Interim report, Q2 April – June 2015

Stockholm, 17 July 2015

- **Net sales** for the quarter increased by 3.4 per cent to SEK 1,280 (1,238), including a positive impact from foreign exchange rates of 1.4 per cent.
- **Operating profit** increased to SEK 130m (85).
- **Cash flow from operating activities** was very strong and amounted to SEK 163m (44).
- **Net debt/EBITDA** continued to decrease and was 3.30x (4.55).
- **On 16 July, 2015 Cloetta signed an agreement to acquire Locawo B.V. (Lonka)** – a Dutch company producing and selling fudge, nougat and chocolate. The acquisition will significantly strengthen Cloetta's position in the Netherlands.

	Second quarter			6 months			Full year
SEKm	Apr–Jun 2015	Apr–Jun 2014	Change, %	Jan–Jun 2015	Jan–Jun 2014	Change, %	2014
Net sales	1,280	1,238	3.4[2]	2,593	2,431	6.7[2]	5,313
Operating profit (EBIT)	130	85	52.9	220	137	60.6	577
Operating profit margin (EBIT margin), %	10.2	6.9	3.3 pts	8.5	5.6	2.9 pts	10.9
Underlying EBIT[1]	129	110	17.3	236	191	23.6	635
Underlying EBIT margin, %[1]	10.3	9.4	0.9 pts	9.3	8.1	1.2 pts	11.9
Profit before tax	91	19	378.9	133	21	533.3	338
Profit/loss for the period	66	9	633.3	99	–3	n/a	242
Earnings per share, basic and diluted, SEK	0.23	0.03	666.7	0.35	–0.01	n/a	0.84
Net debt/EBITDA (Rolling 12 months), x	3.30	4.55	–27.5	3.30	4.55	–27.5	3.97
Cash flow from operating activities	163	44	270.5	386	135	185.9	500

1 Based on constant exchange rates, the current group structure and excluding items affecting comparability related to restructurings.
2 Organic growth at constant exchange rates and comparable units 0.8 per cent for the quarter and 2.4 per cent for the first half year. See further under Net sales on page 3.

Message from the CEO

Continued improved operating profit and growth

Cloetta's operating profit (EBIT) grew by 52.9 per cent and amounted to SEK 130m (85) in the quarter. Sales have also increased, mainly due through organic growth and acquisitions but also exchange rate differences. The underlying operating profit was SEK 129m (110). The operating profit margin and underlying EBIT margin strengthened to 10.2 per cent (6.9) and 10.3 per cent (9.4), respectively. Profit after tax also improved significantly and amounted to SEK 66m (9).

The confectionery market

The confectionery market showed positive development or was unchanged in all markets except in the Netherlands, where it declined.

Increased sales

Cloetta's sales for the quarter rose by 3.4 per cent, of which organic growth accounted for 0.8 per cent, acquisitions for 1.2 per cent and changes in exchange rates for 1.4 per cent. Cloetta is growing organically despite lower sales in Italy, the Netherlands and Norway. Sales increased in Sweden, Finland and Denmark. Sales of Nutisal and The Jelly Bean Factory also increased in the quarter. The increase in sales in Denmark is explained by increased sales of pastilles and the sales growth in Finland is attributable to product launches and Pick & Mix.

Sales of the new Pick & Mix concept in Sweden developed according to plan. However, Cloetta has lost sales to some of the largest customers in Sweden, mainly due to ongoing contract negotiations. Consequently, there is a risk that sales to these customers in Sweden will continue to be negatively affected for some period. There is a similar situation with one major customer in Norway. Cloetta stands by its principle that cost changes, regardless of direction, in raw material and exchange rates ought to be passed on to the customers and consumers.

Strong cash flow and lower debt

Cloetta's robust cash-generating ability has once again resulted in a very strong cash flow. The net debt/EBITDA ratio has continued to decrease and has now reached 3.30x (4.55). The long-term target of a net debt/EBITDA ratio of around 2.5x remains unchanged.

The acquisition of Lonka creates value

Cloetta has signed an agreement to acquire Locawo B.V. (Lonka) – a Dutch company producing and selling fudge, nougat and chocolate. The acquisition will significantly strengthen Cloetta's position in the Netherlands, but also the Nordic countries and the UK are important markets, especially within Pick & Mix. The acquisition will diversify Cloetta's product range into new categories and technologies including the Dutch chocolate market. It will also create cost synergies, thereby over time supporting Cloetta's long term EBIT-target.

Strategy paying off

Cloetta's strategy for profitable growth is generating continuous improvements. We have been able to demonstrate organic growth in the past few years while at the same time completing acquisitions to further accelerate growth. In nine of the past ten quarters, we have improved our operating profit compared to the previous year. And for the first time after several quarters of decreasing restructuring costs, Cloetta can report a quarter completely free from restructuring charges. This demonstrates our ability to execute. After six years at the helm, I therefore feel good about handing over to David Nuutinen as the new President and CEO of Cloetta. I would also like to take this opportunity to extend my gratitude to the employees, shareholders, Board of Directors, customers and consumers who have in various ways contributed to Cloetta's development during the years when I have had the pleasure of serving as CEO.

Bengt Baron,
President and CEO

Financial overview

Second quarter developments

Net sales

Net sales for the second quarter rose by 42m to SEK 1,280m (1,238) compared to the same period of last year. Organic growth was 0.8 per cent, acquisitions accounted for 1.2 per cent and changes in exchange rates accounted for 1.4 per cent.

Sales increased in Sweden, Finland and Denmark, but declined in Italy, the Netherlands and Norway. Sales of Nutisal and The Jelly Bean Factory also increased in the quarter. The increase in sales in Denmark is explained by increased sales of pastilles and the sales growth in Finland is attributable to product launches and Pick & Mix.

Sales of the new Pick & Mix concept in Sweden developed according to plan. However, Cloetta has lost sales to some of the largest customers in Sweden, mainly due to ongoing contract negotiations. The decline in sales in the Netherlands is mainly due to a weak market development.

Changes in net sales, %	Apr–Jun 2015	Jan–Jun 2015
Organic growth	0.8	2.4
Structural changes	1.2	2.0
Changes in exchange rates	1.4	2.3
Total	**3.4**	**6.7**

Gross profit

Gross profit amounted to SEK 524m (468), which is equal to a gross margin of 40.9 per cent (37.8). The improvement in the gross margin is mainly due to higher efficiency in the factories and less restructuring costs compared to 2014.

Operating profit

Operating profit improved to SEK 130m (85). The improvement is mainly due to higher efficiency in the factories and less restructuring costs compared to 2014. Underlying EBIT improved to SEK 129m (110).

Items affecting comparability

Operating profit for the second quarter includes exchange rate differences of SEK –1m.

Net financial items

Net financial items for the quarter amounted to SEK –39m (–66). Interest expenses related to external borrowings totalled SEK –28m (–36) and other financial items amounted to SEK –11m (–30). SEK –9m (–24) of the total net financial items is non-cash in nature.

Profit for the period

Profit for the period was SEK 66m (9), which is equal to basic and diluted earnings per share of SEK 0.23 (0.03). Income tax for the period was SEK –25m (–10). The effective tax rate for the quarter is 27.5 per cent.

Acquisitions and divestments

No acquisitions or divestments took place in the second quarter.

Development in the first half of the year

Net sales

Net sales for the first half of the year increased by SEK 162m to SEK 2,593m (2,431) compared to the same period of last year. Organic growth was 2.4 per cent, acquisitions accounted for 2.0 per cent and changes in exchange rates accounted for 2.3 per cent.

Sales increased in Sweden, Denmark and Finland but declined in the Netherlands, Norway and Italy.

Gross profit

Gross profit amounted to SEK 1.015m (892), which is equal to a gross margin of 39.1 per cent (36.7). The improvement in the gross margin is mainly due to higher efficiency in the factories and less restructuring costs compared to 2014.

Operating profit

Operating profit improved to SEK 220m (137). The improvement is mainly due to higher efficiency in the factories and less restructuring costs compared to 2014. Underlying EBIT improved to SEK 236m (191).

Items affecting comparability

Operating profit for the first half year includes items affecting comparability related to the restructuring of the Italian organisation, implementation costs for the new Pick & Mix concept in Sweden amounted to SEK 19m. Exchange rate differences of SEK –3m.

Net financial items

Net financial items for the first half of the year amounted to SEK –87m (–116). Interest expenses related to external borrowings totalled SEK –67m (–70) and other financial items amounted to SEK –20m (–46). SEK –21m (–36) of the total net financial items is non-cash in nature.

Profit for the period

Profit for the first half of the year was SEK 99m (–3), which is equal to basic and diluted earnings per share of SEK 0.35 (–0.01). Income tax for the period was SEK –34m (–24). The effective tax rate for the first half year is 25.6 per cent.

Acquisitions and divestments

No acquisitions or divestments took place in the first half of the year.

Cash flow from operating and investing activities for the second quarter

Cash flow for the second quarter

Cash flow from operating activities was SEK 163m (44). Cash flow from operating activities before changes in working capital was SEK 100m (74). The improvement compared to the prior year is mainly the result of a higher operating profit. The cash flow from changes in working capital was SEK 63m (–30). Cash flow from operating and investing activities was SEK 135m (–71).

Working capital

The cash flow from changes in working capital was SEK 63m (–30). The cash flow from movements in working capital is mainly attributable to higher collection of receivables of SEK 76m (51) and a lower increase in inventories that has impacted the cash flow in an amount of SEK –22m (–60).

Investments

Cash flow from investing activities was SEK –28m (–115). The decrease is mainly due to the acquisition of Aran Candy Ltd. for a net amount of SEK 124m, partly offset by the proceeds of SEK 53m from the sale of the Gävle property in 2014. The cash flow from investments in property, plant and equipment and intangibles amounted to SEK –28m (–44).

Cash flow for the first half of the year

Cash flow from operating activities was SEK 386m (135). Cash flow from operating activities before changes in working capital was SEK 166m (73). The improvement compared to prior year is mainly the result of a higher operating result. The cash flow from movements in working capital was SEK 220m (62). Cash flow from operating and investing activities was SEK 303m (–123).

Working capital

The cash flow from changes in working capital was SEK 220m (62). The cash flow from movements in working capital is mainly attributable to higher collection of receivables of SEK 236m (128) that are mainly related to the seasonal sales. A nearly flat inventory level in the first half of the year compared to an increasing inventory in the first half of 2014 impacted the cash flow positively in an amount of SEK 4m (–69).

Investments

Cash flow from investing activities was SEK –83m (–258). The decrease is mainly due to the acquisitions of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) for an amount of SEK 110m and Aran Candy Ltd. for a net amount of SEK 124m, which was partly offset by the fact that the proceeds from the sale of the Gävle property of SEK 53m in 2014. The cash flow from investments in property, plant and equipment and intangibles amounted to SEK –83m (–80).

Financial position

Consolidated equity at 30 June 2015 amounted to SEK 4,117m (3,820), which is equal to SEK 14.3 per share (13.2). Net debt at 30 June 2015 was SEK 2,960m (3,493).

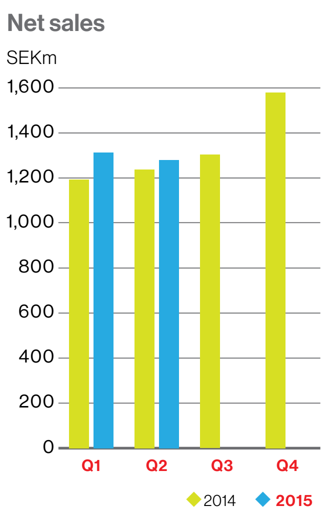
Non-current borrowings totalled SEK 2,786m (3,103) and consisted of SEK 1,809m (2,144) in gross loans from credit institutions, senior secured notes for an amount of SEK 1,000m (1,000) and SEK –23m (–41) capitalised transaction costs.

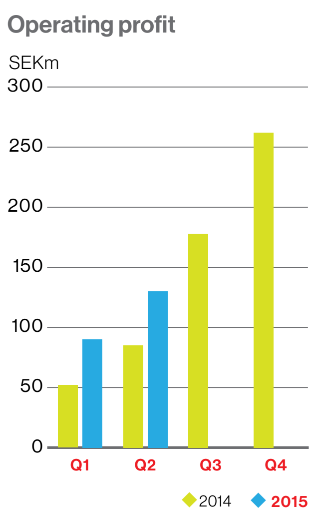
Total current borrowings amounted to SEK 325m (425) and consisted of SEK 341m (135) in gross loans from credit institutions, SEK –17m (–19) in capitalised transaction costs, SEK – (307) in a credit overdraft facility, and accrued interest on loans from credit institutions and senior secured notes for an amount of SEK 1m (2).

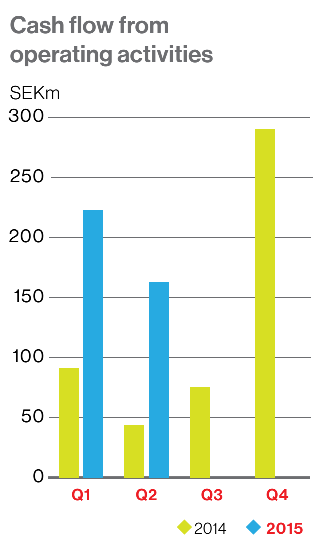
The short-term gross loans from credit institutions in an amount of SEK 341m (135) consist of a short-term repayment obligation for the last two quarters of 2015 and the first half of 2016.

SEKm	30 Jun 2015	30 Jun 2014	31 Dec 2014
Gross non-current borrowings	1,809	2,144	2,026
Gross current borrowings	341	135	229
Credit overdraft facility	–	307	211
Senior secured notes	1,000	1,000	1,000
Derivative financial instruments (current and non-current)	70	62	70
Interest payable	1	2	1
Gross debt	**3,221**	**3,650**	**3,537**
Cash and cash equivalents	–261	–157	–229
Net debt	**2,960**	**3,493**	**3,308**

Cash and cash equivalents at 30 June 2015, excluding long-term unutilised overdraft facilities, amounted to SEK 261m (157). At 30 June 2015 Cloetta had unutilised overdraft facilities for a total of SEK 717m (376).







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 and Italy in connection with the holiday season.

Employees

The average number of employees during the quarter was 2,453 (2,452).

Events after the balance sheet date

On 16 July, 2015, the board of Cloetta approved the acquisition of Locawo B.V. (Lonka) – a Dutch company producing and selling fudge, nougat and chocolate, to take place on 17 July, 2015. The cquisition will significantly strengthen Cloetta's position in the Netherlands.

Cloetta has agreed to acquire 100 per cent of the shares of Locawo B.V. The purchase price is SEK 295m in cash. The acquisition will be financed utilizing Cloetta's existing credit facilities.

Lonka primarily produces and sells fudge, nougat and chocolate products. Approximately 50 per cent of sales are branded and 50 per cent are Pick & Mix sales and contract manufacturing. Lonka was established in the Netherlands in 1920 and was acquired by the current main owner in 1997. The products are produced in two factories in the Netherlands, one in Roosendaal and one in Dieren. Lonka has 130 employees of which approximately 95 are employed in production and the head office in Roosendaal.

Lonka's sales amounted to about SEK 300m in 2014 with the Netherlands being the core market, accounting for about half of the sales. The Nordic countries and the UK are other important markets, especially within Pick & Mix.

Due to the timing of the acquisition, the initial accounting for the business combination in accordance with IFRS 3 'Business Combinations' will be included in the Q3 interim report.

Long-term share-based incentive plan (LTI 2015)

The AGM 2015 approved the Board's proposal regarding LTI 2015. LTI 2015 is comprised of not more than 74 employees consisting of the Group Management and certain key employees within the Cloetta Group, divided into three categories. The first category is comprised of the CEO and the other ten members of the Group Management, the second category is comprised of not more than 34 other employees who have been considered to have a significant direct impact on Cloetta's results. The third category is comprised of not more than 29 employees, consisting of individuals who have been considered to have an indirect impact on the results of Cloetta. To participate in LTI 2015, the participant must have a personal shareholding in Cloetta ("Investment Shares"), which shall be allocated to LTI 2015. The Investment Shares may be acquired specifically for purposes of LTI 2015, or be shares already held by the participant, provided that these have not been allocated to a previous incentive plan. The participant may invest a maximum of approximately 10 per cent of the participant's annual salary for 2015 before tax in LTI 2015. For the first category of participants, each Investment Share grants entitlement to one (1) matching share right ("Matching Share Right") and six (6) performance share rights ("Performance Share Right") (together referred to as "Share Rights"). For the second category, each Investment Share grants entitlement to one (1) Matching Share Right and four (4) Performance Share Rights. For the third category, each Investment Share grants entitlement to one (1) Matching Share Right and two (2) Performance Share Rights. The Share Rights were granted to the participant following the Annual General Meeting 2015 in connection with, or shortly after, an agreement was made between the participant and Cloetta concerning participation in LTI 2015. Allocation of B shares, if any, on the basis of Share Rights will, except for in exceptional circumstances, occur after the announcement of Cloetta's interim report for the first quarter 2018.

Allocation of B shares on the basis of performance share rights requires, the attainment of two performance targets, one of which is related to Cloetta's EBIT and the other to Cloetta's net sales value. The maximum number of B shares in Cloetta which, may be allocated under LTI 2015 shall be limited to 2,000,000 representing approximately 0.7 per cent of the outstanding shares and 0.5 per cent of the outstanding votes. Total costs related to LTI 2015 that are recognised in the second quarter amount to SEK 0.5m.

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, 17 July 2015
Cloetta AB (publ)

Caroline Sundewall
Chairman

Lottie Knutson
Member of the Board

Mikael Norman
Member of the Board

Adriaan Nühn
Member of the Board

Mikael Svenfelt
Member of the Board

Olof Svenfelt
Member of the Board

Lena Grönedal
Employee Board member

Bengt Baron
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 Apr–Jun 2015	Second quarter Apr–Jun 2014	6 months Jan–Jun 2015	6 months Jan–Jun 2014	Rolling 12 Jul 2014–Jun 2015	Full year 2014
Net sales	1,280	1,238	2,593	2,431	5,475	5,313
Cost of goods sold	–756	–770	–1,578	–1,539	–3,364	–3,325
Gross profit	**524**	**468**	**1,015**	**892**	**2,111**	**1,988**
Other income	0	1	0	1	4	5
Selling expenses	–239	–257	–484	–460	–916	–892
General and administrative expenses	–155	–127	–311	–296	–539	–524
Operating profit	**130**	**85**	**220**	**137**	**660**	**577**
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	3	–3	9	–4	2	–11
Other financial income	0	2	0	3	1	4
Other financial expenses	–42	–65	–96	–115	–213	–232
Net financial items	**–39**	**–66**	**–87**	**–116**	**–210**	**–239**
Profit before tax	**91**	**19**	**133**	**21**	**450**	**338**
Income tax	–25	–10	–34	–24	–106	–96
Profit for the period	**66**	**9**	**99**	**–3**	**344**	**242**
Profit for the period attributable to:						
Owners of the Parent Company	**66**	**9**	**99**	**–3**	**344**	**242**
Earnings per share, SEK						
Basic	0.23	0.03	0.35	–0.01	1.20	0.84
Diluted[1]	0.23	0.03	0.35	–0.01	1.20	0.84
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]	286,481,689	287,424,546	286,481,689	287,502,683	286,481,689	286,987,990
Average number of shares (diluted)[1]	286,810,369	287,626,010	286,687,243	287,578,465	286,625,863	287,092,780

1 Cloetta entered into two long-term forward contracts to repurchase own shares to fulfill its future obligation to deliver the shares to the participants in the long-term share-based incentive plan. Earnings per share are calculated on the average number of shares adjusted for the effect of the forward contracts to repurchase own shares. The two contracts covers a total of 2,137,610 Cloetta AB shares. One contract covers 937,610 Cloetta AB shares for an amount of SEK 18.50678 per share and the other contract covers 1,200,000 Cloetta AB shares for an amount of SEK 23.00000 per share.

Consolidated statement of comprehensive income

SEKm	Second quarter Apr–Jun 2015	Second quarter Apr–Jun 2014	6 months Jan–Jun 2015	6 months Jan–Jun 2014	Rolling 12 Jul 2014–Jun 2015	Full year 2014
Profit for the period	**66**	**9**	**99**	**–3**	**344**	**242**
Other comprehensive income						
Remeasurement of defined benefit pension plans	81	–17	47	–37	–62	–146
Income tax on other comprehensive income that will not be reclassified subsequently to profit or loss for the period	–18	3	–11	7	15	33
Items that will never be reclassified to profit or loss for the period	**63**	**–14**	**36**	**–30**	**–47**	**–113**
Hedge of a net investment in a foreign operation	9	–20	20	–28	1	–47
Currency translation differences	–43	107	–86	151	–5	232
Income tax on other comprehensive income that will be reclassified subsequently to profit or loss for the period, when specific conditions are met	–2	4	–4	6	0	10
Items that are or may be reclassified to profit or loss for the period	**–36**	**91**	**–70**	**129**	**–4**	**195**
Total other comprehensive income	**27**	**77**	**–34**	**99**	**–51**	**82**
Total comprehensive income, net of tax	**93**	**86**	**65**	**96**	**293**	**324**
Total comprehensive income for the period attributable to:						
Owners of the Parent Company	93	86	65	96	293	324

Net financial items

SEKm	Second quarter Apr–Jun 2015	Second quarter Apr–Jun 2014	6 months Jan–Jun 2015	6 months Jan–Jun 2014	Rolling 12 Jul 2014–Jun 2015	Full year 2014
Exchange differences on borrowings and cash	**3**	**–3**	**9**	**–4**	**2**	**–11**
Other financial income, third parties	0	2	0	3	1	4
Other financial income	**0**	**2**	**0**	**3**	**1**	**4**
Interest expenses on third-party borrowings and realised losses on single currency interest rate swaps	–28	–36	–67	–70	–143	–146
Interest expenses, contingent earn-out liabilities	–4	–3	–7	–6	–15	–14
Amortisation of capitalised transaction costs	–5	–4	–9	–9	–19	–19
Unrealised losses on single currency interest rate swaps	2	–13	0	–14	–9	–23
Other financial expenses	–7	–9	–13	–16	–27	–30
Other financial expenses	**–42**	**–65**	**–96**	**–115**	**–213**	**–232**
Net financial items	**–39**	**–66**	**–87**	**–116**	**–210**	**–239**

Condensed consolidated balance sheet

SEKm	30 Jun 2015	30 Jun 2014	31 Dec 2014
ASSETS			
Non-current assets			
Intangible assets	5,806	5,786	5,882
Property, plant and equipment	1,615	1,651	1,667
Deferred tax asset	74	69	84
Other financial assets	112	104	105
Total non-current assets	**7,607**	**7,610**	**7,738**
Current assets			
Inventories	839	963	853
Other current assets	867	866	1,124
Derivative financial instruments	2	–	2
Cash and cash equivalents	261	157	229
Total current assets	**1,969**	**1,986**	**2,208**
Assets held for sale	16	16	16
TOTAL ASSETS	**9,592**	**9,612**	**9,962**
EQUITY AND LIABILITIES			
Equity	**4,117**	**3,820**	**4,048**
Non-current liabilities			
Borrowings	2,786	3,103	2,993
Deferred tax liability	508	413	483
Derivative financial instruments	38	53	56
Other non-current liabilities	88	166	147
Provisions for pensions and other long-term employee benefits	457	404	505
Provisions	11	17	16
Total non-current liabilities	**3,888**	**4,156**	**4,200**
Current liabilities			
Borrowings	325	425	423
Derivative financial instruments	34	9	16
Other current liabilities	1,218	1,188	1,210
Provisions	10	14	65
Total current liabilities	**1,587**	**1,636**	**1,714**
TOTAL EQUITY AND LIABILITIES	**9,592**	**9,612**	**9,962**

Condensed consolidated statement of changes in equity

SEKm	Jan–Jun 2015	Jan–Jun 2014	Full year 2014
Equity at beginning of period	**4,048**	**3,747**	**3,747**
Profit for the period	99	–3	242
Other comprehensive income	–34	99	82
Total comprehensive income	**65**	**96**	**324**
Transactions with owners			
Forward contract to repurchase own shares	–	–26	–27
Share-based payments	4	3	4
Total transactions with owners	**4**	**–23**	**–23**
Equity at end of period	**4,117**	**3,820**	**4,048**

Condensed consolidated cash flow statement

	Second quarter		6 months		Rolling 12	Full year
SEKm	Apr–Jun 2015	Apr–Jun 2014	Jan–Jun 2015	Jan–Jun 2014	Jul 2014–Jun 2015	2014
Cash flow from operating activities before changes in working capital	100	74	166	73	585	492
Cash flow from changes in working capital	63	–30	220	62	166	8
Cash flow from operating activities	**163**	**44**	**386**	**135**	**751**	**500**
Cash flow from investments in property, plant and equipment and intangible assets	–28	–44	–83	–80	–185	–182
Other cash flow from investing activities	–	–71	–	–178	–9	–187
Cash flow from investing activities	**–28**	**–115**	**–83**	**–258**	**–194**	**–369**
Cash flow from operating and investing activities	**135**	**–71**	**303**	**–123**	**557**	**131**
Cash flow from financing activities	**–34**	**95**	**–279**	**141**	**–444**	**–24**
Cash flow for the period	**101**	**24**	**24**	**18**	**113**	**107**
Cash and cash equivalents at beginning of period	150	156	229	167	157	167
Cash flow for the period	101	24	24	18	113	107
Foreign exchange difference	10	–23	8	–28	–9	–45
Cash and cash equivalents at end of period	**261**	**157**	**261**	**157**	**261**	**229**

Condensed consolidated key figures

SEKm	Second quarter Apr–Jun 2015	Second quarter Apr–Jun 2014	6 months Jan–Jun 2015	6 months Jan–Jun 2014	Rolling 12 Jul 2014–Jun 2015	Full year 2014
Profit						
Net sales	1,280	1,238	2,593	2,431	5,475	5,313
Net sales, change, %	3.4	9.5	6.7	7.7	8.1	8.6
Organic net sales, change, %	0.8	2.2	2.4	1.4	n/a	1.0
Gross margin, %	40.9	37.8	39.1	36.7	38.6	37.4
Underlying EBITDA	183	159	344	289	891	836
Underlying EBITDA margin, %	14.6	13.3	13.5	12.5	16.6	15.7
Depreciation	–55	–48	–110	–95	–213	–198
Amortisation	–1	–0	–2	–1	–4	–3
Underlying EBIT	129	110	236	191	680	635
Underlying EBIT margin, %	10.3	9.4	9.3	8.1	12.6	11.9
Operating profit (EBIT)	130	85	220	137	660	577
Operating profit margin (EBIT), %	10.2	6.9	8.5	5.6	12.1	10.9
Profit margin, %	7.1	1.5	5.1	0.9	8.2	6.4
Financial position						
Working capital	591	748	591	748	591	819
Capital expenditure	–28	–44	–83	–80	–189	–186
Net debt	2,960	3,493	2,960	3,493	2,960	3,308
Capital employed	7,756	7,830	7,756	7,830	7,756	8,041
Return on capital employed, % (Rolling 12 months)	8.5	6.0	8.5	6.0	8.5	7.5
Equity/assets ratio, %	42.9	39.7	42.9	39.7	42.9	40.6
Net debt/equity ratio, %	71.9	91.4	71.9	91.4	71.9	81.7
Return on equity, % (Rolling 12 months)	8.4	7.0	8.4	7.0	8.4	6.0
Equity per share, SEK	14.3	13.2	14.3	13.2	14.3	14.0
Net debt/EBITDA, x (Rolling 12 months)	3.30	4.55	3.30	4.55	3.30	3.97
Cash flow						
Cash flow from operating activities	163	44	386	135	751	500
Cash flow from investing activities	–28	–115	–83	–258	–194	–369
Cash flow after investments	135	–71	303	–123	557	131
Cash conversion, %	84.7	72.3	75.9	72.3	78.8	77.8
Cash flow from operating activities per share, SEK	0.6	0.2	1.3	0.5	2.6	1.7
Employees						
Average number of employees	2,453	2,452	2,443	2,493	2,468	2,533

Condensed consolidated quarterly data

SEKm	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Profit and loss account									
Net sales	1,280	1,313	1,579	1,303	1,238	1,193	1,441	1,194	1,131
Cost of goods sold	–756	–822	–983	–803	–770	–769	–939	–741	–696
Gross profit	**524**	**491**	**596**	**500**	**468**	**424**	**502**	**453**	**435**
Other income	0	0	1	3	1	0	0	2	3
Selling expenses	–239	–245	–237	–195	–257	–203	–219	–197	–228
General and administrative expenses	–155	–156	–98	–130	–127	–169	–108	–127	–156
Operating profit	**130**	**90**	**262**	**178**	**85**	**52**	**175**	**131**	**54**
Exchange gains/losses on borrowings and cash and cash equivalents in foreign currencies	3	6	–14	7	–3	–1	–5	34	–78
Other financial income	0	0	0	1	2	1	2	2	11
Other financial expenses	–42	–54	–57	–60	–65	–50	–45	–66	–54
Net financial items	**–39**	**–48**	**–71**	**–52**	**–66**	**–50**	**–48**	**–30**	**–121**
Profit/loss before tax	**91**	**42**	**191**	**126**	**19**	**2**	**127**	**101**	**–67**
Income tax expense	–25	–9	–33	–39	–10	–14	59	–15	23
Profit/loss for the period	**66**	**33**	**158**	**87**	**9**	**–12**	**186**	**86**	**–44**
Profit/loss for the period attributable to:									
Owners of the Parent Company	66	33	158	87	9	–12	186	86	–44
Key figures									
Underlying EBIT	129	107	244	200	110	81	n/a	n/a	n/a
Underlying EBITDA	183	161	298	249	159	130	n/a	n/a	n/a
Return on equity, % (Rolling 12 months)	8.4	7.1	6.0	7.0	7.0	5.7	7.0	6.7	4.6
Equity per share, SEK	14.3	13.9	14.0	13.3	13.2	13.0	13.0	12.0	11.9
Net debt/EBITDA, x (Rolling 12 months)	3.30	3.60	3.97	4.30	4.55	4.47	4.19	4.40	4.68
Cash flow from operating activities per share, SEK	0.6	0.8	1.0	0.3	0.2	0.3	0.4	0.2	–0.1

Parent Company

Summary parent company profit and loss accounts

SEKm	Second quarter Apr–Jun 2015	Second quarter Apr–Jun 2014	6 months Jan–Jun 2015	6 months Jan–Jun 2014	Rolling 12 Jul 2014–Jun 2015	Full year 2014
Net sales	24	19	42	43	87	88
Gross profit	**24**	**19**	**42**	**43**	**87**	**88**
Other income	–	–	–	0	–	0
General and administrative expenses	–29	–29	–57	–58	–103	–104
Operating loss	**–5**	**–10**	**–15**	**–15**	**–16**	**–16**
Net financial items	–7	–18	–18	–25	–1	–8
Loss before tax	**–12**	**–28**	**–33**	**–40**	**–17**	**–24**
Income tax	3	4	7	7	5	5
Loss for the period	**–9**	**–24**	**–26**	**–33**	**–12**	**–19**

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

Summary parent company balance sheet

SEKm	30 Jun 2015	30 Jun 2014	31 Dec 2014
ASSETS			
Non-current assets	**5,300**	**5,175**	**5,184**
Current assets	**59**	**45**	**62**
TOTAL ASSETS	**5,359**	**5,220**	**5,246**
EQUITY AND LIABILITIES			
Equity	**4,183**	**4,191**	**4,205**
Non-current liabilities			
Borrowings	1,119	988	990
Derivative financial instruments	9	6	11
Provisions	1	1	1
Total non-current liabilities	**1,129**	**995**	**1,002**
Current liabilities			
Derivative financial instruments	12	3	9
Current liabilities	35	31	30
Total current liabilities	**47**	**34**	**39**
TOTAL EQUITY AND LIABILITIES	**5,359**	**5,220**	**5,246**
Pledged assets	4,882	4,623	4,623
Contingent liabilities	2,916	3,329	3,219

Parent company statement of changes in equity

SEKm	Jan–Jun 2015	Jan–Jun 2014	Jan–Dec 2014
Equity at beginning of period	**4,205**	**4,221**	**4,221**
Profit/loss for the period	–26	–33	–19
Total comprehensive income	**–26**	**–33**	**–19**
Transactions with owners			
Share-based long-term incentive plan	4	3	3
Total transactions with owners	**4**	**3**	**3**
Equity at end of period	**4,183**	**4,191**	**4,205**

Disclosures, risk factors and accounting policies

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 2015. Net sales in the Parent Company reached SEK 42m (43) and referred mainly to intra-group services. Operating profit was SEK –15m (–15). Net financial items totalled SEK –18m (–25). Profit before tax was SEK –33m (–40) and profit after tax was SEK –26m (–33). 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 2015, a total of 93,993,637 shares were traded for a combined value of SEK 2,387m, equal to around 34 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 2015 was SEK 28.10 (8 May) and the lowest was SEK 22.40 (7 January). The share price on 30 June 2015 was SEK 25.10 (last price paid).

During the period from 1 January to 30 June 2015, the Cloetta share rose by 11 per cent while the Nasdaq OMX Stockholm PI index rose by 7 per cent.

Cloetta's share capital at 30 June 2015 amounted to SEK 1,443,096,495. The total number of shares is 288,619,299, consisting of 9,861,614 class A shares and 278,757,685 class B shares, equal to a quota value of SEK 5 per share.

Shareholders

On 30 June 2015 Cloetta AB had 13,958 shareholders. The largest shareholder was AB Malfors Promotor with a holding corresponding to 41.3 per cent of the votes and 23.2 per cent of the share capital in the company. AMF was the second largest shareholder with 8.0 per cent of the votes and 10.5 per cent of the share capital. The third largest shareholder was Threadneedle Investment Funds with 3.4 per cent of the votes and 4.4 per cent of the share capital.

Institutional investors held 90.8 per cent of the votes and 88.0 per cent of the share capital. Foreign shareholders held 24.4 per cent of the votes and 31.9 per cent of the share capital.

Taxes

In the first half of the year some minor international tax rate differences and non-deductible expenses impacted the effective tax rate for the Group. Cloetta's deferred tax balances have been calculated using enacted or, by the end of the reporting period, substantially enacted tax rates.

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 report for 2014 and consist of industry- and market-related risks, operational risks and financial risks. Compared to the annual report for 2014, which was issued on 12 March 2015, no new risks have been identified.

Accounting policies

The consolidated financial statements have been prepared 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 2015. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied. The consolidated interim report has been prepared in accordance 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.

The same accounting policies and methods of computation are followed in the interim financial statements as in the most recent annual financial statements, except for amendments to standards that are effective for annual periods beginning on or after 1 January 2015 that have not been already applied in preparing the 2014 consolidated financial statements. The changes in these standards have not had any material impact on recognition or measurement or the financial reporting disclosure requirements.

Fair value measurement

The only items recognised at fair value after initial recognition are the interest rate swaps and forward foreign currency contracts categorised at level 2 of the fair value hierarchy in all periods presented, the contingent earn-out consideration related to the acquisition of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB), and the contingent consideration arising from the option agreement for Aran Candy Ltd. categorised at level 3, as well as assets held for sale, in cases where the fair value less cost to sell is below the carrying amount. The fair values of financial assets (loans and receivables) and liabilities measured at amortised cost are approximately equal to their 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 2015

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
- Non-current assets measured at fair value	–	–	16	16
- Forward foreign currency contracts	–	2	–	2
Total assets	–	2	16	18
Liabilities				
Liabilities at fair value through profit or loss				
- Interest rate swaps	–	29	–	29
- Contingent consideration	–	–	151	151
Total liabilities	–	29	151	180

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

The non-current assets measured at fair value at 30 June 2015 consisted of the land and building in Zola Predosa, Italy.

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2014

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
- Non-current assets measured at fair value	–	–	16	16
- Forward foreign currency contracts	–	2	–	2
Total assets	–	2	16	18
Liabilities				
Liabilities at fair value through profit or loss				
- Interest rate swaps	–	27	–	27
- Contingent consideration	–	–	147	147
Total liabilities	–	27	147	174

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

The following table presents the Group's assets and liabilities that were measured at fair value at 30 June 2014

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
- Non-current assets measured at fair value	–	–	16	16
Total assets	–	–	16	16
Liabilities				
Liabilities at fair value through profit or loss				
- Interest rate swaps	–	17	–	17
- Contingent consideration	–	–	166	166
Total liabilities	–	17	166	183

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

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

SEKm	Jan–Jun 2015	Jan–Jun 2014	Full Year 2014
Opening balance	147	2	2
Business combinations	–	158	158
Remeasurements recognised in profit or loss			
- Unrealised interest on contingent consideration recognised in other financial expenses	7	6	14
- Unrealised remeasurements on contingent consideration recognised in general and administrative expenses	–2	–	–27
Remeasurements recognised in other comprehensive income			
- Unrealised currency translation differences	–1	0	0
Closing balance	151	166	147

No transfer 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 liability requires the use of significant unobservable inputs and is thereby 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 and the contractually agreed upon exchange rates.
- The fair value of the assets held for sale is based on valuations by external independent valuators.
- Other techniques, such as discounted cash flow analysis, are used to determine the fair value of the remaining financial instruments.

The fixed assets measured at fair value are identified as a non-recurring fair value measurement and are related to the assets held for sale. The assets are valued at fair value since the fair value less cost to sell is below the carrying amount. The contingent earn-out liabilities 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 would increase (decrease) if:
  - the forecasted profit before indirect cost for 2015 and 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).

For detailed information about the accounting policies, see Cloetta's annual report for 2014 at www.cloetta.com.

Acquisition of Aran Candy Ltd.

On 28 May 2014, Cloetta acquired control of Aran Candy Ltd. by acquiring 100 per cent of the total outstanding ordinary shares and 0 per cent of the total outstanding class A shares, equalling in aggregate 75 per cent of the outstanding shares. This transaction has provided Cloetta with 100 per cent of the voting rights in Aran Candy Ltd. even though less than 100 per cent of all outstanding shares were acquired.

The accounting for the business combination has been finalised. No adjustments compared to the preliminary purchase price allocation, as presented in Cloetta's annual report for 2014, have been made. The goodwill acquired is allocated to the group of cash-generating units Middle.

Selection of key product launches during Q2

Finland
Jenkki – Strawberry Blueberry
Läkerol – Deep Dark Saltius and Ripe Ruby Tastius
Cloetta Crispy – Cranberry and Blueberry
Cloetta Sprinkle – Black Raspberry Sparks
All Sorts – Coco, Pink and Choco

Sweden
Malaco – Salt sill and Colaflaskor
Läkerol – Ginger Lime and Chili Licorice

The Netherlands
KING – Peppermint Orange

Norway
Läkerol – Strawberry Lime

Sweden and Norway
Malaco – Kick Raspberry

Italy
Dietorelle – Blood orange and Cherry
Sperlari – Strawberry and Lime

Definitions

General	All amounts in the tables are presented in SEK millions unless otherwise stated. All amounts in brackets () represent comparable figures for the same period of the prior year, unless otherwise stated.
Margins	
EBITDA margin	EBITDA expressed as a percentage of net sales.
Gross margin	Net sales less cost of goods sold as a percentage of net sales.
Operating margin (EBIT margin)	Operating profit expressed as a percentage of net sales.
Profit margin	Profit/loss before tax expressed as a percentage of net sales.
Return	
Cash conversion	Underlying EBITDA less capital expenditures as a percentage of underlying EBITDA.
Return on capital employed	Operating profit plus financial income as a percentage of average capital employed.
Return on equity	Profit for the period as a percentage of total equity.
Capital structure	
Capital employed	Total assets less interest-free liabilities (including deferred tax).
Equity/assets ratio	Equity at the end of the period as a percentage of total assets.
Gross debt	Gross current and non-current borrowings including credit overdraft facility, derivative financial instruments and interest payables.
Net debt	Gross debt less cash and cash equivalents.
Net debt/EBITDA ratio	Net debt/EBITDA according to the credit facility agreement definition. Difference of Net debt in credit facility agreement compared to the external Net debt definition is that the definition in credit facility agreement includes the minimum contingent earn-out consideration but excludes the financial derivative instruments. The EBITDA in the credit facility agreement definition corresponds to the underlying EBITDA but is based on actual exchange rates and includes the rolling twelve-month EBITDA of the acquired companies where the underlying EBITDA excludes these results.
Net debt/equity ratio	Net debt at the end of the period divided by equity at the end of the period.
Working capital	Total inventories and trade and other receivables adjusted for trade and other payables.
Data per share	
Earnings per share	Profit for the period divided by the average number of shares.
Other definitions	
EBIT	Operating profit or earnings before interest and taxes.
EBITDA	Operating profit before depreciation and amortisation.
Items affecting comparability	Items affecting comparability are items of non-recurring nature, for example restructurings, impact from acquisitions and exchange rate differences between actual and constant rate.
Net sales, change	Net sales as a percentage of net sales in the comparative period of the previous year.
Underlying EBIT, EBIT margin, EBITDA, EBITDA margin	Based on constant exchange rates, the current group structure and excluding items affecting comparability related to restructurings.

Glossary

Factory restructurings / restructurings	In 2014 the factory in Gävle was closed and its production was moved to Ljungsbro, Sweden, and Levice, Slovakia.
Pick & Mix concept	Cloetta's range of candy (Godisfavoriter) and natural snacks (Natursnacks) at Coop Sweden that are picked and mixed by the consumers themselves.

Exchange rates

	30 Jun 2015	30 Jun 2014	31 Dec 2014
EUR, average	9.3309	8.9767	9.1051
EUR, end of period	9.1984	9.1790	9.3829
NOK, average	1.0786	1.0826	1.0882
NOK, end of period	1.0488	1.0910	1.0439
GBP, average	12.7645	10.9389	11.3118
GBP, end of period	12.9701	11.4623	12.0340
DKK, average	1.2515	1.2030	1.2215
DKK, end of period	1.2330	1.2313	1.2604

Financial calendar

2015						2016					
JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN

Interim report Q3
10 November 2015

Year-end report Q4
18 February 2016

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The information in this interim report is such that Cloetta is required to disclose in accordance with the Securities Market Act. The report was released for publication at 8:00 a.m. CET on 17 July 2015.

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 Läkerol, Cloetta, Jenkki, Kexchoklad, Malaco, Sportlife, Saila, Red Band and Sperlari. Cloetta has 11 production units in six countries. Cloetta's class B shares are traded on Nasdaq Stockholm.

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.

Strategies

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

Long-term financial targets

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

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 organisation.**
- **Good consumer knowledge and loyalty.**
- **Innovative product and packaging development.**
- **Effective production with high and consistent quality.**

Cloetta

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