Interim report Q1, January – March 2017

Stockholm, 21 April 2017

- **Net sales for the quarter** declined by 0.8 per cent to SEK 1,347m (1,358) including a positive impact from foreign exchange rates of 1.2 per cent.
- **Operating profit** amounted to SEK 93m (108). Profit for the period amounted to SEK 59m (44). Operating profit, adjusted for items affecting comparability, amounted to SEK 110m (126).
- **Cash flow** from operating activities amounted to SEK 155m (253).
- **Net debt/EBITDA ratio** was 2.34x (2.78)
- **On 17 February 2017**, Cloetta signed an agreement to acquire Candyking – a leading concept supplier of pick & mix candy in the Nordic countries and UK. Closing of the acquisition is expected to occur on 28 April 2017.

Key ratios

	First quarter			Rolling 12	Full year
SEKm	Jan–Mar 2017	Jan–Mar 2016	Change, %	Apr 2016–Mar 2017	2016
Net sales	1,347	1,358	–0.8[1]	5,841	5,852
Operating profit, adjusted	110	126	–12.7	742	758
Operating profit margin, adjusted, %	8.2	9.3	–1.1-pts	12.7	13.0
Operating profit/loss (EBIT)	93	108	–13.9	–97	–82
Operating profit/loss margin (EBIT margin), %	6.9	8.0	–1.1-pts	–1.7	–1.4
Profit/loss before tax	81	62	30.6	–237	–256
Profit/loss for the period	59	44	34.1	–176	–191
Profit for the period excluding impact of impairment loss	59	44	34.1	418	403
Earnings per share, basic and diluted, SEK	0.21	0.15	40.0	–0.61	–0.67
Earnings per share, basic and diluted excluding impact of impairment loss, SEK	0.21	0.15	40.0	1.46	1.41
Net debt/EBITDA, x (Rolling 12 months)[2]	2.34	2.78	–15.8	2.34	2.44
Cash flow from operating activities	155	253	–38.7	791	889

1) Organic growth at constant exchange rates and comparable units –2.0 per cent for the quarter. See further under Net sales on page 3.
2) 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.

Message from the CEO

A challenging quarter – Candyking acquisition approved

Cloetta's operating profit amounted to SEK 93m (108) in the quarter. Operating profit, adjusted for items affecting comparability, decreased to SEK 110m (126), equal to an operating profit margin, adjusted for items affecting comparability, of 8.2 per cent (9.3). Profit for the period increased to SEK 59m (44).

Sales were down, predominantly within pick & mix and contract manufacturing. The lower sales in combination with higher selling, general and administrative expenses resulted, which we now are addressing, in a somewhat lower operating profit, adjusted for items affecting comparability. Operating profit was also affected by items affecting comparability, mainly related to acquisition cost for Candyking.

Decreased net debt/EBITDA

Cash flow from operating activities amounted to SEK 155m (253). The net debt/EBITDA ratio improved to 2.34x (2.78).

Confectionery market

The confectionery market declined in all of Cloetta's core markets. The decline in Finland is related to the abolishment of the confectionery tax.

Sales development

Cloetta's sales for the quarter declined by –0.8 per cent, of which organic growth accounted for –2.0 per cent and positive exchange rate differences for 1.2 per cent.

Sales increased or was unchanged in Finland, the Netherlands, UK, Denmark, Norway and in the export markets. The increase was mainly offset by a decline in sales in Sweden and in contract manufacturing. In Sweden, sales only declined within pick & mix, mainly due to the Easter effect, but also from a tough comparator when new pick & mix concepts were introduced in the same quarter last year. In Finland sales increased driven by the abolition of the confectionery tax and in the Netherlands sales increased within candy.

Acquisition of Candyking approved

I am very pleased with the acquisition of Candyking Holding AB ("Candyking") that we announced in February. Candyking, a leading concept supplier of pick & mix candy in the Nordic countries and UK, will strengthen Cloetta's position within pick & mix and create substantial synergies. The synergies are expected to be gradually realized during the years 2017–2020. In addition, the acquisition will also strengthen our position within natural snacks through the Parrots brand.

The acquisition was approved by the Swedish Competition Authority on 5 April 2017 and is expected to be closed on 28 April 2017. We are now preparing for a year of integration and a team has been appointed in order to plan and implement the integration.

Focus on profitable growth

My focus since I became CEO on 15 February 2017 has been on visiting all markets and functions to get an overview of what the organization believes are our strengths and challenges. Overall, my view is that Cloetta is a stable and strong company, but organic growth has not been good enough during the last years. My key focus for the coming years will therefore be to increase the organization's focus and capability on organic growth through a relentless focus on consumers and customers while at the same time strengthen our brands through a clear positioning and sharper investments.

Cloetta has reached the target of a net debt/EBITDA below 2.5x. The Annual General Meeting in early April decided to pay a dividend of SEK 0.75, representing 53 per cent of profit for the year, adjusted for the impairments, well in line with our policy of 40–60 per cent.

Our strategic review of Cloetta Italy is ongoing. The aim is to improve growth and margins in Cloetta and could potentially include a divestment of the Italian business.

Our key focus now is profitable growth and to make sure the integration of Candyking is successful. It is an important acquisition that will strengthen Cloetta.

Henri de Sauvage-Nolting
President and CEO

Henri de Sauvage-Nolting
President and CEO

Financial overview

Development in the first quarter

Net sales

Net sales for the first quarter declined by SEK 11m to SEK 1,347m (1,358) compared to the same period of last year. Organic growth was –2.0 per cent and changes in exchange rates 1.2 per cent.

Sales increased or was unchanged in Finland, the Netherlands, UK, Denmark, Norway and on export markets and declined in Sweden, Italy, Germany and in contract manufacturing. In Finland sales increased driven by the abolition of the confectionery tax and in the Netherlands sales increased within candy. In Sweden, sales only declined within pick & mix, mainly due to the Easter effect, but also from a tough comparator when new pick & mix concepts were introduced in the same quarter last year.

Changes in net sales, %	Jan–Mar 2017
Organic growth	–2.0
Structural changes	–
Changes in exchange rates	1.2
Total	–0.8

Gross profit

Gross profit amounted to SEK 505m (506), which is equal to a gross margin of 37.5 per cent (37.3).

Operating profit

Operating profit amounted to SEK 93m (108). The decline is attributable to lower sales in combination with higher selling, general and administrative expenses. Operating profit, adjusted for items affecting comparability, declined to SEK 110m (126).

Items affecting comparability

Operating profit for the first quarter includes items affecting comparability that mainly are related to costs for the acquisition of Candyking.

Net financial items

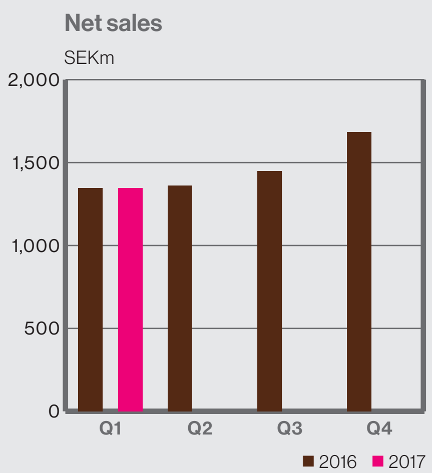
Net financial items for the quarter amounted to SEK –12m (–46). Interest expenses related to external borrowings were SEK –10m (–25) and other financial items amounted to SEK –2m (–21). Of the total net financial items SEK –4m (–6) is non-cash in nature. The net financial items were positively impacted by the refinancing of the Group in July 2016.

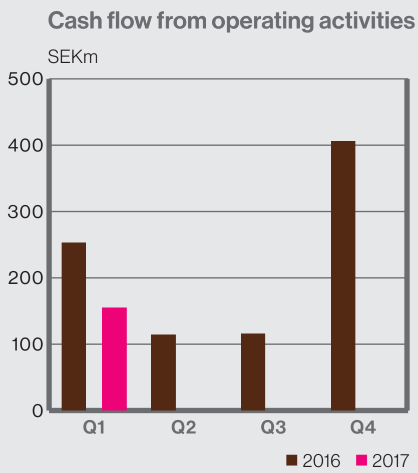
Profit for the period

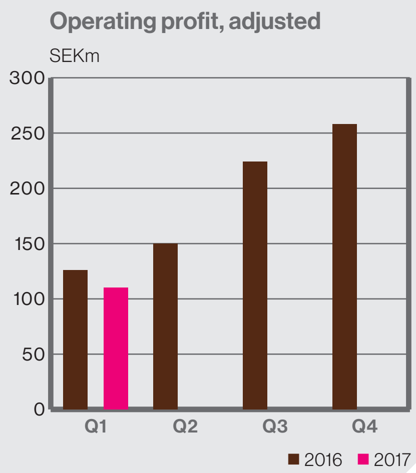
Profit for the period was SEK 59m (44), which is equal to basic and diluted earnings per share of SEK 0.21 (0.15). Income tax for the period was SEK –22m (–18). The effective tax rate for the quarter is 27.2 per cent (29.0).

Cash flow from operating and investing activities

Cash flow from operating activities before changes in working capital was SEK 62m (121). The decrease compared to prior year is mainly the result of a lower operating profit and higher corporate income tax payments mainly related to the tax settlement in Italy, partly offset by lower interest payments as a result of the refinancing. The cash flow from changes in working capital was SEK 93m (132). Cash flow from operating and investing activities was SEK 121m (215).







Cash flow from changes in working capital

Cash flow from changes in working capital follows normal seasonal pattern and was SEK 93m (132). The cash flow from changes in working capital were positively impacted by the decrease in receivables for an amount of SEK 120m (94). This is partly offset by an increase in inventories of SEK –16m (–38) and a decrease in payables for an amount of SEK –11m (76) .

Cash flow from investing activities

Cash flow from investing activities was SEK –34m (–38) and is fully attributable to investments in property, plant and equipment and intangible assets.

Financial position

Consolidated equity at 31 March 2017 amounted to SEK 4,253m (4,391), which is equal to SEK 14.7 (15.2) per share. Net debt at 31 March 2017 was SEK 2,308m (2,615).

Long-term borrowings totalled SEK 2,660m (2,629) and consisted of SEK 2,669m (1,639) in gross loans from credit institutions, senior secured notes of SEK 0m (1,000) and SEK –9m (–10) in capitalized transaction costs.

Total short-term borrowings amounted to SEK 2m (254) and consisted of accrued interest on loans from credit institutions and senior secured notes for an amount of SEK 2m (2), SEK 0m (270) in gross loans from credit institutions and SEK 0m (–18) in capitalized transaction costs.

SEKm	31 Mar 2017	31 Mar 2016	31 Dec 2016
Gross non-current borrowings	2,669	1,639	2,677
Gross current borrowings	–	270	–
Senior secured notes	–	1,000	–
Derivative financial instruments (current and non-current)	59	78	62
Interest payable	2	2	2
Gross debt	**2,730**	**2,989**	**2,741**
Cash and cash equivalents	–422	–374	–298
Net debt	**2,308**	**2,615**	**2,443**

Cash and cash equivalents at 31 March 2017, excluding unutilized overdraft facilities, amounted to SEK 422m (374). At 31 March 2017 Cloetta had unutilized credit facilities for a total of SEK 1,145m (699).

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 2,483 (2,613). The decrease is mainly attributable to the closure of the Dieren factory, the Netherlands.

Events after the balance sheet date

On 17 February 2017 Cloetta signed an agreement to acquire 100 per cent of the shares in Candyking as well as 100 percent of Candyking's outstanding bond and other debt. Candyking is a leading concept supplier of pick & mix candy in the Nordic countries and UK. The acquisition strengthens Cloetta's position within pick & mix and creates substantial synergies. This is in line with the strategy to grow within the category since it is an important and in many countries growing part of the confectionery market.

The initial purchase price amounts to SEK 325m on a cash and debt free basis with a potential additional purchase price of maximum SEK 225m based on the result of Cloetta's and Candyking's combined sales volume of pick & mix in confectionery and natural snacks in the Nordic countries, UK and Poland during 2018. The seller of the shares is Candyking's CEO, Dani Evanoff. The majority of the initial purchase price and the potential additional purchase price will be allocated to the holders of Candyking's bond loan of SEK 750m. In connection with closing of the acquisition, Candyking's bonds will be delisted from Nasdaq Stockholm. At the same time Cloetta will issue an earn-out instrument to the current bondholders that entitles to the future potential additional purchase price. The instrument will be registered at Euroclear in order to facilitate the distribution of any additional purchase price to the current bondholders.

The acquisition of Candyking was subject to approval by the Swedish Competition Authority. The Swedish Competition Authority has on 5 April 2017 decided to grant permission to the acquisition. The condition regarding the Swedish Competition Authority's approval is thereby fulfilled. Closing of the acquisition is expected to occur at 28 April 2017.

The Annual General Meeting that was held on 4 April, 2017, decided to pay dividend of SEK 0.75 per share.

After the end of the reporting period, 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, 21 April 2017
Cloetta AB (publ)

The Board

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

Examples of new launches during the first quarter

Sweden
Nutisal Dry Roasted Cashews, Sourcream & onion
Polly Kick
Kick Bites Sea Salt/Raspberry
Läkerol Minty Licorice

Finland
Perjantai
Sisu Hehku
Läkerol Dents Raspberry
Cloetta Sprinkle Sparkly strawberry

Norway
Kick Bites
The Jelly Bean Factory Bag
Pops plate
Läkerol Blackberry Licorice
Center bar

Denmark
Malaco Det sure mix
Malaco Det salte mix
Skipper´s Pipes XL, flowpack

The Netherlands
Red Band pillow bags
Red Band Zure Winegummix
Sportlife colamint

Financial statements in summary

Consolidated profit and loss account

SEKm	First quarter Jan–Mar 2017	First quarter Jan–Mar 2016	Rolling 12 Apr 2016–Mar 2017	Full year 2016
Net sales	1,347	1,358	5,841	5,852
Cost of goods sold	–842	–852	–3,523	–3,533
Gross profit	**505**	**506**	**2,318**	**2,319**
Selling expenses	–234	–226	–963	–955
General and administrative expenses				
- Impairment loss	–	–	*–771*	*–771*
- Other general and administrative expenses	*–178*	*–172*	*–681*	*–675*
Total general and administrative expenses	–178	–172	–1,452	–1,446
Operating profit/loss	**93**	**108**	**–97**	**–82**
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	–1	–8	–1	–8
Other financial income	5	2	20	17
Other financial expenses	–16	–40	–159	–183
Net financial items	**–12**	**–46**	**–140**	**–174**
Profit/loss before tax	**81**	**62**	**–237**	**–256**
Income tax	–22	–18	61	65
Profit/loss for the period	**59**	**44**	**–176**	**–191**
Profit/loss for the period attributable to:				
Owners of the Parent Company	59	44	–176	–191
Earnings per share, SEK				
Basic[1]	0.21	0.15	–0.61	–0.67
Diluted[1]	0.21	0.15	–0.61	–0.67
Number of shares at end of period	288,619,299	288,619,299	288,619,299	288,619,299
Average number of shares (basic)[1]	286,279,569	286,051,689	286,249,060	286,193,024
Average number of shares (diluted)[1]	286,607,989	286,404,267	286,535,533	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 14 presents the movements in the contracts as of 1 January 2016.

Consolidated statement of comprehensive income

	First quarter		Rolling 12	Full year
SEKm	Jan–Mar 2017	Jan–Mar 2016	Apr 2016–Mar 2017	2016
Profit for the period	**59**	**44**	**–176**	**–191**
Other comprehensive income				
Remeasurement of defined benefit plans	11	–43	37	–17
Income tax on other comprehensive income that will not be reclassified subsequently to profit or loss for the period	–3	10	–9	4
Items that will never be reclassified to profit or loss for the period	**8**	**–33**	**28**	**–13**
Currency translation differences	–21	37	167	225
Hedge of a net investment in a foreign operation	6	–6	–26	–38
Income tax on other comprehensive income that will be reclassified subsequently to profit or loss for the period, when specific conditions are met	–1	1	5	7
Items that are or may be reclassified to profit or loss for the period	**–16**	**32**	**146**	**194**
Total other comprehensive income	**–8**	**–1**	**174**	**181**
Total comprehensive income, net of tax	**51**	**43**	**–2**	**–10**
Total comprehensive income for the period attributable to:				
Owners of the Parent Company	51	43	–2	–10

Net financial items

	First quarter		Rolling 12	Full year
SEKm	Jan–Mar 2017	Jan–Mar 2016	Apr 2016–Mar 2017	2016
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	**–1**	**–8**	**–1**	**–8**
Other financial income, third parties	0	0	1	1
Unrealized gains on single currency interest rate swaps	5	2	19	16
Other financial income	**5**	**2**	**20**	17
Interest expenses third-party borrowings and realized losses on single currency interest rate swaps	–10	–25	–66	–81
Interest expenses, contingent earn-out considerations	–	–3	–7	–10
Call option fee redemption senior secured notes	–	–	–30	–30
Amortization of capitalized transaction costs	–1	–5	–30	–34
Other financial expenses	–5	–7	–26	–28
Other financial expenses	**–16**	**–40**	**–159**	**–183**
Net financial items	–12	–46	–140	–174

Condensed consolidated balance sheet

SEKm	31 Mar 2017	31 Mar 2016	31 Dec 2016
ASSETS			
Non-current assets			
Intangible assets	5,333	5,984	5,354
Property, plant and equipment	1,674	1,693	1,700
Deferred tax asset	50	60	54
Other financial assets	15	20	13
Total non-current assets	**7,072**	**7,757**	**7,121**
Current assets			
Inventories	794	827	780
Other current assets	903	888	1,024
Derivative financial instruments	2	–	4
Cash and cash equivalents	422	374	298
Total current assets	**2,121**	**2,089**	**2,106**
Assets held for sale	9	8	9
TOTAL ASSETS	**9,202**	**9,854**	**9,236**
EQUITY AND LIABILITIES			
Equity	**4,253**	**4,391**	**4,199**
Non-current liabilities			
Long-term borrowings	2,660	2,629	2,666
Deferred tax liability	598	618	586
Derivative financial instruments	11	41	12
Provisions for pensions and other long-term employee benefits	384	418	396
Provisions	9	9	22
Total non-current liabilities	**3,662**	**3,715**	**3,682**
Current liabilities			
Short-term borrowings	2	254	2
Derivative financial instruments	50	37	54
Other current liabilities	1,189	1,420	1,235
Provisions	46	37	64
Total current liabilities	**1,287**	**1,748**	**1,355**
TOTAL EQUITY AND LIABILITIES	**9,202**	**9,854**	**9,236**

Condensed consolidated statement of changes in equity

	First quarter		Full year
SEKm	Jan–Mar 2017	Jan–Mar 2016	2016
Equity at beginning of period	4,199	4,344	4,344
Profit/loss for the period	59	44	–191
Other comprehensive income	–8	–1	181
Total comprehensive income	51	43	–10
Transactions with owners			
Share-based payments	3	4	9
Dividend	–	–	–144
Total transactions with owners	3	4	–135
Equity at end of period	4,253	4,391	4,199

Condensed consolidated cash flow statement

	First quarter		Rolling 12	Full year
SEKm	Jan–Mar 2017	Jan–Mar 2016	Apr 2016–Mar 2017	2016
Cash flow from operating activities before changes in working capital	62	121	754	813
Cash flow from changes in working capital	93	132	37	76
Cash flow from operating activities	155	253	791	889
Cash flow from investments in property, plant and equipment and intangible assets	–34	–38	–166	–170
Cash flow from other investing activities	–	–	–152	–152
Cash flow from investing activities	–34	–38	–318	–322
Cash flow from operating and investing activities	121	215	473	567
Cash flow from financing activities	–	–90	–444	–534
Cash flow for the period	121	125	29	33
Cash and cash equivalents at beginning of period	298	246	374	246
Cash flow for the period	121	125	29	33
Exchange difference	3	3	19	19
Cash and cash equivalents at end of period	422	374	422	298

Condensed consolidated key figures

	First quarter		Rolling 12	Full year
SEKm	Jan–Mar 2017	Jan–Mar 2016	Apr 2016–Mar 2017	2016
Profit				
Net sales	1,347	1,358	5,841	5,852
Net sales, change, %	–0.8	3.4	2.1	3.1
Organic net sales, change, %	–2.0	–0.7	0.1	0.5
Gross margin, %	37.5	37.3	39.7	39.6
Depreciation	–56	–58	–237	–239
Amortization	–1	–1	–6	–6
Impairment loss goodwill and trademarks	–	–	–771	–771
Impairment loss other non current assets	–	–	–7	–7
Operating profit, adjusted	110	126	742	758
Operating profit margin, adjusted, %	8.2	9.3	12.7	13.0
Operating profit/loss (EBIT)	93	108	–97	–82
Operating profit/loss margin (EBIT margin), %	6.9	8.0	–1.7	–1.4
EBITDA, adjusted	167	185	985	1,003
EBITDA	150	167	924	941
Profit/loss margin, %	6.0	4.6	–4.1	–4.4
Financial position				
Working capital	478	500	478	572
Capital expenditure	34	38	166	170
Net debt	2,308	2,615	2,308	2,443
Capital employed	7,360	7,770	7,360	7,329
Return on capital employed, % (Rolling 12 months)	–1.0	9.0	–1.0	–0.9
Equity/assets ratio, %	46.2	44.6	46.2	45.5
Net debt/equity ratio, %	54.3	59.6	54.3	58.2
Return on equity, % (Rolling 12 months)	–4.1	9.0	–4.1	–4.5
Equity per share, SEK	14.7	15.2	14.7	14.5
Net debt/EBITDA, x (Rolling 12 months)[1]	2.34	2.78	2.34	2.44
Cash flow				
Cash flow from operating activities	155	253	791	889
Cash flow from investing activities	–34	–38	–318	–322
Cash flow after investments	121	215	473	567
Cash conversion, %	79.6	79.5	83.1	83.1
Cash flow from operating activities per share, SEK	0.5	0.9	2.7	3.1
Employees				
Average number of employees	2,483	2,613	2,548	2,530

1) 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.

Reconciliation of alternative performance measures

SEKm	First quarter Jan–Mar 2017	First quarter Jan–Mar 2016	Rolling 12 Apr 2016–Mar 2017	Full year 2016
Items affecting comparability				
Acquisitions, integration and factory restructurings	–17	–1	–65	–49
of which: impairment loss on other non-current assets	–	–	–7	–7
Remeasurements of contingent considerations	–	–14	–3	–17
Remeasurements of assets held for sale	–	–3	–	–3
Impairment loss on goodwill and trademarks	–	–	–771	–771
Items affecting comparability[1]	**–17**	**–18**	**–839**	**–840**
1) Corresponding line in the condensed consolidated profit and loss account:				
Cost of goods sold	–3	–4	–22	–23
General and administrative expenses				
- Impairment loss	*–*	*–*	*–771*	*–771*
- Other general and administrative expenses	*–14*	*–14*	*–46*	*–46*
Total general and administrative expenses	–14	–14	–817	–817
Total	**–17**	**–18**	**–839**	**–840**
Operating profit, adjusted				
Operating profit/loss	93	108	–97	–82
Minus: Items affecting comparability	–17	–18	–839	–840
Operating profit, adjusted	**110**	**126**	**742**	**758**
Net sales	1,347	1,358	5,841	5,852
Operating profit margin, adjusted, %	**8.2**	**9.3**	**12.7**	**13.0**
EBITDA, adjusted				
Operating profit/loss	93	108	–97	–82
Minus: Depreciation	–56	–58	–237	–239
Minus: Amortization	–1	–1	–6	–6
Minus: Impairment loss on goodwill and trademarks	–	–	–771	–771
Minus: Impairment loss on other non-current assets	–	–	–7	–7
EBITDA	**150**	**167**	**924**	**941**
Minus: Items affecting comparability (excl. impairment loss on goodwill and trademarks and other non-current assets)	–17	–18	–61	–62
EBITDA, adjusted	**167**	**185**	**985**	**1,003**
Capital employed				
Total assets	9,202	9,854	9,202	9,236
Minus: Deferred tax liability	598	618	598	586
Minus: Non-current provisions	9	9	9	22
Minus: Current provisions	46	37	46	64
Minus: Other current liabilities	1,189	1,420	1,189	1,235
Capital employed	**7,360**	**7,770**	**7,360**	**7,329**
Capital employed in comparative period of previous year	7,770	7,790	7,770	7,756
Average capital employed	**7,565**	**7,780**	**7,565**	**7,543**

Reconciliation alternative performance measures, continued

	First quarter		Rolling 12	Full year
SEKm	Jan–Mar 2017	Jan–Mar 2016	Apr 2016–Mar 2017	2016
Return on capital employed				
Operating profit (rolling 12 months)	–97	689	–97	–82
Financial income (rolling 12 months)	20	8	20	17
Operating profit plus financial income (rolling 12 months)	**–77**	**697**	**–77**	**–65**
Average capital employed	7,565	7,780	7,565	7,543
Return on capital employed, %	**–1.0**	**9.0**	**–1.0**	**–0.9**
Cash conversion				
EBITDA, adjusted	167	185	985	1,003
Minus: Capital expenditures	34	38	166	170
EBITDA, adjusted less capital expenditures	**133**	**147**	**819**	**833**
EBITDA, adjusted	167	185	985	1,003
Cash conversion, %	**79.6**	**79.5**	**83.1**	**83.1**
Changes in net sales				
Net sales	1,347	1,358	5,841	5,852
Net sales in comparative period of previous year	1,358	1,313	5,719	5,674
Net sales, change	**–11**	**45**	**122**	**178**
Minus: Structural changes	–	64	63	127
Minus: Changes in exchange rates	16	–10	54	28
Organic growth	**–27**	**–9**	**5**	**23**
Structural changes, %	–	4.9	1.1	2.2
Organic growth, %	–2.0	–0.7	0.1	0.5
Profit for the period excluding impact of impairment loss				
Profit/loss for the period	59	44	–176	–191
Minus: Impairment loss	–	–	–771	–771
Minus: Income tax impact on impairment loss	–	–	177	177
Profit for the period excluding impact of impairment loss	59	44	418	403
Average number of shares (basic)	286,279,569	286,051,689	286,249,060	286,193,024
Average number of shares (diluted)	286,607,989	286,404,267	286,535,533	286,447,465
Earnings per share, basic excluding impact of impairment loss, SEK	0.21	0.15	1.46	1.41
Earnings per share, diluted excluding impact of impairment loss, SEK	0.21	0.15	1.46	1.41

Condensed consolidated quarterly data

SEKm	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Profit and loss account									
Net sales	1,347	1,684	1,448	1,362	1,358	1,622	1,459	1,280	1,313
Cost of goods sold	–842	–1,017	–874	–790	–852	–991	–894	–756	–822
Gross profit	**505**	**667**	**574**	**572**	**506**	**631**	**565**	**524**	**491**
Other income	–	–	–	–	–	–	0	0	0
Selling expenses	–234	–247	–227	–255	–226	–237	–228	–239	–245
General and administrative expenses									
- *Impairment loss*	–	*–771*	–	–	–	–	–	–	–
- *Other general and administrative expenses*	*–178*	*–197*	*–131*	*–175*	*–172*	*–155*	*–125*	*–155*	*–156*
Total general and administrative expenses	–178	–968	–131	–175	–172	–155	–125	–155	–156
Operating profit/loss	**93**	**–548**	**216**	**142**	**108**	**239**	**212**	**130**	**90**
Exchange differences borrowings and cash and cash equivalents in foreign currencies	–1	–10	8	2	–8	–6	–4	3	6
Other financial income	5	5	5	5	2	6	0	0	0
Other financial expenses	–16	–20	–84	–39	–40	–48	–39	–42	–54
Net financial items	**–12**	**–25**	**–71**	**–32**	**–46**	**–48**	**–43**	**–39**	**–48**
Profit/loss before tax	**81**	**–573**	**145**	**110**	**62**	**191**	**169**	**91**	**42**
Income tax	–22	153	–37	–33	–18	–34	–39	–25	–9
Profit/loss for the period	**59**	**–420**	**108**	**77**	**44**	**157**	**130**	**66**	**33**
Profit/loss for the period attributable to:									
Owners of the Parent Company	59	–420	108	77	44	157	130	66	33
KEY FIGURES									
Profit									
Depreciation and amortization	–57	–840	–63	–61	–59	–60	–59	–56	–56
Operating profit, adjusted	110	258	224	150	126	255	194	133	108
EBITDA, adjusted	167	320	287	211	185	315	253	189	164
EBITDA	150	292	279	203	167	299	271	186	146
Operating profit margin, adjusted, %	8.2	15.3	15.5	11.0	9.3	15.7	13.3	10.4	8.2
Operating profit margin (EBIT margin), %	6.9	–32.5	14.9	10.4	8.0	14.7	14.5	10.2	6.9
Earnings per share, SEK									
Basic	0.21	–1.47	0.38	0.27	0.15	0.55	0.45	0.23	0.12
Diluted[1]	0.21	–1.47	0.38	0.27	0.15	0.55	0.45	0.23	0.12
Financial position									
Share price, last paid, SEK	35.40	28.70	31.10	29.00	25.80	28.00	23.90	25.10	25.30
Return on equity, % (rolling 12 months)	–4.1	–4.5	8.5	9.3	9.0	8.9	8.9	8.4	7.1
Equity per share, SEK	14.7	14.5	15.8	15.2	15.2	15.1	15.0	14.3	13.9
Net debt/EBITDA, x (rolling 12 months)[2]	2.34	2.44	2.76	2.82	2.78	3.03	3.39	3.30	3.60
Cash flow									
Cash flow from operating activities per share, SEK	0.5	1.4	0.4	0.4	0.9	1.3	0.6	0.6	0.8

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 14 presents the movements in the contracts as of 1 January 2016.
2) 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.

Movements in forward contracts to repurchase own shares

		Number of shares			
Transaction	**Date**	**Contract 1**	**Contract 2**	**Contract 3**	**Contract 4**
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**
Balance at	**31 Mar 2017**	**–**	**1,200,000**	**430,000**	**709,730**
	Price, SEK	18.50678	23.00000	26.40000	28.50000

Reconciliation of alternative performance measures by quarter

SEKm	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Items affecting comparability									
Acquisitions, integration and factory restructurings	–17	–35	–8	–5	–1	–14	–10	–5	–18
of which: impairment loss on other non-current assets	–	*–7*	–	–	–	–	–	–	–
Remeasurements of contingent considerations	–	–	–	–3	–14	3	28	2	–
Remeasurements of assets held for sale	–	–	–	–	–3	–5	–	–	–
Impairment loss	–	–771	–	–	–	–	–	–	–
Items affecting comparability[1]	**–17**	**–806**	**–8**	**–8**	**–18**	**–16**	**18**	**–3**	**–18**

1) Corresponding line in the condensed consolidated profit and loss account:

SEKm	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net sales	–	–	–	–	–	–	–	–	–4
Cost of goods sold	–3	–8	–6	–5	–4	–20	–	–	–2
Selling expenses	–	–	–	–	–	1	–2	–	–11
General and administrative expenses									
- Impairment loss	–	*–771*	–	–	–	–	–	–	–
- Other general and administrative expenses	*–14*	*–27*	*–2*	*–3*	*–14*	*3*	*20*	*–3*	*–1*
Total general and administrative expenses	–14	–798	–2	–3	–14	3	20	–3	–1
Total	**–17**	**–806**	**–8**	**–8**	**–18**	**–16**	**18**	**–3**	**–18**

SEKm	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Operating profit, adjusted									
Operating profit/loss	93	–548	216	142	108	239	212	130	90
Minus: Items affecting comparability	–17	–806	–8	–8	–18	–16	18	–3	–18
Operating profit, adjusted	**110**	**258**	**224**	**150**	**126**	**255**	**194**	**133**	**108**
Net sales	1,347	1,684	1,448	1,362	1,358	1,622	1,459	1,280	1,313
Operating profit margin, adjusted, %	**8.2**	**15.3**	**15.5**	**11.0**	**9.3**	**15.7**	**13.3**	**10.4**	**8.2**
EBITDA, adjusted									
Operating profit/loss	93	–548	216	142	108	239	212	130	90
Minus: Depreciation	–56	–61	–61	–59	–58	–59	–58	–55	–55
Minus: Amortization	–1	–1	–2	–2	–1	–1	–1	–1	–1
Minus: Impairment loss on goodwill and trademarks	–	–771	–	–	–	–	–	–	–
Minus: Impairment loss on other non-current assets	–	–7	–	–	–	–	–	–	–
EBITDA	**150**	**292**	**279**	**203**	**167**	**299**	**271**	**186**	**146**
Minus: Items affecting comparability (excl. impairment loss on goodwill and trademarks and other non-current assets)	–17	–28	–8	–8	–18	–16	18	–3	–18
EBITDA, adjusted	**167**	**320**	**287**	**211**	**185**	**315**	**253**	**189**	**164**

Reconciliation alternative performance measures per quarter, continued

SEKm	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Capital employed									
Total assets	9,202	9,236	10,286	9,855	9,854	9,759	10,062	9,592	9,642
Minus: Deferred tax liability	598	586	680	647	618	621	606	508	474
Minus: Other non-current liabilities	–	–	–	–	–	43	43	88	86
Minus: Non-current provisions	9	22	10	9	9	10	11	11	14
Minus: Current provisions	46	64	7	14	37	57	12	10	51
Minus: Other current liabilities	1,189	1,235	1,383	1,438	1,420	1,271	1,349	1,218	1,228
Plus: Interest-bearing other current liabilities	–	–	–	–	–	–1	–1	–1	1
Capital employed	**7,360**	**7,329**	**8,206**	**7,747**	**7,770**	**7,756**	**8,040**	**7,756**	**7,790**
Capital employed in comparative period of previous year	7,770	7,756	8,040	7,756	7,790	8,041	7,860	7,830	7,537
Average capital employed	**7,565**	**7,543**	**8,123**	**7,752**	**7,780**	**7,899**	**7,950**	**7,793**	**7,664**
Return on capital employed									
Operating profit (rolling 12 months)	–97	–82	705	701	689	671	694	660	615
Financial income (rolling 12 months)	20	17	18	13	8	6	0	1	3
Operating profit plus financial income (rolling 12 months)	**–77**	**–65**	**723**	**714**	**697**	**677**	**694**	**661**	**618**
Average capital employed	7,565	7,543	8,123	7,752	7,780	7,899	7,950	7,793	7,664
Return on capital employed, %	**–1.0**	**–0.9**	**8.9**	**9.2**	**9.0**	**8.6**	**8.7**	**8.5**	**8.1**
Cash conversion									
EBITDA, adjusted	167	320	287	211	185	315	253	189	164
Minus: Capital expenditures	34	58	42	32	38	47	31	28	55
EBITDA, adjusted less capital expenditures	**133**	**262**	**245**	**179**	**147**	**268**	**222**	**161**	**109**
EBITDA, adjusted	167	320	287	211	185	315	253	189	164
Cash conversion, %	**79.6**	**81.9**	**85.4**	**84.8**	**79.5**	**85.1**	**87.7**	**85.2**	**66.5**
Changes in net sales									
Net sales	1,347	1,684	1,448	1,362	1,358	1,622	1,459	1,280	1,313
Net sales in comparative period of previous year	1,358	1,622	1,459	1,280	1,313	1,579	1,303	1,238	1,193
Net sales, change	**–11**	**62**	**–11**	**82**	**45**	**43**	**156**	**42**	**120**
Minus: Structural changes	–	–	–	63	64	75	86	15	32
Minus: Changes in exchange rates	16	46	–1	–7	–10	4	15	17	40
Organic growth	**–27**	**16**	**–10**	**26**	**–9**	**–36**	**55**	**10**	**48**
Structural changes, %	–	–	–	4.9	4.9	4.7	6.6	1.2	2.7
Organic growth, %	–2.0	1.0	–0.7	2.0	–0.7	–2.3	4.2	0.8	4.0
Profit for the period excluding impact of impairment loss									
Profit/loss for the period	59	–420	108	77	44	157	130	66	33
Minus: Impairment loss	–	–771	–	–	–	–	–	–	–
Minus: Income tax impact on impairment loss	–	177	–	–	–	–	–	–	–
Profit for the period excluding impact of impairment loss	**59**	**174**	**108**	**77**	**44**	**157**	**130**	**66**	**33**
Average number of shares (basic)	286,279,569	286,279,569	286,279,569	286,159,369	286,051,689	286,051,689	286,154,515	286,481,689	286,481,689
Average number of shares (diluted)	286,607,989	286,560,336	286,558,440	286,471,820	286,404,267	286,359,672	286,408,540	286,810,369	286,685,221
Earnings per share, basic excluding impact of impairment loss, SEK	0.21	0.61	0.38	0.27	0.15	0.55	0.45	0.23	0.12
Earnings per share, diluted excluding impact of impairment loss, SEK	0.21	0.61	0.38	0.27	0.15	0.55	0.45	0.23	0.12

Parent Company

Condensed parent company profit and loss account

	First quarter		Rolling 12	Full year
SEKm	Jan–Mar 2017	Jan–Mar 2016	Apr 2016–Mar 2017	2016
Net sales	25	20	105	100
Gross profit	**25**	**20**	**105**	**100**
Administrative expenses	–32	–26	–128	–122
Operating loss	**–7**	**–6**	**–23**	**–22**
Net financial items	2	–7	44	35
Profit or loss before tax	**–5**	**–13**	**21**	**13**
Income tax	–1	2	–6	–3
Profit or loss for the period	**–6**	**–11**	**15**	**10**

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

Condensed parent company balance sheet

SEKm	31 Mar 2017	31 Mar 2016	31 Dec 2016
ASSETS			
Non-current assets	5,339	5,322	5,329
Current assets	118	68	117
TOTAL ASSETS	5,457	5,390	5,446
EQUITY AND LIABILITIES			
Equity	4,090	4,211	4,093
Non-current liabilities			
Borrowings	1,131	1,123	1,131
Derivative financial instruments	0	–	0
Provisions	1	1	1
Total non-current liabilities	1,132	1,124	1,132
Current liabilities			
Derivative financial instruments	0	15	4
Current liabilities	235	40	217
Total current liabilities	235	55	221
TOTAL EQUITY AND LIABILITIES	5,457	5,390	5,446

Condensed parent company statement of changes in equity

	First quarter		Full year
SEKm	Jan–Mar 2017	Jan–Mar 2016	2016
Equity at beginning of period	4,093	4,218	4,218
Profit/loss for the period	–6	–11	10
Total comprehensive income	–6	–11	10
Transactions with the owners			
Share-based payments	3	4	9
Dividend	–	–	–144
Total transactions with owners	3	4	–135
Equity at end of period	4,090	4,211	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 31 March 2017. Net sales in the Parent Company amounted to SEK 25m (20) and referred mainly to intra-group services. Operating loss was SEK –7m (–6). Net financial items totaled SEK 2m (–7). Loss before tax was SEK –5m (–13) and loss after tax was SEK –6m (–11). Cash and cash equivalents and short-term investments amounted to SEK 0m (0).

The Cloetta share

Cloetta's class B share is listed on Nasdaq Stockholm, Mid Cap. During the period from 1 January to 31 March 2017, a total of 62,029,798 shares were traded for a combined value of SEK 1,954 m, equal to around 22 per cent of the total number of class B shares at the end of the period. The highest quoted bid price during the period from 1 January to 31 March 2017 was SEK 35.90 (20 March and 21 March) and the lowest was SEK 27.7 (12 January). The share price on 31 March 2017 was SEK 35.4 (last price paid).

During the period from 1 January to 31 March 2017, the Cloetta share increased by 23 per cent while the Nasdaq OMX Stockholm PI index increased by 5 per cent. Cloetta's share capital at 31 March 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.

Undertaking by AB Malfors Promotor

In connection with the merger between Cloetta and Leaf in 2012, AB Malfors Promotor committed under an agreement with Cloetta AB and two other parties, to convert a number of it's A-shares to B-shares when certain conditions related to Cloettas financial gearing had been reached. These conditions were achieved at the end of 2016 and AB Malfors Promotor requested conversion of 4,126,365 A-shares into B-shares. The conversion was registered with the Swedish Companies Registration Office at the end of February 2017.

Shareholders

On 31 March 2017 Cloetta AB had 16,941 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 90.9 per cent of the votes and 89.3 per cent of the share capital. Foreign shareholders held 45.3 per cent of the votes and 53.4 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 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. 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.

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 31 March 2017:

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
- Forward foreign currency contracts	–	2	–	2
- Assets measured at fair value	–	–	9	9
Total assets	**–**	**2**	**9**	**11**
Liabilities				
Liabilities at fair value through profit or loss				
- Interest rate swaps	–	2	–	2
Total liabilities	**–**	**2**	**–**	**2**

The assets measured at fair value less cost of disposal at 31 March 2017 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 were measured at fair value as per 31 December 2016:

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
- Forward foreign currency contracts	–	4	–	4
- Assets measured at fair value	–	–	9	9
Total assets	**–**	**4**	**9**	**13**
Liabilities				
Liabilities at fair value through profit or loss				
- 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 were measured at fair value at 31 March 2016:

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
- Assets measured at fair value	–	–	8	8
Total assets	**–**	**–**	**8**	**8**
Liabilities				
Liabilities at fair value through profit or loss				
- Interest rate swaps	–	21	–	21
- Forward foreign currency contracts	–	1	–	1
- Contingent considerations	–	–	144	144
Total liabilities	**–**	**22**	**144**	**166**

The assets measured at fair value less cost of disposal at 31 March 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'.

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

SEKm	Jan–Mar 2017	Jan–Mar 2016	Full year 2016
Opening Balance	**–**	**125**	**125**
Remeasurements recognized in profit and loss			
- Unrealized remeasurements on contingent considerations recognised in general and administrative expenses	–	14	17
- Unrealized interest on contingent considerations recognised in other financial expenses	–	2	10
Remeasurements recognized in other comprehensive income			
- Unrealized currency translation differences	–	3	2
Settlements			
- Settlement via balance sheet	–	–	–154
Closing Balance	**–**	**144**	**–**

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 has occured during the financial year or the prior financial year.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included at level 2. The valuation of the instruments is based on quoted market prices, but the underlying swap amounts are based on the specific requirements of the Group. These instruments are therefore included at level 2. The fair value measurement of the contingent (earn-out) considerations requires the use of significant unobservable inputs and 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 valuators.
- Other techniques, such as discounted cash flow analysis, are used to determine the fair value of the remaining financial instruments.

The fixed assets measured at fair value are identified as a non-recurring fair value measurement and are related to the assets held for sale. The assets are valued at fair value in case the fair value less cost of disposal is below the carrying amount. The contingent (earn-out) considerations were 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 were 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 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 and sustainability report 2016 at www.cloetta.com.

Taxes

The net effect of international tax rate differences, changes in filing positions and non-deductible expenses impacted the effective tax rate of the Group unfavourably. Cloetta's deferred tax balances have been calculated according to the enacted or 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 and sustainability report 2016 and consist of industry- and market-related risks, operational risks and financial risks. Compared to the annual and sustainability report 2016, which was issued on 9 March 2017, no new risks have been identified.

Definitions

General	All amounts in the tables are presented in SEK millions unless otherwise stated. All amounts in brackets () represent comparative figures for the same period of the prior year, unless otherwise stated.	
Margins	**Definition/calculation**	**Purpose**
Gross margin	Net sales less cost of goods sold as a percentage of net sales.	Gross margin measures production profitability.
Operating profit margin (EBIT margin)	Operating profit expressed as a percentage of net sales.	Operating profit margin is used for measuring the operational profitability.
Operating profit margin, adjusted	Operating profit, adjusted for items affecting comparability, as a percentage of net sales.	Operating profit margin, adjusted excludes the impact of items affecting comparability, enabling a comparison of operational profitability.
Profit margin	Profit/loss before tax expressed as a percentage of net sales.	This 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 comparitive 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 exluding acquisition-driven growth and changes in exchanges rates.	Organic growth excludes the impact of changes in group structure and exchange rates, enabling a comparison on net sales growth over time.
Structural changes	Net sales, change resulting from changes in group structure.	Structural changes measure the contribution of changes in group structure to the net sales growth.

Glossary

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

Exchange rates

	31 Mar 2017	31 Mar 2016	31 Dec 2016
EUR, average	9.5006	9.3161	9.4700
EUR, end of period	9.5399	9.2329	9.5804
NOK, average	1.0581	0.9802	1.0200
NOK, end of period	1.0396	0.9800	1.0548
GBP, average	11.0555	12.0474	11.5480
GBP, end of period	11.1291	11.6961	11.1673
DKK, average	1.2779	1.2490	1.2721
DKK, end of period	1.2828	1.2391	1.2888

Financial calendar

2017 | 2018

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

Interim report Q1
21 April 2017

Interim report Q2
13 July 2017

Interim report Q3
25 October 2017

Year-end report Q4
Jan/Feb 2018

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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 21 April 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

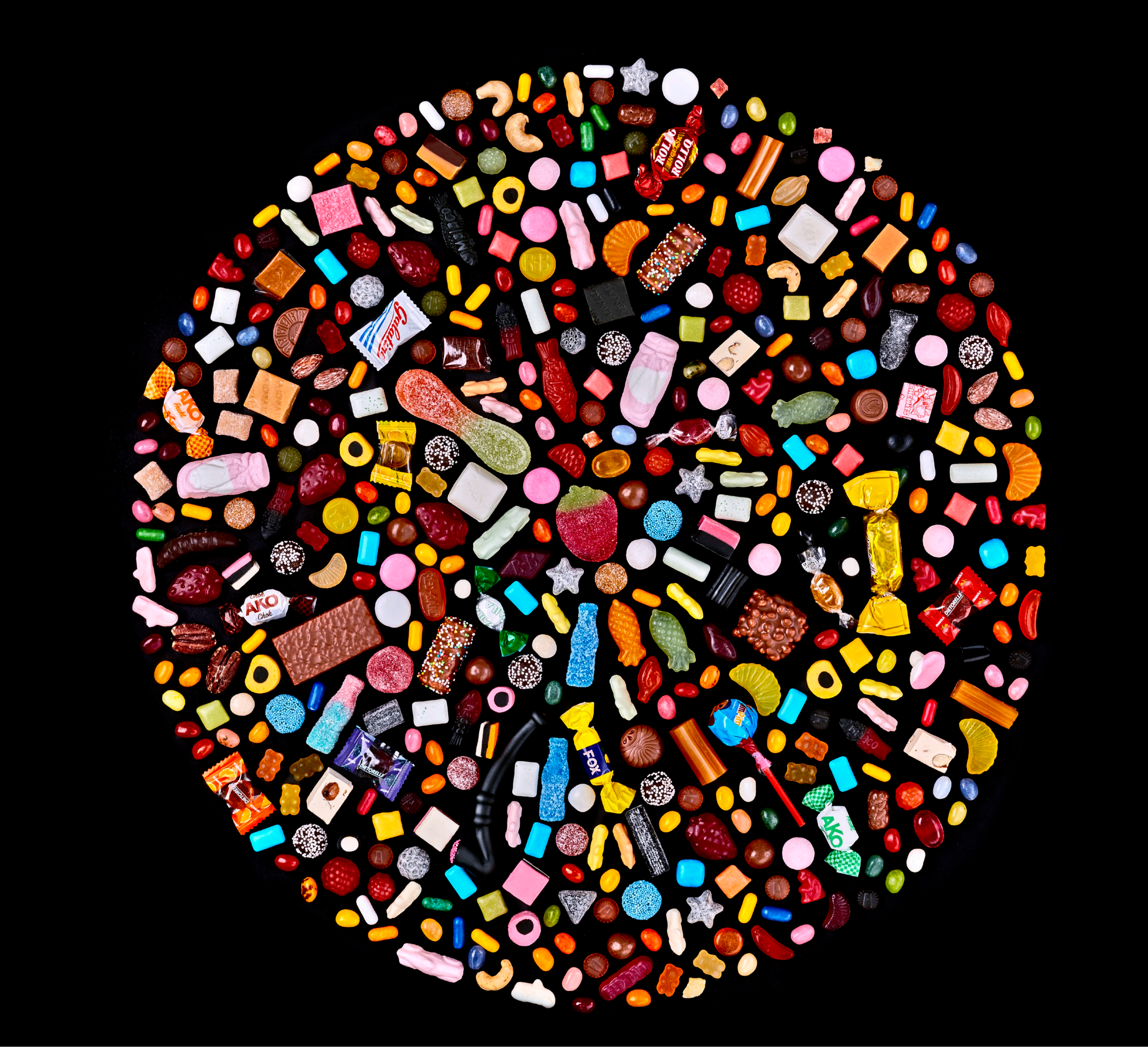
- **Cloetta's target is to increase organic sales at least in line with market growth.**
- **Cloetta's target is an EBIT margin, adjusted for items affecting comparability, of at least 14 per cent.**
- **Cloetta's long-term target is a net debt/EBITDA ratio of around 2.5x.**
- **Cloetta's long-term intention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

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