective tax rate from continuing operations for the quarter was 39.4 per cent (28.0). Loss for the period was SEK -329m (77), which is equal to basic and diluted earnings per share of SEK -1.15 (0.27). Profit for the period excluding the impact of the impairment loss, was SEK 36m (77), which is equal to basic and diluted earnings per share of SEK 0.13 (0.27).

Cash flow from operating and investing activities

Cash flow from operating activities before changes in working capital was SEK 84m (149). The decrease compared to prior year is mainly the result of a lower EBITDA. The cash flow from changes in working capital was SEK 33m (-35). Cash flow from operating and investing activities was SEK -166m (82).

Cash flow from changes in working capital

Cash flow from changes in working capital follows a normal seasonal pattern and was SEK 33m (-35). The cash flow from changes in working capital was positively impacted by the decrease in receivables of SEK 81m (30), partly offset by an increase in payables for an amount of SEK -25m (-4) and an increase in inventories of SEK -23m (-61).

Cash flow from investing activities

Cash flow from investing activities was SEK -283m (-32). The increase is mainly due to the acquisition of Candyking Holding AB and its subsidiaries for a net amount of SEK -249m. The cash flow from investments in property, plant and equipment and intangibles amounted to SEK -39m (-32). Other cash flows from investing activities amounted to SEK 5m (-).

Acquisitions

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

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

Synergies from Candyking

Given the current volume outlook identified synergy savings from Candyking are SEK 100m on an annual basis as of 2020. These synergies will be gradually realized with the majority in 2018 and 2019. One-off cost and capital investments related to the integration of Candyking are expected to amount to approximately SEK 175m.

The pick & mix business is however more volatile as it is predominantly based on contracts with different maturity, which means that the savings can differ depending on the volume development.

Development in the first half of the year**Net sales**

Net sales for the first half of the year increased by SEK 181m to SEK 2,636m (2,455) compared to the same period of last year. Organic growth was -1.2 per cent, acquisitions accounted for 6.6 per cent and changes in exchange rates accounted for 2.0 per cent.

Sales increased in Finland, the Netherlands and in export markets, and declined in Sweden, Norway, Denmark, Germany, the UK and within contract manufacturing.

Gross profit

Gross profit amounted to SEK 973m (968), which is equal to a gross margin of 36.9 per cent (39.4). The change in gross margin is due to lower production volumes and the inclusion of Candyking.

Operating profit

Operating profit amounted to SEK 187m (260). The change is mainly due to lower production volumes. Operating profit, adjusted for items affecting comparability, declined to SEK 229m (283).

Items affecting comparability

Operating profit for the first half of the year includes items affecting comparability that are mainly related to costs for the acquisition of Candyking Holding AB and its subsidiaries and for the divestment of Cloetta Italia S.r.l.

Net financial items

Net financial items for the first half of the year amounted to SEK -30m (-74). Interest expenses related to external borrowings were SEK -18m (-47) and other financial items amounted to SEK -12m (-27). Of the total net financial items, SEK -22m (-34) is non-cash in nature. The net financial items were positively impacted by the refinancing of the Group in July 2016.

Profit for the period

Profit from continuing operations was SEK 109m (133). Income tax for the period was SEK -48m (-53). The effective tax rate from continuing operations for the first half of the year was 30.6 per cent (28.5). Profit for the first half of the year was SEK -270m (121), which is equal to basic and diluted earnings per share of SEK -0.94 (0.42). Profit for the first half of the year excluding the impact of the impairment loss, was SEK 95m (121), which is equal to basic and diluted earnings per share of SEK 0.33 (0.42).

Cash flow from operating and investing activities

Cash flow from operating activities before changes in working capital was SEK 146m (270). The decrease compared to prior year is mainly the result of a lower EBITDA and higher corporate income tax payments mainly related to the tax settlement in Italy in the first quarter of the year. The cash flow from changes in working capital was SEK 126m (97). Cash flow from operating and investing activities was SEK -45m (297).

**Cash flow from changes in working capital**

Cash flow from changes in working capital follows a normal seasonal pattern and was SEK 126m (97). The cash flow from changes in working capital were positively impacted by the decrease in receivables for an amount of SEK 201m (124), partly offset by an increase in inventories of SEK -39m (-99) and a decrease in payables for an amount of SEK -36m (72).

Cash flow from investing activities

Cash flow from investing activities was SEK -317m (-70). The increased cash outflow is mainly due to the acquisition of Candyking Holding AB and its subsidiaries for a net amount of SEK -249m. The cash flow from investments in property, plant and equipment and intangibles amounted to SEK -73m (-70). Other cash flows from investing activities amounted to SEK 5m (-).

Financial position

Consolidated equity at 30 June 2017 amounted to SEK 3,734m (4,377), which is equal to SEK 12.9 (15.2) per share. Net debt at 30 June 2017 was SEK 2,735m (2,695).

Long-term borrowings totalled SEK 2,693m (2,485) and consisted of SEK 2,698m (1,493) in gross loans from credit institutions, senior secured notes of SEK 0m (1,000) and SEK -5m (-8) in capitalized transaction costs.

Total short-term borrowings amounted to SEK 280m (346) and consisted of gross loans from credit institutions of SEK 275m (360), borrowings related to discontinued operation of SEK 7m (-), accrued interest on loans from credit institutions, senior secured notes of SEK 1m (1) and SEK -3m (-15) in capitalized transaction costs.

SEKm	30 Jun 2017	30 Jun 2016	31 Dec 2016
Gross non-current borrowings	2,698	1,493	2,677
Gross current borrowings	275	360	-
Senior secured notes	-	1,000	-
Derivative financial instruments (current and non-current)	71	74	62
Interest payable	1	1	2
Gross debt	3,045	2,928	2,741
Cash and cash equivalents	-279	-233	-298
Cash included in assets held for sale	-31	-	-
Net debt	2,735	2,695	2,443

Cash and cash equivalents at 30 June 2017, excluding unutilized overdraft facilities, amounted to SEK 310m (233) of which SEK 31m (-) related to discontinued operation. At 30 June 2017 Cloetta had unutilized credit facilities for a total of SEK 889m (698).

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 2,314 (2,160). The increase is mainly attributable to impact of the acquisition of Candyking Holding AB and its subsidiaries.

Events after the balance sheet date**Divestments**

On 6 July 2017, Cloetta has signed an agreement to sell Cloetta Italia S.r.l. to Katjes International GmbH. The sale equals an Enterprise Value of approximately SEK 450m. The proceeds will generate a positive net cash effect of approximately SEK 415m. The divestment resulted in an impairment estimated to approximately SEK 365m.

No other significant events have taken place that could affect the company's operations.



The Board of Directors hereby gives its assurance that the interim report provides a true and fair view of the business activities, financial position and results of operations of the Group and the Parent Company, and describes the significant risks and uncertainties to which the Parent Company and the Group companies are exposed.

Stockholm, 13 July 2017
Cloetta AB (publ)
The Board

Lilian Fossum Biner
Board Chairman

Mikael Aru
Member of the Board

Lottie Knutson
Member of the Board

Mikael Norman
Member of the Board

Adriaan Nühn
Member of the Board

Camilla Svenfelt
Member of the Board

Mikael Svenfelt
Member of the Board

Lena Grönedal
Employee Board member

Mikael Ström
Employee Board member

Henri de Sauvage-Nolting
President and CEO

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



Financial statements in summary

Consolidated profit and loss account

SEKm	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2017	Apr–Jun 2016 ²	Jan–Jun 2017	Jan–Jun 2016 ²	Jul 2016– Jun 2017	2016 ²
Net sales	1,414	1,221	2,636	2,455	5,288	5,107
Cost of goods sold	–895	–709	–1,663	–1,487	–3,260	–3,084
Gross profit	519	512	973	968	2,028	2,023
Other income	4	–	4	–	4	–
Selling expenses	–259	–215	–459	–410	–855	–806
General and administrative expenses	–174	–149	–331	–298	–615	–582
Operating profit	90	148	187	260	562	635
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	–2	2	–3	–6	–5	–8
Other financial income	1	5	7	7	17	17
Other financial expenses	–18	–37	–34	–75	–134	–175
Net financial items	–19	–30	–30	–74	–122	–166
Profit before tax	71	118	157	186	440	469
Income tax	–28	–33	–48	–53	–117	–122
Profit from continuing operations	43	85	109	133	323	347
Loss from discontinued operation, net of tax ³	–372	–8	–379	–12	–905	–538
Profit/loss for the period	–329	77	–270	121	–582	–191
<i>Profit/loss for the period attributable to:</i>						
Owners of the Parent Company						
Continuing operations	43	85	109	133	323	347
Discontinued operation	–372	–8	–379	–12	–905	–538
Earnings per share, SEK						
Basic	–1.15	0.27	–0.94	0.42	–2.03	–0.67
Diluted ¹	–1.15	0.27	–0.94	0.42	–2.03	–0.67
Earnings per share from continuing operations, SEK						
Basic	0.15	0.30	0.38	0.46	1.13	1.21
Diluted ¹	0.15	0.30	0.38	0.46	1.13	1.21
Earnings per share from discontinued operation, SEK						
Basic	–1.30	–0.03	–1.32	–0.04	–3.16	–1.88
Diluted ¹	–1.30	–0.03	–1.32	–0.04	–3.16	–1.88
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	286,339,892	286,159,369	286,309,897	286,105,529	286,294,567	286,193,024
Average number of shares (diluted) ¹	286,626,106	286,471,820	286,517,044	286,286,202	286,443,511	286,447,465

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 table on page 15 presents the movements in the contracts as of 1 January 2016.

2) Comparative figures have been restated for discontinued operation.

3) For the breakdown of the result from discontinued operation see page 24.



Consolidated statement of comprehensive income

SEKm	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul 2016–Jun 2017	2016
Profit for the period	–329	77	–270	121	–582	–191
<i>Other comprehensive income</i>						
Remeasurement of defined benefit pension plans	9	–46	20	–89	92	–17
Income tax on other comprehensive income that subsequently will not be reclassified to profit and loss for the period	–1	10	–4	20	–20	4
Items that will never be reclassified to profit or loss for the period	8	–36	16	–69	72	–13
Currency translation differences	31	103	10	140	95	225
Hedge of a net investment in a foreign operation	–23	–23	–17	–29	–26	–38
Income tax on other comprehensive income that will be reclassified subsequently to profit and loss for the period, when specific conditions are met	5	5	4	6	5	7
Items that are or may be reclassified to profit or loss for the period	13	85	–3	117	74	194
Total other comprehensive income	21	49	13	48	146	181
Total comprehensive income, net of tax	–308	126	–257	169	–436	–10
<i>Total comprehensive income for the period attributable to:</i>						
Owners of the Parent Company	–308	126	–257	169	–436	–10

Net financial items

SEKm	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2017	Apr–Jun 2016 ¹	Jan–Jun 2017	Jan–Jun 2016 ¹	Jul 2016–Jun 2017	2016 ¹
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	–2	2	–3	–6	–5	–8
Other financial income, third parties	1	1	2	1	2	1
Unrealized gains on single currency interest rate swaps	–	4	5	6	15	16
Other financial income	1	5	7	7	17	17
Interest expenses third-party borrowings and realized losses on single currency interest rate swaps	–8	–22	–18	–47	–50	–79
Interest expenses, contingent earn-out considerations	–4	–4	–4	–7	–7	–10
Call option fee redemption senior secured notes	–	–	–	–	–30	–30
Amortization of capitalized transaction costs	–1	–4	–2	–8	–25	–31
Other financial expenses	–5	–7	–10	–13	–22	–25
Other financial expenses	–18	–37	–34	–75	–134	–175
Net financial items	–19	–30	–30	–74	–122	–166

1) Comparative figures have been restated for discontinued operation.



Condensed consolidated balance sheet

SEKm	30 Jun 2017	30 Jun 2016	31 Dec 2016
ASSETS			
Non-current assets			
Intangible assets	5,475	6,073	5,354
Property, plant and equipment	1,360	1,696	1,700
Deferred tax asset	49	56	54
Other financial assets	10	20	13
Total non-current assets	6,894	7,845	7,121
Current assets			
Inventories	769	901	780
Other current assets	788	866	1,024
Derivative financial instruments	–	2	4
Cash and cash equivalents	279	233	298
Total current assets	1,836	2,002	2,106
Assets held for sale	830	8	9
TOTAL ASSETS	9,560	9,855	9,236
EQUITY AND LIABILITIES			
Equity	3,734	4,377	4,199
Non-current liabilities			
Long-term borrowings	2,693	2,485	2,666
Deferred tax liability	641	647	586
Derivative financial instruments	12	13	12
Other non-current liabilities	132	–	–
Provisions for pensions and other long-term employee benefits	355	463	396
Provisions	5	9	22
Total non-current liabilities	3,838	3,617	3,682
Current liabilities			
Short-term borrowings	280	346	2
Derivative financial instruments	59	63	54
Other current liabilities	1,219	1,438	1,235
Provisions	6	14	64
Total current liabilities	1,564	1,861	1,355
Liabilities directly associated with assets classified as held for sale	424	–	–
TOTAL EQUITY AND LIABILITIES	9,560	9,855	9,236



Condensed consolidated statement of changes in equity

SEKm	6 months		Full year
	Jan–Jun 2017	Jan–Jun 2016	2016
Equity at beginning of period	4,199	4,344	4,344
Profit/loss for the period	–270	121	–191
Other comprehensive income	13	48	181
Total comprehensive income	–257	169	–10
Transactions with owners			
Share-based payments	8	8	9
Dividend ¹	–216	–144	–144
Total transactions with owners	–208	–136	–135
Equity at end of period	3,734	4,377	4,199

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

Condensed consolidated cash flow statement

SEKm	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul 2016–Jun 2017	2016
Cash flow from operating activities before changes in working capital	84	149	146	270	689	813
Cash flow from changes in working capital	33	–35	126	97	105	76
Cash flow from operating activities	117	114	272	367	794	889
Cash flow from investments in property, plant and equipment and intangible assets	–39	–32	–73	–70	–173	–170
Cash flow from other investing activities	–244	–	–244	–	–396	–152
Cash flow from investing activities	–283	–32	–317	–70	–569	–322
Cash flow from operating and investing activities	–166	82	–45	297	225	567
Cash flow from financing activities	45	–232	45	–322	–167	–534
Cash flow for the period	–121	–150	0	–25	58	33
Cash and cash equivalents at beginning of period	422	374	298	246	233	246
Cash flow for the period	–121	–150	0	–25	58	33
Exchange difference	9	9	12	12	19	19
Total cash and cash equivalents at end of period	310	233	310	233	310	298
Cash and cash equivalents at end of period	279	233	279	233	279	298
Cash included in assets held for sale at end of period	31	–	31	–	31	–
Total cash and cash equivalents at end of period	310	233	310	233	310	298



Condensed consolidated key figures

SEKm	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2017	Apr–Jun 2016 ¹	Jan–Jun 2017	Jan–Jun 2016 ¹	Jul 2016– Jun 2017	2016 ¹
Profit						
Net sales	1,414	1,221	2,636	2,455	5,288	5,107
Net sales, change, %	15.8	n/a	7.4	n/a	n/a	n/a
Organic net sales, change, %	–0.5	n/a	–1.2	n/a	n/a	n/a
Gross margin, %	36.7	41.9	36.9	39.4	38.4	39.6
Depreciation	–53	–51	–101	–101	–206	–206
Amortization	–3	–2	–4	–3	–6	–5
Impairment loss other non current assets	–	–	–	–	–2	–2
Operating profit, adjusted	115	156	229	283	641	695
Operating profit margin, adjusted, %	8.1	12.8	8.7	11.5	12.1	13.6
Operating profit (EBIT)	90	148	187	260	562	635
Operating profit margin (EBIT margin), %	6.4	12.1	7.1	10.6	10.6	12.4
EBITDA, adjusted	171	209	334	387	853	906
EBITDA	146	201	292	364	776	848
Profit/loss margin, %	5.0	9.7	6.0	7.6	8.3	9.2
Financial position						
Working capital	340	543	340	543	340	572
Capital expenditure	39	32	73	70	173	170
Net debt	2,735	2,695	2,735	2,695	2,735	2,443
Capital employed	6,727	7,747	6,727	7,747	6,727	7,329
Return on capital employed, % (Rolling 12 months) ^{2,3}	9.2	9.2	9.2	9.2	9.2	11.1
Equity/assets ratio, %	39.1	44.4	39.1	44.4	39.1	45.5
Net debt/equity ratio, %	73.2	61.6	73.2	61.6	73.2	58.2
Return on equity, % (Rolling 12 months) ²	8.7	9.3	8.7	9.3	8.7	–4.5
Equity per share, SEK	12.9	15.2	12.9	15.2	12.9	14.5
Net debt/EBITDA, x (Rolling 12 months) ^{2,4}	2.77	2.82	2.77	2.82	2.77	2.44
Cash flow						
Cash flow from operating activities	117	114	272	367	794	889
Cash flow from investing activities	–283	–32	–317	–70	–569	–322
Cash flow after investments	–166	82	–45	297	225	567
Cash conversion, % ⁵	81.3	87.6	81.1	84.8	83.1	84.5
Cash flow from operating activities per share, SEK	0.4	0.4	0.9	1.3	2.8	3.1
Employees						
Average number of employees	2,726	2,603	2,650	2,592	2,621	2,530
of which relating to continuing operations	2,314	2,160	2,223	2,149	2,205	2,115

1) Comparative figures for profit and loss items have been restated for discontinued operation. For further details see the consolidated profit and loss account on page 7.

2) Comparative figures have not been restated for discontinued operation, as only either the numerator or denominator in the calculation has been restated for discontinued operation.

3) Return on capital employed for Q2 2017 is calculated for continuing operations. Return on capital employed for Q4 2016 is calculated pro-forma for continuing operations.

4) The definition of net debt/EBITDA has been adjusted per Q3 2016 to present a key figure over time which is irrespective of the applicable facility agreement. Comparative figures have not been restated as the differences have a limited effect.

5) The capital expenditure included in the calculation of the cash conversion has been adjusted for the capital expenditure related to discontinued operation.



Reconciliation of alternative performance measures

SEKm	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2017	Apr–Jun 2016 ²	Jan–Jun 2017	Jan–Jun 2016 ²	Jul 2016–Jun 2017	2016 ²
Items affecting comparability						
Acquisitions, integration and factory restructurings	–25	–5	–42	–6	–79	–43
of which: impairment loss other non-current assets	–	–	–	–	–2	–2
Remeasurements of contingent considerations	–	–3	–	–17	–	–17
Items affecting comparability¹	–25	–8	–42	–23	–79	–60
1) Corresponding line in the condensed consolidated profit and loss account:						
Cost of goods sold	–15	–5	–18	–6	–27	–15
Other operating income	4	–	4	–	4	–
Selling expenses	–3	–	–3	–	–3	–
General and administrative expenses	–11	–3	–25	–17	–53	–45
Total	–25	–8	–42	–23	–79	–60
Operating profit, adjusted						
Operating profit	90	148	187	260	562	635
Minus: Items affecting comparability	–25	–8	–42	–23	–79	–60
Operating profit, adjusted	115	156	229	283	641	695
Net sales	1,414	1,221	2,636	2,455	5,288	5,107
Operating profit margin, adjusted, %	8.1	12.8	8.7	11.5	12.1	13.6
EBITDA, adjusted						
Operating profit/loss	90	148	187	260	562	635
Minus: Depreciation	–53	–51	–101	–101	–206	–206
Minus: Amortization	–3	–2	–4	–3	–6	–5
Minus: Impairment loss other non-current assets	–	–	–	–	–2	–2
EBITDA	146	201	292	364	776	848
Minus: Items affecting comparability (excl. impairment loss other non-current assets)	–25	–8	–42	–23	–77	–58
EBITDA, adjusted	171	209	334	387	853	906
Capital employed³						
Total assets	9,560	9,855	9,560	9,855	9,560	9,236
Minus: Deferred tax liability	641	647	641	647	641	586
Minus: Other non-current liabilities	132	–	132	–	132	–
Minus: Non-current provisions	5	9	5	9	5	22
Minus: Current provisions	6	14	6	14	6	64
Minus: Other current liabilities	1,219	1,438	1,219	1,438	1,219	1,235
Minus: Assets held for sale	830	–	830	–	830	–
Plus: Interest-bearing other current liabilities	–	–	–	–	–	–
Capital employed	6,727	7,747	6,727	7,747	6,727	7,329
Capital employed in comparative period of previous year	5,818	7,756	5,818	7,756	5,818	7,756
Average capital employed	6,273	7,752	6,273	7,752	6,273	7,543

2) Comparative figures for profit and loss items have been restated for discontinued operation. For further details see the consolidated profit and loss account on page 7.

3) Capital employed for Q2 2017 is for continuing operations. Average capital employed for Q2 2017 is calculated pro-forma for continuing operations.

Reconciliation alternative performance measures, *continued*

SEKm	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2017	Apr–Jun 2016 ²	Jan–Jun 2017	Jan–Jun 2016 ²	Jul 2016– Jun 2017	2016 ²
Return on capital employed⁴						
Operating profit/loss (rolling 12 months)	562	701	562	701	562	635
Financial income (rolling 12 months)	17	13	17	13	17	17
Operating profit/loss plus financial income (rolling 12 months)	579	714	579	714	579	652
Average capital employed	6,273	7,752	6,273	7,752	6,273	5,879
Return on capital employed, %	9.2	9.2	9.2	9.2	9.2	11.1
Cash conversion⁵						
EBITDA, adjusted	171	209	334	387	853	906
Minus: Capital expenditures	32	26	63	59	144	140
EBITDA, adjusted less capital expenditures	139	183	271	328	709	766
EBITDA, adjusted	171	209	334	387	853	906
Cash conversion, %	81.3	87.6	81.1	84.8	83.1	84.5
Changes in net sales⁶						
Net sales	1,414	1,221	2,636	2,455	5,288	5,107
Net sales in comparative period of previous year	1,221	n/a	2,455	n/a	n/a	n/a
Net sales, change	193	n/a	181	n/a	n/a	n/a
Minus: Structural changes	161	n/a	161	n/a	n/a	n/a
Minus: Changes in exchange rates	38	n/a	49	n/a	n/a	n/a
Organic growth	–6	n/a	–29	n/a	n/a	n/a
Structural changes, %	13.2	n/a	6.6	n/a	n/a	n/a
Organic growth, %	–0.5	n/a	–1.2	n/a	n/a	n/a
Profit/loss for the period excluding impact of impairment loss						
Profit/loss for the period	–329	77	–270	121	–582	–191
Minus: Impairment loss	–365	–	–365	–	–1,136	–771
Minus: Income tax impact on impairment loss	–	–	–	–	177	177
Profit/loss for the period excluding impact of impairment loss	36	77	95	121	377	403
Average number of shares (basic)	286,339,892	286,159,369	286,309,897	286,105,529	286,294,567	286,193,024
Average number of shares (diluted)	286,626,106	286,471,820	286,517,044	286,286,202	286,443,511	286,447,465
Earnings per share, basic excluding impact of impairment loss, SEK	0.13	0.27	0.33	0.42	1.32	1.41
Earnings per share, diluted excluding impact of impairment loss, SEK	0.13	0.27	0.33	0.42	1.32	1.41

2) Comparative figures for profit and loss items have been restated for discontinued operation. For further details see the consolidated profit and loss account on page 7.

3) Capital employed for Q2 2017 is for continuing operations. Average capital employed for Q2 2017 is calculated pro-forma for continuing operations.

4) Comparative figures for Q2 2016 have not been restated for discontinued operation, as only either the numerator or denominator in the calculation has been restated for discontinued operation.

5) The capital expenditure included in the calculation of the cash conversion has been adjusted for the capital expenditure related to discontinued operation.

6) The changes in net sales for Q1 2016 to Q4 2016 have not been restated for discontinued operation, as the net sales of the comparative periods are not comparable to the net sales of the current period.



Condensed consolidated quarterly data

SEKm	Q2 2017	Q1 2017 ¹	Q4 2016 ¹	Q3 2016 ¹	Q2 2016 ¹	Q1 2016 ¹	Q4 2015	Q3 2015	Q2 2015
Profit and loss account									
Net sales	1,414	1,222	1,367	1,285	1,221	1,234	1,622	1,459	1,280
Cost of goods sold	-895	-768	-806	-791	-709	-778	-991	-894	-756
Gross profit	519	454	561	494	512	456	631	565	524
Other income	4	-	-	-	-	-	-	0	0
Selling expenses	-259	-200	-207	-189	-215	-195	-237	-228	-239
General and administrative expenses	-174	-157	-174	-110	-149	-149	-155	-125	-155
Operating profit	90	97	180	195	148	112	239	212	130
Exchange differences borrowings and cash and cash equivalents in foreign currencies	-2	-1	-10	8	2	-8	-6	-4	3
Other financial income	1	6	5	5	5	2	6	0	0
Other financial expenses	-18	-16	-20	-80	-37	-38	-48	-39	-42
Net financial items	-19	-11	-25	-67	-30	-44	-48	-43	-39
Profit before tax	71	86	155	128	118	68	191	169	91
Income tax	-28	-20	-33	-36	-33	-20	-34	-39	-25
Profit from continuing operations	43	66	122	92	85	48	157	130	66
Profit/loss from discontinued operation, net of tax	-372	-7	-542	16	-8	-4	-	-	-
Profit/loss for the period	-329	59	-420	108	77	44	157	130	66
<i>Profit/loss for the period attributable to:</i>									
Owners of the Parent Company									
Continuing operations	43	66	122	92	85	48	157	130	66
Discontinued operation	-372	-7	-542	16	-8	-4	-	-	-
KEY FIGURES									
Profit									
Depreciation and amortization	-56	-49	-55	-54	-53	-51	-60	-59	-56
Operating profit, adjusted	115	114	209	203	156	127	255	194	133
EBITDA, adjusted	171	163	262	257	209	178	315	253	189
EBITDA	146	146	235	249	201	163	299	271	186
Operating profit margin, adjusted, %	8.1	9.3	15.3	15.8	12.8	10.3	15.7	13.3	10.4
Operating profit margin (EBIT margin), %	6.4	7.9	13.2	15.2	12.1	9.1	14.7	14.5	10.2
Earnings per share, SEK									
Basic	-1.15	0.21	-1.47	0.38	0.27	0.15	0.55	0.45	0.23
Diluted ²	-1.15	0.21	-1.47	0.38	0.27	0.15	0.55	0.45	0.23
Financial position									
Share price, last paid, SEK	34.70	35.40	28.70	31.10	29.00	25.80	28.00	23.90	25.10
Return on equity, % (rolling 12 months) ⁴	8.7	-4.1	-4.5	8.5	9.3	9.0	8.9	8.9	8.4
Equity per share, SEK	12.9	14.7	14.5	15.8	15.2	15.2	15.1	15.0	14.3
Net debt/EBITDA, x (rolling 12 months) ^{3,4}	2.77	2.34	2.44	2.76	2.82	2.78	3.03	3.39	3.30
Cash flow									
Cash flow from operating activities per share, SEK	0.4	0.5	1.4	0.4	0.4	0.9	1.3	0.6	0.6

1) Comparative figures for profit and loss items have been restated for discontinued operation. For further details see the consolidated profit and loss account on page 7.

2) Cloetta entered into forward contracts to repurchase own shares to fulfill its future obligation to deliver the shares to the participants of the long-term share-based incentive plan. The table on page 15 presents the movements in the contracts as of 1 January 2016.

3) The definition of net debt/EBITDA has been adjusted per Q3 2016 to present a key figure over time which is irrespective of the applicable facility agreement. Comparative figures have not been restated as the differences have a limited effect.

4) Comparative figures have not been restated for discontinued operation, as only either the numerator or denominator in the calculation has been restated for discontinued operation.



Movements in forward contracts to repurchase own shares

Transaction	Date	Number of shares				
		Contract 1	Contract 2	Contract 3	Contract 4	Contract 5
Balance at	1 Jan 2016	937,610	1,200,000	430,000	–	–
Shares granted to participants LTI'13 (settlement of forward contract to repurchase own shares)	18 May 2016	–227,880	–	–	–	–
Roll-forward to new forward contract to repurchase own shares	15 Jun 2016	–709,730	–	–	709,730	–
Balance at	31 Dec 2016	–	1,200,000	430,000	709,730	–
Shares granted to participants LTI'14 (settlement of forward contract to repurchase own shares)	8 May 2017	–	–362,029	–	–	–
Repurchased own shares	8 May 2017	–	–3,932	–	–	–
Roll-forward to new forward contract to repurchase own shares	15 Jun 2017	–	–834,039	–	–709,730	1,543,769
Balance at	30 Jun 2017	–	–	430,000	–	1,543,769
	Price, SEK	18.50678	23.00000	26.40000	28.50000	36.10000



Reconciliation of alternative performance measures by quarter

SEKm	Q2 2017	Q1 2017 ²	Q4 2016 ²	Q3 2016 ²	Q2 2016 ²	Q1 2016 ²	Q4 2015	Q3 2015	Q2 2015
Items affecting comparability									
Acquisitions, integration and factory restructurings	-25	-17	-29	-8	-5	-1	-14	-10	-5
<i>of which: impairment loss other non-current assets</i>	-	-	-2	-	-	-	-	-	-
Remeasurements of contingent considerations	-	-	-	-	-3	-14	3	28	2
Remeasurements of assets held for sale	-	-	-	-	-	-	-5	-	-
Items affecting comparability¹	-25	-17	-29	-8	-8	-15	-16	18	-3
1) Corresponding line in the condensed consolidated profit and loss account:									
Cost of goods sold	-15	-3	-3	-6	-5	-1	-20	-	-
Other operating income	4	-	-	-	-	-	-	-	-
Selling expenses	-3	-	-	-	-	-	1	-2	-
General and administrative expenses	-11	-14	-26	-2	-3	-14	3	20	-3
Total	-25	-17	-29	-8	-8	-15	-16	18	-3
Operating profit, adjusted									
Operating profit/loss	90	97	180	195	148	112	239	212	130
Minus: Items affecting comparability	-25	-17	-29	-8	-8	-15	-16	18	-3
Operating profit, adjusted	115	114	209	203	156	127	255	194	133
Net sales	1,414	1,222	1,367	1,285	1,221	1,234	1,622	1,459	1,280
Operating profit margin, adjusted, %	8,1	9,3	15,3	15,8	12,8	10,3	15,7	13,3	10,4
EBITDA, adjusted									
Operating profit/loss	90	97	180	195	148	112	239	212	130
Minus: Depreciation	-53	-48	-53	-52	-51	-50	-59	-58	-55
Minus: Amortization	-3	-1	-	-2	-2	-1	-1	-1	-1
Minus: Impairment loss other non-current assets	-	-	-2	-	-	-	-	-	-
EBITDA	146	146	235	249	201	163	299	271	186
Minus: Items affecting comparability (excl. impairment loss other non-current assets)	-25	-17	-27	-8	-8	-15	-16	18	-3
EBITDA, adjusted	171	163	262	257	209	178	315	253	189
Capital employed³									
Total assets	9,560	9,202	9,236	10,286	9,855	9,854	9,759	10,062	9,592
Minus: Deferred tax liability	641	598	586	680	647	618	621	606	508
Minus: Other non-current liabilities	132	-	-	-	-	-	43	43	88
Minus: Non-current provisions	5	9	22	10	9	9	10	11	11
Minus: Current provisions	6	46	64	7	14	37	57	12	10
Minus: Other current liabilities	1,219	1,189	1,235	1,383	1,438	1,420	1,271	1,349	1,218
Minus: Assets held for sale	830	-	-	-	-	-	-	-	-
Plus: Interest-bearing other current liabilities	-	-	-	-	-	-	-1	-1	-1
Capital employed	6,727	7,360	7,329	8,206	7,747	7,770	7,756	8,040	7,756
Capital employed in comparative period of previous year	5,818	7,770	7,756	8,040	7,756	7,790	8,041	7,860	7,830
Average capital employed	6,273	7,565	7,543	8,123	7,752	7,780	7,899	7,950	7,793

2) Comparative figures for profit and loss items have been restated for discontinued operation. For further details see the consolidated profit and loss account on page 7.

3) Capital employed for Q2 2017 is for continuing operations.

Reconciliation alternative performance measures per quarter, *continued*

SEKm	Q2 2017	Q1 2017 ²	Q4 2016 ²	Q3 2016 ²	Q2 2016 ²	Q1 2016 ²	Q4 2015	Q3 2015	Q2 2015
Return on capital employed⁴									
Operating profit (rolling 12 months)	562	620	635	705	701	689	671	694	660
Financial income (rolling 12 months)	17	21	17	18	13	8	6	0	1
Operating profit plus financial income (rolling 12 months)	579	641	652	723	714	697	677	694	661
Average capital employed	6,273	5,930	5,879	8,123	7,752	7,780	7,899	7,950	7,793
Return on capital employed, %	9.2	10.8	11.1	8.9	9.2	9.0	8.6	8.7	8.5
Cash conversion⁵									
EBITDA, adjusted	171	163	262	257	209	178	315	253	189
Minus: Capital expenditures	32	31	47	34	26	33	47	31	28
EBITDA, adjusted less capital expenditures	139	132	215	223	183	145	268	222	161
EBITDA, adjusted	171	163	262	257	209	178	315	253	189
Cash conversion, %	81.3	81.0	82.1	86.8	87.6	81.5	85.1	87.7	85.2
Changes in net sales⁶									
Net sales	1,414	1,222	1,367	1,285	1,221	1,234	1,622	1,459	1,280
Net sales in comparative period of previous year	1,221	1,234	n/a	n/a	n/a	n/a	1,579	1,303	1,238
Net sales, change	193	-12	n/a	n/a	n/a	n/a	43	156	42
Minus: Structural changes	161	–	n/a	n/a	n/a	n/a	75	86	15
Minus: Changes in exchange rates	38	13	n/a	n/a	n/a	n/a	4	15	17
Organic growth	-6	-25	n/a	n/a	n/a	n/a	-36	55	10
Structural changes, %	13.2	–	n/a	n/a	n/a	n/a	4.7	6.6	1.2
Organic growth, %	-0.5	-2.0	n/a	n/a	n/a	n/a	-2.3	4.2	0.8
Profit/loss for the period excluding impact of impairment loss									
Profit/loss for the period	-329	59	-420	108	77	44	157	130	66
Minus: Impairment loss	-365	–	-771	–	–	–	–	–	–
Minus: Income tax impact on impairment loss	–	–	177	–	–	–	–	–	–
Profit/loss for the period excluding impact of impairment loss	36	59	174	108	77	44	157	130	66
Average number of shares (basic)	286,339,892	286,279,569	286,279,569	286,279,569	286,159,369	286,051,689	286,051,689	286,154,515	286,481,689
Average number of shares (diluted)	286,626,106	286,607,989	286,560,336	286,558,440	286,471,820	286,404,267	286,359,672	286,408,540	286,810,369
Earnings per share, basic excluding impact of impairment loss, SEK	0.13	0.21	0.61	0.38	0.27	0.15	0.55	0.45	0.23
Earnings per share, diluted excluding impact of impairment loss, SEK	0.13	0.21	0.61	0.38	0.27	0.15	0.55	0.45	0.23

2) Comparative figures for profit and loss items have been restated for discontinued operation. For further details see the consolidated profit and loss account on page 7.

3) Capital employed for Q2 2017 is for continuing operations.

4) Comparative figures for Q2 2015 till Q3 2016 have not been restated for discontinued operation, as only either the numerator or denominator in the calculation has been restated for discontinued operation. Return on capital employed for Q2 2017, Q1 2017 and Q4 2017 has been calculated pro-forma for continuing operations.

5) The capital expenditure included in the calculation of the cash conversion has been adjusted for the capital expenditure related to discontinued operation.

6) The changes in net sales for Q1 2016 to Q4 2016 have not been restated for discontinued operation, as the net sales of the comparative period previous are not comparable to the net sales of the current period.



Parent Company

Condensed parent company profit and loss account

SEKm	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul 2016– Jun 2017	2016
Net sales	32	27	57	47	110	100
Gross profit	32	27	57	47	110	100
Administrative expenses	–44	–36	–76	–62	–136	–122
Operating loss	–12	–9	–19	–15	–26	–22
Net financial items	2	–8	4	–15	54	35
Profit or loss before tax	–10	–17	–15	–30	28	13
Income tax	2	4	1	6	–8	–3
Profit or loss for the period	–8	–13	–14	–24	20	10

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



Condensed parent company balance sheet

SEKm	30 Jun 2017	30 Jun 2016	31 Dec 2016
ASSETS			
Non-current assets	5,343	5,330	5,329
Current assets	35	25	117
TOTAL ASSETS	5,378	5,355	5,446
EQUITY AND LIABILITIES			
Equity	3,871	4,058	4,093
Non-current liabilities			
Borrowings	1,132	1,125	1,131
Derivative financial instruments	–	–	0
Provisions	1	1	1
Total non-current liabilities	1,133	1,126	1,132
Current liabilities			
Derivative financial instruments	0	12	4
Current liabilities	374	159	217
Total current liabilities	374	171	221
TOTAL EQUITY AND LIABILITIES	5,378	5,355	5,446

Condensed parent company statement of changes in equity

	6 months		Full year
SEKm	Jan–Jun 2017	Jan–Jun 2016	2016
Equity at beginning of period	4,093	4,218	4,218
Profit/loss for the period	–14	–24	10
Total comprehensive income	–14	–24	10
Transactions with the owners			
Share-based payments	8	8	9
Dividend	–216	–144	–144
Total transactions with owners	–208	–136	–135
Equity at end of period	3,871	4,058	4,093



Accounting and valuation policies, disclosures and risk factors

Accounting and valuation policies

Compliance with legislation and accounting standards

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board (IASB) and the interpretations issued by the IFRS Interpretations Committee (IFRIC) which have been endorsed by the European Commission for application in the EU. The applied standards and interpretations are those that were in force and had been endorsed by the EU at 1 January 2017. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied. The consolidated interim report is presented compliant with IAS 34, Interim Financial Reporting, and in compliance with the relevant provisions in the Swedish Annual Accounts Act and the Swedish Securities Market Act. The interim report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Securities Market Act, which are consistent with the provisions in recommendation RFR 2, Accounting for Legal Entities.

Basis of accounting

The same accounting policies and methods of computation are applied in the interim financial statements as in the most recent annual financial statements. Reference is made to Note 34 'Changes in accounting policies' in the annual and sustainability report for 2016. No new standards are effective as from 1 January 2017 which have been endorsed by the EU.

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

IFRS 9, 'Financial Instruments', published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments, Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. At this stage, the Group does not intend to adopt the standard before its effective date.

IFRS 15, 'Revenue from contracts with customers', establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition

guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group started the implementation process, in which the following phases have been identified:

- Phase 1: Impact assessment
- Phase 2: Implementation
- Phase 3: Embedding and monitoring

Currently the Group is working on the impact assessment, which covers a detailed contract analysis including identification of impact on revenue recognition, an evaluation of processes and controls and an assessment of the IT environment. At this stage, the Group is not able to quantify the impact of the new rules on the Group's financial statements or to decide on the method of first-time application.

IFRS 16, 'Leases' was published in January 2016 and supersedes IAS 17 Leases. The standard is required to be applied from 1 January 2019. A company can choose to apply IFRS 16 before this date but only if it also applies IFRS 15 Revenue from Contracts with Customers. The standard will affect primarily the accounting for the Group's operating leases.

In conjunction with the implementation process of IFRS 15 Cloetta initiated a process for the implementation of IFRS 16 and identified the same three phases. Currently the Group is working on the impact assessment, which covers an assessment of current lease contracts, an assessment of the processes to obtain required data and ensuring awareness and understanding by the different stakeholders within the Group. At this stage, the Group is not able to quantify the impact of the new rules on the Group's financial statements or to decide on the method of first-time application.

Disclosures

Parent Company

Cloetta AB's primary activities include head office functions such as group-wide management and administration. The comments below refer to the period from 1 January to 30 June 2017. Net sales in the Parent Company amounted to SEK 57m (47) and referred mainly to intra-group services. Operating loss was SEK -19m (-15). Net financial items totaled SEK 4m (-15). Loss before tax was SEK -15m (-30) and loss for the period was SEK -14m (-24). 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 2017, a total of 103,950,863 shares were traded for a combined value of SEK 3,457m, equal to around 37 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 2017 was SEK 38.80 (5 June) and the lowest was SEK 27.70 (12 January). The share price on 30 June 2017 was SEK 34.70 (last price paid). During the period from 1 January to 30 June 2017, the Cloetta share increased by 21 per cent while the Nasdaq



OMX Stockholm PI index increased by 8 per cent. Cloetta's share capital at 30 June 2017 amounted to 1,443,096,495. The total number of shares is 288,619,299, consisting of 5,735,249 (9,861,614) class A shares and 282,884,050 (278,757,685) class B shares, equal to a quota value of SEK 5 per share.

Shareholders

On 30 June 2017 Cloetta AB had 17,818 shareholders. The largest shareholder was AB Malfors Promotor with a holding corresponding to 36.1 per cent of the votes and 24.7 per cent of the share capital in the company. Threadneedle (Ameriprise Financial Inc.) was the second largest shareholder with 4.4 per cent of the votes and 5.8 per cent of the share capital. The third largest shareholder was Wellington Management with 4.3 per cent of the votes and 5.1 per cent of the share capital. Institutional investors held 91.4 per cent of the votes and 89.8 per cent of the share capital. Foreign shareholders held 46.1 per cent of the votes and 54.4 per cent of the share capital.

Guidelines on Alternative Performance Measures

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

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

Fair value measurement

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

- the interest rate swaps and forward foreign currency contracts categorized at level 2 of the fair value hierarchy in all periods presented;
- the contingent earn-out consideration related to the acquisition of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB), the contingent consideration arising from the option agreement for Aran Candy Ltd. (currently known as Cloetta Ireland Ltd.) and the contingent earn-out consideration related to the acquisition of Candyking Holding AB and its subsidiaries initially categorized at level 3, as well as;
- assets held for sale, in cases where the fair value less cost of disposal is below the carrying amount.

On 4 July 2016 and on 4 October 2016 respectively the contingent consideration arising from the option agreement for Aran Candy Ltd. and the contingent earn-out consideration of Alrifai Nutisal AB were settled.

On 28 April 2017 the contingent earn-out consideration arising from the acquisition of Candyking Holding AB and its subsidiaries was recognized for an amount of SEK 128m. The fair values of financial assets (loans and receivables) and liabilities measured at amortised cost are approximately equal to carrying amounts. The fair value of financial assets and liabilities for measurement purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value measurements by level according to the fair value measurement hierarchy are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

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

The following table presents the Group's assets and liabilities that were measured at fair value at 30 June 2017:

SEKm	Level 1	Level 2	Level 3	Total
Assets				
<i>Assets at fair value through profit or loss</i>				
- Assets measured at fair value less cost of disposal	-	288	-	288
Total assets	-	288	-	288
Liabilities				
<i>Liabilities at fair value through profit or loss</i>				
- Interest rate swaps	-	2	-	2
- Contingent consideration	-	-	132	132
Total liabilities	-	2	132	134

The assets and liabilities measured at fair value less cost of disposal at 30 June 2017 consisted of the discontinued operation in Italy including the land and building in Zola Predosa, Italy.

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

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

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

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



The following table presents the Group's assets and liabilities that are measured at fair value as per 30 June 2016:

SEKm	Level 1	Level 2	Level 3	Total
Assets				
<i>Assets at fair value through profit or loss</i>				
- Forward foreign currency contracts	–	2	–	2
- Assets measured at fair value	–	–	8	8
Total assets	–	2	8	10
Liabilities				
<i>Liabilities at fair value through profit or loss</i>				
- Interest rate swaps	–	17	–	17
- Contingent considerations	–	–	152	152
Total liabilities	–	17	152	169

The assets measured at fair value less cost of disposal at 30 June 2016 consisted of the land and building in Zola Predosa, Italy. The assets and liabilities measured at fair value are reflected in the 'assets held for sale', 'derivative financial instruments' and 'other current liabilities'.

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

SEKm	Jan– Jun 2017	Jan– Jun 2016	Full year 2016
Opening balance	–	125	125
Business combinations	128	–	–
<i>Remeasurements recognized in profit and loss</i>			
- Unrealized remeasurements on contingent considerations recognised in general and administrative expenses	–	17	17
- Unrealized interest on contingent considerations recognised in other financial expenses	4	7	10
<i>Remeasurements recognized in other comprehensive income</i>			
- Unrealized currency translation differences	–	3	2
<i>Settlements</i>			
- Settlement via balance sheet	–	–	–154
Closing balance	132	152	–

On 28 April 2017 the contingent earn-out consideration arising from the acquisition of Candyking Holding AB and its subsidiaries was recognized for an amount of SEK 128m. At the end of the quarter the expected undiscounted contingent earn-out consideration amounted to SEK 175m (discounted: SEK 132m). On 4 October 2016 the contingent earn-out consideration related to the acquisition of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) was settled for an amount of SEK 48m, resulting in a transfer from fair value hierarchy level 3 to 2 in the third quarter of 2016. No other transfers between fair value hierarchy levels have 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 were thereby initially categorised at level 3. The valuation techniques and inputs used to value financial instruments are:

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

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

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

- The estimated fair value of the contingent earn-out consideration related to the acquisition of Alrifai Nutisal AB would increase (decrease) if:
 - the forecasted profit before indirect cost for 2016 were higher (lower).
- The estimated fair value of the contingent consideration arising from option agreements would increase (decrease) if:
 - the working capital at 31 December 2015 was higher (lower),
 - the cash balance at 31 December 2015 was higher (lower),
 - the adjusted gross profit for 2015 was higher (lower).
- The estimated fair value of the contingent earn-out consideration related to the acquisition of Candyking Holding AB and its subsidiaries will increase (decrease) if:
 - the forecasted Cloetta's and Candyking's combined sales volume of pick & mix in confectionery and natural snacks in the Nordic countries, the UK and Poland during 2018 is higher (lower).

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

Taxes

The net effect of international tax rate differences, changes in filing positions, non-deductible expenses and results for which no deferred tax asset is recognized impact the effective tax rate of the Group unfavourably. Cloetta's deferred tax balances have been calculated according to the enacted or substantially enacted tax rates.



Acquisition of Candyking Holding AB

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

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

The total goodwill of SEK 171m is not expected to be deductible for tax purposes. The acquired receivables contain of trade receivables of SEK 128m which are expected to be collected in full. The total transaction cost related to the acquisition amounted to SEK 14m and is fully recognized in the profit and loss account for of the period concerned as 'general and administrative expenses'. Due to the short-term nature of the receivables, the fair value approximates the gross contractual amounts. The contractual cash flows which are not expected to be collected are immaterial. Candyking Holding AB and its subsidiaries contributed SEK 161m to Cloetta's consolidated revenues from acquisition date to 30 June 2017 had Candyking Holding AB and its subsidiaries been consolidated from 1 January 2017, it would have (pro forma) contributed SEK 543m to consolidated revenues over the period from 1 January 2017 to 30 June 2017. Because Candyking Holding AB and its subsidiaries were acquired on 28 April 2017, the accounting for the business combination is preliminary and has not yet been finalized, as the company is still assessing certain information. The goodwill acquired is allocated to the cash generating unit Scandinavia.

Acquisition of Candyking Holding AB

SEKm	
Consideration transferred	
Purchase price	325
Transaction adjustment	-62
Contingent consideration	128
Consideration transferred	391
Acquisition Candyking bond and other debt	-391
Net consideration	0
<i>Recognised amounts of identifiable assets and liabilities assumed:</i>	
Non-current assets	279
Intangible assets (excl. goodwill)	177
Property, plant and equipment	80
Other non-current assets	22
Current assets	257
Inventories	91
Trade and other receivables	152
Cash and cash equivalents	14
Non-current liabilities	-41
Deferred tax liabilities	-41
Current liabilities	-666
Bond and other debt	-391
Other borrowings	-23
Trade payables	-136
Taxes and social security premiums	-50
Other current liabilities	-66
Total identifiable net assets	-171
Goodwill	171
Net consideration	0



Discontinued operation

On 18 January 2017 the Board announced a strategic review of Cloetta Italy. On 6 July 2017 Cloetta signed an agreement to sell Cloetta Italia S.r.l. to Katjes International GmbH. Cloetta Italia S.r.l. is accounted for as assets held for sale and discontinued operation. The comparative figures in the consolidated profit and loss account and consolidated statement of comprehensive income have been restated to present the discontinued operation separately from continuing operations.

Cloetta has recognised an impairment loss of SEK 146m on intangible assets and an impairment loss of SEK 219m on property, plant and equipment as a result of a write-down of the carrying value of the assets subject to the disposal to their lower fair value less cost of disposal. The impairment loss is recognised in profit/loss from discontinued operation, net of tax.

The disposal will take place via a transfer of the shares of Cloetta Italia S.r.l. Any assets or liabilities which will be retained in the Cloetta Group will be transferred within the group before the transfer of shares takes place.

The following table presents the result from discontinued operation:

SEKm	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul 2016–Jun 2017	2016
Net sales	132	141	257	265	737	745
Cost of goods sold						
- Impairment loss	-219	–	-219	–	-219	–
- Other cost of goods sold	-78	-81	-152	-155	-446	-449
Total cost of goods sold	-297	-81	-371	-155	-665	-449
Gross profit	-165	60	-114	110	72	296
Selling expenses	-45	-40	-79	-71	-157	-149
General and administrative expenses						
- Impairment loss	-146	–	-146	–	-917	-771
- Other general and administrative expenses	-19	-26	-40	-49	-84	-93
Total general and administrative expenses	-165	-26	-186	-49	-1 001	-864
Operating loss	-375	-6	-379	-10	-1 086	-717
Financial income	1	–	–	–	–	0
Financial expenses	-1	-2	-1	-4	-5	-8
Net financial items	0	-2	-1	-4	-5	-8
Loss before tax	-375	-8	-380	-14	-1 091	-725
Income tax	3	0	1	2	186	187
Loss from discontinued operation, net of tax	-372	-8	-379	-12	-905	-538

The following table presents the cash flow from discontinued operation:

SEKm	Second quarter		6 months		Rolling 12	Full year
	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jul 2016–Jun 2017	2016
Cash flow from operating activities	-7	-15	89	107	123	141
Cash flow from investing activities	-7	-6	-10	-11	-29	-30
Cash flow from financing activities	–	–	–	–	–	–
Cash flow from discontinued operation	-14	-21	79	96	94	111



The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as per 30 June 2017:

SEKm	30 Jun 2017
Intangible assets	113
Property, plant and equipment	181
Deferred tax asset	22
Other financial assets	1
Inventories	147
Other current assets	335
Cash and cash equivalents	31
Assets held for sale	830
Borrowings	119
Deferred tax liability	10
Provisions for pensions and other long-term employee benefits	62
Provisions	3
Other current liabilities	230
Liabilities directly associated with assets held for sale	424
Carrying amount of net assets held for sale	406

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 Italy in connection with the holiday season.

Employees

The average number of employees during the quarter was 412 (443).

Risk factors

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



Definitions

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



Data per share	Definition/calculation	Purpose
Cash flow from operating activities per share	Cash flow from operating activities in the period divided by the average number of shares.	The cash flow from operating activities per share measures the amount of cash the company generates per share from the revenues it brings in irrespective the capital investments and cash flows related to the financing structure of the company.
Earnings per share	Profit for the period divided by the average number of shares adjusted for the effect of forward contracts to repurchase own shares.	The earnings per share measures the amount of net profit that is available for payment to its shareholders per share.
Equity per share	Equity at the end of the period divided by number of shares at the end of the period.	Equity per share measures the net-asset value backing up each share of the company's equity and determines if a company is increasing shareholder value over time.
Other definitions	Definition/calculation	Purpose
EBIT	Operating profit consists of comprehensive income before net financial items and income tax.	This measure enables the profitability to be compared across locations where corporate taxes differ and irrespective the financing structure of the company.
EBITDA	Operating profit before depreciation and amortization.	EBITDA is used to measure the cash flow generated from operating activities, eliminating the impact of financing and accounting decisions.
EBITDA, adjusted	Operating profit, adjusted for items affecting comparability, before depreciation and amortization.	EBITDA, adjusted increases the comparability of EBITDA.
Effective tax rate	Income tax as a percentage of profit before tax.	This measure enables the income tax to be compared across locations where corporate taxes differ.
Items affecting comparability	Items affecting comparability are items such as restructurings and impact from acquisitions.	Items affecting comparability increases the comparability within the profit and loss account.
Net financial items	The total of exchange differences on borrowings and cash and cash equivalents in foreign currencies, other financial income and other financial expenses.	The net financial items reflects the company's total costs of the external financing.
Net sales, change	Net sales as a percentage of net sales in the comparative period of the previous year.	Net sales, change reflects the company's realised top-line growth over time.
Operating profit, adjusted	Operating profit adjusted for items affecting comparability.	Operating profit, adjusted increases the comparability of operating profit.
Organic growth	Net sales, change 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

Pick & mix concept	Cloetta's range of candy and natural snacks that are picked by the consumers themselves.
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Exchange rates

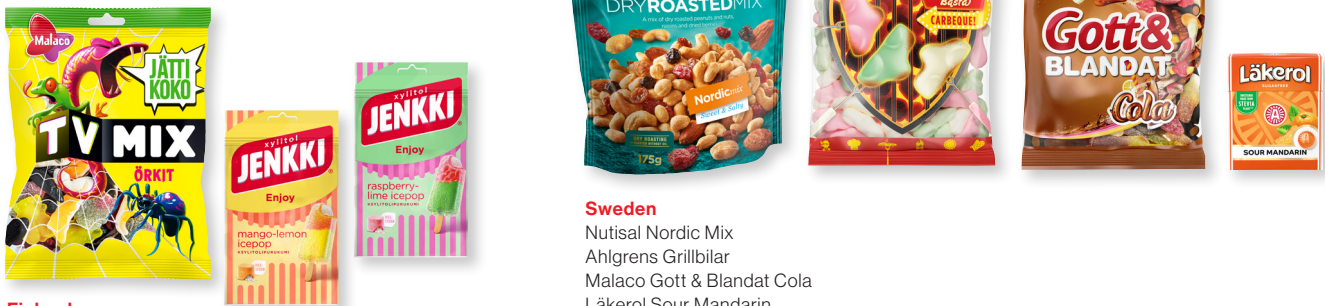
	30 Jun 2017	30 Jun 2016	31 Dec 2016
EUR, average	9.5958	9.3005	9.4700
EUR, end of period	9.7009	9.4330	9.5804
NOK, average	1.0460	0.9882	1.0200
NOK, end of period	1.0143	1.0132	1.0548
GBP, average	11.1534	11.9212	11.5480
GBP, end of period	11.0451	11.4353	11.1673
DKK, average	1.2904	1.2486	1.2721
DKK, end of period	1.3045	1.2681	1.2888

Examples of new launches during the second quarter



Sweden, Finland and Norway

Malaco Crazy Face Salty
Malaco Crazy Face Fizzy
Malaco Crazy Face Sour
Malaco Crazy Face Sour Chewy Pineapple
Malaco Crazy Face Sour Chewy Apple



Sweden

Nutisal Nordic Mix
Ahlgrens Grillbilar
Malaco Gott & Blandat Cola
Läkerol Sour Mandarin

Finland

TV Mix Örkit
Jenkki Enjoy Mango-Lemon Icepop
Jenkki Enjoy Raspberry-Lime Icepop



Norway

Kick Bites Seasalt/Raspberry
Kick Peach
Läkerol YUP Mix Salty Caramels & Salmiak
Läkerol Ginger Lime



Denmark and the Netherlands

Nutisal Yoghurt Mix
Nutisal Salad Mix



Travel

Malaco Zoo suitcase
Malaco Compass Water/Air



Export

Läkerol Fruity drops Honey Lemon Tea
Läkerol Frutti Duo Twist Strawberry Banana



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 set out above, at 8:00 a.m. CET on 13 July 2017.

Vision

To be the most admired satisfier of Munchy Moments

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

Business model

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

Long-term financial targets

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

Strategies

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

Value drivers

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



About Cloetta

Cloetta, founded in 1862, is a leading confectionery company in the Nordic region, the Netherlands and Italy. In total, Cloetta products are sold in more than 50 countries worldwide. Cloetta owns some of the strongest brands on the market, such as Läderol, Cloetta, Jenkki, Kexchoklad, Malaco, Sportlife, Saila, Red Band and Sperlari. Cloetta has 12 production units in six countries. Cloetta's class B shares are traded on Nasdaq Stockholm.

Cloetta

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