LEAF Holland B.V.

Amsterdam, The Netherlands

FINANCIAL STATEMENTS

FOR 2011

Contents

Annual report of the directors

Ownership structure

LEAF Holland B.V is a wholly-owned subsidiary of LEAF Finance AB. Leaf Holdings SA is the Parent Company of the larger Group in which LEAF Finance AB is included. Leaf Holdings S.A is, in turn, owned by the private equity funds advised by Nordic Capital, CVC Capital Partners as well as management.

The LEAF Group was created in its present form on 7 March 2005, when CSM Sugar Confectionery Division was sold to a newly incorporated entity owned by private equity funds advised by CVC Capital Partners and Nordic Capital.

Business overview

LEAF is a leading confectionary company with focus on candy, gum and pastilles. LEAF has a leading position in the Nordic countries, the Netherlands, Belgium and Italy. LEAF is present in 7 of the 10 markets worldwide with the highest per capita consumption of sugar confectionery.

LEAF is a brand focused company which owns some of the strongest brands on the market, e.g. Läkerol, Jenkki, Malaco, Sportlife, Saila, Red Band, Venco, Sperlari, Mynthon and Ahlgrens Bilar, all of them with local heritage. After rationalizing the product portfolio during the last years, LEAF today generates 99% of its turnover from branded products.

LEAF operates primarily in the Western European sugar confectionary market. The total Western European market has a value of approximately €13.4 billion (Source: Datamonitor). The market can be segmented into two parts, enjoyment (€6.7 billion) and refreshment (€6.7 billion).

LEAF has commercial operations in Finland, Sweden, Norway, Denmark, The Netherlands, Belgium, Germany, UK and in Italy. Outside these geographies, LEAF products are primarily sold through a network of distributors; these operations are centrally managed out of an Italy-based central back-office. In total, LEAF products are sold in more than 50 countries worldwide.

In 2011, the LEAF manufacturing footprint comprised 11 factories in 7 countries. The factory in Slagelse, Denmark was closed in 2011.

<u>Organisational structure and management</u>
LEAF is organised in a functional structure in which commercial and supply chain management are separated. The HR, Finance & Administration and ICT functions are based locally, operating as service centres to both the local commercial and supply chain organizations. Strategy formulation, corporate communication, business planning and control, as well as some finance related activities such as tax, treasury, insurance and financial consolidation are provided by the LEAF headquarters in Solna (Sweden) and Oosterhout (Holland).

LEAF’s Executive management team comprised of nine people by the end of the year; the four regional commercial presidents for the regions Finland, Scandinavia (Sweden/Norway/Denmark), Middle (The Netherlands/Belgium/Germany) and Italy the senior vice president HR, the senior vice president Corporate Communications, the President Operations, the CFO and the CEO.

In 2011, the Chief Marketing Officer (CMO) was appointed President Middle. The CMO position was by the end of the year held on an interim basis, not being part of the Executive management team.

<u>Mission and strategy</u>
LEAF's vision is to become the most admired company in the sugar confectionary industry. This will be accomplished by:

- Focussing on value creation via strong brands
- Driving sales growth
- Holding a number 1 or 2 position in core markets
- Being an innovative company
- Being a cost effective producer
- Exploiting synergies
- Attracting high performance people and providing a fun place to work

Developments in 2011

On December 16 2011, a merger between LEAF and the Swedish confectionary company Cloetta was announced. The combined company, listed on the NASDAQ OMX in Stockholm, will create a Nordic confectionary leader, with strong positions in The Netherlands, Belgium and Italy. The merger is a highly complementary combination, creating a full range of confectionary products by combining Cloetta's strength in the chocolate segment with LEAF's leading position within the sugar confectionary segments. The transaction is conditional upon approval by the shareholders of Cloetta. The transaction is expected to close Mid-February, 2012. All intercompany balances with related parties including shareholders borrowings will be settled before closing.

Market and market position
The overall market conditions were challenging during 2011. Demand was flat or down in most markets during the year. Despite this, LEAF maintained its strong position in the sugar confectionary industry during 2011. The company continues to hold the number one or two market positions in its key markets.

LEAF is, with Läkerol and Mynthon, market leader in *pastilles* in Sweden and Finland. Similarly, Läkerol is markets leader in Denmark and has a number two position in Norway. In Italy, Saila holds a number four position within pastilles.

On the *chewing gum* market Jenkki further solidified its dominant position in Finland, while Sportlife lost some market share in the face of fierce competition in the Netherlands. In Sweden, Läkerol Gum held its position during 2011. In addition TOY was re-launched in Sweden.

LEAF maintained its market leader position in *sugar confectionary* in Sweden, Norway and The Netherlandswith household brands like Malaco, Ahlgrens bilar, Red Band and Venco. LEAF holds a number two position in Finland with the Malaco brand as well as in Italy with the Sperlari and Dietorelle brand.

LEAF grew the market share in the Finnish (Tupla) *chocolate* segment while maintaining the positions in the Italian (Sperlari) *chocolate* segment. In the Italian sweetener market, LEAF maintained its undisputed market leader position.

New product launches
During the year Saila gum was launched in Italy, making an important step in to the chewing gum category. In the Nordic countries, Malaco Choco, a new candy chocolate concept, was launched. In Finland, Tupla very successfully entered the biscuit shelf with Tupla Shuffle bites.

Closure of factory
During the year the factory in Slagelse, Denmark was closed, ahead of plan, transferring the majority of the production to the factory in Levice, Slovakia.

New IT systems
The preparation for the implementation of a new ERP- and Business Intelligence system has been an important task during the year, and was successfully implemented in Scandinavia as of January 1, 2012. Roll out in other countries will continue up until 2014.

Net sales and profitability
Net sales declined by 2.0%, driven by weak sales development in all markets except Italy. The decline in Scandinavia was mainly due to an overall market decline and the fact that Ikea decided to launch private labels world-wide instead of selling brands, in Finland sales declined mainly due to substantial de-stocking following stock building in Q4, 2010 ahead of the introduction of the confectionery tax as of January 1, 2011. In Italy, sales growth was mainly driven by the introduction of Saila Gum.

Operating profit, excluding non-recurring items, declined by 10.6%.The decline is mainly driven by substantially increased raw material prices compared to last year. To counterbalance these increases LEAF has increased prices towards customers. These price increases will take effect in 2012. In addition, lower sales on several markets, in combination with the introduction of a confectionary tax in Finland contributed to the decline in operating profit.

Research and Development
In 2011, expenses related to research and development amounted to EUR 3.4 million (2010: EUR 4.0 million). These costs were spent on all key markets and products in order to maintain a flow of new products that will deliver profitable growth.

Capital expenditures
In 2011 total capital expenditure increased to EUR 24.8 million (2010: EUR 10.2 million). The increase is primarily related to the factory in Levice, Slovakia.

Approximately 49% of capital expenditure in 2011 refers to the production facility in Slovakia and approximately 14% to IT-systems.

Depreciation and amortization amounted to EUR 13.7 million (2010 EUR 15.0 million).

Financial Results
In 2011, net turnover amounted to EUR 516.3 million (2010: EUR 526.9 million). Operating profit amounted to EUR 40.4 million (2010: EUR 54.0 million). Operating profit was affected by non-recurring items (note 25) totalling EUR 23.2 million (2010: EUR 17.1 million). Recurring EBITA for LEAF amount to EUR 64.5 million (2010: EUR 72.0 million).

LEAF amortized its outstanding loans to Svenska Handelsbanken with EUR 50 million to EUR 289 million in 2011.

Furthermore, LEAF had EUR 10.9 million in cash as per December 31, 2011 (compared to EUR 24.6 million as per December 31, 2010).

Overview of results and financial position

Overview - Group

	2011	2010	2009
Net sales (Continuing operations)	516 291	526 860	516 739
Profit/loss before tax (Continuing operations)	-26 349	-17 285	-18 478
Balance sheet total	969 183	947 397	926 592
Equity/assets ratio	neg	neg	neg
Average number of employees	2 192	2 275	2 309

Significant events after the end of the financial year

Group
No significant events have taken place after the end of the financial year.

Future development

In light of the proposed merger between LEAF and Cloetta, expected to close in February, 2012, LEAF refrains from giving a financial outlook for 2012.

Significant risks and factors of uncertainty

LEAF is an international operating company facing several market and financial risks. These risks are monitored continuously and, if needed, risk mitigating actions are taken to limit the impact.

Risks and factors of uncertainty are described in the section below and in Section 4.
LEAF's business and financial results could be negatively impacted by the following risks:

Economic crisis. Although the sugar confectionery industry historically has proven to be relatively resilient to economic downturns, it cannot be excluded that a prolonged economic downturn in some markets at some point in time will impact LEAF's business.

Raw materials. LEAF is not a dominant force on the markets for its raw materials and nearly all raw materials can be characterized as commodities. This means that LEAF is exposed to fluctuations of raw material prices and supply. With the exception of Arabic gum, LEAF has no significant exposure to raw materials sourced from regions with current political instability

Transfer of production. LEAF has a well functioning and experienced supply chain organisation. However, closing factories and/or transferring production are a complex process which could lead to disturbances and delays in production.

IT. LEAF has started in 2012 to introduce a new Enterprise Resource Planning (ERP) system and a new Business Intelligence (BI) tool. The systems will be introduced gradually over the coming years. Implementation of new IT-systems is a complex process, which could have a negative effect on the business.

EUR '000 unless otherwise stated

Tax risks. LEAF periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. LEAF establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Currencies. LEAF primarily operates in the Euro-zone, it also being LEAF's official reporting currency. Given the relatively limited currency exposure coupled with the high volatility of the USD and GBP exchange rates, LEAF has decided not yet to hedge its transaction exposure for these two currencies in 2011. Part of the loan with Svenska Handelsbanken is denominated in SEK which creates a natural hedge towards the SEK volatility.

Interest rates. In 2010 LEAF entered into new interest swap agreements for the period 2011-2013. As a result LEAF pays on group level on average 1,59% fixed interest on the loans denominated in EUR (excluding SHB margin).

Environmental impact

Group

LEAF engages in manufacturing at its factories, located in Sweden, Finland, Italy, The Netherlands, Belgium and Slovakia. At the end of 2011, the Swedish factory was subject to notification under the Swedish Environmental Code. The notification requirements are due to the nature of the operations, which principally comprise activities involving manufacturing of chocolate and confectionery. Operations affect the environment through air emissions, noise and waste water.

Manufacturing units outside Sweden adapt their operations, apply for the necessary permits and report to the authorities as required by local legislation.

Parent Company

The Parent Company does not conduct any operations requiring notification/ license in accordance with the Swedish Environmental Code.

Consolidated financial statements

*All amounts in the Financial Statements are in EUR * 1,000 unless otherwise stated. The notes on the pages 14 to 65 form an integral part of these consolidated financial statements.*

Consolidated balance sheet

	Ref.	31 December 2011		31 December 2010	
Assets					
Non-current assets					
Intangible assets	6	539,962		537,583	
Property, plant and equipment	7	147,912		148,552	
Deferred tax assets	8	49,488		23,413	
Financial assets	9	29,240		16,434	
			766,602		725,982
Current assets					
Inventories	10	71,795		63,132	
Trade and other receivables	11	117,993		133,598	
Current income tax receivables	8	205		112	
Cash and cash equivalents	12	10,888		24,573	
			200,881		221,415
Assets held for sale	13		1,700		0
TOTAL ASSETS			**969,183**		**947,397**
Shareholders' equity and liabilities					
Shareholders'equity					
Shareholders' equity	14	20		20	
Share premium	14	191,781		88,968	
Translation differences reserve	14	76		-423	
Accumulated deficit	14	-225,666		-174,490	
Net result for the year	14	-7,272		-39,417	
			-41,061		-125,342
Non-current liabilities					
Borrowings	17	681,990		760,969	
Deferred tax liabilities	8	81,696		79,590	
Pensions and other long-term employee benefits	15	25,226		25,809	
Provisions	16	2,736		3,312	
			791,648		869,680
Current liabilities					
Trade and other payables	18	116,574		109,688	
Borrowings	17	83,830		71,569	
Provisions	16	6,679		8,711	
Current income tax liabilities	8	11,513		13,091	
			218,596		203,059
TOTAL EQUITY AND LIABILITIES			**969,183**		**947,397**

EUR '000 unless otherwise stated

Consolidated income statement for the year ended 31 December

	Ref.	2011	2010
Net turnover	20	**516,291**	**526,860**
Cost of sales		322,674	320,964
Gross profit		**193,617**	**205,896**
Other income	21	104	1,634
Selling expenses		101,362	104,104
General and administrative expenses		51,990	49,418
Total operating costs		153,352	153,522
Operating result		**40,369**	**54,008**
Finance income		1,166	570
Finance expenses		-67,884	-71,863
Finance expenses, net	27	-66,718	-71,293
Result before tax		**-26,349**	**-17,285**
Income tax	28	19,077	-22,132
Net result for the year		**-7,272**	**-39,417**
Net result attributable to owners of the parent		-7,272	-39,417

EUR '000 unless otherwise stated

Consolidated statement of comprehensive income for the year ended 31 December

	Ref.	2011	2010
Net result for the year	14	**-7,272**	**-39,417**
Other comprehensive income:			
Currency translation difference	14	499	8,410
Total comprehensive income for the year		**-6,773**	**-31,007**
Comprehensive income attributable to owners of the parent		-6,773	-31,007

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 28.

EUR '000 unless otherwise stated

Consolidated statement of changes in equity

	Ref.	Share capital	Share premium	Translation differences reserve	Retained earnings	Total equity
		Attributable to equity holders of the Company				
Balance as of 1 January 2010		**20**	**88,968**	**-5,106**	**-144,288**	**-60,406**
Comprehensive income						
Net result for the year		0	0	0	-39,417	-39,417
Other comprehensive income						
Currency translation difference		0	0	4,683	3,727	8,410
Total comprehensive income for 2010		**0**	**0**	**4,683**	**-35,690**	**-31,007**
Transactions with owners						
Group contribution given		0	0	0	-38,996	-38,996
Tax related to group contribution given		0	0	0	5,067	5,067
Total transactions with owners		**0**	**0**	**0**	**-33,929**	**-33,929**
Balance as of 31 December 2010		**20**	**88,968**	**-423**	**-213,907**	**-125,342**
Balance as of 1 January 2011		**20**	**88,968**	**-423**	**-213,907**	**-125,342**
Comprehensive income						
Net result for the year		0	0	0	-7,272	-7,272
Other comprehensive income						
Currency translation difference		0	0	499	0	499
Total comprehensive income for 2011		**0**	**0**	**499**	**-7,272**	**-6,773**
Transactions with owners						
Capital contribution		0	102,813	0	0	102,813
Group contribution given		0	0	0	-16,025	-16,025
Tax related to group contribution given		0	0	0	4,266	4,266
Total transactions with owners		**0**	**102,813**	**0**	**-11,759**	**91,054**
Balance as of 31 December 2011		**20**	**191,781**	**76**	**-232,938**	**-41,061**

EUR '000 unless otherwise stated

Consolidated cash flow statement

	Note	31 Dec 2011	31 Dec 2010
Cash flow from operating activities			
Operating result		40.369	53.666
Adjustmenst in respect of:			
Amortisation of intangible assets	6,24	1.844	1.845
Depreciation of property, plant and equipment	7,24	11.835	13.106
Impairments of intangible assets and property, plant & equipment	7,24	8.682	5.503
Adjustment for non-cash movements in pension provision	15	-1.871	-1.911
Addition to/(Release from) other provisions	16	-2.607	545
Changes in working capital:			
Trade and other receivables	11	15.512	-5.605
Inventories	10	-8.663	-1.605
Current liabilities	18	6.655	2.402
Funding parent company derivative financial instruments		-349	-13.242
Interest received	27	69	0
Interest paid	27	-14.390	-13.373
Corporate income tax paid	8	-2.504	-1.522
Net cash generated from operating activities		**54.582**	**39.809**
Cash flow from investing activities			
Investments in intangible assets	6	-3.438	-1.044
Investments in property, plant and equipment	7	-21.361	-9.173
Disposals of property, plant and equipment	7	90	284
Net cash used in investing activities		**-24.709**	**-9.933**
Cash flow from financing activities			
Repayments of interest-bearing borrowings	17	-50.000	-30.000
Proceeds from borrowings	17	19.000	
Financial leases	17	-48	-77
Financial fixed assets	9	-12.458	1.182
Net cash generated from/(used in) financing activities		**-43.506**	**-28.895**
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		-13.633	981
Cash, cash equivalents and bank overdrafts at beginning of year	12	24.573	23.899
Decrease in cash and cash equivalents		-13.633	981
Exchange gains/(losses) on cash and bank overdrafts		-52	-307
Cash, cash equivalents and bank overdrafts at end of year	12	**10.888**	**24.573**

EUR '000 unless otherwise stated

Notes to the consolidated financial statements

1 General

These financial statements were approved for issue by the Board of Management on February 7, 2012. The financial statements are subject to adoption by the Annual General Meeting of Shareholders on February 7, 2012.

The consolidated financial statements have been prepared under the historical cost convention. Unless otherwise indicated, the consolidated financial statements are presented in euros and values are rounded to the nearest thousand.

1.1 Activities

On May 7, 2010 LEAF Holland B.V. merged into LEAF International B.V. with effective date of January 1, 2010. Directly after the merger the name of LEAF International B.V. was changed to LEAF Holland B.V.

The activities of LEAF Holland B.V. (the 'Company') which address of its registered office is Hoevestein 26 in Oosterhout (NB) and its group companies (together the 'Group') mainly comprise:

- the sale, marketing and production of branded sugar confectionery products;
- the trade of sugar confectionery products.

The countries of the European Union and Norway form the most important markets.

1.2 Group structure

General

The company was incorporated on February 7, 2005. The ultimate parent company of LEAF Holland B.V. is LEAF Holding S.A. in Luxembourg, Luxembourg. CVC Capital Partners and Nordic Capital have joint control over LEAF Holding S.A..

The financial statements of LEAF Holland B.V. are included in the consolidated financial statements of the ultimate parent company LEAF Holding S.A. in Luxembourg, Luxembourg.

On December 28, 2011 and December 30, 2011 new companies were founded named LEAF Denmark Ejendomsselskap ApS and LEAF Sverige IP AB respectively. Both companies are added to the legal group structure.

Proposed Merger

On December 16, 2011 Cloetta AB and LEAF Holland B.V. announced a proposed merger in 2012. The combined company will become a leading Swedish confectionary company with a strong base in the Nordic region as well as in The Netherlands and Italy.

1.3 Going concern

During 2010 and 2011 the group made a loss of EUR 39.4 million and EUR 7.3 million respectively. Accumulated deficit from acquisition date as at 7 February 2005 up to and including 31 December 2011 resulted in a negative net equity at balance sheet date of EUR 41.1 million. In the years 2009 and 2011 additional share premium was contributed for totally EUR 121 million. As a result this going concern paragraph has been added to the financial statements.

The accumulated deficit is mainly caused by restructuring and reorganisation costs, consultancy costs, impairment of assets of disposal group and transaction related costs not qualifying for capitalization (only in 2005) amounting in total to EUR 170.5 million. These costs were incurred mainly as a result of the restructuring program executed since 2005 and the disentanglement from CSM in 2005.

Management believes that the identified strategy is successfully being executed, amongst others evidenced by stable operating results and that the company should be able to continue financing its operations in the foreseeable future. In 2010 and 2011 the company realised a positive cash flow from operating activities of EUR 39.8 million and EUR 54.6 million respectively.

These funds were primarily used to redeem the long term loan to Svenska Handelsbanken for EUR 50.0 million in 2011 and EUR 30.0 million in 2010. The total overdraft facility amounts EUR 60.0 million of which EUR 20 million has been granted and is available for the period of 1 April 2011 up to and including 30 September 2012. The Group has an unused overdraft facility of EUR 20.3 million at 31 December 2011 (2010: 19.9 million).

The significant strong cash flow evidenced in prior years in combination with the 5-years business plan will enable LEAF to make further redemptions on the loans with Svenska Handelsbanken. Management is of the opinion that there is no uncertainty about company’s ability to timely meet future repayments and covenants with Svenska Handelsbanken as well as loans from shareholders and trade creditors. Furthermore, management is of the opinion that the risk of insufficient cash flow to repay the outstanding amounts under the facilities in full on the respective maturity dates will not be a threat to the company’s ability to continue as a going concern in the foreseeable future.

Therefore, the accounting principles applied in these financial statements are based on the assumption that the company is able to continue as a going concern.

1.4 Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of LEAF Holland B.V. have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The stand-alone financial statements are prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code. In accordance with Article 402, Part 9, Book 2 of the Netherlands Civil Code, an abbreviated income statement is included in the Company’s stand-alone financial statements.

The new standards and amendments to existing standards which have been published and could be applicable and therefore mandatory for the group's accounting periods beginning on or after January 1, 2011 have been evaluated and will not have impact on the group's basis of consolidation and disclosure requirements.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. These judgements affect the reported amounts of assets and liabilities and the reported amounts of net turnover and expenses during the period as well as the information disclosed. Actual results may differ from those estimates and assumptions. In note 5 the areas involving a higher degree of judgement or complexity and the areas where assumptions and estimates are significant to the consolidated financial statements are further discussed.

Foreign currency translation

Functional and presentation currency

Items included in the financial information of each of our entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of foreign entities generally is local currency. The consolidated financial information is presented in EURO, which is the presentation currency of the group.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the finance income and cost line in the Consolidated Income Statement.

Translation differences on non-monetary financial assets and liabilities are recognised in the income statement as part of the fair value gain or loss.

Translation differences in relation to intragroup long-term loans that effectively constitute an increase or decrease in net investments in foreign operations are directly recognised in equity as a component of the statutory reserve for translation differences insofar that such loans effectively hedge the exchange rate exposure on that net investment.

Group companies

The results and financial position of all the group companies (none of which has the currency of a hyperinflation economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold, unrealized exchange differences deferred in currency translation adjustments after January 1, 2006 (first time adoption IFRS) are recycled in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated as the closing rate.

Consolidation

The consolidation includes the financial information of LEAF Holland B.V. and its group companies. Group companies are all legal entities over which LEAF Holland B.V. has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether LEAF Holland B.V. controls another entity. Group companies are fully consolidated from the date on which control is transferred to LEAF Holland B.V. They are de-consolidated from the date that control ceases. As LEAF Holland B.V. holds all shares in its group companies, there are no minority interests.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The consolidated financial statements comprise the financials of LEAF Holland B.V. and the following group companies:

- LEAF België Production N.V., Turnhout, Belgium (100%);
- LEAF Belgium Distribution N.V., Lier, Belgium (100%);
- LEAF Danmark ApS, Brøndby, Denmark (100%);
- LEAF Danmark Ejendomssselskab ApS, Slagelse, Denmark (100%);
- LEAF Suomi Oy, Turku, Finland (100%);

- LEAF Leasing Oy, Turku, Finland (100%);
- Karikkikatu Oy, Turku, Finland (100%);
- LEAF Deutschland GmbH, Bocholt, Germany (100%);
- LEAF Italy S.r.L., Cremona, Italy (100%);
- Saila S.p.A., Silvi Marina, Italy (100%);
- LEAF Norge AS, Høvik, Norway (100%);
- LEAF Finance Holland B.V., Amsterdam, the Netherlands (100%) (formerly known as Van Tienen sr. (V.T.S.) Successor B.V.);
- LEAF Slovakia s.r.o., Bratislava, Slovakia (100%).
- LEAF Sverige AB, Malmö, Sweden (100%);
- LEAF Sverige IP AB, Malmö, Sweden (100%);
- LEAF Baltics AS, Tallinn, Estonia (100%); in liquidation;
- OOO LEAF, Saint Petersburg, Russia (100%), in liquidation;
- LEAF United Kingdom Ltd., Southport, United Kingdom (100%), in liquidation;

1.5 Related parties

All group companies mentioned in note 1.4 are considered to be related parties. Transactions between group companies are eliminated upon consolidation. The parent company, LEAF Finance AB, and the ultimate parent company, LEAF Holding S.A., also qualify as related parties. CVC Capital Partners and Nordic Capital qualify as related parties since they have joint control over LEAF Holding S.A.. Furthermore, key management is also considered as a related party.

1.6 Notes to the cash flow statement

The cash flow statement has been prepared applying the indirect method. The cash and cash equivalents in the cash flow statement comprise the balance sheet items cash at banks and in hand and the bank overdraft forming part of the current liabilities.

Cash flows in foreign currencies have been translated at average exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Receipts and payments of interest, dividends received and corporate income tax are included in the cash flow from operating activities.

Investments in group companies are recognised at acquisition cost less cash and cash equivalents available in the company acquired at the time of acquisition.

2 Principles of valuation of assets and liabilities

2.1 General

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

If not specifically stated otherwise, assets and liabilities are initially recognised at the amounts at which they were acquired or incurred. The balance sheet, income statement and cash flow statement include references to the notes.

2.2 Intangible assets

Research and development expenses

Research costs are recognised in the income statement as incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that a project will achieve economic benefits in the future, considering its commercial and technological feasibility, and costs can be measured reliably.

Trademarks

Trademarks are shown at historical cost based upon the royalty relief method. In view of the history of the portfolio of LEAF trademarks, combined with the LEAF commitment to continue supporting these trademarks with advertising and promotion resources and continuous product development, the LEAF trademarks are considered to be indefinite in nature.

Trademarks with indefinite useful lives are not amortised, but are subject to impairment testing at least annually or whenever events or circumstances indicate a risk of impairment.

Computer software

Where computer software is not an integral part or a related item of computer hardware and not integral to the operation of an item of property, plant and equipment, the software is treated as an intangible asset.

Software licences acquired are capitalised at acquisition cost and amortised over the estimated useful life, being a 3 to 5 year period.

Capitalised internal-use software costs include external direct costs of materials and services consumed in developing or obtaining the software, and payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project. Capitalisation of these costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose. These costs are amortised over their expected useful life on a straight-line basis, with the lives reviewed annually.

Expenditure in connection with maintenance of computer software and expenses related to research activities are recognised in the income statement.

Distribution contracts

Distribution contracts acquired are capitalised at acquisition cost and amortised based upon the useful life with a maximum of the duration of the contract being 5 years.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGU's, or groups of CGU's, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

For determining whether an impairment charge in respect of an intangible asset applies, reference is made to note 6.

2.3 Property, plant and equipment

Property, plant and equipment are valued at cost less depreciation and impairment. The cost includes direct costs (materials, direct labour and work contracted out) and directly attributable overhead costs. Depreciation is accounted for using the straight-line method on the basis of the estimated useful life. Government grants are deducted from the acquisition price or the construction costs of the assets to which they relate.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows.

Buildings	30-50 years
Machinery and Equipment	10-40 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

Subsequent expenditures are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

2.4 Non-current financial assets

The Group has financial assets only in the category "loans and receivables".

Loans, receivables, prepayments on registration fees and deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in "current assets", except for maturities greater than 12 months after the balance sheet date, which are classified as "non-current assets". Loans, receivables and prepayments on registration fees are carried at amortised costs using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.5 Impairment of non-current assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. On the balance sheet date, the Group also tests whether there are any impairment indications of assets which are subject to amortisation or depreciation. If there are such indications, an impairment test is performed. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An asset is subject to impairment if its book value is higher than its recoverable value; the recoverable value is the higher of an asset's fair value less costs to sell and its value-in-use (i.e. the present value of the future cash flows to be generated by an asset from its continuing use in the business). Impairment costs are directly recognised as an expense in the income statement.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. If it is established that a previously recognised impairment no longer applies or has declined, the increased carrying amount of the asset in question is not set higher than the carrying amount that would have been determined when no asset impairment had been recognised.

2.6 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group does not meet the requirements for hedge accounting and as a result all gains or losses relating to these financial instruments are recognised in the income statement.

The full fair value of a derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The changes in the fair value of derivatives are recognised immediately in the income statement within 'finance expenses'.

2.7 Inventories

Raw materials are valued at the lower of cost or net realisable value. Cost is determined using the FIFO method ('first in, first out').

Inventories of semi-finished and finished products are stated at the lower of cost or net realisable value. Costs represent the cash equivalent of the expenditure necessarily incurred to bring the goods acquired to the condition and location for their intended use. Cost in respect of work in progress and finished goods include the applicable materials and labour costs, other direct costs, a representative share of the fixed manufacturing overhead costs based on normal operating capacity and variable manufacturing overhead costs based on actual production during the period. Borrowing costs have not been included in the cost of inventory.

Net realisable value represents the estimated selling price in the ordinary course of business less directly attributable, applicable variable selling expenses and less costs of completion of inventory.

2.8 Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling expenses in the income statement.

2.9 Cash and cash equivalents

Cash and cash equivalents represent cash in hand, cash at banks and deposits with a maturity of less than three months. Current account overdrafts at banks are included under debts to credit institutions under the heading current liabilities.

2.10 Non current assets held for sale and discontinued operations

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction, rather than through continuing use. Assets are classified as held for sale when they are available for immediate sale, in their present condition, subject only to terms that are usual and customary for sales of such assets, and the sale is considered highly probable. Assets held for sale are no longer amortised or depreciated from the time they are classified as such. Assets classified as held for sale are measured at the lower of their carrying amount, or fair value less costs to sell.

Operations that represent a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale and either has been disposed of or has been classified as held for sale, is presented as discontinued operations in the income statement.

2.11 Shareholders' equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the purchase, sale and/or issue of new shares are shown in shareholders' equity as a deduction, net of tax, from the proceeds.

2.12 Provisions

Provisions are recognised for legally enforceable or constructive obligations existing on the balance sheet date, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

If the expenditure to settle obligations is expected to be recovered from third parties, the recovery is carried as an asset on the balance sheet if it is virtually certain to be received upon settlement of the obligation.

2.13 Employee benefits

Pension Obligations

IAS 19, 'Employee benefits' was amended in June 2011. The impact on the group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The group is yet to assess the full impact of the amendments.

Group companies operate various pension schemes (see note 15). The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The pension provision carried on the balance sheet is the present value of pension benefit obligations under the defined benefit scheme net of the fair value of plan assets, against which unrecognised actuarial gains or losses and unrecognised past service costs are set off. The required pension provision is measured annually by independent actuaries using the actuarial method known as the 'Projected Unit Credit' method. The present value of the obligation is computed by discounting estimated future cash flows, using interest rates applying to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from changes in actuarial assumptions exceeding 10% of the higher of pension benefit obligations and the fair value of plan assets at the opening of the financial year are credited or charged to the income statement over the expected average future years of service of the employees concerned.

Unrecognised past service costs are taken directly to the income statement unless the changes in the pension scheme depend on the employees remaining in service for a specific period (the vesting period). In that case, the past service costs are recognized on a straight-line basis over the vesting period.

As the industry sector pension funds are not able to supply LEAF with company specific or reliable or timely information, LEAF has accounted for the defined benefit schemes at industry sector pension funds as though they were defined contribution schemes. In the event of a deficit at the industry sector pension fund the Company has no obligation to provide supplementary contributions, other than higher future contributions.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Jubilee arrangements

For the jubilee provisions the expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience differences and changes in actuarial assumptions are charged or credited to the income statement in the period in which they arise. These obligations are valued annually by independent qualified actuaris.

Share based compensation

The ultimate parent company LEAF Holding S.A. operates a share-based payment scheme for eligible employees of the LEAF group. Management participates in the ultimate parent company LEAF Holding S.A. through indirect ownership via the ‘Stichting Administratiekantoor LEAF Employees’ and ‘Stichting Adminstratiekantoor LEAF Management’ (the ‘Foundation’) or via direct ownership in the underlying shares. This arrangement is treated as an equity-settled share based payment arrangement for IFRS 2 “Share-based Payment” purposes. This means that, LEAF determines the fair value of the shares at the grant date, being the amount for which the depositary receipts could be exchanged between knowledgeable, willing parties in an arm’s length transaction and recognises immediately, if applicable, an expense for the services received with a corresponding increase in equity.

For this purpose the Company analyses whether the price paid is in line with the market price of the underlying depositary receipts. If a positive difference would exist between (i) the actual market value of the depositary receipts and (ii) the purchase price; this would result in a fair value to be reported under IFRS 2. This analysis is performed at each grant date. The Group has no obligations or rights in the case of cancellations or settlements of the arrangements.

2.14 Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in group companies and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxes are not discounted.

2.15 Borrowings

Borrowings are recognised initially at fair value, being the amount received taking into account premium or discount, and less transaction costs. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the borrowing costs are deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the borrowing costs are capitalised as a pre-payment and netted with the borrowings for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as “current liabilities” unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date (“non-current liabilities”).

When borrowings from the shareholder are extinguised for a consideration other than fair value, the difference between the consideration and the carrying amount of the borrowing is accounted for as an equity contribution.

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.
All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.17 Accounts payable

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Leases

Finance leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. When the lease contract is entered into, the assets are capitalised on the balance sheet at their fair value, or the present value of the minimum lease terms, if lower. The lease amounts payable are split on an annuity basis between a redemption and interest part, based on a fixed interest rate. The relating lease obligations, excluding the interest element, are taken up under interest-bearing borrowings. The interest component of the lease term is recognised in the income statement. The relating assets are depreciated over the remaining economic life or, if shorter, the lease term.

Operating leases

Lease contracts for which a significant part of the risks and rewards incidental to ownership of the assets does not lie with the Group, are recognised as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the contract, taking into account reimbursements received from the lessor.

3 Principles for determination of result

3.1 Revenue recognition

Net turnover is determined as income from the supply of goods, less discounts and such like, exclusive of turnover taxes and after elimination of intragroup sales. Net turnover also includes royalty income.

Net turnover is recognised as follows:
Sales of goods are recognised when a Group entity has delivered products to the customer, the risks and rewards of the ownership of the products have been substantially transferred to the customer and collectibility of the related receivables is reasonably assured.

Seasonal products in Italy are, to a limited extent and applicable to retail channels only, sold with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Net turnover from royalties is allocated to reporting periods in accordance with the royalty agreement.

Dividend income is recognised when the right to receive payment is established.

3.2 Cost of sales

Cost of sales represents the direct and indirect expenses attributable to sales revenue, including raw materials and consumables, cost of work contracted-out and other external expenses, personnel expenses in respect of production employees, depreciation costs relating to buildings and machinery and other operating expenses that are attributable to the cost of sales.

3.3 Selling expenses

Selling expenses comprise the cost of brand support through direct and indirect advertising, promotionals, the cost of supporting the sales and marketing effort and amortisation of related intangible assets. The Company promotes its products with advertising, consumer incentives and trade promotions. Such programs include, but are not limited to, discounts, coupons, rebates, in-store display incentives and volume-based incentives. Advertising costs are expensed as incurred. Consumer incentive and trade promotion activities are recorded as a reduction of net turnover based on amounts estimated as being due to customers and consumers at the end of a period, based principally on historical utilization and redemption rates.

3.4 General and administrative expenses

General and administrative expenses include the costs of General Management, Human Resources, Finance and Administration, Information Technology, and other Back Office services as well as amortisation of related intangible assets.

3.5 Personnel remuneration

Regular payments

Salaries, wages and social security costs are charged to the income statement over the period when related services are rendered and in accordance with employment contracts and obligations.

Bonus schemes

The group has implemented a regular bonus scheme for its senior management. Senior management not being a shareholder in LEAF Holding S.A. (the ultimate holding company of the Group) furthermore has been offered the option to join a deferred bonus scheme. Participants of said scheme have the possibility to enjoy a multiplier on the part of the bonus that they defer depending on developments of the business in the future. The deferred bonus amount is taken as a charge in the year the bonus is granted including the estimated multiplier effect. Any subsequent changes in the estimated fair value of the investments in the deferred bonus scheme are recorded in the income statement. This deferred bonus plan does not qualify for IFRS 2.

3.6 Government grants

Grants and subsidies are recorded at fair value as income in the income statement in the period in which the relating costs are recorded, income is received, or subsidised deficits are recorded. Grants and subsidies are taken as income when there is reasonable assurance that all the conditions will be satisfied and it is probable that these will be received.

Subsidies and grants relating to investments in property, plant and equipment are deducted from the relating asset and reflected in the income statement as part of the depreciation charge.

3.7 Tax

The tax expense for the period comprises current and deferred tax and is recognised in the income statement.

Corporate income tax is calculated on the result before taxation in the income statement, taking into account non-deductible costs, non taxable profit and losses and/or temporary differences arising from applicable substantially enacted local tax law and other items that effect the tax charge (e.g. changes in valuation allowances, adjustments in filing positions and tax law changes, such as tax rate changes).

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3.8 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.9 Non-recurring items

Non-recurring items are those significant items which are separately disclosed in the notes to the financial statements by virtue of their size or incidence to enable a full understanding of the group's financial performance. The non-recurring items are recognised in net turnover, other income, cost of sales, selling expenses and general and administrative expenses, depending on the nature of the items.

4 Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and if applicable hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

4.1 Market risk

Currency risk

The Group is primarily active in the European Union and Norway. The Group's currency risk mainly relates to positions and future transactions in Swedish krona (SEK), Danish krona (DKK), Norwegian krone (NOK), US dollars (USD) and British pounds (GBP).

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

Based on a risk analysis, the Group's Boards of Directors has decided to hedge the Swedish krona related currency risk by means of drawing part of the credit facility in Swedish krona. This hedge covers part of the currency risk in Swedish Krona. However, hedge accounting is not applied for this foreign currency hedge as the required criteria for applying hedge accounting are not met.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the group uses forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

In the financial year 2011, if the Euro had weakened/strengthened by 1% against the Swedish krona with all other variables held constant, post-tax profit for the year would have been EUR 157 higher/lower, as a result of the foreign exchange gains/losses on translation of SEK-denominated trade in Sweden and foreign exchange losses/gains on translation of SEK-denominated borrowings.

The currency risk of the transactions in the other currencies is not significant as the amounts involved are not significant for the total LEAF Group.

Interest rate risk

The Group is exposed to interest rate risk on the interest-bearing non-current and current liabilities (including loans to credit institutions).

The Group is exposed to the consequences of variable interest rates on liabilities. In relation to fixed interest liabilities, it is exposed to market values, which is not a significant risk for the group.

If the interest rate had been 1% point higher/lower with all other variables held constant, post-tax profit for the year would have been EUR 4.0 million lower/higher.

Commodity price risk

The Group is mainly exposed to commodity price risk on its purchases of gelatine, almonds chocolate, sugar, syrups and starches.

At 31 December 2011, if the average gelatine, almonds, chocolate, sugar, syrups and starches price had been 10% higher/lower with all other variables held constant, post-tax profit for the year would have been EUR 5.6 million lower/higher.

For the purchase of cacao, almonds and hazelnuts, the Group enters into forward contracts with some of their suppliers. The quantity of cacao covered by the contracts is the quantity needed by the Group over the next 6 months (on average) and does never exceed the volume of 1 year forward based on the budgeted volumes over that period. The purchase price is fixed according to the market price of cacao, almonds and hazelnuts at that moment.

These contracts will have a value as the market price for cacao fluctuates over the contract period. However, the Group covers only their own needs and do not trade with these contracts nor do they settle contracts in cash. The forward contracts to purchase cacao are therefore outside the scope of IAS 39 under the "own use" exemption. As a result the derivatives embedded in the contracts are not separated from the purchase contracts.

4.2 Credit risk

The Group does not have any significant concentrations of credit risk. The Group clients are subjected to a credit policy. Sales are subject to payment conditions which vary per customer. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Credit terms for customers are determined in individual territories. Concentrations of credit risk with respect to trade receivables are limited, due to the Group's customer base being large and diverse. Our historical experience of collecting receivables, supported by the level of default, is that credit risk is low across territories.

The group uses several banks (range of most used banks varies between AA- and A rating) and has several overdraft facilities available.

Bank	Rating (S&P)	Net Balance 2011	Net Balance 2010	Overdraft Facility 2011	Overdraft Facility 2010
SHB	AA-	-290,656	-348,641	-39,718	19,860
RBS	A	1,955	3,628	0	0
Intesa	A	2,012	1,910	0	0
Nordea	AA-	202	958	0	0
Other banks		3,322	2,796	0	0
Total		-283,165	-339,349	-39,718	19,860

4.3 Liquidity risk

Cash flow forecasting is performed in the operating entities of the group in and aggregated by group finance. Group finance monitors actual cash position and rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 17) at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the operating entities is transferred to the group treasury department and are used for group internal and external financing activities.

EUR '000 unless otherwise stated

The table below analyses the group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows.

				31 December 2010
	Term ≤ 1 year	**Term 1 –2 years**	**Term 2 – 5 years**	**Term > 5 years**
Loans from credit institutions	82,169	50,651	271,679	0
Financial lease liabilities	58	58	19	0
Shareholder loan	0	0	751,135	0
Other debts	7	0	0	38,868
Trade and other payables	100,208	0	0	0
Financial guarantee contracts	1,323	331	241	2,529
Total	183,765	51,040	1,023,074	41,397

				31 December 2011
	Term ≤ 1 year	**Term 1 –2 years**	**Term 2 – 5 years**	**Term > 5 years**
Loans from credit institutions	91,498	50,277	223,728	0
Financial lease liabilities	58	18	0	0
Shareholder loan	0	0	0	1,080,857
Other debts	2,258	0	0	53,552
Trade and other payables	105,795	0	0	0
Financial guarantee contracts	360	284	900	2,481
Total	199,969	50,579	224,628	1,136,890

4.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Management's priority in monitoring capital is to be compliant to the debt covenants towards the Svenska Handelsbanken. Management monitors these covenants and other ratios actively on a monthly basis.

EUR '000 unless otherwise stated

4.5 Fair value estimation

Equity plan

Management participates in the ultimate parent company LEAF Holding S.A. through indirect ownership via the 'Stichting Administratiekantoor LEAF Employees' and 'Stichting Administratiekantoor LEAF Management' (the 'Foundation') or via direct ownership in the underlying shares. This arrangement is treated as an equity-settled share based payment arrangement for IFRS 2 "Share-based Payment" purposes. This means that, LEAF determines the fair value of the shares at the grant date, being the amount for which the depositary receipts could be exchanged between knowledgeable, willing parties in an arm's length transaction and recognises immediately an expense, if applicable, for the services received with a corresponding increase in equity.

The Company has analysed at each grant date whether the price paid by management was in line with the market price of the underlying depositary receipts. Based on the estimated fair value of the shares in LEAF Holding S.A., the purchase prices have in all cases been equal to the estimated fair value of the shares. Consequently, no expenses have been reported in these financial statements related to the equity participation plan.

Financial assets and liabilities

The fair value of financial assets and liabilities for disclosure 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 derived is compared with the carrying value less impairment.

Effective 1 January 2009, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- 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).

At 31 December 2011 the group had no financial assets and liabilities that were measured at fair value.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Specific valuation techniques used to value financial instruments include:

- 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 exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

5 Critical accounting estimates and judgements

In preparing the financial statements management makes estimates and judgements that affect the reported amounts of assets and liabilities, net turnovers and expenses, and disclosures of contingent liabilities at the date of the financial statements. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as well as critical judgements in applying the Group's accounting policies are discussed below. The accounting estimates and judgements are believed to be reasonable under the circumstances.

Impairment of intangible assets and property, plant and equipment

For the purpose of the impairment testing, assets are allocated to cash-generating units when it is not possible to assess impairment on an individual asset basis. The recoverable amount of an asset is compared to the carrying amount to determine if an asset is to be impaired. An asset's recoverable amount is the higher of its value in use and its fair value less costs to sell. The value in use is the present value of the future cash flows to be generated by an asset from its continuing use in the business.

In 2011, the recoverable amount of the cash-generating unit has been determined based on a fair value less costs to sell calculation. For purpose of this calculation, management assumed that no adjustment will be made to the company's enterprise value as announced on 16 December 2011 in connection with its intention to enter into a merger with Cloetta AB. As the two parties have not yet entered into a binding arms length transaction agreement, it is possible that the company's announced enterprise value will differ from the value used as the basis for the price included in the binding transaction agreement. A significant change in the enterprise value used in the Group's impairment tests could result in significantly different results than those reported in these financial statements.

Accounting for income taxes

As part of the process of preparing financial statements, the Group is required to estimate income taxes in each of the jurisdictions in which the Group operates. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Temporary differences between tax and financial reporting result in deferred tax assets and liabilities, which are included in the balance sheet. The Group must also assess the likelihood that deferred tax assets will be recovered from future taxable income. A deferred tax asset is not recognised if, and to the extent, it is probable that all or some portion of the deferred tax assets will not be realized.

Provisions
By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates as to the outcome and the amount of the potential cost of resolution. Provisions are recognized by a charge against the income statement when it is probable that a liability has been incurred and the amount of such liability can be reasonably estimated.

Provisions for litigations, tax disputes, etc. are based on an estimate of the costs, taking into account legal advice and information currently available. Also provisions for termination benefits and exit costs involve management's judgment in estimating the expected cash outflows for severance payments and site closure or other exit costs. Should the actual outcome differ from the assumptions and estimates, revisions to the estimated provisions would be required, which could impact the Group's financial position and results from operations.

Accounting for pensions and other post-employment benefits
Pension benefits represent obligations that will be settled in the future and require assumptions to project benefit obligations and fair values of plan assets. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made by the Group. For the calculation of the present value of the pension obligation and the net cost, actuarial assumptions are made about demographic variables (such as mortality) and financial variables (such as future increases in salaries). In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Changes in these key assumptions can have a significant impact on the projected benefit obligations, funding requirements and periodic costs incurred. For details on key assumptions and policies, see note 15.

It should be noted that when discount rates decline or rates of future salary increase – pension benefit obligations will increase. Net periodic pension costs might also increase, but this depends on whether an unrecognized loss is outside the corridor (10% of the greater of benefit obligations and plan assets) or not.

Capitalisation of development costs
Costs incurred on development projects are recognised as intangible assets when it is probable that a project will be a success considering its commercial and technological feasibility. Management's judgement is required in determining when the Group should start capitalising development costs. Management determined that commercial and technological feasibility is, in general, probable when the Group decides to pre-launch a product and costs can be measured reliably. However, since the development costs the Group incur after the pre-launch of a product are considered insignificant, the Group expenses all development costs in the period the expenditure is incurred. Consequently, based on management's judgement of the moment of commercial and technological feasibility, no development costs have been recognised as intangible assets in the consolidated financial statements.

Revenue recognition
The Group has recognised net turnover amounting to EUR 26.0 million for seasonal sales of goods to customers in Italy during 2011 (2010: EUR 27.2 million). The buyers have the right to return the goods if the goods are not sold to consumers. The Group believes that, based on past experience with similar sales, the return rate will not exceed 14.5%. The Group has therefore recognised net turnover on these transactions with a corresponding provision against net turnover for estimated returns.

6 Intangible assets

	Trademarks	Goodwill	Software	Distribution contracts	Total
1 January 2010					
Acquisition or production costs	302,739	226,806	9,630	2,990	542,165
Accumulated amortisation and impairments	0	-9,283	-6,649	-1,035	-16,967
Book value as of 1 January 2010	**302,739**	**217,523**	**2,981**	**1,955**	**525,198**
Movements 2010					
Additions	0	0	1,044	0	1,044
Exchange differences	13,350	-164	0	0	13,186
Divestments	0	0	0	0	0
Impairments	0	0	0	0	0
Amortisation	0	0	-925	-920	-1,845
	13,350	**-164**	**119**	**-920**	**12,385**
31 December 2010					
Acquisition or production costs	316,089	226,634	10,674	2,990	556,387
Accumulated amortisation and impairments	0	-9,275	-7,574	-1,955	-18,804
Book value as of 31 December 2010	**316,089**	**217,359**	**3,100**	**1,035**	**537,583**
Movements 2011					
Additions	0	0	3,438	0	3,438
Exchange differences	1,001	-34	0	0	967
Divestments	0	0	0	0	0
Impairments	0	0	-182	0	-182
Amortisation	0	0	-924	-920	-1,844
	1,001	**-34**	**2,332**	**-920**	**2,379**
31 December 2011					
Acquisition or production costs	317,090	226,598	14,113	2,990	560,791
Accumulated amortisation and impairments	0	-9,273	-8,681	-2,875	-20,829
Book value as of 31 December 2011	**317,090**	**217,325**	**5,432**	**115**	**539,962**
Estimated economic useful life	**indefinite**	**indefinite**	**3 – 5 years**	**5 years**	

EUR '000 unless otherwise stated

Capitalized software relates primarily to external fees for software implementation and the purchase price of the software itself. Software amortisation of EUR 924 (2010: 925) is included in the cost of sales.

The total book value of software includes an amount for software under construction of EUR 3,144 (2010: 546) representing mainly the M3 ERP-system.

The capitalised distribution contract relates to the distribution of third party products in Italy.
The amortisation of the distribution contract of EUR 920 (2010: 920 EUR) has been charged in selling expenses.

Significant parts of trademarks are pledged as security for borrowings from Svenska Handelsbanken AB (see note 17).

Impairment tests for goodwill and trademarks
Goodwill and trademarks (e.g. brands) do not generate cash inflows that are largely independent of those from other assets, therefore must be allocated to the cash-generating unit (CGU) expected to most benefit from the assets. A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Cash inflows from goodwill and trademarks are not separable from cash inflows from product sales, for which manufacturing facilities are also needed. The supply chain operation is currently managed at the group level, with an inability to split operating income amongst regions or categories, making it infeasible to conclude that the Group has multiple CGU's. The Group is considered one CGU, to which all goodwill and trademarks are allocated for impairment test purposes.

The recoverable amount of the CGU in 2011 is determined using the fair value less costs to sell approach. Management utilized the enterprise value on which the exchange consideration for the intended merger with Cloetta AB is based. The company's enterprise value was announced to the public in its press release dated 16 December 2011. Management considers this enterprise value to be a reliable basis for the calculation of the fair value of the company less costs to sell as it was calculated by an independent third party for the purpose of imminently entering into a binding arms length transaction agreement with the company. For the purpose of its analysis, management did not assume any change from the announced price to the final price to be included in the binding transaction agreement. The recoverable amount of the CGU exceeds its carrying amount by a limited amount. The recoverable amount of the CGU in 2010 was determined based on a value in use calculation. For the years 2010 and 2011, no impairment of goodwill and trademarks was identified.

7 Property, plant and equipment

	Land and buildings	Machinery and equipment	Assets under construction	Total
1 January 2010				
Acquisition or production costs	115,170	216,595	3,074	334,839
Accumulated impairments and depreciation	-45,167	-131,350	0	-176,517
Book value as of 1 January 2010	**70,003**	**85,245**	**3,074**	**158,322**
Other movements 2010				
Additions	451	3,179	5,543	9,173
Transfers	375	5,367	-5,742	0
Disposals	-2,266	-157	-8	-2,431
Exchange differences	771	1,276	50	2,097
Impairments	-4,628	-875	0	-5,503
Depreciation	-1,796	-11,310	0	-13,106
	-7,093	**-2,520**	**-157**	**-9,770**
31 December 2010				
Acquisition or production costs	115,295	229,407	2,917	347,619
Accumulated impairments and depreciation	-52,385	-146,682	0	-199,067
Book value as of 31 December 2010	**62,910**	**82,725**	**2,917**	**148,552**
Other movements 2011				
Additions	1,412	3,757	16,192	21,361
Transfers	1,820	12,217	-14,037	0
Disposals	0	-83	-7	-90
Exchange differences	48	67	9	124
Impairments	-898	-7,602	0	-8,500
Depreciation	-1,721	-10,114	0	-11,835
Transfer to assets held for sale	-1,700	0	0	-1,700
	-1,039	**-1,758**	**2,157**	**-640**
31 December 2011				
Acquisition or production costs	115,329	239,455	5,074	359,858
Accumulated impairments and depreciation	-53,458	-158,488	0	-211,946
Book value as of 31 December 2011	**61,871**	**80,967**	**5,074**	**147,912**
Estimated economic useful life	30 – 50 years	10 – 40 years	N/A	

Significant parts of land and buildings are secured with mortgages for the benefit of Svenska Handelsbanken AB.

EUR '000 unless otherwise stated

Depreciation expense of EUR 11,835 (2010: of EUR 13,106) has been charged in cost of sales and G&A costs.

The book value of the total assets not employed in operations amounts EUR 4.5 million and is included in “Land and buidlings” and “Machinery and equipment”. The impairments mainly relate to the transfer of production facilities within the group.

8 Deferred and Current Income Tax

Deferred tax assets and liabilities

	Tax losses carried forward	Unused tax credits	Property Plant & Equipment	Intangibles	Provi-sions (incl pensions)	Other current assets and liabilities	Total
1 January 2010	**16,532**	**4,913**	**-14,920**	**-59,894**	**2,712**	**-1,114**	**-51,771**
Income statement (charge)/credit for the year	1,241	-3,693	1,601	-3,283	798	973	-2,363
Return to accrual	-956	0	89	226	-112	-297	-1,050
Effect of rate changes	-19	0	57	379	-3	1	415
Exchange differences/ Other	706	0	-17	-2,274	186	-9	-1,408
31 December 2010	**17,504**	**1,220**	**-13,190**	**-64,846**	**3,581**	**-446**	**-56,177**
Income statement (charge)/credit for the year	18,193	-173	2,767	4,019	-787	531	24,550
Return to accrual	-2,757	0	-65	1,486	14	77	-1,245
Effect of rate changes	0	0	-24	1,046	-32	28	1,018
Exchange differences/ Other	-501	0	58	82	0	7	-354
31 December 2011	**32,439**	**1,047**	**-10,454**	**-58,213**	**2,776**	**197**	**-32,208**

The split between the deferred tax assets and liabilities can be made as follows:

	31 Dec 2011	31 Dec 2010
Deferred tax assets	49,488	23,413
Deferred tax liabilities	-81,696	-79,590
	-32,208	-56,177

EUR ‘000 unless otherwise stated

Deferred tax assets

Deferred tax assets refer to, amongst others, the difference between the tax base of the defined asset or liability and its carrying amount as recognised in the financial statements.

The amounts are as follows:

	31 Dec 2011	31 Dec 2010
Deferred tax asset to be realised after more than 12 months	36,861	17,847
Deferred tax asset to be realised within 12 months	12,627	5,566
	49,488	23,413

The composition of deductible temporary differences (recognised as well as unrecognised) and unutilised tax losses carried forward is as follows:

	31 December 2011		31 December 2010	
	Recognised	Not recognised	Recognised	Not recognised
Deductible temporary differences	16,002	0	4,689	0
Unused tax credits	1,047	8,895	1,220	8,722
Tax losses carried forward	32,439	9,817	17,504	24,357
	49,488	18,712	23,413	33,079

For the unrecognised deductible temporary differences, unused tax credits and tax losses carried forward it is not yet probable that these may be utilised against future taxable profits or set off against other tax liabilities within the same tax group or tax jurisdiction. While judging this probability management took into account all intended tax planning strategies, financial forecast figures as well as prior year taxable income. The recognised tax losses carried forward have increased in 2011 as it is expected that the shareholder loan will be converted into equity in the near future resulting in a significant decrease of interest expenses thus further resulting in taxable income.

The unused tax credits relate to a tax holiday granted by the Slovakian government. This tax holiday means that a total amount of some EUR 10 million of future income tax liabilities will be waived by the Slovakian government. LEAF is able to make use of this tax holiday until the financial year 2018.

Deferred tax liabilities

The deferred tax liability is recognised to account for the taxable temporary differences between the tax base of intangible assets, property, plant and equipment, work in progress, stocks, receivables and provisions and its carrying amounts.

EUR '000 unless otherwise stated

The Group has taxable temporary differences for which a deferred tax liability is recognised as the Group will be able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will be reversed in the foreseeable future.

	31 Dec 2011	31 Dec 2010
Deferred tax liability to be recovered after more than 12 months	80,699	77,947
Deferred tax liability to be recovered within 12 months	997	1,643
	81,696	79,590

Current income tax

	31 Dec 2011	31 Dec 2010
Current income tax receivables	205	112
Current income tax liabilities	-11,513	-13,091
	-11,308	-12,979

9 Non-current financial assets

Other non-current receivables

	31 Dec 2011	31 Dec 2010
Registration fees	739	762
Deposits	87	77
Other receivables related parties	28,386	15,568
Other	28	27
	29,240	16,434

The fair values of other non-current receivables approximate their carrying value.

None of the different classes of non-current receivables contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

See note 30 for an elaboration on the other receivables related parties.

EUR '000 unless otherwise stated

10 Inventories

	31 Dec 2011	31 Dec 2010
Stocks for own use and resale		
Raw materials and consumables	22,042	16,813
Semi-manufactures	5,189	5,511
Finished products and goods for resale	44,564	40,808
	71,795	63,132

Movements on the provision for obsolete stock amounts are as follows:

	31 Dec 2011	31 Dec 2010
At 1 January	1,704	1,655
Addition	1,182	1,322
Release	-446	-457
Write down	-1,190	-805
Exchange differences	-5	-11
At 31 December	1,245	1,704

Stocks are pledged as security for borrowings from Svenska Handelsbanken AB (see note 17).

11 Trade and other receivables

	31 Dec 2011	31 Dec 2010
Trade debtors	100,483	108,976
Less: provision for impairment of trade debtors	-1,186	-1,165
Trade debtors – net	99,297	107,811
Other receivables	7,988	6,105
Receivables from related parties	7,433	14,646
Prepayments and accrued income	3,275	5,036
	117,993	133,598

All receivables are due within one year.

Trade and other receivables with a book value of EUR 99,297 (2010: EUR 107,811) are pledged as security for borrowings from Svenska Handelsbanken AB (see note 17).

As of 31 December 2011, trade debtors of EUR 1.2 million (2010: EUR 1.2 million) were impaired and provided for. It was assessed that a portion of the receivables is expected to be recovered and as a result the amount of the provision for impairment of trade debtors as of 31 December 2011 was EUR

EUR '000 unless otherwise stated

1.2 million (2010: EUR 1.2 million). The individually impaired receivables relate to uncollectible receivables.

See note 30 for an elaboration on the receivables related parties.

Movements on the provision for impairment of trade debtors are as follows:

	31 Dec 2011	31 Dec 2010
At 1 January	1,165	1,215
Provision for receivables impairment	909	986
Receivables written off during the year as uncollectible	-871	-947
Unused amounts reversed	-17	-89
At 31 December	1,186	1.165

The ageing of these receivables is as follows:

	31 Dec 2011	31 Dec 2010
Up to 60 days	40	43
60 to 90 days	2	13
Over 90 days	1,144	1,109
	1,186	1,165

The other classes within trade and other receivables do not contain impaired assets.

As of 31 December 2011, trade debtors of EUR 16.4 million (2010: of EUR 15.5 million) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

EUR '000 unless otherwise stated

The ageing analysis of these trade receivables is as follows:

	31 Dec 2011	31 Dec 2010
Up to 60 days	13,377	11,921
60 to 90 days	1,381	1,367
Over 90 days	1,596	2,207
	16,354	15,495

The carrying values are assumed to approximate the fair values of trade receivables and other receivables. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The carrying amounts of the group's trade receivables are denominated in the following currencies:

	31 Dec 2011	31 Dec 2010
Euro	80.945	85,696
US Dollar	329	417
Great British Pound	1,299	2,327
Swedish Krona	9,702	12,186
Norwegian Krone	3,148	3,352
Danish Krone	3,576	3,555
Other currencies	298	278
Other	99,297	107,811

12 Cash and cash equivalents

The item cash and cash equivalents in the cash flow statement comprises the following:

	31 Dec 2011	31 Dec 2010
Cash at bank and in hands	10,888	24,573
	10,888	24,573

All cash and bank balances are available on demand.

EUR '000 unless otherwise stated

13 Assets held for sale

The assets held for sale comprises the following:

	31 Dec 2011	31 Dec 2010
Property, Plant & Equipment held for sale	1,700	0
	1,700	0

The assets held for sale is the land and building in Zola Predosa, Italy.

14 Shareholders' equity

Share capital

The authorised share capital of the company as of 31 December 2011 amounts to EUR 100,000 (EUR *1) and consists of 100,000 ordinary shares of EUR 1 each.

Issued and paid in share capital amounts to EUR 20,000 (EUR *1) and consists of 20,000 ordinary shares with a nominal value of EUR 1 each.

The movements in the number of shares are as follows:

	2011	2010
1 January	20,000	20,000
Issue of ordinary shares	0	0
31 December	20,000	20,000

EUR '000 unless otherwise stated

The movements in shareholders' equity are as follows:

	Share capital	Share premium	Translation differences reserve	Accumulated deficit	Result for the year	Total
Book value as of 1 January 2010	**20**	**88,968**	**-5,106**	**-127,854**	**-16,434**	**-60,406**
Movements						
Translation of foreign participations	0	0	4,683	3,727	0	8,410
Group contribution given	0	0	0	-38,996	0	-38,996
Tax related to group contribution given	0	0	0	5,067	0	5,067
Appropriation of net result	0	0	0	-16,434	16,434	0
Result current year	0	0	0	0	-39,417	-39,417
Total movements	0	0	4,683	-46,636	-22,983	-64,936
Book value as of 31 December 2010	**20**	**88,968**	**-423**	**-174,490**	**-39,417**	**-125,342**
Movements						
Translation of foreign participations	0	0	499	0	0	499
Group contribution given	0	0	0	-16,025	0	-16,025
Tax related to group contribution given	0	0	0	4,266	0	4,266
Capital contribution	0	102,813	0	0	0	102,813
Appropriation of net result	0	0	0	-39,417	39,417	0
Result current year	0	0	0	0	-7,272	-7,272
Total movements	0	102,813	499	-51,176	32,145	84,281
Book value as of 31 December 2011	**20**	**191,781**	**76**	**-225,666**	**-7,272**	**-41,061**

At April 28, 2011 a loan from LEAF Finance AB amounting 102.8 million has been contributed into equity as share premium.

The Company has no other legal and statutory reserves as of 31 December 2011 than the translation differences reserve since development costs are expensed as incurred and there are no undistributable reserves for positive results of participations.

EUR '000 unless otherwise stated

15 Pensions and other long-term employee benefits

Obligations are recognised for the defined benefit schemes on the basis of the accounting policies described in 2.13. The schemes refer to pension schemes and long-term benefit schemes.

The Group has accounted for the defined benefit schemes at industry sector pension funds as though they were defined contribution schemes since sufficient information is not available to enable the Group to account for the plan as a defined benefit plan. The Group is applying the same pension scheme together with other legal entities outside the Group. In the event of a deficit at the industry sector pension fund the Group has no obligation to provide supplementary contributions, other than higher future contributions.

The main benefit plans for the Group are:

Sweden ITP plan:
The ITP plan cover employees born before 1979. Benefits provided in the old defined benefit plan include a final pay based retirement pension.
The ITP plan benefit formula gives pension benefits in percentage of salary bands according to the table overleaf. Benefits will be reduced proportionally if expected service time, within the plan and irrespective of employer, is less than 30 years. ITP plan benefits vested with former employers are indexed according to consumer price index.

Finland LEAF/Merijal plan:
The plan is an insured voluntary final salary pension plan. It is established at 31 December 2005 when liabilities and assets of Merijal Pension Fountadion and LEAF Pension Foundation were transferred to Pohjola Life Insurance Company.

Norway
There is one plan, which is insured in a life insurance company.This funded plan gives, together with the national pension scheme, an old age pension of 66% of final salary. Included is widow(er)s pension of 60% of the old age pension and childrens pension of 50% of the old age pension. Members who become disabled will get a disability pension equal to the old age pension they would have got with their present salary.

Italy – TFR plan
The Trattamento di Fine Rapporto (TFR) benefit is a deferred compensation item established by Italian law. Employers are required to provide a benefit to employees when, for any reason, their employment is terminated, i.e. in the case of retirement, death, disability and turnover.

The total pensions and other long-term employee benefits can be analysed as follows:

	31 Dec 2011	31 Dec 2010
Obligations for:		
Pension benefits	23,944	24,475
Other long-term employee benefits (for jubilee payments) ('OLEB')	1,282	1,334
	25,226	25,809

Movements in the pension provision for defined benefit schemes are as follows:

	2011	2010
1 January	24,475	23,451
Acquisitions / Transfer in	0	0
Attributed pension costs for defined benefit schemes	1,482	1,824
Pension contributions paid	-2,106	-2,519
Translation differences	93	1,719
31 December	23,944	24,475

The pension benefits as of 31 December can be analysed as follows:

	31 Dec 2011	31 Dec 2010
Present value of pension benefit obligation funded by plan assets	12,185	13,294
Fair value of plan assets	-9,718	-10,342
	2,467	2,952
Present value of pension benefit obligation not funded by plan assets	26,898	20,917
Unrecognised actuarial (gains)/losses	-2,954	606
Net pension benefit obligation	23,944	24,475

EUR '000 unless otherwise stated

The movement in the defined benefit obligation over the year is as follows:

	2011	2010
1 January	35,106	33,352
Transfer in	0	0
Pension benefits accrued in the year	1,111	1,122
Interest attributed	1,574	1,513
Actuarial gains due to change in assumptions	4,010	-465
Actuarial losses due to experience	-2,054	42
Translation differences	160	2,049
Benefits paid	-2,092	-2,634
Curtailments/Settlement/Termination benefits/Other	-107	127
31 December	37.708	35,106

The movement in the fair value of plan assets of the year is as follows:

	2011	2010
1 January	10,342	8,783
Pension contributions paid by employer and employee	2,336	2,806
Benefits paid	-2,101	-2,641
Expected return on plan assets	398	342
Actuarial gains	-1,278	687
Translation differences	21	365
Curtailments/Settlements/Other	0	0
31 December	9,718	10,342

Plan assets compromise for both 2010 and 2011 for 100% of insurance contracts.

Expected employer contributions to defined benefit schemes for the year ending 31 December 2012 are EUR 1,884 (2010: EUR 1,802).

EUR '000 unless otherwise stated

The five-year record of the pension obligations based on IFRS can be analysed as follows:

	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
Present value of defined benefit obligation	36,427	33,772	32,032	34,060	32,920
Fair value of plan assets	-9,718	-10,342	-8,783	-7,647	-8,092
Deficit	26,709	23,430	23,249	26,413	24,828
Experience adjustments on plan liabilities	1,908	-51	-2,826	4,051	3,765
Experience adjustments on plan assets	-1,278	687	-38	-423	-3,036

Pension cost in the income statement can be analysed as follows:

	2011	2010
Pension benefits accrued in the year	927	912
Interest attributed	1,514	1,449
Expected return on plan assets	-398	-342
Additional social securities	-250	18
Recognised actuarial gains attributed	-205	-400
Gains from curtailments or discontinuation of scheme	-119	-40
Termination benefits	13	227
	1,482	1,824
Total pension costs in the income statement		
Pension costs of defined benefit scheme	1,482	1,824
Pension contributions to defined contribution scheme	5,218	6,167
Total pension costs	6,700	7,991

The total pension costs amounting to EUR 6,700 (2010: EUR 7,991) are included in the general and administrative expenses, costs of sales, selling expenses and financial income and expenses in the income statement.

EUR ‘000 unless otherwise stated

The main actuarial assumptions regarding the pension obligations are as follows (on average):

	2011	2010
	%	%
Discount rate	3.82	4.64
Expected return on plan assets	1.35	4.90
Expected salary increases	2.28	2.34
Expected indexation of pensions	1.24	1.50
Inflation	2.00	2.07

The pension scheme currently provides that pensions in payment are indexed on the basis of inflation.

The actual return on plan assets amounted to EUR -880 in 2011 (2010: EUR 1,029).
To develop the expected long-term rate of return on assets assumption, the company considered historical returns and future expectations, and uses the weighted average of the expected return on the target asset mix of the fund if available.

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each territory.

Movements in the OLEB provision for defined benefit schemes are as follows:

	2011	2010
1 January	1,334	1,317
Attributed OLEB costs for defined benefit schemes	80	124
OLEB contributions paid	-132	-107
31 December	1,282	1,334

Other long term employee benefit cost in the income statement can be analysed as follows:

	2011	2010
OLEB benefits accrued in the year	94	91
Interest attributed	60	64
Recognised actuarial (gains)/losses attributed	-74	-31
Gains from curtailments or discontinuation of scheme	0	0
OLEB costs/(benefits) of defined benefit scheme	80	124

EUR '000 unless otherwise stated

The present value of the obligation of the Swedish pension funds is computed by discounting estimated future cash flows using interest rate applying to high quality corporate bonds. In 2010 the Swedish security stock mortgage bonds were applied for discounting.

The main actuarial assumptions for the long-term employee benefit obligations are as follows (on average):

	2011	**2010**
	%	%
Discount rate	3.82	4.75
Expected salary increases	2.28	2.47
Inflation	2.00	2.00

Share based compensation

The ultimate parent company LEAF Holding S.A. operates a share-based payment scheme for eligible employees of the LEAF group.

According to IFRS 2, the grant date for the initial awards immediately following the acquisition should be set at March 7, 2005 being the date when the Company and the Participant had a shared understanding of the terms and conditions applicable to the Management Participation against fair market value.

Under defined circumstances, the Board of Directors of LEAF Holding S.A. may decide to request the resale and retransfer of part or all of the share capital acquired, to the parties designated by the Board of Directors of LEAF Holding S.A.. In the event of an exit the Management is obliged to cooperate with the transfer or sale of the share capital.

According to IFRS 2, the Group operates an equity settled share based compensation plan which means that the fair value of the employee services received in exchange of the share capital is recognised as an expense at the date of grant. Given that the employees have paid the fair market value of the share capital, the fair value of the services received in exchange of the share capital is nil.

With respect to the ordinary share capital subject to IFRS 2, the essential features of these awards *(for LEAF group)* are described below.

Arrangement	Non-voting shares awarded to key management in 2010 and 2011 respectively	
	2011	**2010**
Nature of the arrangement	Award of share capital	Award of share capital
Date of grant	N/A	March, July, November and December 2010
Number of instruments awarded	0	65,302 shares

EUR '000 unless otherwise stated

The transactions can be summarised as follows:

	2011	2010
Issued shares at 1 January:	384,910	319,608
Awarded during the year:	0	73,302
Transferred during the year:	0	-8,000
Issued shares at 31 December:	384,910	384,910

No amounts are recognised in 2010 or 2011 in the financial statements (before taxes) for share based payment transactions with Managers.

16 Provisions

Movements in provisions are specified as follows:

	Reorganisation	Sales returns	Other	Total
1 January 2010	844	6,243	2,101	9,188
Additions	5,947	5,911	1,680	13,538
Utilisations	-3,425	-6,243	-789	-10,457
Releases	-338	0	-90	-428
Addition/release discount	128	0	27	155
Exchange differences	27	0	0	27
31 December 2010	3,183	5,911	2,929	12,023
Analysis of total provisions:				
Non-current				3,312
Current				8,711
Total				12,023
1 January 2011	3,183	5,911	2,929	12,023
Additions	1,503	5,052	525	7,080
Utilisations	-3,063	-5,215	-428	-8,706
Releases	-20	-696	-417	-1,133
Addition/release discount	0	0	147	147
Exchange differences	4	0	0	4
31 December 2011	1,607	5,052	2,756	9,415
Analysis of total provisions:				
Non-current				2,736
Current				6,679
Total				9,415

EUR '000 unless otherwise stated

The reorganisation provision is mainly related to restructuring expenses in LEAF Italia S.r.L. and restructuring of the supply chain of LEAF Danmark ApS.

A provision for an amount of EUR 5,052 (2010: EUR 5,911) has been established relating to returns of seasonal products in Italy. The total provision for sales returns as of 31 December 2011 is expected to be utilised during the first half year of 2012.

Other provisions relate to a.o. agents' indemnity costs. The main part of the long term provisions are expected to be settled between 3-5 years.

17 Borrowings

	31 December 2010			
	Remaining term ≤ 1 year	**Remaining term 1 – 5 years**	**Remaining term ≥ 5 years**	**Total Remaining term > 1 year**
Loans from credit institutions	71,514	289,341	0	289,341
Financial lease liabilities	48	72	0	72
Shareholder loan	0	432,685	0	432,685
Debts related parties	7	0	38,871	38,871
	71,569	722,098	38,871	760,969

	31 December 2011			
	Remaining term ≤ 1 year	**Remaining term 1 – 5 years**	**Remaining term ≥ 5 years**	**Total Remaining term > 1 year**
Loans from credit institutions	81,519	250,969	0	250,969
Financial lease liabilities	53	18	0	18
Shareholder loan	0	0	377,451	377,451
Debts related parties	2,258	0	53,552	53,552
	83,830	250,987	431,003	681,990

Repayment liabilities within 12 months of the end of the financial year, as set out above, are included under current liabilities.

See note 30 for an elaboration on the debts related parties.

EUR '000 unless otherwise stated

The following table shows LEAF's contractually agreed cash flows payable under financial liabilities. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	31 December 2011			
	Remaining term ≤ 1 year	**Remaining term 1 –2 years**	**Remaining term 2 – 5 years**	**Remaining term > 5 years**
Loans from credit institutions	91,498	50,277	223,728	0
Financial lease liabilities	58	18	0	0
Shareholder loan	0	0	0	1,080,857
	91,556	50,295	223,728	1,080,857

The carrying amounts and fair value of the non-current borrowings are as follows:

	Fair value		**Carrying amount**	
	31 Dec 2011	**31 Dec 2010**	**31 Dec 2011**	**31 Dec 2010**
Borrowings from credit institutions	250,969	289,341	250,969	289,341
Financial lease liabilities	18	71	18	72
Shareholder loan	377,451	432,685	377,451	432,685
	628,438	722,097	628,438	722,098

The fair value of current borrowings equal their carrying amount, as the impact of discounting is not significant.

The exposure of the group's borrowings to interest rate changes and the repricing dates at the balance sheet dates are as follows:

	31 Dec 2011	**31 Dec 2010**
6 months or less	389,581	392,788
6-12 months	0	0
1-5 years	0	0
Over 5 years	0	0
	389,581	392,788

EUR '000 unless otherwise stated

Amounts owed to lease institutions

The financial lease liabilities are specified as follows:

	Fair value		Carrying amount	
	31 Dec 2011	**31 Dec 2010**	**31 Dec 2011**	**31 Dec 2010**
Liabilities < 1 year	53	58	58	58
Liabilities 1-5 year	18	76	18	77
Liabilities > 5 years	0	0	0	0
	71	134	76	135
Less: future interest	5	15	5	15
	66	119	71	120

The Group only leases one AS400 server in Italy and has, substantially all, the risks and rewards incidental to ownership of the asset. As at 31 December 2010 the financial lease contract of the warehouse in Slagelse (EUR 2.3 million) was changed in an operational lease contract.

Currency

All loans are denominated in euros, except for a loan in Swedish krona of SEK 363 million (EUR 40.7 million) (2010: SEK 363 million (EUR 40.4 million)).

Loans from credit institutions

In January 2005 Svenska Handelsbanken AB issued a credit facility of EUR 695 million with a term of 9 years and 325 days. In February 2007 and March 2007 Svenska Handelsbanken AB issued additional credit facilities of respectively EUR 10 million and EUR 5 million with the same maturity date as the original credit facility.

The credit facility relates to:

- Term A loan of EUR 225 million which bears interest at 3 months EURIBOR/STIBOR plus a margin which varies between 1,5% and 2.0% (fully repaid at year end 2008)
- Term B loan of EUR 430 million which bears interest at 3 months EURIBOR/STIBOR plus a margin of 2,55%
- Guarantee facility of EUR 13.4 million
- Overdraft facility of maximum EUR 60 million which bears interest at Svenska Handelsbanken Base rate + 3.0%. At 31 December 2011 EUR 20.3 million of this facility was unused (2010: EUR 19.9 million). EUR 20.0 million of this facility is available for the period of 1 April 2011 up to and including 30 September 2012.

Under the guarantee facility 0.375% is paid annually as a commitment fee, the respective percentage for the overdraft facility is 0.4%.

EUR '000 unless otherwise stated

The following securities have been pledged to Svenska Handelsbanken AB:

- Shares of all group companies except for LEAF Baltics, OOO LEAF and Leaf United Kingdom Ltd.
- First ranking security interest in any intercompany debt
- First ranking security interest in any insurance proceeds
- First ranking security interest in any hedging agreements
- First ranking security interest in any registered intellectual property rights
- First ranking security interest in any security interest in real property
- First ranking security interest in assets by way of business mortgage.

Shareholder loan

LEAF Finance AB facilitated LEAF Holland B.V. with EUR 205.4 million loan, the interest rate was 14% per annum payable at the end of the term. On 28 April 2011 new terms of the loans were negotiated. The repayment date is postponed to 31 December 2020 while the applicable interest rate as of 28 April 2011 amounts to 12,22%.

As per 10 December 2009 an amount of EUR 18.1 million has been contributed to equity. On 28 April 2011 another amount of EUR 102.8 million has been contributed to equity.

This loan is subordinated to the financing by Svenska Handelsbanken AB.

All group companies are jointly and severally liable towards Svenska Handelsbanken AB.

Effective interest rates

The effective interest rates at the balance sheet date are as follows:

- Loan from credit institutions: 4.06%.
- Shareholder loan: 14% up till 28 April 2011, 12,22% as of 28 April 2011.

18 Trade and other payables

	31 Dec 2011	31 Dec 2010
Trade payables	54.969	47,775
Other taxes and social securities	10,779	9,478
Pension liabilities	462	93
Other liabilities	6,251	4,116
Accruals and deferred income	44,113	48,226
	116,574	109,688

The remaining term of the trade and other payables is less than one year.
Other liabilities include other creditors, not being trade creditors. Accruals and deferred income mainly relate to invoices to receive, direct discounts and payroll related accruals like holiday pay and holiday days.

EUR '000 unless otherwise stated

19 Commitments and contingencies not included in the balance sheet

Liability undertaking

LEAF Holland B.V. issued a parent company guarantee pursuant to article 403, Book 2 of the Netherlands Civil Code in respect of LEAF Finance Holland B.V..

Fiscal unity

LEAF Holland B.V. forms a fiscal unity with LEAF Finance Holland B.V. for corporate income tax purposes. Under the Tax Collection Act, the company is jointly and severally liable for taxation payable by the fiscal unity. The tax expense recognised in the financial statements of LEAF Finance Holland B.V. is based on its profit for financial reporting purposes. LEAF Holland B.V. settles its intercompany balances with LEAF Finance Holland B.V. based on the subsidiary profit for financial reporting purposes.

Pension obligations

In relation to the pension plan of LEAF Holland B.V. the company has made use of the option to account for a defined benefit scheme as a defined contribution scheme. Therefore, the liability relating to this pension scheme is not reflected in the balance sheet.

Contingent liabilities

Group companies are jointly and severally liable to group bank accounts.

Commitments and guarantees

The commitments and guarantees not included in the balance sheet are as follows:

	31 Dec 2011	31 Dec 2010
Guarantee	4,025	4,425
Investments commitments	4,876	1,943
Operating lease commitments < 1 year	5,362	5,772
Operating lease commitments 1-5 year	7,348	8,346
Operating lease commitments > 5 year	3	10
	21,614	20,496

Guarantees

The guarantees relate to:	31 Dec 2011	31 Dec 2010
Real estate rental	347	217
Customs & Export	3,676	2,730
Letters of credit	0	1,060
Bank guarantees	2	418
	4,025	4,425

The operation lease commitments mainly consist out of the lease of buildings and warehouses with an average contract term of 3 years and of car lease contracts with an average contract term of 4 years.

EUR '000 unless otherwise stated

20 Net turnover

	2011	2010
The Netherlands	74,295	77,329
Other EU countries	398,183	404,848
Other	43,813	44,683
	516,291	526,860

Net turnover is generated in relation to trade activities only.

21 Other income

	2011	2010
Government grants	104	0
Gains on disposal of property, plant and equipment	0	134
Compensation fees in relation to discontinued distributorships	0	1,500
	104	1,634

22 Expenses by nature

	2011	2010
Raw materials and consumables used including change in inventory of finished goods and work in progress	195,818	189,031
Employee benefits (see note 23)	119,947	128,429
Depreciation, amortisation and impairment charges (note 24)	22,361	20,454
Transportation expenses	16,967	14,323
Operating lease payments	7,443	7,182
Advertising and promotion	46,532	45,032
Selling and marketing	8,233	7,980
Other operating expenses	58,725	62,055
Total cost of sales, selling, general and administrative expenses and other expenses	476,026	474,486

EUR '000 unless otherwise stated

23 Employee benefits

	2011	2010
Wages and salaries, including restructuring costs and other termination benefits.	88,881	96,416
Pension costs – defined benefit plans	418	375
Pension costs – defined contribution plans	5,218	6,039
Other labour costs	4,713	4,886
Other social security costs	20,717	20,713
	119,947	128,429

Wages, salaries and social security costs are recognised in the cost of sales, selling expenses and general and administrative expenses, depending on the activities of the employees concerned.

24 Amortisation of intangible assets, depreciation of property, plant and equipment and other changes in values

The cost of sales and general and administrative expenses captions include amortisation, depreciation and impairment of property, plant and equipment and intangible assets. These can be broken down as follows:

	2011	2010
Depreciation & Amortisation		
Amortisation of intangible assets (note 6)	1,844	1,845
Depreciation of property, plant and equipment (note 7)	11,835	13,106
	13,679	14,951

Other changes in value

	2011	2010
Impairments:		
Intangible assets (note 6)	182	0
Property, plant and equipment (note 7)	8,500	5,503
	8,682	5,503

EUR '000 unless otherwise stated

25 Non-recurring items

The following non-recurring items have been included in the results:

	2011	2010
Transfer of production facility	16,104	8,005
Other restructuring and reorganisation related charges	4,806	11,014
Impairments	1,818	262
Consultancy and legal cost	455	1,495
Compensation fees in relation to discontinued distributorships	0	-1,500
Confectionary Tax	0	-2,175
	23,183	17,101

The non-recurring items are recognised in net turnover, other income, cost of sales, selling expenses and general and administrative expenses, depending on the nature of the items.

26 Other notes to the income statement

Operating lease

During the financial year the Group recognised operating lease payments to the amount of EUR 7,443 (2010: EUR 7,179) in general and administration expenses the income statement.

Government grants

In 2011 LEAF Slovakia did recognise EUR 104 government grants due to fulfillment of all requirements as at 31 December 2011. Slovakian Government confirmed the fulfilment of the requirements. In 2010 no government grants have been recognised.

The tax holiday which has also been granted by the Slovakian government has been disclosed in the note 8.

Research and development expenses

The cost charged to the 2011 result relating to research and development amounted to EUR 3.4 million (2010: EUR 4.0 million).

EUR '000 unless otherwise stated

27 Finance income and costs

	2011	2010
Finance income		
Interest income third parties	89	0
Interest income related parties	1,077	570
Total finance income	**1,166**	**570**
Finance expense		
Exchange differences borrowings and cash and cash equivalents in foreign currencies, net	-1,370	-776
Interest expenses third parties SHB borrowings	-12,917	-11,954
Financial expenses third parties pensions	-1,176	-1,513
Interest expenses third parties leases	-9	-134
Other interest expenses third parties	-3,408	-3,117
Interest expenses related parties	-49,004	-54,369
Total finance expenses	-67,884	-71,863
Total finance expenses	**-66,718**	**-71,293**

28 Income tax

	2011	2010
Current income tax	837	13,862
Deferred income tax	-19,914	8,270
Tax expense / (income)	-19,077	22,132

EUR '000 unless otherwise stated

The tax on the Group's result before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2011	2010
Taxable Loss from ordinary activities	26,349	17,285
Tax calculated at applicable tax rate for the holding company	-6,587	-4,408
International rate differences	745	4,626
State and local taxes	1,258	1,454
Result investments/divestments non-taxable	0	-5,768
Income not subject to tax	0	24
Expenses not deductible for tax purposes	1,124	2,434
Adjustments recognised in the period for tax of prior periods	-5,080	1,881
Effect of rate changes	-1,012	-162
Tax losses for which no deferred income tax asset was recognised in previous years	-6,475	0
Tax losses for which no deferred income tax asset was recognised in book year	2,964	9,459
Other	-6,014	12,592
Tax (benefit)/expense	-19,077	22,132
Effective tax rate	-72.4%	128.0%
Applicable weighted average tax rate	25.5%	29.0%

The applicable tax rate is based on the current enacted tax rate for the holding company, which is the Dutch current tax rate of 25.5% for 2010 and 25% for 2011.

The effective tax rate differs from the applicable tax rate mainly due to the tax losses from the current financial year which have not been recognised or tax losses from previous years which have been recognised as a deferred tax asset. Further the difference relates to fiscally non-deductible expenses as well as the state and local taxes that relate to trade taxes in Germany and Italy that for reporting purposes are treated as a corporate income tax.

LEAF Sverige AB uses a facility in Swedish tax ruling which makes it possible for LEAF Sverige AB to make a contribution to the parent company LEAF Finance AB to reduce the current tax for the Swedish entities. In both 2010 and 2011 the tax impact of the contribution has been recognised directly through equity according to IAS 12.58.

The weighted average applicable tax rate is based on the relative proportion of the group companies' contribution to the result and the tax rates ruling in the countries concerned.

EUR '000 unless otherwise stated

29 Employees

During 2011 the average of 2,192 employees (2010: 2,275) calculated on a full-time-equivalent basis employed by entities, included in the consolidation can be specified as follows:

	2011	2010
Employed:		
In The Netherlands	316	350
Outside The Netherlands	1,876	1,925
Total	2,192	2,275
Production	1,266	1,428
Marketing & Sales	625	578
General/ management	301	269
Total	2,192	2,275

30 Related parties

All group companies mentioned in note 1.5 are considered to be related parties. Transactions between group companies are eliminated upon consolidation.

In the context of this financial report LEAF Finance AB (the parent company owning 100% of the shares in LEAF Holland B.V.), LEAF Holding S.A. (the ultimate parent company owning 100% of the shares in LEAF Finance AB), and CVC Capital Partners and Nordic Capital (investors with joint control over LEAF Holding S.A.) are considered to be related parties. The Group has receivables on and liabilities to LEAF Finance AB and LEAF Holding S.A. which have been disclosed in the relevant sections of these financial statements.

The transactions carried out with related parties and the year-end balances are as follows:

Sales and/or Purchase of services
The Group did not sell nor purchase any goods/services from related parties during 2010 and 2011.

Key management compensation

	2011	2010
Salaries and other short-term employee benefits	3,799	3,816
Termination benefits	316	15
Post-employment benefits	600	666
Total	4,715	4,497

EUR '000 unless otherwise stated

Year-end balances arising from related parties transactions

	2011	2010
Receivables/(Payables) from related parties:		
LEAF Holding S.A. (ultimate parent company)	4,915	4,740
LEAF Finance AB (parent company)	-24,920	-13,401
Total	-20,005	-8,661

The receivables from related parties are unsecured in nature and bear an annual average interest rate based on EURIBOR. The nature of the transactions resulting in the balances above mainly relate to funding of LEAF Holding S.A. as this company is not able to generate cash and settlements with LEAF Finance AB.

Loans from related parties

	2011	2010
LEAF Finance AB (parent company):		
1 January	432,685	378,916
Converted into equity	-102,812	0
Interest expense	47,578	53,769
31 December	377,451	432,685

LEAF Finance AB has facilitated LEAF Holland B.V. with a EUR 205.4 million loan. The interest rate was 14% per annum payable at the end of the term. The initial term of the loan was 10 years starting 7 March 2005. On 28 April 2011 new terms of the loans were negotiated. The repayment date is postponed to December 31, 2020 while the applicable interest rate as of 28 April 2011 is 12.22%.

On 28 April 2011 an amount of 102.8 million EUR has been contributed to equity.

EUR '000 unless otherwise stated

Company financial statements

Balance sheet as of 31 December

(before proposed appropriation of result)

	Ref.	31 December 2011		31 December 2010	
Assets					
Non-current assets					
Intangible assets	32	189,921		187,515	
Property, plant and equipment	33	28,603		28,970	
Financial assets	34	553,199		504,073	
			771,723		720,558
Current assets					
Inventories	35	11,441		10,145	
Receivables	36	48,827		32,226	
Cash and cash equivalents	37	4,599		16,356	
			64,867		58,727
TOTAL ASSETS			**836,590**		**779,285**
Shareholders' equity and liabilities					
Shareholders' equity					
Shareholders' equity	38	20		20	
Share premium	38	191,781		88,968	
Translation difference reserve	38	76		-423	
Accumulated deficit	38	-225,666		-174,490	
Result for the year	38	-7,272		-39,417	
			-41,061		-125,342
Non-current liabilities					
Provisions and deferred tax liabilities	39	187,491		91,537	
Borrowings	40	586,710		708,509	
			774,201		800,046
Current liabilities	41		103,450		104,581
TOTAL EQUITY AND LIABILITIES			**836,590**		**779,285**

EUR '000 unless otherwise stated

Income statement for the year ended 31 December

	2011	2010
Result from group companies after taxation	-12,662	-26,053
Other income and expenses after taxation	5,390	-13,364
Result after taxation	**-7,272**	**-39,417**

Notes to the balance sheet and income statement

31 General

Accounting policies

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company-only financial statements, LEAF Holland B.V. makes use of the option provided in Section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result of the company-only financial statements of LEAF Holland B.V. are the same as those applied for the consolidated IFRS financial statements. The consolidated IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and as adopted by the European Union.

With reference to the income statement of LEAF Holland B.V. use has been made of the exemption pursuant to section 402 of Book 2 of the Netherlands Civil Code.

For the principles of valuation of assets and liabilities and for the determination of result reference is made to notes 1 and 2 of the consolidated balance sheet.

Group companies

On May 7th 2010 LEAF Holland B.V. merged into LEAF International B.V. with effective date January 1st 2010. Directly after the merger the name of LEAF International B.V. was changed to LEAF Holland B.V.

Group companies in which the company exercises significant influence are stated at net asset value. The company is considered to exercise significant influence if it holds at least 20% of the voting rights.

Net asset value is calculated using the accounting policies applied in these financial statements. Participating interests whose financial information cannot be aligned to these policies are valued based on their own accounting policies.

Group companies with an equity deficit are carried at nil. A provision is formed if and when LEAF Holland B.V. is fully or partially liable for the debts of the participating interest, or has the firm intention to allow the group company to pay its debts.

Group companies acquired are initially measured at the fair value of the identifiable assets and liabilities upon acquisition. Any subsequent valuation is based on the accounting policies that apply to these financial statements, taking into account the initial valuation.

Going concern

During 2010 and 2011 the group made a loss of EUR 39.4 million and EUR 7.3 million respectively. Accumulated deficit from acquisition date as at 7 February 2005 up to and including 31 December 2011 resulted in a negative net equity at balance sheet date of EUR 41.1 million. In the years 2009 and 2011 additional share premium was contributed for totally EUR 121 million. As a result this going concern paragraph has been added to the financial statements.

The accumulated deficit is mainly caused by restructuring and reorganisation costs, consultancy costs, impairment of assets of disposal group and transaction related costs not qualifying for capitalization (only in 2005) amounting in total to EUR 170.5 million. These costs were incurred mainly as a result of the restructuring program executed since 2005 and the disentanglement from CSM in 2005.

Management believes that the identified strategy is successfully being executed, amongst others evidenced by year-on-year improvement of the operating result and that the company should be able to continue financing its operations in the foreseeable future. In 2010 and 2011 the company realised a positive cash flow from operating activities of EUR 39.8 million and EUR 54.6 million respectively.

These funds were primarily used to redeem the long term loan to Svenska Handelsbanken for EUR 50.0 million in 2011 and EUR 30.0 million in 2010. The total overdraft facility amounts EUR 60.0 million of which EUR 20 million has been granted and is available for the period of 1 April 2011 up to and including 30 September 2012. The Group has an unused overdraft facility of EUR 20.3 million at 31 December 2011 (2010: 19.9 million).

The significant strong cash flow evidenced in prior years in combination with the 5-years business plan will enable LEAF to make further redemptions on the loans with Svenska Handelsbanken. Management is of the opinion that there is no uncertainty about company's ability to timely meet future repayments and covenants with Svenska Handelsbanken as well as loans from shareholders and trade creditors. Furthermore, management is of the opinion that the risk of insufficient cash flow to repay the outstanding amounts under the facilities in full on the respective maturity dates will not be a threat to the company's ability to continue as a going concern in the foreseeable future.

Therefore, the accounting principles applied in these financial statements are based on the assumption that the company is able to continue as a going concern.

Receivables on group companies

Receivables on group companies are stated at the fair value of the amount owed, which normally consists of its face value net of any provisions considered necessary.

32 Intangible assets

	Goodwill	Trademarks	Software	Total
Book value as of 1 January 2010	**113,309**	**0**	**1,990**	**115,299**
Movements				
Additions	0	72,000	47	72,047
Amortisation	0	0	739	739
Impairments	0	0	-570	-570
	0	72,000	216	72,216
31 December 2010				
Acquisition or production costs	113,309	72,000	3,881	189,190
Accumulated amortisation and impairments	0	0	-1,675	-1,675
Book value as of 31 December 2010	**113,309**	**72,000**	**2,206**	**187,515**
Movements				
Additions via merger	0	0	0	0
Additions	0	0	3,161	3,161
Amortisation	0	0	-573	-573
Impairments	0	0	-182	-182
	0	0	2,406	2,406
31 December 2011				
Acquisition or production costs	113,309	72,000	7,042	192,351
Accumulated amortisation and impairments	0	0	-2,430	-2,430
Book value as of 31 December 2011	**113,309**	**72,000**	**4,612**	**189,921**
Estimated economic useful life	Indefinite	Indefinite	3 – 5 years	

The total bookvalue of software includes an amount for software under construction of EUR 3,144 (2010: EUR 358) representing mainly the M3 ERP-system.

EUR ‘000 unless otherwise stated

33 Property, plant and equipment

	Land and buildings	Machinery and equipment	Assets under construction	Total
31 December 2010	**0**	**0**	**0**	**0**
Additions via merger	8,759	21,294	397	30,450
Additions	0	0	1,538	1,538
Transfers	30	1,497	-1,527	0
Depreciation	-210	-2,808	0	-3,018
Book value as of 31 December 2010	**8,579**	**19,983**	**408**	**28,970**
Other movements 2011				
Additions via merger	0	0	0	0
Additions	0	212	2,971	3,183
Transfers	215	2,716	-2,931	0
Disposals	0	-26	0	-26
Impairments	0	-603	0	-603
Depreciation	-214	-2,707	0	-2,921
	1	**-408**	**40**	**0**
31 December 2011				
Acquisition or production costs	27,970	72,558	448	100,976
Accumulated impairments and depreciation	-19,390	-52,983	0	-72,373
Book value as of 31 December 2011	**8,580**	**19,575**	**448**	**28,603**
Estimated economic useful life	30 – 50 years	10 – 40 years	N/A	

Significant parts of land and buildings are secured with mortgages for the benefit of Svenska Handelsbanken AB.

Depreciation expense of EUR 2,921 (2010: EUR 3,018 EUR) has been charged in cost of sales and G&A costs.

EUR ‘000 unless otherwise stated

34 Financial assets

An overview of the movements of the non-current financial assets is stated below:

	Investments in group companies	Other receivables group companies	Deferred tax assets	Other receivables related parties	Other	Total
Book value as of 1 January 2010	**180,450**	**283,440**	**2,544**	**3,546**	**0**	**469,980**
Movements						
Addition via merger	-112,822	63,504	0	0	228	-49,090
Additions/releases	-503	127,024	-1,319	12,022	17	137,241
Capital dissolvement	-11,592	0	0	0	0	-11,592
Transfer to/from provisions	-36,690	0	0	0	0	-36,690
Result participations	-5,776	0	0	0	0	-5,776
Book value as of 31 December 2010	**13,067**	**473,968**	**1,225**	**15,568**	**245**	**504,073**
Movements						
Additions/releases	85,570	-67,939	22,690	12,818	3	53,142
Transfer to/from provisions	-2,193	0	0	0	0	-2,193
Result participations	-1,823	0	0	0	0	-1,823
Book value as of 31 December 2011	**94,621**	**406,029**	**23,915**	**28,386**	**248**	**553,199**

List of participations

Participations directly held by LEAF Holland B.V. are:

	Share in equity
	%
– Leaf Finance Holland B.V., Amsterdam, the Netherlands (100%) (formerly known as Van Tienen sr. (V.T.S.) Successor B.V.);	100
– LEAF België Production N.V., Turnhout, Belgium	100
– LEAF Belgium Distribution N.V., Lier, Belgium	100
– LEAF Baltics AS, Tallinn, Estonia, in liquidation	100
– LEAF Suomi Oy, Turku, Finland	100
– LEAF Deutschland GmbH, Bocholt, Germany	100
– OOO LEAF, St Petersburg, Russia, in liquidation	100
– LEAF United Kingdom Ltd., Southport, United Kingdom, in liquidation	100
– LEAF Slovakia s.r.o., Bratislava, Slovakia	100

Deferred tax assets

Deferred tax assets refer to, amongst others, the difference between the tax base of the defined asset or liability and its carrying amount as recognised in the financial statements.

EUR '000 unless otherwise stated

The composition of deductible temporary differences (recognised as well as unrecognised) and unutilised tax losses carried forward is as follows:

	31 December 2011		31 December 2010	
	Recognised	Not recognised	Recognised	Not recognised
Deductible temporary differences	189	0	225	0
Tax losses carried forward	23,726	0	1,000	12,593
	23,915	0	1,225	12,593

In respect of the items disclosed in the column 'recognised' a deferred tax asset is included in financial fixed assets.

35 Inventories

	31 Dec 2011	31 Dec 2010
Stocks for own use and resale		
Raw materials and consumables	2,855	2,698
Semi-manufactures	1,460	1,634
Finished products and goods for resale	7,126	5,813
	11,441	10,145

36 Receivables

	31 Dec 2011	31 Dec 2010
Amounts due from group companies	42,327	11,534
Amounts due from shareholders, holders of bearer shares and related parties	71	12,955
Trade receivables	5,599	6,105
Other receivables	401	604
Prepayments and accrued income	429	1,028
	48,827	32,226

EUR '000 unless otherwise stated

37 Cash and cash equivalents

	31 Dec 2011	31 Dec 2010
Cash at bank and in hands	4,599	16,356

All cash and bank balances are available on demand.

38 Shareholders' equity

Share capital

The authorised share capital of the company as of 31 December 2011 amounts to EUR 100,000 (EUR *1) and consists of 100,000 ordinary shares of EUR 1 each.

Issued and paid in share capital amounts to EUR 20,000 (EUR *1) and consists of 20,000 ordinary shares with a nominal value of EUR 1 each.

The movements in the number of shares are as follows:

	2011	2010
1 January	20,000	20,000
Issue of ordinary shares	0	0
31 December	20,000	20,000

EUR '000 unless otherwise stated

The movements in shareholders' equity are as follows:

	Share capital	Share premium	Translation differences reserve	Accumulated deficit	Result for the year	Total
Book value as of 1 January 2010	**20**	**88,968**	**-5,106**	**-127,854**	**-16,434**	**-60,406**
Movements						
Translation of foreign participations	0	0	4,683	3,727	0	8,410
Group contribution given	0	0	0	-38,996	0	-38,996
Tax related to group contribution given	0	0	0	5,067	0	5,067
Appropriation of net result	0	0	0	-16,434	16,434	0
Result current year	0	0	0	0	-39,417	-39,417
Total movements	0	0	4,683	-46,636	-22,983	-64,936
Book value as of 31 December 2010	**20**	**88,968**	**-423**	**-174,490**	**-39,417**	**-125,342**
Movements						
Translation of foreign participations	0	0	499	0	0	499
Group contribution given	0	0	0	-16,025	0	-16,025
Tax related to group contribution given	0	0	0	4,266	0	4,266
Capital contribution	0	102,813	0	0	0	102,813
Appropriation of net result	0	0	0	-39,417	39,417	0
Result current year	0	0	0	0	-7,272	-7,272
Total movements	0	102,813	499	-51,176	32,145	84,281
Book value as of 31 December 2011	**20**	**191,781**	**76**	**-225,666**	**-7,272**	**-41,061**

The Company has no other legal and statutory reserves as of 31 December 2011 than the translation differences reserve and there are no undistributable reserves for positive results of participations.

EUR '000 unless otherwise stated

39 Provisions and deferred tax liabilities

	31 Dec 2011	31 Dec 2010
Deferred tax liabilities	21,599	21,920
Other provisions	165,892	69,617
	187,491	91,537

Movement schedule deferred taxes and provisions	**Deferred tax**	**Other Provisions**	**Negative participations**	**Total**
1 January 2010	**22,523**	**1,088**	**12,916**	**36,527**
Addition via merger	0	948	0	948
Additions	122	559	0	681
Utilisations	-725	-920	0	-1,645
Result participations	0	0	20,277	20,277
Transfer to/from Financial Assets	0	0	-36,690	-36,690
Group contributions	0	0	33,929	33,929
Capital contributions	0	0	-18,000	-18,000
Translation differences	0	0	-8,413	-8,413
Dividends paid out	0	0	64,442	64,442
Releases	0	-15	-504	-519
31 December 2010	**21,920**	**1,660**	**67,957**	**91,537**
Additions	0	542	0	542
Utilisations	-321	-415	0	-736
Result participations	0	0	10,839	10,839
Transfer to/from Financial Assets	0	0	-2,193	-2,193
Group contributions	0	0	11,762	11,762
Translation differences	0	0	-538	-538
Dividends paid out	0	0	76,695	76,695
Releases	0	-417	0	-417
31 December 2011	21,599	1,370	164,522	187,491

Deferred tax liabilities

The provision for deferred tax liabilities is mainly formed with respect to timing differences between the valuation for annual account purposes of the intangible non-current assets, property, plant and equipment, provisions and fiscal purposes.

EUR '000 unless otherwise stated

Provision for negative participations

This provision has been made due to the negative equity value of the investment in group company LEAF Suomi Oy, LEAF Finance Holland B.V., LEAF België Production N.V. and LEAF Belgium Distribution N.V..

40 Borrowings

				31 Dec 2010
	Term ≤ 1 year	**Term 1 – 5 years**	**Term ≥ 5 years**	**Total term > 1 year**
Loans from related parties	0	432,685	0	432,685
Intercompany loans	0	96,464	0	96,464
Loans from credit institutions SHB	20,140	179,360	0	179,360
	20,140	708,509	0	708,509

				31 Dec 2011
	Term ≤ 1 year	**Term 1 – 5 years**	**Term ≥ 5 years**	**Total term > 1 year**
Loans from related parties	0	0	377,451	377,451
Intercompany loans	0	48,732	0	48,732
Loans from credit institutions SHB	39,718	160,527	0	160,527
	39,718	209,259	377,451	586,710

The following securities have been pledged to Svenska Handelsbanken AB:

- Shares of all group companies except for LEAF Baltics, OOO LEAF and LEAF United Kingdom Ltd.
- First ranking security interest in any intercompany debt
- First ranking security interest in any insurance proceeds
- First ranking security interest in any hedging agreements
- First ranking security interest in any registered intellectual property rights
- First ranking security interest in any security interest in real property
- First ranking security interest in assets by way of business mortgage.

Effective interest rates

The effective interest rates at the balance sheet date are as follows:

- Loan from credit institutions: 4.06%.
- Shareholder loan: 14% up till 28 April 2011, 12,22% as of 28 April 2011.

EUR '000 unless otherwise stated

41 Current liabilities

	31 Dec 2011	31 Dec 2010
Trade creditors	6,537	6,663
Group companies	37,643	60,921
Related parties	2,259	7
Loans from credit institutions	39,718	20,140
Other liabilities	17,293	16,850
	103,450	104,581

Other liabilities	31 Dec 2011	31 Dec 2010
Interest third parties	3,109	2,959
Other accruals	14,184	13,891
	17,293	16,850

42 Remuneration of members of the Board of Management

The remuneration of members of the Board of Management amounts to EUR 4,715 (2010: 4,497) which comprises periodically paid emoluments such as salaries, holiday allowance and social security contributions, deferred emoluments such as pension charges, end-of-service benefits and profit shares and bonus payments.

43 Employees

During 2011 the average number of employees employed by LEAF Holland B.V. was 353 (2010: 371). These employees are all employed in The Netherlands.

44 Independent auditor’s fees

The independent auditor’s fees can be summarised as follows:

Services	31 Dec 2011	31 Dec 2010
Audit services	421	395
Audit related services	0	10
Tax related services	1	1
Other	0	0
	422	406

EUR ‘000 unless otherwise stated

45 Commitments not included in the balance sheet

Liability undertaking

The company issued a parent company guarantee pursuant to article 403, Book 2 of the Netherlands Civil Code in respect of:

- LEAF Finance Holland B.V., Amsterdam, the Netherlands (100%);

For corporate income tax and VAT purposes the company forms a fiscal unity with:

- LEAF Finance Holland B.V., Amsterdam, the Netherlands (100%);

In accordance with standard conditions, the company, along with the group companies that are part of the fiscal unity, are wholly and severally liable for taxation payable by the fiscal unity.

Amsterdam, 7 February 2012.

Board of Directors,

B. Baron
E.F.C. Frenay
E.K.M. Kist
D.D. Maras

LEAF Holland B.V.
Hoevestein 26
4903 SC Oosterhout (NB)
The Netherlands

Other information

Profit appropriation according to the Articles of Association

In accordance with article 21 of the Articles of Association, the 2011 result is proposed to be allocated to the accumulated deficit.

Independent auditors' report

pwc

Independent auditor's report

To: the Directors and Shareholders of Leaf Holland B.V.

Report on the financial statements

We have audited the accompanying financial statements 2011 of Leaf Holland B.V., Oosterhout as set out on pages 8 to 80. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2011, the consolidated income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2011, the company income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Directors' responsibility

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the directors are responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, Postbus 90357, 1006 BJ Amsterdam
T: 088 792 00 20, F: 088 792 96 40, www.pwc.nl

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Leaf Holland B.V. as at 31 December 2011, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Leaf Holland B.V. as at 31 December 2011, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 7 February 2012
PricewaterhouseCoopers Accountants N.V.

P.C. Dams RA