Cloetta

Invitation to subscribe for shares in Cloetta AB (publ)

Please note that the Subscription Rights are expected to have an economic value:

In order to ensure that the Subscription Rights received do not become void and without value, the shareholder must either:

- Exercise the Subscription Rights and subscribe for new shares no later than 4 April 2012; or
- Sell the Subscription Rights received, but not exercised, no later than 30 March 2012.

Please note that it is possible to apply for subscription with subsidiary preferential rights or without support of Subscription Rights.
Please note that investors with nominee-registered shareholdings subscribe for new shares through their nominee.

This is an English translation of the Swedish version that has been approved and registered by the Swedish Financial Supervisory Authority.
In the event of any discrepancies between the Swedish version and the English translation, the former shall prevail.

Handelsbanken Capital Markets

Information to Investors

A prospectus in the Swedish language has been approved and registered by the Swedish Financial Supervisory Authority (Sw: Finansinspektionen) (the "SFSA") pursuant to the provisions in Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (1991:980). Approval and registration by the SFSA does not imply that the SFSA guarantees the factual information provided in the Swedish language or herein are correct or complete. This prospectus is a translation of the prospectus prepared in the Swedish language. In the event that the Swedish language version and the English language version differ, the Swedish version shall prevail. Disputes concerning, or related to, the Rights Issue, the contents of this prospectus or any connected legal relation shall be settled exclusively in accordance with Swedish law and by Swedish courts. The district court of Stockholm (Sw: Stockholms tingsrätt) shall be the court of first instance.

The distribution of this prospectus and Subscription Rights may be restricted by law and/or regulations in certain jurisdictions. This prospectus may not be used for the purpose of, or in connection with, any offer or solicitation to anyone in any jurisdiction which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation or be distributed to such persons or jurisdictions. No actions have been taken to register or qualify the Subscription Rights, the BTA, (please refer to Definitions), the new shares in Cloetta, the Rights Issue or otherwise permit a public offering of the Subscription Rights, the BTA or the new shares in any jurisdictions outside of Sweden. Unless expressly provided elsewhere in this prospectus, the Subscription Rights, the BTAs and the new shares may not be offered, sold, resold, transferred, or delivered, directly or indirectly, in or into Australia, Canada, Hong Kong, Japan, United States or any other jurisdictions in which it would not be permissible to offer the Subscription Rights, the BTA or the new shares. Subscription Rights, BTAs and new shares acquired in violation of the described above may be void. Cloetta and Handelsbanken Capital Markets require persons into whose possession this prospectus comes to inform themselves of and observe all such restrictions. Failure to comply with such restrictions may result in a violation of applicable securities law. Neither Cloetta nor Handelsbanken Capital Markets accept any legal responsibility for any violation by any person, whether or not a potential investor in the new shares or not.

Handelsbanken Capital Markets has received the assignment from Cloetta to manage sale of Subscription Rights that would have been distributed to persons in Australia, Canada, Hong Kong, Japan or United States and not included in the Rights Issue on behalf of such persons and the distribution of sales proceeds, after deduction of fees, to such persons.

This prospectus has been prepared by Cloetta, based on its own information and information from other sources that Cloetta considers to be reliable. No representation or warranty, expressed or implied, is made by Handelsbanken Capital Markets as to the accuracy or completeness of any information set out in this prospectus and nothing contained in this prospectus is or shall be relied upon as a promise of representation, whether as to the past or the future, as Handelsbanken Capital Markets have not made any independent verification of the information.

When an investor makes an investment decision, he or she must rely on his or her own analysis of Cloetta or the Rights Issue, including but not limited to, the merits and risks involved. An investment decision shall be based solely on the information in this prospectus and any possible supplements to this prospectus. No person has been authorised to provide any information or make any statements, other than those contained in this prospectus, and should such information or statements be furnished they should not be considered to have been authorised by Cloetta. Neither the publication of this prospectus nor any purchase or sale as a result of the prospectus will, under any circumstances, imply that there have not been changes in Cloetta's business since the date of this prospectus, or that the information in this prospectus is correct as at any time after the date of this prospectus.

Notice to potential investors in the United States

The Subscription Rights, the BTAs and new shares in Cloetta have not been registered and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or under the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, taken up, exercised, resold, delivered or transferred, directly or indirectly, in or into the United States at any time, except pursuant to an applicable exemption, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with the applicable securities law of any state or other jurisdiction of the United States. There will be no offer of the Subscription Rights, BTAs or new shares in the United States. A notification of subscription of new shares in contravention of the above may be deemed to be invalid. The Subscription Rights, BTAs and new shares have not been approved or disapproved by the "United States and Exchange Commission", any state securities commission in the United States or any other United States regulatory authority, nor have any foregoing authorities passed upon or endorsed the merits of the Subscription Rights, BTAs and new shares or the accuracy or adequacy of this prospectus.

Notice to potential investors in the European Economic Area

In the member states of the European Economic Area ("EEA") which have implemented the Prospectus Directive, except in Sweden, the offer in accordance with this prospectus can only be made pursuant to an exemption from the requirement to draw up a prospectus.

Notice to potential investors in Australia, Canada, Hong Kong, Japan and certain other jurisdictions

The Rights Issue will not be made to persons who are residents in Australia, Canada, Hong Kong, Japan or any other jurisdiction in which such offering would be unlawful.

Forward-looking statements and market data

The prospectus contains certain forward-looking statements that reflect Cloetta's current views with respect to future events and financial and operational performance. The words "intend", "estimate", "expect", "may", "plan", "anticipate" or similar expressions regarding indications or prognoses of future developments or trends, which are not statements based on historical facts, constitute forward-looking information. Although Cloetta believes that these statements are based on reasonable assumptions and expectations, Cloetta cannot give any assurances that such statements will materialise. Because these forward-looking statements involve known and unknown risks and uncertainties, the outcome could differ materially from those set out in the forward-looking statement.

Factors that could cause Cloetta's actual results of operations or performance to differ from the forward-looking statements include, but are not limited to, those described under *Risk Factors*. The forward-looking statements included in this prospectus speak only of the date of the prospectus. Cloetta undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law. The prospectus contains market data and industry forecasts, including information related to the sizes of the markets in which the Group participates. The information has been extracted from a number of sources. Although Cloetta regards these sources as reliable, the information contained in them has not been independently verified. In addition to the above, certain data in the prospectus is also derived from estimates made by Cloetta.

Certain financial and other information presented in this prospectus have been rounded off for the purpose of making the prospectus more easily accessible for the reader. The figures in certain columns thus do not correspond exactly with the declared total amount.

Documents incorporated by reference

The following document, are incorporated by reference and will constitute part of this prospectus and will be kept available at Cloetta's website on www.cloetta.se during the subscription period:

1. Cloetta's audited annual report for 2010/2011, including the auditor's report, p. 61-105.
2. Cloetta's audited annual report for 2009/2010, including the auditor's report, p. 61-101.
3. Cloetta's audited annual report for 2008/2009, including the auditor's report, p. 51-93.
4. Cloetta's audited interim accounts for the period 1 September – 31 December 2011 including the auditor's report.

The following document, are incorporated by reference and will constitute part of this prospectus and are kept available on Cloetta's website www.cloetta.se during the subscription period.

1. LEAF's audited annual report for 2011, p. 8-77 including the auditor's report.[1]
2. LEAF's audited annual report for 2010, p. 4-78 including the auditor's report.[1]
3. LEAF's audited annual report for 2009, p. 4-78 including the auditor's report.[1]

Subject to certain customary limitations arising from securities laws and regulations, this prospectus will be kept available at Cloetta's website www.cloetta.se, Handelsbanken's website www.handelsbanken.se/investeringserbjudande and on the SFSA's website at www.fi.se.

1) LEAF´s Annual reports and auditor´s reports have been translated from English into Swedish. In case of discrepancy between the language the English version and the Swedish, the English version should have precedence.

Contents

Definitions

"A-share"	refers to the series A-shares in Cloetta having the rights set out in Cloetta's articles of association.
"B-share"	refers to the series B-shares in Cloetta having the rights set out in Cloetta's articles of association.
"C-share"	refers to the series C-shares in Cloetta having the rights set out in Cloetta's articles of association
"BTA"	refers to paid subscribed A-shares and/or B-shares issued in connection with the Rights Issue.
"Cloetta", the *"Company"* and the *"Group"*, respectively	refer to Cloetta AB (publ), corporate registration number 556308-8144 and its subsidiaries, including LEAF from the closing date on 16 February 2012, unless otherwise can be derived from the context.
"CVC"	refers to funds advised by CVC Capital Partners, or companies held by CVC Capital Partners.
"EUR"	refers to the currency euro and "MEUR" refers to million euro.
"Euroclear"	refers to Euroclear Sweden AB.
"LEAF"	refers to Leaf Holland B.V., corporate registration number 34221053 and its subsidiaries, unless otherwise can be derived from the context.
"Leaf Holding"	refers to Leaf Holding S.A., corporate registration number B-102 846.[1]
"Malfors Promotor"	refers to AB Malfors Promotor, corporate registration number 556049-6928.
"NASDAQ OMX Stockholm"	refers to NASDAQ OMX Stockholm AB.
"Nordic Capital"	refers to Nordic Capital Fund V, or companies held by Nordic Capital Fund V.
The *"Rights Issue"*	refers to the offer to subscribe for shares in accordance with the terms and conditions in this prospectus.
"SEK"	refers to the currency Swedish kronor and *"MSEK"* refers to million Swedish kronor.
"Subscription Right"	refers to a right to subscribe for new issued A-shares and/or B-shares in Cloetta.
The *"Transaction"*	refers to the merger between Cloetta and LEAF that was announced on 16 December 2011, approved by the extraordinary general meeting in Cloetta on 15 February 2012 and was completed on 16 February 2012.

The Rights Issue in brief

Preferential rights

Those persons who on the record date 15 March 2012 were registered as shareholders are entitled to receive Subscription Rights in the Rights Issue. One (1) existing A-share[2] in Cloetta entitles the holder to one (1) Subscription Right for A-shares and one existing B-share in Cloetta entitles the holder to one (1) Subscription Right for B-shares. One Subscription Right to A-shares respective B-shares entitles the holder to four (4) new shares of each kind of shares (primary preferential right).

Subscription price	SEK 10.79 per share. No commission will be charged.
Record date for the right to receive Subscription Rights in the Rights Issue	15 March 2012
Subscription period	19 March–4 April 2012
Trading in Subscription Rights	19 March–30 March 2012
Trading in BTA	5 April–13 April 2012
Subscription and payment	Subscription by exercise of Subscription Rights will be made by cash payment during the subscription period. Please note that Subscription Rights not intended to be exercised must be sold no later than 30 March 2012 in order not to expire without any value.
Subscription with subsidiary preferential right or without support of Subscription Right	To the extent that new shares are not subscribed for through primary preferential right, such shares will be offered to all shareholders for subscription (subsidiary preferential right). Should Subscription Rights be transferred, the primary as well as the subsidiary preferential right will also accrue to the new holder. In addition, investors are given the opportunity to subscribe without preferential rights.
Miscellaneous	
Ticker	
B-shares	CLA B
ISIN-codes	
B-shares	SE0002626861
Subscription Rights for B-shares	SE0004519015
BTA, B-shares	SE0004519023
Financial calender	
Interim reports	
1 January – 31 March 2012	16 May 2012
1 April – 30 June 2012	24 August 2012
1 July – 30 September 2012	16 November 2012

1) Cloetta own the rights to the name Leaf. Leaf Holding, including related companies, have already, or will, change their company name to something else than Leaf.
2) All A-shares are held by Malfors Promotor and persons connected with the Svenfelt family. A-shares and Subscription Rights for A-shares are subject to post-sale purchase rights pursuant to Cloetta's articles of association.

SUMMARY

This summary should only be seen as an introduction to the other sections of this prospectus. The summary is not complete and does not contain all the information, necessary for an investor to consider before investing in Cloetta shares. Each decision to invest in Cloetta shares should be based on an assessment of the prospectus as a whole. Investors who bring action in court with respect to the information in the prospectus may be forced to defray the costs for translation of the prospectus. A person may be made responsible for the information included or lacking in the summary, or its translation, only if the summary or translation is misleading or incorrect in relation to the other parts of the prospectus.

The transaction in brief

On 16 December 2011, Cloetta announced that the Company had entered into an agreement to acquire all shares of LEAF. This acquisition was subject to certain terms and approval from relevant competition regulators. On 16 February 2012, all conditions for the aquisition had been fulfilled, whereupon Cloetta's acquisition of LEAF was executed. The final purchase price amounted to SEK 6.9 billon on a debt-free basis. The purpose of this Rights Issue is to finance parts of the acquisition of LEAF.

Cloetta regards the strategic, industrial and financial motives for the merger as convincing, and expects it to result in a leader on the Nordic confectionery market that also has leading positions in Italy and the Netherlands. The merger is complementary from several perspectives and means that Cloetta will be able to offer a comprehensive product range in chocolate confectionery, sugar confectionery and refreshers (pastilles and chewing gum); stronger sales channels, primarily in the Nordic region; and a broader-based product range and increased size, which will enhance Cloetta's attractions to customers and suppliers. Furthermore, the merger will offer the possibility of significant annual cost and efficiency synergies of at least SEK 110 million, realisable within two years, including cost synergies arising in tandem with the rationalisation measures LEAF has taken in its supply chain. The most important segments for the expected synergies are greater efficiency in the commercial organisation in Scandinavia; potential in-sourcing of production; greater efficiency in the supply chain; utilising LEAF's already strong sales channels and reduced overheads and administrative expenses. Total integration expenses (one-off expenses) of approximately SEK 80 million are expected to arise in the first 12-24 months after the merger.

In connection with the agreement to acquire LEAF, Cloetta secured funding from Svenska Handelsbanken AB (publ) for the purchase price and for refinancing LEAF's existing interest-bearing loan financing, totalling approximately SEK 4.2 billion. Cloetta also reported that the Company intended to conduct a Rights Issue corresponding to approximately SEK 1,065 million as soon as possible after completing the acquisition. The net proceeds from the Rights Issue, of approximately SEK 1,055 million, will be used to finance parts of the acquisition of LEAF, and thus reduce the company's indebtedness.

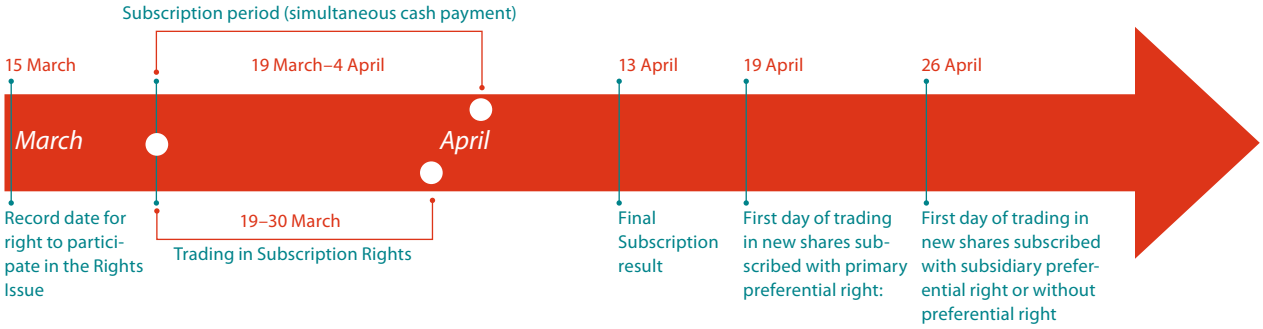
With the aim of financing the Transaction, the board of directors of Cloetta decided on the Rights Issue on 7 March 2012, supported by authorisation from the extraordinary general meeting (EGM) of Cloetta on 15 February 2012. Assuming that the Rights Issue is fully subscribed, 9,440,000 new class A-shares and 89,305,900 new class B-shares[1] will be issued and the Company's share capital will increase by SEK 493,729,500 from the current SEK 949,366,995 to SEK 1,443,096,495. Holders of class A-shares and class B-shares have preferential rights to subscribe for new shares in relation to the number of shares they already hold in the Company. The record date for determining which shareholders are entitled to subscribe for the new shares is 15 March 2012. Subscription for shares shall be through simultaneous cash payment in the period from 19 March up to and including 4 April 2012, or such later date as the board of directors decides. The issue decision means that each existing A-share of Cloetta entitles its holder to one (1) Subscription Right for A-shares and each existing B-share entitles its holder to one (1) Subscription Right for B-shares. One (1) Subscription Right A- or B-shares respectively entitle the holder to subscribe for four (4) new shares of the respective share class. The subscription price has been established at SEK 10.79 per new shares, which means that the Rights Issue will raise the Company approximately SEK 1,065 million before deducting for issue expenses.

Subscription of share with preferential right is executed through cash payment, either through the use of the pre-printed bankgiro payment slip or simultaneous payment in conjunction with the designated application form during the period from 19 March up to and including 4 April 2012. Application for subscription with support of subsidiary preferential right or without preferential right shall be made no later than 4 April 2012. Allotted shares should be paid for in cash in accordance with the instruction on the settlement note.

Malfors Promotor supports the Rights Issue and has undertaken to subscribe for shares corresponding to its pro-rata propor-

1) The highest number of B-shares is based on the existing number of B-shares in Cloetta, after the final day of conversion of employees' convertibles having occurred on 25 February 2012. Since not all the holders of convertibles have decided to convert to B-shares, the highest number of B-shares that may be issued is lower than the highest number of B-shares that the authorisation by the general meeting allows for.

Time schedule



tion of the Rights Issue, corresponding to approximately 51[1] per cent of the issue proceeds. In addition, Malfors Promotor, CVC and Nordic Capital (through Leaf Holding), have undertaken to guarantee the remainder of the Rights Issue. Consequently, subscription undertakings and guarantees corresponding to 100 per cent of the Rights Issue have been secured. No guarantee compensation will be made to the guarantors of the Rights Issue.

Description of operations in brief

Cloetta and LEAF have a heritage extending back to the 19th century. Historically, Cloetta has had operations mainly in chocolate confectionery, but is since the acquisition of LEAF, a diversified confectionery company with extensive operations in sugar confectionery and refreshments as well.

Brands and product range

Cloetta has a broad brand portfolio that has very substantial value and a strong position on the confectionery market in those countries where the Company is active. Many of these brands originated in the first half of the 20th century and have strong local links including for example Malaco, Cloetta, Läkerol and Sperlari. The ten largest brands represented approximately 60 per cent of net sales pro forma 2011. However, strong brands do not mean self-evident volume growth. Organic growth is achieved by brands being developed and supported, primarily by product innovations and effective marketing.

One of the Company's primary competitive advantages is its capacity to build brands and present attractive new products under these brands. Brands in confectionery are highly localised and consumers on mature markets have high loyalty, and accordingly, expansion and sales are largely about utilising the strengths of these well-known brands.

Product development and marketing

The majority of the resources of the marketing function are allocated to product development and marketing, which in combination with a strong own sales organisation are the two most decisive success factors on a mature market where products are often purchased on impulse. Product innovations strengthen Cloetta's offering to customers and consumers. Effective marketing, from advertising to in-store activities, increase consumer awareness of, and demand for, Cloetta's products.

Attractive innovations and an effective product development process are prerequisites for profitable growth and fundamental to Cloetta's strong position on the European confectionery market. Accordingly, the Company will continue to focus on local innovations through its existing strong brands. The starting-point for product development and innovation work is market trends, new consumer needs and the question of how these can be combined optimally with existing brands.

New products will receive effective sales support with marketing through campaigns, events, in-store activities and advertising, which contribute to stimulating consumer interest and demand. Brands must be contemporary and tailored to market trends, and have strong imagery, to be appreciated by the consumers. Content and packaging are in constant development, and the new products that are produced is always of high quality. By introducing new flavours, packaging and sizes of a brand, modernity is maintained and the changing needs of consumers are satisfied. Cloetta has conducted several highly successful extensions of its brands, for example under the Ahlgrens bilar and Kexchoklad brands. Another example of brand-building is when completely new products in a brand are developed, such as Läkerol chewing gum and throat lozenges.

Cloetta's investments in its brands and marketing are a priority where the Company's ambition is to invest approximately 10 per cent of net sales. Investments start from brand positioning on the market and the marketing features image-building brand advertising in mass media, sponsorship and events addressing selected target groups. Because confectionery is an out-and-out impulse good, strong sales-promoting initiatives at the store level are of great importance. The ambition of Cloetta's marketing is to be visible and noticed in all locations where the consumer is, to get the opportunity to encounter the consumer more often.

Sales

In the full year January to December 2011, Cloetta's total sales amounted to SEK 5,596 million pro forma. Cloetta's largest market was Sweden, which represented approximately 28 per cent of total sales. The rest of the Nordic countries represented approximately 27 per cent, the Netherlands approximately 12 per cent, Italy approximately 17 per cent and other markets approximately 16 per cent of total sales.

Strong main market presence

Cloetta has strong positioning in its main markets with localised brands that are popular favourites, covering sugar and chocolate confectionery, as well as refreshments. The Company endeavours to be an innovative and trendsetting player on the confectionery market. The position will be further strengthened through a continued focus on high-quality products, attractive new products, strong and well-known brands and high accessibility and recognition among consumers, as well as a good collaboration with retailers.

Cloetta has a very strong sales organisation in its main markets, which makes Cloetta a very competitive supplier to food retailing.

1) After dilution for new B-shares in Cloetta, issued due to employees converting their convertibles.

With its category expertise and presence in stores via its own sales force, Cloetta can reach out with campaigns, ensure that centrally negotiated listing and distribution agreements are followed and ensure good visibility on the stores' shelves, in the check-out lines and in other places. This creates opportunities for both food retailers and the Company to achieve good results together. Especially in the Nordic region, with large distances to cover, a more complete product portfolio can create economies of scale compared with other competitors in the confectionery market. With its own sales force, new products can quickly be launched in stores and thus reach consumers.

The confectionery market

The confectionery market can be divided into sugar confectionery, chocolate confectionery and refreshments. Sugar confectionery consists of products including jellies, marshmallows and liquorice. Chocolate confectionery consists of products including filled chocolates, bars, dragées, countlines and rolls. Refreshments consist mainly of pastilles and chewing gum. The European confectionery market is relatively mature, with growth of around approximately two per cent during the last couple of years.[1] However, growth varies between different countries and product categories.

The markets where Cloetta is active represent approximately 70 per cent of Western European consumption of confectionery.[2] Consumption patterns and flavour preferences vary between different markets, for example chocolate consumption per inhabitant is significantly lower in the Nordic countries than the rest of Europe, while the consumption of sugar confectionery is significantly higher in the Nordic countries than the rest of Europe.

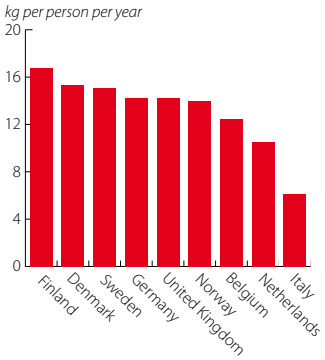
Consumer patterns

Confectionery is fairly insensitive to cyclical fluctuations, and is one of the most impulse-driven retail goods groups. Over 80 per cent of purchasing decisions are made in store.

The majority of confectionery purchases in Europe occur via traditional food stores. Convenience stores, i.e. service stations and kiosks etc., are another important sales channel. Availability is an important factor for impulse driven purchasing, and accordingly, new types of sales channels are of great interest to Cloetta.

In Sweden and the rest of the Nordic countries, pick-and-mix has a very strong position with a high share of total confectionery consumption, while the consumption of pick-and-mix is far lower in Central Europe, where packaged sugar confectionery and chocolate have a stronger position.

Confectionary consumption per capita 2010[3]



Cloetta's markets

Cloetta's main markets, where Cloetta has its own sales and distribution organisation, consist of Sweden, Italy, Finland, the Netherlands, Norway and Denmark. Markets where Cloetta does not have its own sales and distribution organisations such as Belgium, the UK, Germany and the rest of the world, are additional.

Sweden

Sweden is the single largest market in the Nordic countries with about one-third of total confectionery consumption.[1] Yearly turnover in the Swedish confectionery market is EUR 1.5 billion at the consumer level.[1] Cloetta has a market share of approximately 24 per cent of the confectionery market.[4] The largest competitor on the Swedish market is Kraft Foods.

Denmark

Denmark is the second-largest market in the Nordic countries with about one-quarter of total confectionery consumption. Yearly turnover in the Danish confectionery market is approximately EUR 1.0 billion at the consumer level.[1] Cloetta has a share of approximately 16 per cent of the sugar confectionery market and approximately 28 per cent of the market for pastilles, which is a segment within refreshments.[5] The largest competitors on the Danish market are Toms and Haribo.

Norway

Norway is the smallest market in the Nordic countries with less than one-fifth of total confectionery consumption.[1] Yearly turnover in the Norwegian confectionery market is approximately EUR 0.8 billion at the consumer level.[1] Cloetta has a share of approximately 11 per cent of the confectionery market.[5] The largest competitors on the Norwegian market are Kraft Foods and Nidar (an Orkla company).

Finland

Finland is the third-largest market in the Nordic countries with approximately one-fifth of total confectionery consumption.[1] Yearly turnover in the Finnish confectionery market is approximately EUR 0.9 billion at the consumer level.[1] Cloetta has a share of approximately 24 per cent of the confectionery market.[6] The largest competitor on the Finnish market is Fazer.

The Netherlands

The Netherlands is the sixth-largest market in Western Europe with a share of over 4 per cent of total confectionery consumption.[1] Yearly turnover in the Dutch confectionery market is approximately EUR 1.5 billion at the consumer level.[1] Cloetta has a share of approximately 18 per cent of the confectionery market excluding chocolate.[7] The largest competitor on the Netherlands market is Perfetti.

Italy

Italy is the fourth-largest market in Western Europe with nearly one-tenth of total confectionery consumption.[1] Yearly turnover in the Italian confectionery market is EUR 3.2 billion at the consumer level.[1] Cloetta has a share of approximately 14 per cent of the sugar confectionery market and approximately 4 per cent of the market for refreshments.[5] The largest competitors on the Italian market are Perfetti and Ferrero.

Other markets

Other markets mainly consist of sales to countries outside Cloetta's home markets. These are countries where Cloetta is active but does not have a proprietary sales and distribution organisation. Overall, sales to other markets cover over 40 countries.

Goals

Organic sales growth

For the long term, Cloetta's objective is to increase its sales organically at least at the same rate as the market.

Historical aggregate annual growth in markets where the company is active has been approximately two per cent in 2006–2010.[1] The potential sales synergies from the merger are expected to contribute to Cloetta's total sales growth in the medium to long term.

1) Source: Datamonitor.
2) Western Europe refers to Belgium, Denmark, Finland, France, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Switzerland, Spain, the UK, Sweden, Germany and Austria.
3) Source: Datamonitor. The chart refers to the countries in which Cloetta is active.
4) Source: Nielsen, Delfi.
5) Source: Nielsen.
6) The Company's estimate.
7) Source: Nielsen. Data regarding the share of the total chocolate market is missing.

EBITA margin

Cloetta's goal is a recurring EBITA margin of at least 14 per cent.

The objective is to achieve this goal after the full cost and efficiency synergies from the merger have been realised. The recurring EBITA margin amounted to 10.6 per cent in 2011 pro forma.

Indebtedness

Cloetta has the long-term goal for indebtedness of around 2.5 x net debt/EBITDA. Initially, the Company will have a higher indebtedness, but through earnings growth and strong cash flows, it expects to achieve its indebtedness goal within 2 to 3 years from the merger with LEAF.

Cloetta's initial indebtedness will be 4.2 x net debt/recurring EBITDA based on the Company's pro forma financial information for 2011 and 3.6 x net debt/EBITDA including full realisation of the identified yearly cost and efficiency synergies from the merger with LEAF of at least SEK 110 million.

Dividend policy

In the long term, the Company intends to pay out 40–60 per cent of profit after tax. In the next few years, the primary focus will be to reinvest the Company's strong cash flows to further sharpen its competitiveness through rationalisation, product development, marketing initiatives as well as amortisation of bank loans. Accordingly, no dividend is expected for the next two to three years.

Strategies

Focus on volume growth and margin expansion

Cloetta will continue to focus on strong brands with local traditions. After the merger with LEAF, the Company will have far stronger positioning on the Nordic market, which will enable growth on this market. The growth will be generated through the introduction of new flavours, packaging and sizes as well as cross-border initiatives. These initiatives will involve increased efforts to sell Cloetta's product range on LEAF's various markets. In addition, the focus will be on active pricing from the perspectives of raw material costs and profitability. In the longer term, the Company will be selectively analysing acquisition opportunities.

Focus on cost-efficiency

Cost rationalisations include the cost and efficiency synergies expected to arise from the merger with LEAF and savings from the restructuring in Slagelse, Denmark. Increased cost-efficiency as a result of improved internal processes and systems including fact based performance management will also make a positive contribution. The merger with LEAF means that Cloetta will have nearly all the relevant production technologies in-house, creating greater flexibility in product development as well as the potential for continued improvements in efficiency in supply chain, including procurement and value-creation in production and marketing.

Focus on employee development

Shaping a collective culture, and continuing to develop and retain competent employees, will be of central significance in the intense competition on the market. Through learning from each other, the foundation will be laid for building a winning organisation.

Risk factors

Ownership of Cloetta shares and Cloetta's operations are subject to risks related to competition, consolidation in food retailing and exposure to key customers, exposure to raw materials as well as impact of the economy. Further, ownership of Cloetta shares and Cloetta's operations are subject to risks related to the merger with LEAF, production relocation, information and IT systems, key employees, trends, the environment, health and safety, taxes, food handling, damage to reputation, financing, interest rate, currency, credit, not secured subscription undertakings and issue guarantees, shareholders with substantial influence, future extensive sales of Cloetta shares, limited liquidity in Cloetta's B-shares, share-related risks, limitations in future dividend, trading in Subscription Rights as well as dilution. The above mentioned risks are only headings regarding the risks described more in detail in the section *Risk factors*. The exclusion or inclusion of a risk in this summary is not an indication of its importance.

Other information

Board of directors, senior executives and auditors

Cloetta's board of directors consists of Lennart Bylock (Chairman), Hans Eckerström, Håkan Kirstein, Adriaan Nühn, Robert-Jan van Ogtrop, Mikael Svenfelt, Olof Svenfelt, Meg Tivéus, Peter Törnquist as well as two employee representatives.

The company management consist of Bengt Baron (CEO), Danko Maras (CFO), Jacqueline Hoogerbrugge (President of Operations), Lars Påhlson (Regional Manager Scandinavia), David Nuutinen (Regional Manager Finland), Ewald Frénay (Manager Central), Giorgio Boggero (Regional Manager Italy and other markets), Edwin Kist (Senior Vice President HR), Erwin Segers (CMO) and Jacob Broberg (Senior Vice President Corporate Communication / Investor Relations).

Cloetta has KPMG as auditor. The authorised public accountant Helene Willberg has the main responsibility.

Larger shareholders and transactions with close related parties

As of 30 December 2011, Malfors Promotor was Cloetta's largest shareholder with approximately 51.9 per cent of the share capital and 74.3 per cent of the votes in Cloetta. After the completion of the issue in kind of C-shares to Leaf Holding and assuming that the Rights Issue is fully subscribed, Malfors Promotor will hold 21.9 per cent of the capital and 42.9 per cent of the votes, CVC will hold 32.8 per cent of the capital and 24.0 per cent of the votes and Nordic Capital will hold 24.4 per cent of the capital and 17.9 per cent of the votes. Malfors Promotor has undertaken to CVC and Nordic Capital to convert parts of its holdings of A-shares to B-shares so that Malfors Promotor's proportion of the total number of votes of Cloetta after the conversion is completed corresponds to 39.9 per cent in a first phase and 33.34 per cent in a second phase. The conversion to 39.9 per cent will occur immediately after consummation of the Rights Issue.

During the last three years Cloetta has made transactions with closely related parties. The most significant transactions have been remuneration to key individuals in the senior management and claims and debts related to financing. In addition, Cloetta has entered into agreements with major shareholders of Cloetta in relation to the acquisition of LEAF.

Financial adviser

Handelsbanken Capital Markets is financial adviser for Cloetta in connection with the Rights Issue.

Cloetta's largest brands by product category

Chocolate products *are, among others, sold under the brands Cloetta, Kexchoklad, Center, Polly, Plopp, Sportlunch, Guldnougat, Tarragona, Sperlari and Tupla.*

Sugar confectionery products *are, among others, sold under the brands Malaco, Red Band, Sperlari, Ahlgrens bilar, Chewits, Juleskum, Venco, Galatine and Dietorelle.*

Refreshment *is composed of pastilles and chewing gum. Cloetta's largest pastilles brand is Läkerol. Other strong pastilles (brands) include Extra Starka, Mynthon, Saila, King, Sisu, Fünf Kräuter and Leijona. The chewing gum brands are Jenkki, Sportlife, Xylifresh, Läkerol, Saila och TOY.*

Financial information in summary

Cloetta's financial development in summary (before the merger with LEAF) for the financial years 2008/2009, 2009/2010, and 2010/2011, the period 1 September to 31 December 2010 and 2011 as well as the calender years 2010 and 2011.[1]

	1 Sep – 31 Dec		1 Jan – 31 Dec		1 Sep – 31 Aug		
	2011	2010	2011	2010	2010/11	2009/10	2008/09
Net Sales, MSEK	365	413	938	1,056	987	1,061	1,184
Profit							
Gross margin, %	35.7	33.4	31.6	31.3	30.8	31.0	28.4
Operating profit before depreciation(EBITDA), MSEK	38	52	68	84	82	85	46
Operating profit margin before depreciation (EBITDA margin), %	10.4	12.6	7.2	8.0	8.3	8.0	3.9
Operating profit (EBIT), MSEK	20	32	14	31	27	35	0
Operating profit margin (EBIT margin), %	5.5	8.0	1.5	2.9	2.7	3.3	0.0
Profit for the period	14	24	8	20	18	22	6
Profit margin, %	5.5	7.7	1.5	2.6	2.6	2.9	neg
Financial position							
Net receivable, MSEK	206	151	206	151	167	144	183
Capital employed, MSEK	857	843	857	843	842	835	806
Return on capital employed, %	2.4	4.1	2.4	4.1	3.9	4.7	1.2
Equity/assets ratio, %	67.4	66.7	67.4	66.7	67.5	65.7	63.9
Return on equity, %	1.2	2.5	1.2	2.5	2.4	3.0	1.3
Cash flow							
Cash flow from operations, MSEK	51	43	84	68	76	19	127
Investments in fixed assets, MSEK	10	16	33	46	39	51	111
Cash flow after investments, MSEK	41	27	51	22	37	–32	16
Per share data							
Earnings per share, SEK							
basic	0.61	0.97	0.37	0.77	0.73	0.90	0.23
diluted	0.61	0.95	0.37	0.77	0.73	0.90	0.23
Equity per share, SEK	30.92	30.59	30.92	30.59	30.34	30.38	29.47
Dividend per share[2]	–	–	–	–	–	0.75	–
Number of shares at the end of the period	24,319,186	24,119,196	24,319,186	24,119,196	24,319,186	24,119,196	24,119,196
Average number of shares	24,319,186	24,119,196	24,319,186	24,119,196	24,280,284	24,119,196	24,119,196
Employees							
Average number of employees	420	446	428	449	437	452	464

1) At Cloetta's annual general meeting 19 December 2011 it was resolved that the company shall apply the calendar year as the financial year.
2) Total dividend in relation to number at shares on the record date.

For definitions, see section *Definitions of financial terms and key figures.*

The financial development in summary for LEAF for the full years 2009–2011

	1 Jan – 31 Dec		
	2011	2010	2009
Net Sales, MEUR	516.3	526.9	516.7
Profit			
Gross profit margin, %	37.5	39.1	37.6
Operating profit before depreciation (EBITDA), MEUR	54.0	69.0	65.5
Operating profit before depreciation (EBITDA margin), %	10.5	13.1	12.7
Operating profit before depreciation of intangible fixed assets (EBITA)	41.3	55.0	51.4
Operating profit margin before depreciation of intangible fixed assets (EBITA margin), %	8.0	10.4	10.0
Operating profit (EBIT), MEUR	40.4	54.0	51.0
Operating profit margin (EBIT margin), %	7.8	10.3	9.9
Profit margin, %	–5.1	–3.3	–3.6
Profit for the year, MEUR	–7.3	–39.4	–16.4
Supplemental information[1]			
Recurring EBITDA, MEUR	77.2	86.1	80.2
Recurring EBITDA margin, %	15.0	16.3	15.5
Recurring EBITA, MEUR	64.5	72.0	66.2
Recurring EBITA margin, %	12.5	13.7	12.8
Financial position			
Net debt, MEUR	321.6	336.3	364.6
Capital employed, MEUR	791.0	858.3	795.9
Return on capital employed, %	5.3	6.4	6.4
Equity/assets ratio, %	–4.2	–13.2	–6.5
Return on equity, %	–	–	–
Interest coverage ratio, x	2.2	3.1	2.4
Cash flow			
Cash flow from operations, MEUR	54.6	39.8	41.1
Investments, MEUR	–24.7	–9.9	–10.1
Cash flow after investments, MEUR	29.9	29.9	31.0
Employees			
Average number of employees	2,192	2,275	2,309

1) In order to enhance the reader's understanding of LEAF some supplemental information has been included. The supplemental information is intended to illustrate what LEAF's underlying development of profit and key figures by excluding the effect of items affecting comparability. Furthermore, the information presented in the table before conversion of LEAF's intra-group loans to equity.

For definitions, see section *Definitions of financial terms and key figures*.

RISK FACTORS

An investment in Subscription Rights, BTA and/or new shares in Cloetta is associated with risks. A number of factors outside Cloetta's control, together with a number of factors whose effects Cloetta can influence by its actions, could have a negative impact on the Group's operations, results and financial position or cause the value of the Group's shares and BTA and Subscription Rights to be reduced, and investors could loose part or all of their investment. A number of risk factors are presented below which could have an impact on Cloetta's prospects. The order in which the risks are presented is not intended to be an indication of the probability of their occurance and/or the magnitude of their effects and there is no assurance that the presentation is exhaustive. Further risks and uncertainties which Cloetta does not know about or which presently are not considered to be material could develop into factors which affect Cloetta. In addition to the information in the prospectus, any investor should therefore make their own assessment of each risk factor and its importance to the Group's prospects and make a general assessment. The prospectus contains forward-looking statements that are dependent on future events, risks and uncertainties. The Group's actual result may differ substantially from results predicted in any forward-looking statements due to many factors, for example but not limited to the risks presented below or elsewhere in the prospectus.

Sector and market-related risk factors

Cloetta operates on a competitive market

The confectionery market is highly competitive. Cloetta competes on the market through active pricing, product innovation, product quality, brand recognition and loyalty, marketing, promotional activity and the ability to predict and satisfy customer preferences. From time to time, Cloetta may need to reduce the prices of the Group's products to address competition, customer needs, or to retain the Group's market shares. Competition on the market and customer needs may restrict Cloetta's ability to increase prices to compensate for increased costs of raw materials and other purchase costs. Cloetta's earnings will suffer if profit margins decrease because of price reductions, increased cost of raw materials and other purchase costs, or other factors, and Cloetta is unable to compensate for a reduced profit margin by increasing sales volumes.

Food retailers are offering proprietary private label brands that compete with certain Cloetta products. It is important that Cloetta's products offer higher quality to the consumers than less expensive alternatives. If Cloetta is unable to offer higher quality, to create enough brand image or value proposition, consumers may reduce their purchases of Cloetta's products.

Cloetta may also need to increase investments in marketing and product development to retain or increase the Group's market shares. Such initiatives in marketing and product development are associated with risk, such as uncertainty regarding future consumer behaviour and purchasing patterns. These increased investments will not necessarily mean that Cloetta retains or increases the Group's market shares, but could lead to lower profitability.

Consolidation in food retailing and exposure to key customers

The European food and convenience store retail sector has undergone consolidation. This consolidation resulted in large, sophisticated players with substantial purchasing power were established. Such large retailers are not necessarily dependent on individual trademarks, but can resist price increases in check and demand price discounting, increase marketing initiatives and specifically tailored products. They can also use shelf space, currently reserved for Cloetta's products, for their own brands. The consolidation of retail customers also increases the risk that a severe adverse impact on their business operations could have a corresponding material adverse effect on Cloetta.

During 2011, Cloetta's ten largest customers represented approximately 37 per cent of the Group's sales (pro forma). There can be no assurance that all significant customers will continue to purchase Cloetta's products in the same quantities that they have in the past. The loss of any of Cloetta's significant customers, or a material reduction in sales to a significant customer could have a significantly negative effect on Cloetta's sales and results of operations.

Exposure to raw materials prices and access to certain raw material

Cloetta purchases approximately 41,000 tonnes of sugar and 2,600 tonnes of cocoa annually for production. Significantly increased raw materials prices have resulted in manufacturing expenses increasing markedly in recent years; for example, sugar price rose in late 2011, resulting in increased costs for Cloetta. The development of raw materials prices primarily depends on supply and demand and lies outside Cloetta's control. The price of sugar and many of the other raw materials Cloetta purchases are also affected by external factors such as agricultural policy decisions in the EU regarding quotas, allowances, subsidies and trade barriers, but also an increased standard of living and the activity of financial investors on raw materials exchanges. The harvests, good or bad, also affect the supply of raw materials and accordingly, pricing of raw materials. Even

if Cloetta continuously monitors and works on reducing its exposure to raw materials costs, a change in the price of significant raw materials may materially affect Cloetta's operations, results of operations and financial position.

The Group is dependent on Gum Arabic for certain important products. Gum Arabic is purchased from countries that are politically unstable which can constitute a risk that Cloetta cannot procure Gum Arabic. Absence of deliveries from suppliers may in the long run materially affect Cloetta's operations, results of operations and financial position negatively.

Impact of the economy

Consumption patterns are affected by a number of factors outside Cloetta's control, such as the business cycle, interest rates, exchange rates, inflation levels, taxation, access to credit, stock market developments, unemployment levels and other local economic factors. A more favourable business cycle has a positive impact on consumer finances, which usually stimulates increased consumption. Generally, a deterioration of economic conditions has the opposite effect.

Cloetta's main markets are the Nordic countries, the Netherlands and Italy. In 2011, the euro crisis had a negative impact on consumption patterns in these markets, primarily in the Netherlands and Italy. Even if historically, the confectionery market has only been to a limited extent affected by recessions, a long-lasting recession may significant negative effect Cloetta's operations, results of operations and financial position.

Business-related risk factors

The merger with LEAF

In December 2011, Cloetta reached an agreement to acquire the shares in LEAF. The merger with LEAF will involve a significant change for Cloetta and LEAF. The merger means that Cloetta's sales will increase by SEK 4,658 million and the number of employees will increase six times. Delays and difficulties arising in connection with the integration process may affect Cloetta's operations negatively. In connection with the integration, Cloetta's and the former LEAF group's relationships with customers, suppliers, senior management and key employees may be affected. Furthermore, the preliminary purchase allocation (that is the allocation of fair values of the assets and liabilities of Cloetta in accordance with IFRS) that has been made will be finalised no later than one year after the acquisition date. There can be no guarantee of when and if Cloetta's estimated and communicated synergies can be realised. Delays or increased costs for the integration of LEAF may have a negative impact on Cloetta's operations, financial position and results of operations.

Production relocation

Cloetta produces sugar confectionery and chocolate at a number of facilities in Europe. Cloetta continuously reviews the efficiency and capacity utilisation of its production and has commenced work that involves concentration in the number of production facilities. One production facility in Slagelse, Denmark, was closed at the end of 2011. The majority of this production was relocated to the plant in Levice, Slovakia, and is scheduled for completion in the first quarter of 2012. Furthermore, Cloetta announced on 8 March 2012 that it considers to relocate the production, and close down the factories in Gävle, Aura and Alingsås. Even though Cloetta perceives itself as having an experienced and well-functioning organisation to manage production and delivery, the closure or transfer of production is a complex process that may involve disruptions and delays to production, which in turn, could have a material negative effect on Cloetta's operations, financial position and results of operations.

Information and IT systems

Cloetta is dependent on information and IT systems to coordinate allocation of resources, control product inventories, purchase and transport raw materials, and for capturing and compiling operational and statistical information. Cloetta is currently implementing a new integrated IT system and software to receive, analyse and report information. Delays and difficulties in implementation as a result of system errors or other causes may arise. Each extended outage, inadequate functionality or delays to the information system may imply the loss of important information or the delay of some actions, which in turn, may have significant negative effects on Cloetta's operations, results of operations and financial position.

Key employees

To a significant degree, Cloetta's future is dependent on its ability to hire, retain and develop competent senior managers and other key employees. Accordingly, it is very important for Cloetta to be an attractive employer. If key employees leave and suitable successors cannot be hired, this may affect Cloetta negatively.

Trends

Health trends

Health trends and the debate on health, weight and sugar can have an effect on the confectionery consumption. Health trends have also resulted in an increased interest in natural raw materials. Even if Cloetta works continuously on satisfying consumer preferences, the aforementioned trends may result in reduced demand for the Group's products, which in turn, may have significant negative effects on the Cloetta's financial position and results of operations.

Corporate social responsibility

In the wake of increased globalisation, individual consumers' consciousness of their consumer goods have an effect on the environment and circumstances, not only in their immediate surroundings, but worldwide. The consumers want to know more about factors such as origin, manufacturing methods and raw materials. This means that interest in environmental and fair trade labelling is increasing. Information that Cloetta, or its suppliers, are not taking enough responsibility for the environment, or social responsibility, may affect Cloetta's reputation on the consumer market.

Environmental, health and safety risks

The environmental impact of the confectionery industry primarily arises through water and energy consumption, wastewater, raw materials and packaging waste, production wastage and transportation. Some environmental impact also arises from coolants and other chemicals, as well as noise and dust. The largest direct environmental impacts are the emission of nutrients and fat into the wastewater network.

Cloetta considers that its operations are conducted in accordance with applicable laws and regulations regarding the environment, health and safety that are set by the relevant authorities. However, there are risks associated with Cloetta's operations, linked to the ownership and operation of industrial property, such as the risk of needing to conduct inspections and clean-up measures for previous or current emissions affecting the environment. Such measures may cause significant costs or other commitments.

Progress in the form of more stringent standards in law and regulations of the environment, health and safety, stricter application of these laws and regulations by the authorities, and claims for personal injury or property damage caused by environmental, health or

safety shortcomings in Cloetta's operations or from previous contamination, may result in financial penalties or fines, or civil or criminal proceedings. Such events may also prevent or limit Cloetta's operations, which could exert a material negative effect on Cloetta's results of operations and financial position.

Tax risks

Cloetta conducts its operations through companies in a number of countries. Its operations, including intra-group transactions, are conducted in accordance with Cloetta's interpretation of applicable tax law, tax treaties and regulations in the affected countries and the requirements of the relevant tax authorities. Even if Cloetta and its advisers have processes and a framework prepared for transfer pricing and other transactions that may have tax effects, the possibility that Cloetta's interpretation of applicable laws, tax treaties and regulations, or the affected relevant authorities' interpretation of these or administrative practice is not entirely correct, or that such regulations change, potentially with retroactive effect, cannot be universally ruled out. Cloetta is currently subject to a tax audit in Italy, Germany and Finland, which is reviewed in more detail in the section *Legal issues and other information*. A ruling from the relevant authorities could change Cloetta's tax status with a negative impact on the Group's financial position and results of operations.

Food handling

Cloetta is exposed to risks generally associated with food handling. Food handling sets high standards on traceability, hygiene and handling. In the worst case, poor control may result in contamination, infection or allergic reactions. Cloetta may also become subject to claims for damages based on product liability. Shortcomings in food handling may also result in negative publicity for Cloetta and the Group's brands, which may imply reduced demand and trust in the Group's products. In turn, this may affect Cloetta's sales, results of operations and financial position negatively.

Reputational risk

Cloetta's well-known brands such as Malaco, Läkerol, Kexchoklad, Center, Polly, Ahlgrens bilar, Tupla, Saila, Sperlari, Red Band and Jenkki are central to the Company's operations and earnings capacity. Demand for Cloetta's products is based on consumers associating these brands with positive values. If Cloetta's or one of the Group's suppliers, distributors or other partners take any action that is in conflict with the values represented by its brands, Cloetta's reputation would be damaged, which ultimately, could affect the Company's financial position and results of operations negatively.

Financial risk factors

In its operations, Cloetta is exposed to various types of financial risk. Cloetta's financial management and risk management are conducted by its finance function according to the guidelines adopted by Cloetta's board of directors and intended to limit the potential unfavourable effects that may arise on the Group's results of operations and cash flow. Cloetta's financial risks primarily consist of currency, financing, interest and credit risks.

Currency risks

The Group is exposed to various types of financial risks, of which currency risk, i.e. the risk that currency exchange rate fluctuations will have an adverse effect on cash flow, income statement or balance sheet, is the most significant. Exchange rate fluctuations affect Cloetta's results partly when sales and purchases in foreign subsidiaries are conducted in different currencies (transaction exposure), and partly when the profit and loss accounts and balance sheet items are translated in SEK (translation exposure).

The Group's transaction exposure arises in that income is generated in markets with currencies other than those in which certain raw materials, finished products and equipment are procured. This outflow is offset by the Group's exports to other countries. The group is primarily active in the European Union and Norway. The Group's transaction exposure risk mainly relates to the positions and future transactions in Euro (EUR), Swedish Kronor (SEK), Danish Kronor (DKK), Norwegian Kronor (NOK), US Dollars (USD) and British Pounds (GBP). Transaction exposure is to be considered significant if a subsidiary has income and costs in different currencies (e.g. sales in EUR and costs in DKK). As the majority of the Group's sales and costs at subsidiary level are in the same currency, the transaction risk in the Group is considered limited.

Based on the reporting currency of the Group being SEK and the majority of Cloetta's subsidiaries having a functional currency of EUR, the translation exposure of the Group is significant and the comparability of the Group results between periods is affected by changes in currency exchange rates (mainly EUR/SEK).

Financing risk

Financing risk means the risk that finance cannot be arranged, or only at significantly increased costs. As a result of the acquisition of the shares of LEAF, Cloetta had net indebtedness of 4.2 x net debt/EBITDA pro forma the twelve months ending per 31 December 2011, which implies fairly high indebtedness. Cloetta's interest-bearing liabilities consist of bank loans and pension liabilities, as well as other long-term employee benefits. The indebtedness may have significant consequences affecting shareholders, including that:

- Cloetta will have to use a high share of cash flow to pay off debt, reducing its funds to finance operations, investments, working capital and other general corporate purposes, and
- Cloetta's flexibility is limited in terms of addressing changes on the confectionery market.

A deterioration of Cloetta's profitability or financial position may seriously affect the Group's ability to fulfil its undertakings according to applicable loan agreements, and as a result (for example, increased costs of financing, refinancing or credit being terminated and due for payment), may have a significant negative effect on Cloetta's operations, results of operations and financial position.

Interest risks

Cloetta is exposed to interest risks on interest-bearing current and non-current liabilities (including five-year credit facilities of approximately SEK 4.2 billion with Svenska Handelsbanken AB (publ)). Changes in interest rates on Cloetta's liabilities affect the Group's results of operations. In addition, the Company's results of operations and financial position are exposed to the effect of market interest rates.

Credit risks in accounts receivable

Credit risks in accounts receivable are relatively limited considering that the Group's customer base is diverse and mainly comprises large customers, because distribution primarily takes place through major food retail chains. However, the possibility that Cloetta may incur losses if a customer is unable to pay cannot be ruled out.

Changes in value of fixed assets

Cloetta has fixed assets, of which intangible assets such as goodwill and trademarks represent a large part. Whether or not write-downs of goodwill and trademarks are required is evaluated annually or whenever there is an indication that tests might be necessary. In the event that future tests regarding continuing changes in the value of tangible as well as intangible assets would lead to write-downs, this may have a negative effect on Cloetta's financial position and results.

Risks related to the shares and the Rights Issue

Subscription undertakings and issue guarantees are not secured

Through a subscription guarantee, Malfors Promotor, which represented approximately 52 per cent of the share capital and 74 per cent of the votes of Cloetta before the issue in kind of C-shares to Leaf Holding, has undertaken to subscribe for shares in the Rights Issue corresponding to its pro rata share, which corresponds to a total of approximately 51[1] per cent of the new shares. In addition, Malfors Promotor as well as CVC and Nordic Capital (through Leaf Holding) have undertaken to guarantee the remainder of the Rights Issue, whereby Malfors Promotor's undertaking corresponds to 27.6 per cent of the remainder, CVC's undertaking corresponds to 41.5 per cent of the remainder and Nordic Capital's undertaking corresponds to 30.9 per cent of the remainder. The subscription undertaking and issue guarantees are not secured through bank guarantees, collateral or otherwise. Against this background, the Company cannot guarantee that the subscription undertaking and issue guarantees will be honoured.

Shareholders with substantial influence

Assuming that all Subscription Rights are utilised by the shareholders of Cloetta, after the Rights Issue, Malfors Promotor will hold 21.9 per cent of the capital and 42.9 per cent of the votes, CVC will hold 32.8 per cent of the capital and 24.0 per cent of the votes and Nordic Capital will hold 24.4 per cent of the capital and 17.9 per cent of the votes of Cloetta. The aforementioned principal owners may increase their individual holdings in Cloetta in the event of the issue guarantees needing to be honoured.

In addition, Malfors Promotor, CVC and Nordic Capital have entered into a shareholders' agreement in terms of the parties' shareholdings in Cloetta. This agreement formalises issues such as the size and composition of the board of directors, and also includes certain veto issues reviewed in the section *Shares and ownership structure*. Accordingly, during the period the shareholders' agreement applies, other shareholders' prospects of influence, primarily in terms of these issues, will be limited.

Extensive sale of Cloetta shares may have negative effects on the share price

Two of the Company's major shareholders, CVC and Nordic Capital have a limited investment horizon over time. If, at the time when CVC, Nordic Capital and potential other major Cloetta shareholders may sell significant numbers of Cloetta shares on the stock market, or if the market believes that such sale may occur at a certain time, this may negatively affect Cloetta's share price.

Limited liquidity in Cloetta's B-shares

Assuming that all Subscription Rights are utilised by Cloetta shareholders, Cloetta's principal owners, Malfors Promotor, CVC and Nordic Capital, will hold nearly 80 per cent of the shares of Cloetta. The aforementioned principal owners may increase their individual shareholdings in Cloetta in the event of the issue guarantees needing to be honoured. In such circumstances, the liquidity of Cloetta's B-share may be negatively affected. To support the liquidity of the B-share, Cloetta has an agreement with Pareto Öhman AB for Pareto Öhman AB to be assigned to act as market maker in Cloetta's B-shares. If the liquidity of Cloetta's B-share is limited, this may contribute to amplifying fluctuations in the price of B-shares, and obstruct for those shareholders that wish to sell their holdings of shares.

Share-related risks

Risk and risk-taking are an unavoidable part of share ownership. Because an investment in shares may increase or decrease in value, there can be no guarantee that an investor will have their invested capital returned. The price of the Cloetta's shares may fall below the subscription price of the Rights Issue. Parties that decide to subscribe for new shares could then make a loss on the sale of such shares. The progress of the share price is dependent on a number of factors, some of which are Company specific and others are linked to the stock market as a whole. Such factors may also increase share price volatility. It is impossible for Cloetta to control all the factors that may affect its share price, and accordingly, each investment decision regarding shares should be preceded by thorough research.

Limitations in future dividend

According to its loan agreement, Cloetta is subject to certain covenants and restrictions, including Cloetta not paying any dividend before Cloetta has achieved a net debt/EBITDA multiple of approximately 2.7 x, somewhat above Cloetta's long-term objective of around 2.5 x net debt/EBITDA. The size of potential future dividends subsequently is dependent on the Group's future results of operations, financial position, cash flow and other factors. The terms and conditions of future loan agreements may also affect prospects of paying dividends. Even if in the long term, Cloetta intends to pay out 40–60 per cent of future earnings, Cloetta cannot guarantee that future dividends will be at any particular level.

Trading in Subscription Rights

Subscription Rights for B-shares will be traded on NASDAQ OMX Stockholm in the period from 19 March 2012 until 30 March 2012, both dates inclusive. There can be no guarantee that active trading in the Subscription Rights for B-shares develops, or that there will be sufficient liquidity. If active trading develops, the price of Subscription Rights for B-shares will be dependent on factors including the price performance of B-shares of the Company and may be subject to greater volatility than such shares.

Dilution

Shareholders that choose not to exercise their Subscription Rights will have a lower proportion of the Cloetta's share capital and votes as a result of that the total number of shares and votes in the Company will increase when shares are allotted in the Rights Issue (so called dilution).

1) After dilution for new B-shares in Cloetta, issued due to employees converting their convertibles.

BACKGROUND AND MOTIVE

On 16 December 2011, Cloetta announced that the Company had entered into an agreement to acquire all shares of LEAF. This acquisition was subject to certain terms and approval from relevant competition regulators. On 16 February 2012, all conditions for the aquisition had been fulfilled, whereupon Cloetta's acquisition of LEAF was executed. The final purchase price amounted to SEK 6.9 billon on a debt-free basis. The purpose of this Rights Issue is to finance parts of the acquisition of LEAF.

LEAF is a leading confectionery company focused on sugar confectionery and what are termed refreshers (pastilles and chewing gum). LEAF is a leader in the Nordic region, the Netherlands and Italy with brands such as Malaco, Ahlgrens bilar, Läkerol, Sperlari, etc. LEAF's sales and earnings before depreciation (EBITDA) excluding items affecting comparability were EUR 516.3 million and EUR 77.2 million respectively in 2011.

Over the past three years, Cloetta has focused on adapting its business and organisation to the new circumstances arising after the demerger of Cloetta Fazer in 2008. During this time, Cloetta has undertaken several activities, including developing its product range and brand portfolio, to regain the market shares that Cloetta had before the merger with Fazer. In the same period, LEAF underwent management changes and regenerated the focus in parts of its business. This started with the appointment of Bengt Baron as CEO in 2009, followed by the appointment of an additional three members to the Company's senior management in 2009–2010. The focus was on running the business from a growth and cost-efficiency perspective, which meant increased investments in brands, a rationalisation of parts of the supply chain and product innovations.

Cloetta regards the strategic, industrial and financial motives for the merger as convincing, and expects it to result in creating a leader on the Nordic confectionery market that also has leading positions in Italy and the Netherlands. The merger is complementary from several perspectives and means that Cloetta will be able to offer a comprehensive product range in chocolate confectionery, sugar confectionery and refreshers (pastilles and chewing gum); stronger sales channels, mainly in the Nordic countries; a broader-based product range and greater size, which will make Cloetta more attractive to customers and suppliers. Furthermore, the merger will offer the possibility of significant annual cost and efficiency synergies of at least SEK 110 million, realisable within two years, including cost synergies, which are expected to arise in connection with the rationalisation measures LEAF has taken in its supply chain. The most important segments for the expected synergies are greater efficiency in the commercial organisation in Scandinavia; potential in-sourcing of production; greater efficiency in the supply chain; utilising LEAF's already strong sales organisation and reduced overheads and administrative expenses. Total integration expenses (one-off expenses) of approximately SEK 80 million are expected during the first 12–24 months after the merger.

In connection with the agreement to acquire LEAF, Cloetta secured funding from Svenska Handelsbanken AB (publ), for the purchase price and for refinancing LEAF's existing interest-bearing loan financing, totalling approximately SEK 4.2 billion. Cloetta also reported that the Company intended to conduct a Rights Issue corresponding to approximately SEK 1,065 million as soon as possible after completion of the acquisition. The net proceeds from the Rights Issue, of approximately SEK 1,055 million, will be used to finance parts of the acquisition of LEAF, and thus reduce the company's indebtedness.

Otherwise, the board of directors refers the reader to this prospectus, which is being prepared in consequence of the present Rights Issue.

The board of directors of Cloetta is responsible for the content of this prospectus. The board of directors hereby certifies that they have taken all reasonable precautions to ensure that to the best of its knowledge, the information in this prospectus is consistent with actual circumstances and that no material omissions have been made that could affect its meaning.

Ljungsbro, Sweden, 12 March 2012

Cloetta AB (publ)
The board of directors

INVITATION TO SUBSCRIBE FOR SHARES IN CLOETTA AB (PUBL)

On 15 December 2011, Cloetta reached an agreement to acquire all the shares of LEAF. With the aim of financing the Transaction, the board of directors of Cloetta decided on the Rights Issue on 7 March 2012, supported by authorisation from the extraordinary general meeting (EGM) of Cloetta on 15 February 2012.

Assuming that the Rights Issue is fully subscribed, 9,440,000 new A-shares and 89,305,900 new B-shares[1] will be issued and the Company's share capital will increase by SEK 493,729,500 from the current SEK 949,366,995 to SEK 1,443,096,495. Holders of A- and B-shares respectively have preferential rights to subscribe for new shares in relation to the number of shares they already hold in the Company. The record date for determining which shareholders are entitled to subscribe for the new shares is 15 March 2012. Subscription for shares shall be through simultaneous cash payment in the period from 19 March up to and including 4 April 2012, or such later date the board of directors decides. The issue decision means that each existing A-share of Cloetta entitles its holder to one (1) Subscription Right for A-shares and each existing B-share entitles its holder to one (1) Subscription Right for B-shares. One (1) Subscription Right for A- or B-shares respectively entitles the holder to subscribe for four (4) new shares of the relevant class. The subscription price has been established at SEK 10.79 per new shares, which means that the Rights Issue will raise the Company approximately SEK 1,065 million before deduction of issue expenses.[2]

Subscription undertakings and issue guarantees

Malfors Promotor supports the Rights Issue and has undertaken to subscribe for shares corresponding to its pro-rata proportion of the Rights Issue, corresponding to approximately 51[3] per cent of the issue proceeds. In addition, Malfors Promotor, CVC and Nordic Capital (through Leaf Holding), have undertaken to guarantee the remainder of the Rights Issue. Consequently, subscription undertakings and guarantees corresponding to 100 per cent of the Rights Issue have been secured. No guarantee compensation will be made to the underwriters of the Rights Issue.

Shareholders of Cloetta are hereby invited to subscribe for new shares in Cloetta with preferential rights in accordance with the terms and conditions of this prospectus.

Ljungsbro, Sweden, 12 March 2012

Cloetta AB (publ)
The board of directors

1) The highest number of B-shares is based on the existing number of B-shares in Cloetta, after the final day of conversion of employees' convertibles having occurred on 25 February 2012. For more information regarding the convertible bond programme for employees, please refer to *Shares and ownership structure*. Since not all the holders of convertibles have decided to convert to B-shares, the highest number of B-shares that may be issued is lower than the highest number of B-shares that the authorisation by the general meeting allows for.
2) From the amount of issue of approximately SEK 1,065 million, deductions are estimated for expenses relating to compensation for the issuing institution and other estimated transaction expenses, including compensation of advisers, of approximately SEK 10 million. Net, the Company expects to raise SEK 1,055 million.
3) After dilution for new B-shares in Cloetta, issued due to employees converting their convertibles.

TERMS, CONDITIONS AND INSTRUCTIONS

This section concerns terms, conditions and instructions for the Rights Issue. For additional information regarding the new shares being issued, refer to the section Shares and ownership structure

Preferential right to subscription

Those who on the record date of 15 March 2012, are registered as shareholders in Cloetta are entitled to preferential right to subscribe for new shares of the same share class in proportion to the total number of shares that the holder already owns (primary preferential right).

Shares that are not subscribed for through primary preferential right will be offered to all shareholders for subscription (subsidiary preferential right). Those who are registered as shareholders in Cloetta on the record date will receive one (1) Subscription Right for A-shares for each Cloetta A-share held and one (1) Subscription Right for B-shares for each B-share held. Subscription Rights entitle shareholders to subscribe for new shares whereby one (1) Subscription Right for A- or B-shares respectively provide entitlement to the subscription of four (4) A- or B-shares respectively. In the event that Subscription Rights are transferred, primary and subsidiary right will accrue to the new holder. Shareholders opting not to participate in the Rights Issue will have their ownership share diluted by approximately 80 per cent.

Issue price

The new shares in Cloetta will be issued at a price of SEK 10.79 per share. Commission will not be charged.

Record date

The record date at Euroclear for those who are entitled to Subscription Rights is 15 March 2012. The shares trade excluding the right to receive Subscription Rights as of 13 March 2012. The last day of trading including the right to participate in the Rights Issue was 12 March 2012.

Subscription period

Subscription of new shares shall be effected during the period from 19 March 2012 to and including 4 April 2012.

Issue statement

Directly registered shares

A prospectus and pre-printed issue statement with payment notice (Sw: bankgiroavi) attached will be sent to holders of directly registered shares in Cloetta who, on the record date of 15 March 2012, are registered in the shareholder register maintained by Euroclear on account of Cloetta and who thereby have the right to receive Subscription Rights, although with the exception for those residing in certain unauthorised jurisdictions. The pre-printed issue statement will, inter alia, present the number of received Subscription Rights and the total number of shares that may be subscribed for with preferential right. A separate VP statement of the registration of Subscription Rights in the VP securities account will not be distributed. A shareholder who is registered in the special register of pledge and trustee kept with the shareholders' register will not receive an issue statement but will be notified separately.

Nominee-registered shares

Shareholders whose holdings in Cloetta are nominee registered with a bank or nominee will not receive a pre-printed issue statement from Euroclear, but will receive a Rights Issue prospectus. Subscription and payment shall be made in accordance with the instructions from each respective nominee.

Shareholders residing in certain unauthorised jurisdictions

The allotment of Subscription Rights and the issue of new shares through the exercise of Subscription Rights by persons domiciled in countries other than Sweden may be affected by the securities legislation of such countries, refer to the section Information to investors. For this reason, shareholders who have their shares directly registered in VP accounts registered to addresses in the USA, Canada, Japan, Hong Kong or Australia will not receive this prospectus. Neither will they receive any Subscription Rights in their VP accounts. The Subscription Rights that otherwise would have been delivered to these shareholders will be sold and the sales proceeds will be

paid to those shareholders after the deduction of costs. Amounts of less than SEK 100 may be left without action.

Subscription Rights

Those who on the record date of March 15 2012, are registered as shareholders in Cloetta will receive one (1) Subscription Right for A-shares for each Cloetta A-share held and one (1) Subscription Right for B-shares for each B-share held. Subscription Rights entitle shareholders to subscribe for new shares with primary preferential right whereby one (1) Subscription Right for A- or B-shares respectively provide entitlement to the subscription of four (4) A- or B-shares respectively.

The ISIN code for A-share Subscription Rights is: SE0004518983. The ISIN code for B-share Subscription Rights is: SE0004519015.

Trading in Subscription Rights

Trading in Subscription Rights of B-shares will be carried out on NASDAQ OMX Stockholm during the period from 19 March 2012 until 30 March 2012. Banks and other institutions with the requisite authorisation in Sweden will offer brokering of the purchase and sale of Subscription Rights. In such trades, commission is normally charged. Subscription Rights of A-shares will not be traded.

Subscription with support of Subscription Right

Subscription for shares with support of Subscription Rights may take place during the period from 19 March 2012 until 4 April 2012. After 4 April 2012, unutilised Subscription Rights will be removed from the respective VP accounts without notice from Euroclear. The board of directors of Cloetta may extend the subscription period for subscription with Subscription Rights; however, it will do so no later than 4 April, 2012. The subscription is binding.

Shareholders with directly registered shares in Sweden

Subscription of shares with preferential right is made through cash payment, either using the pre-printed bankgiro payment slip or simultaneous payment in conjunction with the designated application form. Note that it may require up to three (3) banking days for the payment to reach the beneficiary account. If all Subscription Rights shown on the issue statement by Euroclear are to be used for subscription, the pre-printed bankgiro form should be used. If all Subscription Rights are not used for subscription, or if Subscription Rights have been purchased, sold or transferred from another VP account, a separate application form shall be used as the basis for subscription through payment. Payment shall be made simultaneously with the subscription in accordance with the instructions on the application form. Such an application form can be obtained from any of Handelsbanken's branch offices in Sweden. The pre-printed bankgiro form should, then, not be used. **Note that the payment for subscription is exact. Please do not round off amounts.**

Paid subscribed shares

A few days following subscription and payment, Euroclear will issue a notification to confirm that paid subscribed shares have been reserved in the subscriber's VP account. The newly subscribed shares will be entered into the books as paid subscribed shares in the VP account until the Rights Issue has been registered by the Swedish Companies Registration Office, which is expected on or around 18 April 2012. After that date, paid subscribed shares will be re-registered as ordinary shares, on or around 20 April 2012. A separate VP statement in regards to this exchange will not be sent out. Custodial account clients of nominees will receive paid subscribed shares and information in accordance with each nominee's own procedures.

Trading in paid subscribed shares

Trading in paid subscribed shares on NASDAQ OMX Stockholm is expected to take place from 19 March 2012 up to and including 13 April 2012. Banks and other institutions with the requisite authorisation in Sweden will be of service in the brokering of the purchase and sale of paid subscribed shares. The ISIN code for class B paid subscribed shares is: SE0004519023. Class A paid subscribed shares will not be traded.

Shareholders with directly registered shares not domiciled in Sweden

Shareholders with Subscription Rights who are not domiciled in Sweden and who cannot use the pre-printed bankgiro form should, in case of subscription with subscription rights, use the distributed application form. In conjunction with the submission of the application form to the address below, payment in SEK shall be made to the following bank account in Sweden:

Handelsbanken Capital Markets
Emission
SE 106 70 Stockholm, Sweden
SWIFT: HANDSESS
Bank account number: 6028-550 831 908
IBAN: SE06 6000 0000 0005 5083 1908

Payment must include the name and address of the subscriber, as well as the VP account number or payment reference as specified on the issue statement. Application forms and payment must reach Handelsbanken Capital Markets no later than 4 April 2012. The application form can also be retrieved from Cloetta's website www.cloetta.com or from Handelsbanken's website www.handelsbanken.se/investeringserbjudande. **Note that the payment for subscription is exact. Please do not round off amounts.**

Subscription of shares with subsidiary preferential right or without support of Subscription Right and allotment

If all Subscription Rights are not utilised for subscription of shares, Cloetta's board of directors will resolve on allotment of newly issued shares subscribed for with subsidiary preferential right or without preferential right. New shares subscribed for without support of Subscription Rights will be offered to all shareholders for subscription (subsidiary preferential right). In the event that the number of offered new shares is not sufficient for the subscription with subsidiary preferential right, the allotment of shares shall take place among the subscribers in relation to the number of shares held by the subscriber on the record date and, to the extent that this is not possible, by means of lottery. In the event that a Subscription Right is sold, the primary as well as the subsidiary preferential right are transferred to the new holder of the Subscription Right.

For shares not subscribed for according to the above, shares shall firstly be allotted to other subscribers who have subscribed for shares without support of Subscription Rights, and in the case that allotment to those is not entirely possible, shares shall be allotted in pro rata relation to the number of new shares that they have subscribed for and, if not possible, by means of lottery. Secondly, any remaining new shares shall be allotted to Malfors Promotor, CVC and Nordic Capital (through Leaf holding) in their capacity as underwriters, in accordance with their respective warrant policies.

Subscription for new shares may take place during the period from 19 March 2012 until 4 April 2012. Application for subscription with subsidiary preferential right or without support of Subscription Rights shall be made with the designated application form. The application form can be retrieved from Cloetta's website www.cloetta.com or from Handelsbanken's website www.handelsbanken.se/investeringserbjudande, or obtained at any Handelsbanken branch office. The application form can be sent by post to Handelsbanken Capital Markets, Emission, HCOS-O SE-106 70 Stockholm, Sweden, or can be submitted at any Handelsbanken branch office. Only one application per subscriber will be considered. If the subscriber turns in several application forms, only the most recent application form will be considered. The board of directors of Cloetta may extend the subscription period; however, it will do so no later than 4 April 2012. If the subscription period is extended, a supplementary prospectus will be drawn up.

As confirmation of the allotment of new shares subscribed for with subsidiary preferential right or without support of Subscription Rights, a settlement note will be sent to the subscriber, which is expected to take place on or around 13 April 2012. Allotted shares shall be paid for in cash in accordance with the instructions on the settlement note. If the shares are not paid for, by the settlement date, the shares may be assigned to others. If the purchase price in such an assignment is less than the subscription price for the shares, the original holder of the allotted shares may be held accountable for all or part of the difference. Newly issued shares will be delivered on or around 27 April 2012 with a notice from Euroclear. Note that the application is binding.

Shareholders with nominee-registered shares

Subscription and payment for shares subscribed for with subsidiary preferential right or without preferential right shall be transacted with the respective nominees and in accordance with their instructions.

Publication of subscription result

Subscription result for the Rights Issue will be made public through a press release on or around 13 April 2012.

Trading in newly issued class B-shares

Cloetta's class B-shares are registered on the Small Cap list at NASDAQ OMX Stockholm. After the Rights Issue has been registered by the Swedish Companies Registration Office, the newly issued B-shares will be traded on NASDAQ OMX Stockholm.

Rights to dividend

The new shares shall entitle the holder to receive dividends as of the time the shares are registered in the shareholder register maintained by Euroclear.

Other information

Should an excessive amount be paid in by a subscriber, Cloetta will ensure that excess payments are refunded. Incomplete or incorrectly completed application forms may be disregarded. If due payment for the Rights Issue is late or is insufficient, the application for subscription may also be disregarded. In such cases, amounts paid will be refunded. Cloetta do not have the right to withdraw the Right Issue according to this prospectus.

WHAT TO DO

Terms and conditions	One (1) existing A-share entitles to one (1) Subscription Right of A-shares and one (1) B-share entitles to one (1) Subscription Right of B-shares. One (1) Subscription Right of A- and B-shares respectively entitle to subscription of four (4) new shares of each respective share class (primary preferential rights).
Issue price	SEK 10.79 per share.
Record date for participation in the Rights Issue	15 March 2012.
Subscription period	19 March 2012 – 4 April 2012.
Trading in subscription rights	19 March 2012 – 30 March 2012.

Subscription of shares with primary preferential right

1. You are allotted Subscription rights

For each share in Cloetta that you hold on 15 March 2012… **Share** …you receive one (1) Subscription Right **Subscription Right**

2. This is how you exercise your Subscription Rights

One (1) Subscription Right … **Subscription Right(s)** + 4 x 10.79= SEK 43.16 → …provides four (4) new shares in Cloetta **Shares**

3. If you are a directly registered shareholder or manage your shares through a nominee

You have a VP account, i.e. are directly registered

→ **You are domiciled in Sweden**

→ **If you exercise all Subscription Rights, use the distributed pre-printed payment form (Sw: bankgiroavi) from Euroclear.**

→ **If you have acquired, sold or transferred Subscription Rights to/from your VP account, fill in the special application form obtainable from Handelsbanken's branch offices in Sweden. Payment may be made through any Swedish branch office.**

→ **You live abroad[1)]**

→ **Use the application form provided. The application form should be sent to the address specified on the form, as well as in the preceding section *Terms, conditions and instructions*, and payment should be made in SEK to the bank account also specified in the application form and in the section *Terms, conditions and instructions*.**

You have a custodial account, i.e. you have a nominee → **If you have your Cloetta shares in one or more custodial accounts at a bank or securities institution, you will obtain information from your nominee(s) about the total number of Subscription Rights.** → **Follow the instructions received from your nominee(s).**

*Subscription of remaining shares **with** subsidiary preferential right and **without** preferential right (by shareholders and others)* [2)]

You have a VP account, i.e. are directly → **Fill in the special application form obtainable from Handelsbanken's branch offices in Sweden or from Handelsbanken's website www.handelsbanken.se/investeringserbjudande, as well as from Cloetta's website www.cloetta.com. The application form is to be sent to Handelsbanken Capital Markets, Emission, SE-106 70 Stockholm, Sweden or handed in at any of Handelsbanken's branch offices in Sweden, and must reach Handelsbanken Capital Markets no later than 4 April 2012.**

You have a custodial account, i.e. you have a nominee → **Subscription and payment for shares is made through each nominee.** → **Follow the instructions received from your nominee(s).**

1) Note the rules regarding shareholders residing in the USA, Canada Japan, Hong Kong or Australia in the section *Terms, conditions and instructions*, under the heading *Shareholders residing in certain unauthorised jurisdictions*.
2) Allotment will be conducted as described in the section *Terms, conditions and instructions*, under the headings *Subscription of shares with subsidiary preferential right or without support of Subscription Right and allotment*.

CLOETTA'S MERGER WITH LEAF

The merger with the leading confectionery company LEAF was completed on 16 February 2012. The merger is complementary from several perspectives and is expected to give rise to significant cost and efficiency synergies, of at least SEK 110 million annually.[1]

Cloetta regards the strategic, industrial and financial motives for the merger as convincing, and expects it to result in a leader on the Nordic confectionery market that also has leading positions in Italy and the Netherlands. The merger is complementary from several perspectives and means that Cloetta will be able to offer a comprehensive product range in chocolate confectionery, sugar confectionery and refreshers (pastilles and chewing gum). Furthermore, the merger is expected to create value for the shareholders of Cloetta through the realisation of annual cost and efficiency synergies of at least SEK 110 million.[1]

A stronger position on the European confectionery market

The merger will create a leader in the Nordic confectionery market that will also have leading positions in Italy and the Netherlands. The increased geographical diversification implies, inter alia, that Cloetta's products will be sold in approximately 50 markets. The four Nordic markets combined will represent 55 per cent of net sales. The largest market will be Sweden, with 28 per cent of net sales. The Nordic countries, plus Italy and the Netherlands, form Cloetta's main markets , where Cloetta has a proprietary sales and distribution organisation, which covers all the major food retail chains as well as service stations i.e. convenience stores.

A broader product range

Through the merger, Cloetta will be able to offer a complete product range through Cloetta's traditional strength in chocolate and LEAF's strength in sugar confectionery and refreshers (pastilles and chewing gum). Cloetta's brand portfolio will consist of brands with strong local traditions, many of which have a heritage extending back to the first half of the 20th century, and some even to the first half of the 19th century. One consistent feature of Cloetta's brands is that they are often perceived to have strong local heritage. Some of Cloetta's most well-known brands since the merger are Kexchoklad, Malaco, Center, Läkerol, Polly, Ahlgrens bilar, Jenkki, Mynthon, Venco, Sperlari, Saila, Red Band and Sportlife.

Significant value creation

As a result of the merger, Cloetta will become more attractive to customers and suppliers through greater knowledge of research and development, with its technology and patented processes, through stronger sales organisation and a broader-based product offering.

Furthermore, the merger will offer the possibility of significant annual cost and efficiency synergies of at least SEK 110 million, realisable within two years, including cost synergies, which are expected to arise in connection with the rationalisation measures LEAF already has taken in its supply chain. The most important segments of the expected synergies are greater efficiency in the commercial organisation in Scandinavia; potential in-sourcing of production; greater efficiency in the supply chain; utilising LEAF's already strong sales channels and reduced administrative expenses. Total integration expenses (one-off expenses) of approximately SEK 80 million are expected in the first 12–24 months after the merger.

Of the total cost and efficiency synergies of at least SEK 110 million, SEK 65 million consists of cost savings through greater efficiency, and approximately SEK 45 million of savings from the restructuring in LEAF that was concluded in the first quarter of 2012. First and foremost, this restructuring consists of the closure of the production unit in Slagelse, Denmark and the relocation of production to Levice, Slovakia.

1) Including cost synergies, which is expected in connection with the rationalisation measures LEAF has already taken in its supply chain.

COMMENTS FROM THE CEO

Cloetta possesses some of the strongest consumer brands on the confectionery market. Virtually every consumer in the Nordic countries, the Netherlands or Italy recognises or has tried several of our products, many of which have a history dating back to the first half of the 20th century, or even before that. Kexchoklad, Malaco, Läkerol, Ahlgrens bilar, Jenkki, Sperlari and Sportlife, to name but a few, are all as appreciated as they are well-known brands on their markets. The new Cloetta has this strong and broad-based brand portfolio as its foundation.

As a consequence of the recently completed merger between Cloetta and LEAF, we can offer a complete product portfolio and stronger commercial organisation, primarily in the Nordic countries. With the merger, we also became a more attractive partner for customers and suppliers. Our product range includes sugar confectionery, chocolate, pastilles and chewing gum. This means that we are a leader on the Nordic confectionery market with leading positions in Italy and the Netherlands.

Going forward, we intend to develop Cloetta to become even stronger, more effective and more profitable.

First, we will focus on volume growth and margin expansion. We have to continue to focus on our strong local brands. After the merger with LEAF, Cloetta has a much stronger position in the Nordic markets, which creates opportunities for growth. For example, we now have an opportunity to sell Cloetta's chocolate products via the strong distribution organisations that LEAF have on the other markets. To ensure the profitability, we also have to focus on pricing to compensate for increased raw materials costs. Acquisitions are not on our agenda in the short term, but in the longer term, we will naturally evaluate acquisition opportunities.

Second, Cloetta will focus on cost-efficiency. The merger between Cloetta and LEAF creates synergies in our commercial and administrative organisations, primarily in Sweden. After the merger, Cloetta has virtually all the relevant production technologies in-house, which creates opportunities for in-sourcing subcontracted manufacturing. This also enables more flexibility in product development and the potential for continued improvements in efficiency of our procurement, logistics and production chain. Significant rationalisation potential in production is, not least, evident in our recently presented analysis, which indicates that we can achieve yearly savings of approximately SEK 100 million on EBITDA-level with gradual effect in 2013 and with full effect sometime during the second half of 2014 by closing the factories in Gävle, Aura and Alingsås, as well as streamlining the warehouse network.

Third, we will focus on employee development. We aim to attract, develop and retain competent people in order to be successful in the intense competitive talent market. Cloetta will become an even more attractive employer for talented people in marketing and sales. We will learn from each other and jointly shape a corporate culture in order to become a winning organisation.

With our strategic foundation, we will in the long term be able to grow sales organically in at least at the same rate as the overall market, achieving an recurring EBITA margin of at least 14 per cent. With our solid profitability and strong cash flow generation, we will reach our goal of approximately 2.5 x net debt/EBITDA. Once the leverage target is attained, there is an ambition to distribute 40–60 per cent of net profit as a dividend to our shareholders.

Cloetta is a stable, strong and profitable company. We have well-known and loved brands, and operate on a relatively stable market. Therefore, I feel confident when expressing my belief that an investment in Cloetta is also an investment in the future.

Bengt Baron
President and CEO

HISTORY

Cloetta as well as LEAF have a heritage extending back to the 19th century. Cloetta is the oldest chocolate manufacturer in the Nordic countries and LEAF's Italian brand Sperlari was launched already 25 years before the foundation of the State of Italy.

Cloetta

The principal phases in the development into the current Cloetta have been:

1862 – In 1862, the three Swiss brothers, Bernard, Christoffer and Nutin Cloëtta incorporated "Brødrene Cloëtta" to produce chocolate and confectionery in Copenhagen, Denmark.

1872 – In 1872, the brothers also started up in Malmö, Sweden, thereby becoming the first factory-based producers of chocolate in Sweden.

1901 – In 1901, production was relocated to a new facility at Malfors in Ljungs parish, south west of Stockholm, Sweden. This location was called Ljungsbro, and has been the site of Cloetta's primary production facility ever since.

1917 – In 1917, the newly incorporated Svenska Chokladfabriks AB acquired the majority of Cloetta shares from the Cloetta family. This company was held by the Svenfelt family, which still has a substantial equity interest in Cloetta.

1921 – Many of today's well-known brands were launched in the first half of the 20th century. The line *"Tag det rätta – tag Cloetta"* (Take the right one – take Cloetta) was coined in 1921.

1971 – Choklad-Thule was merged with Cloetta. Well-known brands from Choklad-Thule is amongst others Tulo, Mums-Mums, Sportlunch and Romerska Bågar.

1980 – Starting in the 1980s, Cloetta acquired a series of food businesses. Consequently, over the years, Cloetta had entities including a business area for starch products and a trading business, and by the late-1990s, Cloetta had become one of the leading trading houses for foods.

1994 – In 1994, Cloetta's class B-shares were listed on the Stockholm Stock Exchange.

In 1994, Reppe AB was sold to Lantmännen. Reppe was acquired in the late 19th-century and was of great economic importance for Cloetta.

LEAF

The principal phases in the development into the current LEAF have been:

1836 – In 1836, Sperlari was launched, now Italy's leading seasonal confectionery brand.

1878 – In 1878, Venco was launched, the leading liquorice brand in the Netherlands.

1909 – The iconic Läkerol brand was launched in 1909.

1927 – Malaco, now LEAF's largest brand, was launched in 1927. Red Band was launched the year after.

1951 – Jenkki was launched in 1951; today, it is the leading chewing gum brand in Finland.

1953 – The world most sold car – Ahlgrens bilar was launched in 1953.

1960 – In 1960, the chocolate brand Tupla was launched in Finland.

1979 – In 1979, Dietor the today leading sweetener was launched in Italy.

1981 – In 1981, the leading chewing gum brand Sportlife was launched in the Netherlands.

1986 – In 1986, CSM, a Dutch sugar and grocery company, acquired the Red Band and Venco brands from Verenigde Dropfabrieken, a family business.

1993

In 2000, Cloetta merged with the confectionery division of the Fazer group, forming Cloetta Fazer.

In 2007, Cloetta Fazer AB acquired Karamellpojkarna in Alingsås, Sweden with the Extra Starka, Hemkola, Fruktklubbor and Fünf Kräuter brands.

In February 2009, Cloetta was listed on NASDAQ OMX Stockholm.

1998 **2000** **2001** **2007** **2008** **2009** **2012**

In 1998 Candelia was acquired, including the Polly and Bridge brands.

Cloetta's trading business was divested in 2001.

In July 2008, the shareholders of Cloetta Fazer reached an in-principle decision to approve the demerger of Cloetta Fazer. The demerger meant that the operations of Cloetta Fazer were divided into two companies; Fazer Konfektyr, which became a division of the Fazer group, and Cloetta.

In February 2012, the merger between Cloetta and LEAF was approved by the general meeting.

In 1999, Malaco and LEAF was merged through CSM's acquisition of LEAF from Huhtamäki.

In 2001, the brand portfolio was extended, with Dietorelle and Dietor amongst others through the acquisition of Socalbe of Italy.

CVC and Nordic Capital became the new owners of the confectionery division of CSM in 2005, and changed the name to LEAF. An extensive restructuring and focus of the company commenced.

The construction of a new production unit in Slovakia was completed in 2007. In the same year, LEAF acquired Cadbury Italy, including the Saila brand.

1997 **1999** **2000** **2001** **2005** **2006** **2007** **2008** **2012**

In 1993, Ahlgrens with Läkerol as the most important brand was acquired by Huhtamäki confectionery division LEAF.

In 1997, CSM acquired Malaco Sweden from Freia Marabou, then a Kraft Jacobs Suchard unit, which was then part of Kraft General Foods.

In 2000, CSM acquired the confectionery company Continental Sweets, thus advancing its positioning, primarily in France and Belgium, but also in the Netherlands and UK.

In 2006, the North American brand Swedish Fish was sold, and through a restructuring the business and production unit LEAF Russia was closed.

During 2005–2008, LEAF sold off or restructured its business in several countries, including Poland, Russia, North America and France to sharpen its focus on its main markets and own brands.

GOAL AND STRATEGIES

Goals

For definitions of financial terms and key figures, see section Financial information in summary and comments on the financial development under the heading Definitions of financial terms and key figures.

Organic sales growth

For the long term, Cloetta's objective is to increase its sales organically at least at the same rate as the market.

Historical aggregate annual growth in the markets where the Company is active was two per cent in 2006–2010.[1] The potential sales synergies the merger creates are expected to contribute to Cloetta's total sales growth in the medium to long term.

EBITA margin

Cloetta's goal is a recurring EBITA margin of at least 14 per cent.

The objective is to achieve this goal after the full cost and efficiency synergies from the merger have been realised. The recurring EBITA margin was 10.6 per cent in 2011 pro forma.

Indebtedness

Cloetta has the long-term goal for indebtedness of around 2.5 x net debt/EBITDA. Initially, the Company will have a higher indebtedness, but through earnings growth and strong cash flows, it expects to achieve its indebtedness goal within two to three years from the merger with LEAF.

Cloetta's initial indebtedness will be 4.2 x net debt/recurring EBITDA based on the Company's pro forma financial information for 2011 and 3.6 x net debt/EBITDA including full realisation of the identified yearly cost and efficiency synergies from the merger with LEAF of at least SEK 110 million.

Dividend policy

For the long term, the Company intends to pay out 40–60 per cent of profit after tax. In the forthcoming years, the primary focus will be to reinvest the Company's strong cash flows to further sharpen its competitiveness through rationalisation, product development, marketing initiatives as well as amortisation of bank loans. Accordingly, no dividend is expected for the next two to three years.

1) Source: Datamonitor.

Strategies

Focus on volume growth and margin expansion

Cloetta will continue to focus on strong brands with local traditions. After the merger with LEAF, the Company will have far stronger positioning on the Nordic market, which will enable growth on this market. Growth will be generated through the introduction of new flavours, packaging and sizes as well as cross-border initiatives. These initiatives will involve increased efforts to sell Cloetta's product range on LEAF's various markets. In addition, the focus will be on strategic pricing. In the longer term, Cloetta will be selectively analysing acquisition opportunities.

Focus on cost-efficiency

Cost rationalisations include the cost and efficiency synergies expected to arise from the merger with LEAF as well as savings from the restructuring in Slagelse, Denmark. Greater cost-efficiency as a result of improved internal processes and systems will also make a positive contribution. The merger with LEAF will mean that Cloetta will have nearly all the relevant production technologies in-house, creating greater flexibility in product development as well as the potential for continued improvements of efficiency in the supply chain, including procurement and value-creation in production and marketing.

Focus on employee development

Shaping a collective culture, and continuing to develop and retain competent employees, will be of central significance in the intense competition on the market. Through learning from each other, the foundation will be laid for building a winning organisation.

DESCRIPTION OF OPERATIONS FOR CLOETTA

This section is intended to describe the market where Cloetta is active, Cloetta's brands, sales, supply chain, working method for corporate social responsibility, environment and ethics, and Cloetta's organisation and employees, as Cloetta appears after the merger with LEAF, which was completed in February 2012. Accordingly, unless otherwise apparent from the context, all information related to Cloetta, financial as well as commercial, refers to Cloetta after the merger with LEAF.

Market overview

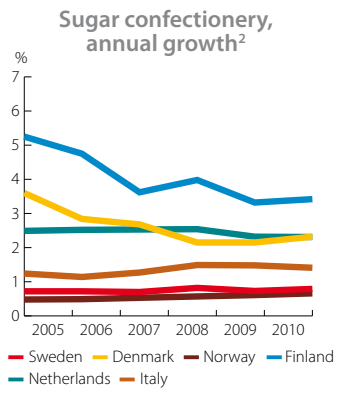
The confectionery market[1]

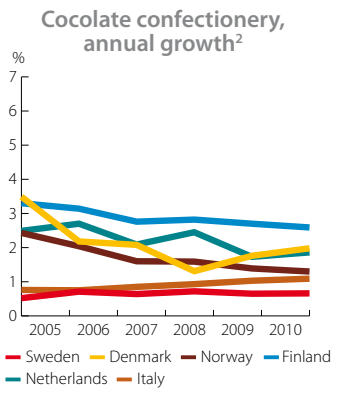
The confectionery market can be divided into sugar confectionery, chocolate confectionery and refreshments. Historically, Cloetta has mainly been active in chocolate confectionery, but since the acquisition of LEAF, it has become a diversified confectionery company with extensive operations in sugar confectionery and refreshments. The main markets, where Cloetta has its own sales and distribution organisation are Sweden, Italy, Finland, the Netherlands, Norway and Denmark. Markets where Cloetta does not have its own sales and distribution organisations include Belgium, the UK, Germany and the rest of the world.

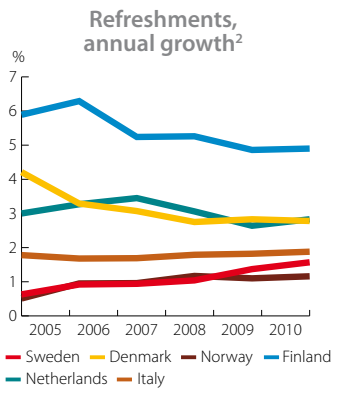
Sugar confectionery consists of products including jellies, marshmallows and liquorice. Chocolate confectionery consists of products including filled chocolates, bars, dragées, count lines and rolls. Refreshments consist mainly of pastilles and chewing gum. The European confectionery market is fairly mature, with growth of around approximately two per cent during the last couple of years.[2] However, growth varies between different countries and product categories.

The markets where Cloetta is active represent approximately 70 per cent of Western European[3] consumption of confectionery.[2] Consumption patterns and flavour preferences vary between different markets, for example, chocolate consumption per inhabitant is significantly lower in the Nordic countries compared with the rest of Europe, while the consumption of sugar confectionery is significantly higher in the Nordic countries than the rest of Europe.

In 2010, the European confectionery market grew by approximately two per cent in value.[2] Sugar confectionery increased by approximately two per cent in value, chocolate confectionery increased by approximately two per cent in value and refreshments increased by approximately three per cent in value.[2]







1) There is no consistent assessment of the structure of the overall European confectionery market. Information on Cloetta's and competitors' positions on geographical markets and in various categories is primarily based on information from Datamonitor, Nielsen and Delfi, but this information has been aggregated and evaluated by Cloetta. Accordingly, statements on market positions reflect the Company's view and are not always based on a single source. Market share refers to a company's share of sales on the consumer market.
2) Source: Datamonitor.
3) Western Europe refers to Belgium, Denmark, Finland, France, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Switzerland, Spain, the UK, Sweden, Germany and Austria.

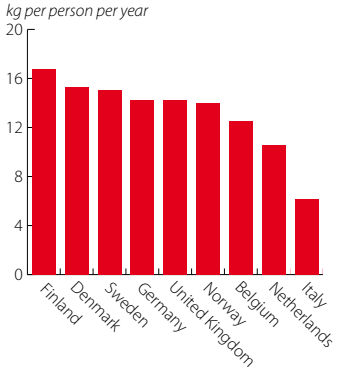
Consumption patterns

Confectionery is fairly insensitive to cyclical fluctuations, and is one of the most impulse-driven goods group within retail. Over 80 per cent of purchasing decisions are made in the store.

The majority of confectionery purchases in Europe are via traditional food stores. Convenience stores, i.e. service stations and kiosks etc., are another important sales channel. Availability is an important factor for impulse driven purchasing, and accordingly, new types of sales channel are of great interest to Cloetta.

In Sweden and the rest of the Nordic countries, pick-and-mix has a very strong position with a high share of total confectionery consumption, while the consumption of pick-and-mix is far lower in Central Europe, where packaged sugar confectionery and chocolate have a stronger position.

Confectionary consumption per capita 2010[3]



Drivers in the surrounding world

Consumers

Growth in the confectionery market is stable and primarily driven by increased per capita consumption and population growth. In certain categories, such as chocolate bars and chewing gum, growth has recently been higher than total market growth. One important success factor is the ability to launch products in segments where there is consumer demand. It is important to provide the market with innovations, and to develop and modernise existing products to retain, and attract new consumers. An increasing number of single-person households, combined with a more individualistic consumer outlook, mean that the need for differentiated products is increasing. A greater interest in health and natural raw materials are other important product development drivers.

Confectionery is one of the most impulse-driven retail goods group, and the European confectionery market features strong consumer loyalty to local brands. Consumer research indicates that in their purchasing decisions, consumers put very great emphasis on other considerations apart from price, such as flavour, quality and curiosity about new products.

Retailing/customers

Concentration of food retailers is very high in those markets where Cloetta is active. Local connections, well-known brands and a continuous flow of attractive new products are important prerequisites for being an attractive supplier. Moreover, progress is towards increasingly large units, at the expense of smaller stores.

In connection with the expansion of discount retailing, the progress of store chain private label brands has increased. However, they constitute a small portion of the confectionery market – less than 10 per cent in those markets where Cloetta is active.[2] To meet food retailers' private label brands, it is important for confectionery companies to focus on building strong brands and to address new trends and customer needs. Product development, quality, awareness, communication and visibility decide the strength of a brand and determine consumer loyalty and preferences. The fact that a high share of the confectionery purchases are impulse driven also constitute a barrier for private label brands. Current price pressure in the confectionery market is primarily driven by the intense competition in food retailing and the expansion of discount chains in Europe, rather than food retailers' private label brands.

Competitors

The global market for confectionery is dominated by multinational corporations like Nestlé, Mars/Wrigley, Kraft Foods, Perfetti and Ferrero. However, on local markets, these players encounter intense resistance from players with brands with local connections, such as Haribo, Fazer and Orkla.

Consolidation in the confectionery sector is gradual in progress, as for example reflected in Perfetti's acquisition of Van Melle of the Netherlands in 2001, Orkla's acquisition of Panda of Finland in 2005, the 2008 merger between Mars and Wrigley, and Kraft Foods' acquisition of Cadbury in the UK in 2010. The market is fragmented, and no player yet has a strong position on all the European markets. The industry itself has a long history, and there are few technological changes. Brands and product ranges that develop are required to retain and strengthen an already strong position.

Suppliers

A large part of Cloetta's costs are attributable to the purchase of raw material and packaging, but also to finished goods which are outsourced to contract manufacturer. Cloetta's raw material and packaging are traded globally, regionally or locally, but follows more or less the world market prices on exchanges around the world. Cloetta uses several suppliers for most of its raw material. The ten largest suppliers of raw material and packaging corresponds to approximately 41 per cent of the total purchases (see table).

Supplier	Purchasing category
Nordzucker	Sugar
Cargill	Glucose, Polyols[3], Starch
Roquette	Glucose, Polyols[3], Starch
SCA	Packaging
Suikerunie	Sugar
Südzucker	Sugar
Rousselot N.V.	Gelatin
Amcor	Packaging
Arla Foods	Milk
ADM International	Cocoa

Trends

Health trend

Health trends and the debate on health, weight and sugar have some effect on the confectionery market. Nevertheless, confectionery is something many people treat themselves and enjoy. Health trends have also resulted in a greater interest in natural raw materials. Additives of various kinds and chemically produced compounds, such as the large number of ingredients unfamiliar to consumers, are coming under question, in favour of natural equivalents. Accordingly, the sugar debate has gained a new dimension, where consumers would rather consume natural sugar than chemical sweeteners. In November 2011, the European Food Safety Authority reported that steviol glycosides, extracted from leaves of the Stevia plant had been approved as a sweetener, and can be used as an additive from 2 December 2011. Through its Dietor brand in Italy, Cloetta is a leader in sweeteners, and shortly after this approval, launched a sweetener based on steviol glycosides under the Dietor brand.

Corporate social responsibility

In the wake of increased globalisation, there has been an increase in individual consumer's awareness of the effect of their consumption

1) Source: Datamonitor. The chart refers to the countries in which Cloetta is active.
2) Cloetta's opinion based on a background of data from Nielsen.
3) For example sorbitol and xylitol.

choices on the environment. This implies that consumers want to know more about factors including origin, manufacturing methods and raw materials.

Growth rates for dark chocolate fading

In chocolate, consumer quality consciousness has increased, and for many years, this trend has meant rising demand for dark chocolate. Now the growth rates are starting to fade. Instead, an interest in new and in a confectionery context unusual flavour additives such as chilli and sea salt are apparent in fashion-conscious chocolate consumers. Moreover, high-quality chocolate is becoming an increasingly common ingredient, not only in desserts, but also in food preparation and with wine.

Cloetta's markets

Market shares and sales information in this section refer to Cloetta including the acquisition of LEAF unless otherwise expressly stated.

Sweden

Sweden has a population of approximately 9.4 million and is the single largest market in the Nordic countries with about one-third of total confectionery consumption.[1]

Yearly turnover on the Swedish confectionery market is EUR 1.5 billion at the consumer level.[1] Pick-and-mix represents approximately 28 per cent of the total market.[2]

In 2010, the Swedish confectionery market increased by approximately one per cent in value.[1] Sugar confectionery grew by approximately one per cent in value, chocolate confectionery grew by approximately one per cent in value and refreshments grew by approximately two per cent in value.[1] Cloetta has a share of approximately 24 per cent of the confectionery market.[3] The largest competitor in the Swedish market is Kraft Foods with approximately 31 per cent of the market.[4] The sales share of retail chain private label brands is approximately 5 per cent of the Swedish confectionery market.[4]

Denmark

Denmark has a population of approximately 5.5 million and is the second-largest market in the Nordic countries with about one-quarter of total confectionery consumption.

Yearly turnover on the Danish confectionery market is approximately EUR 1.0 billion at the consumer level.[1]

In 2010, the Danish confectionery market grew by approximately two per cent in value.[1] Sugar confectionery increased by just over two per cent in value, chocolate confectionery increased by approximately two per cent in value and refreshments increased by approximately three per cent in value.[1] Cloetta has a share of approximately 16 per cent of the sugar confectionery market and approximately 28 per cent of the market for pastilles, which is a segment within refreshments.[4] The largest competitors in the Danish market are Toms and Haribo. Toms has a share of approximately 20 per cent of the sugar confectionery market and approximately 19 per cent of the market for pastilles; Haribo has a share of approximately 32 per cent of the sugar confectionery market.[4] Retail chain private label brands have a sales share of approximately four respectively one per cent of the Danish pastille and sugar confectionery market.[4]

Norway

Norway has a population of approximately 4.9 million and is the smallest market in the Nordic countries with less than one-fifth of total confectionery consumption.[1]

Yearly turnover on the Norwegian confectionery market is approximately EUR 0.8 billion at the consumer level.[1]

The Norwegian confectionery market increased by approximately one per cent in value in 2010.[1] Sugar confectionery grew by less than one per cent in value, chocolate confectionery increased by over one per cent in value and refreshments increased by just over one per cent in value.[1] Cloetta has a share of approximately 11 per cent of the confectionery market.[4] The largest competitors in the Norwegian market are Kraft Foods and Nidar (an Orkla company). Kraft Foods has a share of approximately 34 per cent of the confectionery market and Nidar has a share of approximately 30 per cent.[4] Retail chain private label brands have approximately one per cent of the confectionery sales in the Norwegian market.[4]

Finland

Finland has a population of approximately 5.4 million and is the third-largest market in the Nordic countries with approximately one-fifth of total confectionery consumption.[1]

Yearly turnover on the Finnish confectionery market is approximately EUR 0.9 billion at the consumer level.[1]

The Finnish confectionery market increased by approximately three per cent in value in 2010.[1] The growth of sugar confectionery was approximately three per cent in value, chocolate confectionery increased by approximately three per cent in value and refreshments increased by approximately five per cent in value. Cloetta has a share of approximately 24 per cent of the confectionery market.[5] The largest competitor in the Finnish

1) Source: Datamonitor.
2) Source: Delfi (Volume fraction).
3) Source: Nielsen, Delfi.
4) Source: Nielsen.
5) Cloetta's estimate.
6) Source: Nielsen. Data regarding the share of the total chocolate market is missing.

market is Fazer with approximately 40 per cent of the market.[5] Retail chain private label brands have a sales share of approximately six per cent of the Finnish market , according to the Company's own assessment.

The Netherlands

The Netherlands has a population of approximately 16.6 million, and is the sixth-largest market in Western Europe with a share of over four per cent of total confectionery consumption.[1]

Yearly turnover on the Dutch confectionery market is approximately EUR 1.5 billion at the consumer level.[1]

The Dutch confectionery market increased by approximately two per cent in value in 2010.[1] The growth of sugar confectionery was approximately two per cent in value, chocolate confectionery increased by approximately two per cent in value and refreshments increased by approximately three per cent in value. Cloetta has a share of approximately 18 per cent of the confectionery market excluding chocolate.[6] The largest competitor in the Netherlands is Perfetti with approximately 18 per cent of the confectionery market excluding chocolate. [6] Retail chain private label brands have a sales share of approximately eight per cent of the Dutch confectionery market excluding chocolate.[6]

Italy

Italy has a population of approximately 60.7 million and is the fourth-largest market in Western Europe with nearly one-tenth of total confectionery consumption.[1]

Yearly turnover on the Italian confectionery market is EUR 3.2 billion at the consumer level.[1]

The Italian confectionery market increased by approximately one per cent in value in 2010.[1] The growth of sugar confectionery was approximately one per cent in value, chocolate confectionery increased by approximately one per cent in value and refreshments increased by approximately two per cent in value.[1] Cloetta has a share of approximately 14 per cent of the sugar confectionery market and approximately four per cent of the market for refreshments.[4] The largest competitors in the Italian market are Perfetti and Ferrero. Perfetti has approximately 77 per cent of the market for refreshments and a share of approximately 29 of the sugar confectionery market.[4] Ferrero is market leading in chocolate and has for example 45 per cent share of the chocolate praline market.[6] Ferrero's share of the refreshments market is approximately six per cent.[4] Retail chain private label brands have a share of approximately nine per cent of the Italian market.[4]

Other markets

Other markets mainly consist of sales to countries outside Cloetta's home markets. These are countries where Cloetta is active but does not have a proprietary sales and distribution organisation. Overall, sales to other markets cover over 40 countries.

Cloetta has a compact organisation with its own employees in countries like Germany, the UK, the Baltics and Singapore, but sales and distribution is executed through external distributors. Other important markets include Belgium, Canada, Switzerland, Austria, the Middle East and Hong Kong. Cloetta has a strong niche position on all these markets in certain categories. The most important brands on these markets are Chewits, Red Band, Läkerol, King and products for Weight Watchers.

1) Source: Datamonitor.
2) Source: Delfi (Volume fraction).
3) Source: Nielsen, Delfi.
4) Source: Nielsen.
5) Cloetta's estimate.
6) Source: Nielsen. Data regarding the share of the total chocolate market is missing.

Brands

Brands and product range

Cloetta has a broad brand portfolio that has very substantial value and a strong position on the confectionery market in those countries where the Company is active. Many of these brands originated from the first half of the 20th century and have strong local links including Malaco, Cloetta, Läkerol and Sperlari. The ten largest brands represented approximately 60 per cent of net sales pro forma 2011. However, strong brands do not mean self-evident growth in volumes. Organic growth is achieved by brands being developed and supported, primarily by product innovations and effective marketing.

One of the Company's primary competitive advantages is its capability to develop brands and present attractive new products under these brands. Brands in confectionery are highly localised and consumers in markets that are mature have high loyalty, and accordingly, expansion and sales are largely about utilising the strengths of these well-known brands.

Product development and marketing

The majority of marketing function resources are allocated to product development and marketing, which in combination with a strong own sales organisation are the two most decisive factors for success on a mature market where products are often purchased on impulse. New products strengthens Cloetta's offering to customers and consumers. Effective marketing, from advertising to in-store activities, increase consumer awareness of, and demand for, Cloetta's products.

Market analysis and trend monitoring provide important data to the marketing department. Fashions and trends also exist within confectionery. This relates to factors such as colours, packaging, new flavours and ingredients. Knowledge of trends on the market and consumer behaviour is necessary for delivering successful new products. Changes in consumption patterns are monitored and analysed, and there is great emphasis on thorough business intelligence.

Product development

Attractive innovations and an effective product development process are prerequisites for profitable growth and fundamental to Cloetta's strong position on the European confectionery market. The Company will therefore continue to focus on local innovations for its strong existing brands. Product development and innovation work begins with trends on the market, new consumer needs and the question of how these can be optimally combined with existing brands.

New products get effective sales support with marketing through campaigns, events, in-store activities and advertising, which contribute to stimulating consumer interest and demand. Brands must be contemporary and tailored to market trends, and have strong imagery, to be appreciated by the consumer. Content and packaging are in constant development, and new products must always be of high quality. By introducing new flavours, packaging and brand sizes, modernity is

Example of brand proliferation: Läkerol

Core products expanded within the original product family.

New product range within compressed pastilles.

New product range within hard pastilles.

New product range within chewing gum

in price/size

...and larger sizes

maintained and the changing needs of consumers are satisfied. Cloetta has conducted several highly successful extensions of its brands, for example under the Ahlgrens bilar and Kexchoklad brands. Another example of brand development is preparation of all-new products and design in a brand, such as Läkerol chewing gum and throat lozenges. In addition, the introduction of new brands, for example Tarragona and TOY has been well received by consumers.

Packaging and marketing can attract consumers to make a first purchase, but if the taste does not measure up, a second purchase will never take place. That is why it is crucial that new products launched by Cloetta satisfy consumer demand. The taste is always central when Cloetta develops new products. All new products undergo consumer testing to obtain the consumer's view of factors such as taste, texture and overall impression. Without prior approval in a consumer test, a product is not launched on the market. A substantial bank of previous tests and reference values facilitate the necessary evaluation.

Cloetta's investments in its brands and marketing are a priority where the Company aims is to invest approximately 10 per cent of net sales. Investments start from brand positioning in the market, and marketing features image-building brand advertising in mass media, sponsorship and events addressing select target groups. Because confectionery is exclusively an impulse good, strong sales-promoting initiatives at the store level are highly significant. The ambition of Cloetta's marketing is to be visible and noticed in all locations where the consumer is, in order to encounter the consumer more often.

Protection of intellectual property

Cloetta's brands are its biggest asset, and the Company puts great emphasis on protecting them. If Cloetta views another brand as too close to its own, it takes action, for example, by objecting to the registration of the adjacent brand, or by entering a coexistence agreement that limits usage of the adjacent brand.

Extension of two strong brands: Ahlgrens bilar and Kexchoklad

The original 1953

Examples of seasonal extensions

Examples of permanent extensions

Design development

1930's

1960's

2005

2011

New flavours – Dark, Banana, Raspberry and Blueberry

New ways to eat Kexchoklad – Mini squares

Limited Edition – Mini squares

As chocolate bar

Overview of Cloetta's largest brands

Malaco

Malaco has a strong heritage as a bagged candy brand in the four Nordic countries. Gott & blandat, TV Mix, Familie Guf, Lagerman konfekt, Zoo, Brio, Snöre, Colaflaskor, Djungelvrål and Aakkoset are some of the well-known products sold under the Malaco brand.

Ahlgrens Bilar

Ahlgrens bilar is a strong local brand in the Swedish market, where a big majority of the population has tried the candy. The brand is also sold in Norway and Finland. Ahlgrens bilar in its original flavour is the best-selling candy by far. The brand is about everyday fun, happiness and being allowed to play. Looking at the specific shapes of Ahlgrens candy - pink steering wheels, steering wheels, caravans, etc. - it is sometimes referred to as the biggest car-selling brand in the world.

Läkerol

Läkerol is a strong local brand, established in 1909, and has today a complete product offering in refreshments with concepts in many different flavours and variants, both within pastilles and chewing gum. The brand essence "makes people talk" indicates the benefit of freshening up mouth and throat, keeping you ready for talking; anytime, anywhere. The brand is targeting socially outgoing independents with a young adult lifestyle. From originally have been leading in the Nordic countries, Läkerol has expanded to new markets in Europe as well as globally.

Cloetta

Cloetta is the name and symbol of the Nordic countries' oldest chocolate company and concurrent a brand with a very strong local heritage. The Cloetta brand represents responsibility, high quality and is strongly associated with happiness, enjoyment and energy. Cloetta is one of the strongest umbrella brands on the Swedish market where Kexchoklad and Polly are the two largest and most well-known product brands. Example of other classics and market leading brands in the Cloetta Family include Sportlunch, Plopp, Center, Juleskum and others.

Kexchoklad

Launched already in 1938 and has developed into an iconic brand that 9 out of 10 Swedes consumes. Kexchoklad is seen by the consumers as more than just candy and more like a snack. Kexchoklad imparts a feeling of happiness and energy. It is available in many different formats, sizes and packages in order to suit different consumption occasions.

Polly

Polly is the biggest brand of bagged chocolate on the Swedish market. More than 7 out of 10 Swedes consume Polly. Polly is purchased to reward oneself and enjoy, alone or together with others. Polly provides a unique and fantastic taste experience. It imparts a feeling of reward. Polly is available in many different flavours and different package sizes.

Mynthon

Mynthon is the leading pastille brand in Finland, where it was launched in 1976. Since then, Mynthon has spread to neighbouring countries and is, currently available in the Baltics, Norway and Sweden. "Fresh and effective" is the brand essence of Mynthon. The product range consists of hard and compressed pastilles in various fresh flavours.

Jenkki

Jenkki is the by far leading chewing gum in Finland. Jenkki was introduced to the Finnish market in 1951. It has been delivering its dental freshness benefits since 1975, when it launched the world's first xylitol-sweetened chewing gum. Over time it has expanded its product range with various flavours and packages to attract all ages. Jenkki Professional is the leading full xylitol sweetened chewing gum in Finland.

Red Band

Red Band has a strong heritage in the Netherlands, where its roots go back to 1928. Red Band has since then built up a leading position in the Dutch and German candy markets with a brand promise to deliver pleasure, quality and fun. The classic Winegum Assorti, the original DropFruitDuo's and PretMix are some of the well-known products sold under the Red Band brand.

Sportlife

Sportlife has its roots in the Netherlands, where it was launched in 1981 as the first chewing gum in an innovative "blister" packaging. Sportlife has since then become a leader on the Dutch market, and has also gained a strong position in Belgium (Flanders). Sportlife is a leader in the refreshment category based around its brand essence of "sharing intense experiences", with an international brand profile and a strong appeal to younger consumers.

Venco

Venco is the biggest brand of liquorice in the Netherlands and was founded in 1878. The brand's rich history and broad product range has made it one of the most well-known in the Netherlands, reflected by a "top of mind awareness" of over 50 per cent.

Sperlari

Sperlari was launched in 1836 in Italy only as a seasonal confectionery product (nougat), making it the oldest brand in the Cloetta portfolio. Sperlari has a wide product range ranging from seasonal products like nougat and chocolate, to sugar based candies, offering excellent taste experiences for the entire family based on the best ingredients.

Saila

Saila is a pastille, which has become an Italian hero in the last century. Born in 1937, Saila is now one of the best known leading brands within refreshment. After entering Cloetta's portfolio in 2007, Saila has become a growing star in the broader refreshment arena, through delivering a constant and successful flow of innovations. Saila has also recently launched as chewing gum.

Dietor

Dietor is a well-known brand within sweeteners and has a leading position in the Italian market. With thirty years history, Dietor has become synonymous with sweeteners in Italy. Dietor addresses the health-consious consumers, including people with health problems. Dietor is available as powder, in liquid form and as a pastille and has recently added to its portfolio the stevia based range.

Other brands

In addition to the brands noted above, Cloetta has a broad portfolio of smaller brands.
Some are illustrated below.

Sales

In the full year January to December 2011, Cloetta's total sales amounted to SEK 5,596 million pro forma. Cloetta's largest market was Sweden, which represented approximately 28 per cent of total sales. The rest of the Nordic countries represented approximately 27 per cent, the Netherlands approximately 12 per cent, Italy approximately 17 per cent and other markets approximately 16 per cent of total sales.

Strong main market presence

Cloetta has strong position on its main markets with beloved and localised brands that are popular favourites, covering sugar and chocolate confectionery, as well as refreshments. The Company endeavours to be an innovative and trendsetting player on the confectionery market. The position should be strengthened further through a continued focus on high-quality products, attractive new products, strong and well-known brands and high accessibility and recognition among consumers, as well as a good collaboration with retailers.

Cloetta has a very strong sales organisation on its main markets and thereby Cloetta is a very competitive supplier in food retailing. With its category expertise and by its presence in stores via its own sales force, Cloetta can reach out with campaigns, ensure that centrally negotiated listing and distribution agreements are followed and ensure good visibility on the stores' shelves, in the checkout lines and in other places. This creates opportunities for both food retailers and the Company to achieve good results together. Especially in the Nordic region, with large distances to cover, a more complete product portfolio can create economies of scale compared with other competitors in the confectionery market. Through its own sales force can new products quickly be launched in stores and thus reach the consumers.

Sweden

Population: 9.4 million

Size of market: Approximately EUR 1.5 billion at the consumer level[1]

Largest customers: Axfood, Coop, ICA and Candy King

Largest brands: Malaco, Kexchoklad, Läkerol, Ahlgrens Bilar, Polly, Center, Juleskum, Plopp and Sportlunch

Food retailing in Sweden, like most of the rest of Europe, has become increasingly centralised over the years. Most chains have central agreements governing the ranges individual stores can stock. The mission of Cloetta's sales team is to ensure compliance with central agreements, and to offer support in the implementation of each customer's needs.

Denmark

Population: 5.5 million

Size of market: Approximately EUR 1.0 billion at the consumer level[1]

Largest customers: Coop, Dansk Supermarked and SuperGros

Largest brands: Malaco, Läkerol, Center and Juleskum

The Danish food retail sector is progressing toward greater centralisation, but as yet, is far more decentralised than the rest of the Nordic countries. Accordingly, extended distribution requires extensive efforts at the store level. The most important customers include Coop, Dansk Supermarked and SuperGros.

Norway

Population: 4.9 million

Size of market: Approximately EUR 0.8 billion at the consumer level[1]

Largest customers: Coop, ICA, NorgesGruppen and Rema

Largest brands: Malaco, Läkerol, Pops and Ahlgrens Bilar

As in the rest of the Nordic countries, Norwegian retailing is dominated by large chains like Coop, ICA, NorgesGruppen and Rema. The decision on ranges are taken centrally, and effective sales work is decisive to secure product listings. The Norwegian market is also heavily driven by news.

Finland

Population: 5.4 million

Size of market: Approximately EUR 0.9 billion at the consumer level[1]

Largest customers: Inex, Kesko and Tuko

Largest brands: Malaco, Jenkki, Mynthon, Läkerol and Tupla

Food retailing is dominated by large players like Inex, Kesko and Tuko, mainly utilising centralised purchasing. Thanks to centralised purchasing, new products can secure broad-based distribution, and thus become rapidly available to consumers.

1) Source: Datamonitor.

The Netherlands

Population: 16.6 million

Size of market: Approximately EUR 1.5 billion at the consumer level[1]

Largest customers: SuperUnie, Albert Heijn, Biijeen and Maxxam

Largest brands: Red Band, Venco, Sportlife and King

Food retailers are concentrated around a few big players with SuperUnie, Albert Heijn and Biijeen as the three big food retailer chains. With mostly centralized purchasing, a broad and quick distribution can be achieved of new products that are released.

Italy

Population: 60.7 million

Size of market: Approximately EUR 3.2 billion at the consumer level[1]

Largest customers: COOP, Esselunga, Carrefour Group and Auchan Group

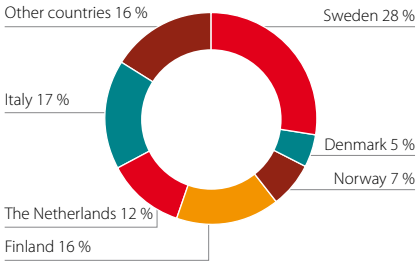
Largest brands: Sperlari (available as chocolate/nougat and within sugar confectionery), Dietor, Saila and Dietorelle

In Italy, the sector for food retailers is more fragmented than in the Nordic markets and in the Netherlands. The three largest food retail chains have a significantly lower proportion of Cloetta's sales compared with the Nordic countries and the Netherlands. In addition to more modern food retailing, a large part of the sales occur via a large number of small shops and is managed through sales agents who are distribution units working for several suppliers.

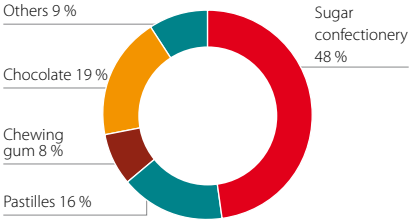
Other markets

Other markets consist of those countries where Cloetta is active but does not have a proprietary sales and distribution organisation and include Germany, the UK, Belgium and the rest of the world. Net sales on these markets including contract manufacturing, amounted to approximately 16 per cent of Cloetta's total net sales.

Net sales by region pro forma 2011



Net sales by category pro forma 2011



Net sales by region, LEAF

MEUR	2011	2010	2009
Sweden	92.6	94.0	80.2
Denmark	26.9	27.7	28.6
Norway	33.1	32.4	27.3
Finland	96.5	103.4	98.9
Nordic countries	**249.1**	**257.5**	**235.0**
Netherlands	74.0	77.1	79.5
Italy	108.6	106.0	105.1
Other markets	84.6	86.3	97.2
Total LEAF	**516.3**	**526.9**	**516.7**

Net sales by region, Cloetta

MSEK	2010/2011	2009/2010	2008/2009
Sweden	884	956	1,064
Denmark	19	19	33
Norway	68	70	80
Finland	16	16	7
Total	**987**	**1,061**	**1,184**

1) Source: Datamonitor.

Production in six countries

Supply chain

The supply chain is responsible for production, procurement, planning, logistics, quality and safety. Supply chain is organised centrally to create synergies and economies of scale within production and procurement. It also works on continuous improvement (lean and value engineering) to thus increase efficiency and quality.

Production

During the period from 1 January to 31 December 2011, Cloetta produced approximately 98,000 tonnes of confectionery pro forma.[1] The group's manufacture of confectionery products takes place at 12 proprietary facilities in Sweden, Italy, the Netherlands, Finland, Belgium and Slovakia.

Production rationalisations

The plant in Slagelse, Denmark, was closed at the end of 2011. During 2011, most of the production was relocated to the plant at Levice, Slovakia. The production relocation, which was completed in the first quarter of 2012, is expected to create yearly cost savings of approximately SEK 45 million. The factory in Levice is a modern factory built in 2006 which gives Cloetta competitive advantages through efficient production. The factory has today significant capacity for additional production and the wage level in Levice is competitive concurrent as the supply of labour is favourable.

On 8 March 2012, it was announced that Cloetta considers closing the factories in Gävle, Aura and Alingsås, as well as streamlining the warehouse network. The merger between Cloetta and LEAF, combined with an overcapacity in the Group's production structure, makes it possible to improve the Groups efficiency. The intention is to move the production of Ahlgrens bilar from Gävle to Ljungsbro, and the remaining products from Gävle to Levice. The plan is also to transfer production from Aura and Alingsås to other factories in Europe. The proposed closures would result in total costs of SEK 320–370 million and are expected to generate annual savings of approximately SEK 100 million on EBITDA-level.

1) In 2011, 9,600 tonnes were produced at Slagelse, Denmark. In the future, this production volume will primarily be produced at the factory in Levice, Slovakia.

Overview of production facilities

Ljungsbro, Sweden

Production in 2011:	16,600 tonnes
No. of plant employees:	Approximately 230
No. of machine lines:	12 production lines with online packaging, 6 packaging lines
Largest brands:	Kexchoklad, Center, Polly, Plopp, Bridge, Juleskum
Manufacturing methods:	Chocolate moulding, mogul moulding*, coating and wafer production

Roosendaal, Netherlands

Production in 2011:	14,000 tonnes
No. of plant employees:	Approximately 140
No. of machine lines:	5 production lines, 9 packaging lines
Largest brands:	Red Band, Malaco, Venco, Lakrisal
Manufacturing methods:	Mogul moulding*, coating and compressing of pastilles

Turnhout, Belgium

Production in 2011:	12,700 tonnes
No. of plant employees:	Approximately 110
No. of machine lines:	2 production lines, 4 packaging lines
Largest brands	Malaco, Red Band
Manufacturing methods:	Mogul moulding*

Levice, Slovakia

Production in 2011:	9,600 tonnes
No. of plant employees:	Approximately 480
No. of machine lines:	18 production lines, 12 packaging lines
Largest brands:	Malaco, Red Band, Chewits, Venco, Mynthon
Manufacturing methods:	Mogul moulding*, extrusion, coating, hard boiled candy manufacturing and chewing toffee manufacturing

Gävle, Sweden

Production in 2011:	7,900 tonnes
No. of plant employees:	Approximately 150
No. of machine lines:	2 production lines, 8 packaging lines
Largest brands:	Läkerol, Ahlgrens Bilar, Zoo, Fruxo, PimPim
Manufacturing methods:	Mogul moulding*

Cremona, Italy

Production in 2011:	6,900 tonnes
No. of plant employees:	Approximately 120
No. of machine lines:	8 production lines, 21 packaging lines
Largest brands:	Sperlari, Dietorelle, Galatine, Dondi
Manufacturing methods:	Toffee manufacturing, compressing of pastilles and nougat moulding

Sneek, Netherlands

Production in 2011:	5,900 tonnes
No. of plant employees:	Approximately 90
No. of machine lines:	5 production lines, 19 packaging lines
Largest brands:	Sportlife, Xylifresh, King
Manufacturing methods:	Extrusion and coating of chewing gum, toffee manufacturing and compressing of pastilles

* Moulding in starch.

Aura, Finland

Production in 2011:	5,300 tonnes
No. of plant employees:	Approximately 140
No. of machine lines:	2 production lines, 9 packaging lines
Largest brands:	Sisu, Leijona, Aakkoset, Lauantai, TV Mix
Manufacturing methods:	Mogul moulding*

Gordona, Italy

Production in 2011:	4,400 tonnes
No. of plant employees:	Approximately 60
No. of machine lines:	3 production lines, 12 packaging lines
Largest brands:	Sperlari, Red Band, Galatine, Kick
Manufacturing methods:	Mogul moulding* and chewing toffee manufacturing

San Pietro in Casale, Italy

Production in 2011:	2,200 tonnes
No. of plant employees:	Approximately 90
No. of machine lines:	5 production lines, 5 packaging lines
Largest brands:	Dietor, Dietorelle, Vantaggio, Läkerol
Manufacturing methods:	Manufacturing of sweeteners and mogul moulding*

Silvi Marina, Italy

Production in 2011:	1,400 tonnes
No. of plant employees:	Approximately 50
No. of machine lines:	4 production lines, 12 packaging lines
Largest brands:	Saila
Manufacturing methods:	Coating and compressing of pastilles

Alingsås, Sweden

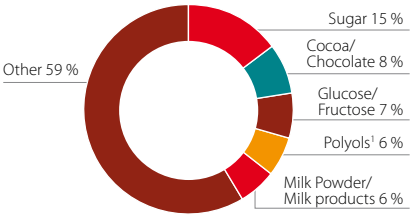
Production in 2011:	1,200 tonnes
No. of plant employees:	Approximately 30
No. of machine lines:	8 production lines/packaging lines
Largest brands:	Extra Starka, Fruktklubbor, Hemkola, Fünf Kräuter, Kungen av Danmark
Manufacturing methods:	Manufacturing of hard boiled candy and toffee

* Moulding in starch.

Procurement of raw materials and packaging

The largest cost items in production consist of raw materials and packaging, which represent approximately 57 per cent of production costs. In value terms, the largest raw materials are sugar, cocoa, glucose/fructose, polyol and milk powder/milk products. The raw materials Cloetta purchases are commodities, with prices set in international or European commodity markets. This means that Cloetta is dependent on market pricing for the procurement costs of these raw materials.

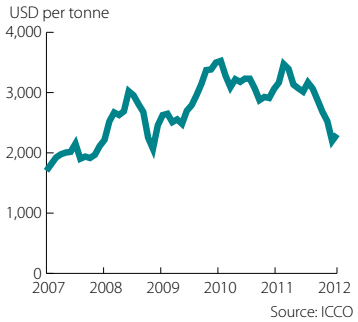
Procurement of raw material and packaging pro forma 2011



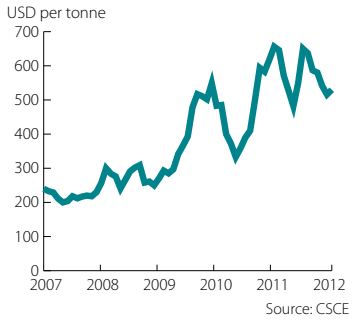
1) For example xylitol and sorbitol

The prices of many of the raw materials Cloetta purchases are also affected by agricultural policy decisions on grants, subsidies, trade barriers, etc. Prices of the majority of the raw materials Cloetta uses have risen sharply in recent years. By utilising its central procurement function, purchasing can be conducted more effectively. The Company can also influence the total cost of raw materials by utilising raw materials more efficiently.

Cocoa price development



Sugar price development



Raw material price trends

Purchasing costs for the most important raw materials increased in 2011, although cost increases for the Company often feed through with some delay because many purchases are on longer-term supply contracts. This means that a temporary upturn or downturn on the raw materials market does not always pass through to the Company's purchasing costs. Moreover, EU regulations, for example, the case on the European sugar market, may mean that pricing of sugar in Europe can differ considerably from the price observed on various commodities exchanges.

In Europe, the modified sugar system first led to price reductions. However, the new quota system introduced by European Union has created a shortage in the supply of sugar, which in combination with customary fees has resulted in a very strong price increase. The sugar price can remain high until 2015, when the current system for the sugar sector ends if the European Union does not take specific actions before then.

Procurement of finished goods

Cloetta purchases finished goods from external suppliers (contract manufacturing). This relates primarily to the part of Cloetta that formerly was LEAF. Most of the contract manufacturing in 2011 was within chocolate, chewing gum as well as specific packaging solutions. The largest suppliers of finished goods are Gumlink, Lamy Lutti, Candy Group, E.T. Ewa Tomczak and Tangerine Confectionery. Previously, Cloetta terminated the contract with Gumlink and decided to increase the chewing gum production in the factory in Sneek, the Netherlands. This is planned to be fully realized in the turn of the year of 2012/2013. As a result of the merger between Cloetta and Leaf, Cloetta will review the purchase of finished goods within chocolate.

Planning and logistics

Cloetta has a highly developed planning system that integrates the whole value chain from suppliers to production and end customer. This system also integrates financial planning and pricing. This enables the Company to plan the chain from supplier to end customer more effectively.

Continuous improvement

Work on rationalising production and maximizing the capacity utilisation is a continuous process and conducted through systematic work on lean processes and value engineering. This includes, for example, increasing the efficiency of machinery by reducing stoppages caused by product changeovers, disruptions and machine faults, and improving machinery, work methods and the utilisation of raw materials.

Improvement work is usually conducted by all staff contributing proposals for improvement, which are then followed up in a structured way. This creates motivation and commitment for continuous improvement and development, while simultaneously enabling the realisation of new savings.

Quality and product safety

Work is continuously ongoing throughout the Group to ensure that every product satisfies the needs of consumers and retailers. High product quality and delivery reliability are important success factors.

BRC Global Standard, a product safety system for food suppliers, is an important starting point for the quality work. Most customers assume their suppliers have certification systems or document a quality system in some other way. The BRC standard bases the product safety on the HACCP method (Hazard Analysis Critical Control Points). The HACCP method enables the analysis of risk zones and the method provides supporting data for control points in the production. Currently, all the Company's production units, apart from those in Italy, have this standard. The Italian units have started to introduce BRC.

Safety

Employee safety is fundamental in all production, and accordingly, is always the highest-priority issue in any production facility. The Company conducts continuous risk analysis in order to minimise the risk of accidents in the production. All incidents or injuries are also followed up and reported centrally. The lean method is also used to prevent and reduce production-related injuries at work. This systematic work enabled the number of injuries at work to be reduced in recent years.

Considering product safety risks, Cloetta has recall plans. These are detailed action-plans that enable products to be recalled promptly from the market if the need arises. Questions significant to product safety are collated in dedicated policy documents that deal with factors such as Cloetta's standpoint on food colourings (azo colorants) and other additives, as well as allergens and allergenic foods such as hazelnuts, peanuts and lactose. Azo colorants are not used in Cloetta's products.

The aforementioned quality standard and EU food legislation assumes that raw materials are traceable. The Traceability is ensured and tested. Raw materials are only purchased from those suppliers that satisfy Cloetta's quality and hygiene requirements.

Corporate social responsibility

Cloetta should produce and market its products in a way that creates added value for consumers, customers, shareholders and employees. Cloetta has established rules of conduct that shall offer guidance for how Cloetta runs its business. These are stated in Cloetta's Code of Conduct.

General principles

Cloetta prioritises long-term value creation, mainly through profitable brands. Cloetta recognises the ten principles of the UN Global Compact and strives to promote them in the society and the environments where Cloetta is active. With the aim of realising these general principles, Cloetta has defined the following principles:

- Cloetta complies with the laws, ordinances and standards that apply in those countries where the Company is active.
- Cloetta conducts operations with high integrity and morals, and takes responsibility for its actions.
- Cloetta respects the UN's declaration of human rights and accepts responsibility for maintaining employee and social rights in Cloetta's operations.
- Cloetta is active in international collaborations that aim to improve the conditions of people working in producing the company's raw materials, such as cocoa.
- In those segments where Cloetta is active, the Company works actively for suppliers to also comply with the principles of Cloetta's Code of Conduct.

Relationships with employees

Relationships with Cloetta's employees shall be based on mutual respect and trust. All conditions of employment comply with existing collective agreements or local equal agreements, national legislation as well as relevant ILO-conventions (International Labour Organization).

Business ethics

Corruption, bribery and other disloyal acts that undermine competitiveness, distort the market and obstruct economic, social and democratic development. Cloetta will never use or otherwise be associated with such methods.

Commitment and collaboration

Cloetta participates in various multinational organisations, as well as local sector organisations. Apart from memberships in sector organisations in Sweden , Finland, Denmark, Norway, the Netherlands and Italy, the most important organisations that Cloetta is a member of, or collaborates with, are the following:

- Caobisco (Chocolate, Biscuit & Confectionery Industries of the EU), which works to support development of an innovative, sustainable and competitive sector, for example through the International Cocoa Initiative's work with inspection and certification systems for cocoa production,
- The European Brands Association, which works with creating competitive and fair environment for brands,
- The World Cocoa Foundation, which runs programmes to increase farmers' income and promote sustainable cocoa cultivation,
- The Round Table on Sustainable Palm Oil (RSPO), which works to increase the amount of sustainably produced and consumed palm oil in the world,
- Fairtrade, an independent product labelling system that helps improve working and living conditions for growers and employees in developing countries,
- The UN Global Compact, where Cloetta is a member of the Swedish Foreign Ministry's network, and
- The Nordic Cocoa Initiative, NCI, a project that works for more sustainable production of cocoa in the Ivory Coast.

Environment

Systematic environment and quality work are the foundation for reducing Cloetta's environmental impact. Cloetta's greatest environmental impact arises through water and energy consumption, wastewater, refuse, wastage and transportation. Viewed over entire product life-cycles, the greatest environmental impact is in raw materials and packaging production. Cloetta shall develop and utilise resource-efficient methods and production processes. In this work, Cloetta considers quality, financial and environmental aspects.

Questions regarding the global environment have become more important and are attracting greater interest, both within Cloetta and in the surrounding world. Consideration of the environment characterises Cloetta's work. Cloetta's ambition is to have a sustainability perspective in all operations. Cloetta must satisfy the standards consumers, customers, government authorities and other stakeholders have on product safety, quality and environmental work.

Environmental work

Cloetta complies with the legislated environmental standards of those countries where the Company is active. By measuring and monitoring different environmental actions, there is greater awareness of the effects different working methods have on the environment and quality.

As a significant player on the confectionery market, consumers have considerable trust in Cloetta, which must be managed optimally. Accordingly, Cloetta always endeavours to satisfy the standards consumers, customers, the authorities and other stakeholders set regarding the environment and quality work, but also in segments such as ethics and product safety.

Working method

Each year, Cloetta conducts an assessment of various environmental considerations with the aim of identifying current risks and opportunities. For every environmental consideration of special significance, measurable performance indicators are set, which are then followed up on a yearly basis.

Raw materials and packaging

To ensure product quality, Cloetta works continuously with hygiene and quality issues. Raw materials always require certification that guarantee that the applied standards are met.

Packaging material shall satisfy several functions, for example protecting the product on the way to the consumer, enabling smooth handling of the product and clarification of the brand. Cloetta also requires environmental standards of its material suppliers. The most common packaging method for consumer packaging is a so-called flowpack, a packaging material that can be recycled or combusted.

Organisation and employees

Cloetta renews and develops itself within a framework of many years of tradition. Work on being the good company is driven by the conviction that commitment and participation create good workplaces. This facilitates work on hiring, developing and retaining competent employees, who in turn, sharpens Cloetta's competitiveness.

The Chief Executive Officer is responsible for the Company's business development and leads and coordinates the daily operations in accordance with the board of directors' guidelines and instructions. Cloetta is organised functionally, where the sales and marketing organisation is separated from the supply chain organisation. Human Resources and Finance & Administration are stationed locally and serve as support functions for the local sales and marketing organisation and for the supply chain organisation. The IT function is a group-wide organisation, which support the whole group with locally based personnel. Strategic Development, Corporate Communication, Business Planning and Control, as well as certain financial operations such as Tax, Treasury, Insurance and Financial Control are run from the head office.

The group management is led by the Chief Executive Officer and consists of ten people: the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the President of Operations, the Chief Marketer (CMO), the Senior Vice President of Human Resources (SVP HR), the Senior Vice President of Corporate Communications/Investor Relations (SVP Corporate Communications/IR) and Regional Managers for Finland, Scandinavia (Sweden/Norway/Denmark) Central (Netherlands/Belgium/Germany/UK) and Italy/Rest of World.

The group management holds monthly meetings where minutes are taken. The agenda treats issues that are appropriate for the management to deal with such as strategy work, business plans and budgeting. Other issues on the agenda are the group's ongoing sales and earnings performance, overall category and product development and other group-wide issues.

Cloetta's employees

The average number of employees of Cloetta in the financial year of 2010/2011 was 437.

The average number of employees of LEAF in 2011 was 2,192.

Health

Cloetta strives to create a healthy working environment and ensure a secure and safe working environment for its employees.

Competence development

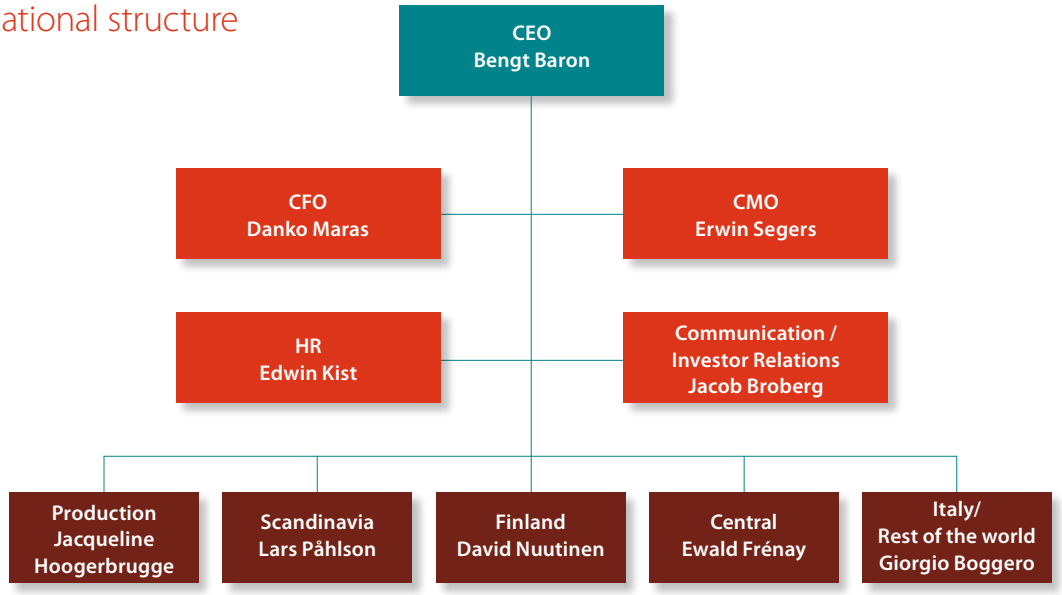
Cloetta is characterised by a continuous renewal and utilisation of the Company's aggregate competence. Competent employees who utilise their full potential create the prospects for maintaining Cloetta's position as an attractive and innovative partner, not only for employees but also for customers, suppliers and collaboration partners.

A learning organisation with project work as a work form and cross-functional teamwork on a daily basis are important components of competence development.

Cloetta	2010/2011	2009/2010	2008/2009
Average number of employees	437	452	464

LEAF	2011	2010	2009
Average number of employees	2,192	2,275	2,309

Organisational structure



Reward system and incentive programme

On 15 February 2012, Cloetta's extraordinary general meeting adopted new guidelines for remunerating senior managers. Remuneration of the CEO and other members of the group management and other managers directly reporting to the CEO shall consist of basic salary, performance-related pay, other benefits and pension. If the board of directors considers it appropriate, the relevant managers shall also be offered the opportunity of participating in long-term share-related incentive programmes, to be approved by shareholders' meetings. Potential performance-related pay shall be linked to predetermined and measurable criteria and be limited to an equivalent of one year's basic salary. Overall compensation shall be on market terms and competitive, and be in relation to responsibilities and authority. For termination of employment initiated by the Company, notice periods shall not be longer than 12 months. Potential severance pay may be a maximum of one years' basic salary. Defined-contribution pension benefits shall be sought. The minimum retirement age shall be 60 and the maximum 67. These guidelines apply to agreements entered into after resolution by the extraordinary general meeting, and for those cases where amendments to existing agreements are made after this time. The board of directors shall be entitled to depart from these guidelines if there are special reasons in an individual case.

In 2009, Cloetta issued a convertible loan for just over SEK 30 million directed to all employees. This convertible loan, which fell due for conversion in February 2012, entitled subscribing employees to convert the nominal lent capital to B-shares of Cloetta at a predetermined conversion price. In total 567,279 B-shares have been issued under the programme. Upon full conversion 1,004,889 B-shares would have been issued.

With the aim of setting the interests of shareholders and Cloetta's management on an equal footing, Malfors Promotor, CVC and Nordic Capital have agreed to use parts of their shareholdings to create an incentive programme consisting of call options in Cloetta. Because these call options are supplied by the three principal shareholders, no minority shareholders will be subject to costs for, nor be diluted by the incentive programme. For additional information regarding incentive programme, see section *Shares and ownership structure* under the heading *Incentive programme*.

PRO FORMA FINANCIAL INFORMATION

Pro forma financial information for Cloetta and LEAF for the period 1 January – 31 December 2011

Purpose of the pro forma financial information

Cloetta's acquisition of LEAF, which was completed on 16 February 2012, will have a direct impact on Cloetta's future earnings, financial position and cash flow, in part through the acquired group and in part through the new financing facilities agreement. The acquisition was made in part by payment of cash, in part by the issuance of a vendor loan note and also an issue in kind of Cloetta C-shares.

In order to replace part of the vendor loan note with shareholders' equity, Cloetta will implement a preferential Rights Issue for Cloetta's shareholders in accordance with a decision by the board of directors of Cloetta and based on authorisation from the extraordinary general meeting. The remaining part of the vendor loan note will be replaced with a new financing facility. The Rights Issue will also have an impact on Cloetta's earnings and financial position.

The pro forma financial statements below have been prepared in order to illustrate:

- what the profit for the period for Cloetta might have been; had the acquisition of the shares in LEAF, had the new issue of C-shares (issue in kind), had the implementation of the new financing facilities agreement, had the preferential Rights Issue of A- and B-shares, had the conversion of LEAF's intra group loans to equity been undertaken as of 1 January 2011 and
- what the balance sheet position might have been as of 31 December 2011 if; the acquisition of the shares in LEAF, the new issue of C-shares (issue in kind), the implementation of the new financing facilities agreement, the preferential Rights Issue of A- and B-shares and the conversion of LEAF's intra-group loans to equity had been undertaken at this date.

The pro forma financial statements are solely intended to describe a hypothetical situation and have been produced solely for illustration purposes in order to provide information and are not intended to present the balance sheet position or the profit for the period that the business would actually have achieved, had the events described above taken effect on the reported dates; nor are they to show an actual balance sheet position or the business' profit for the period at any future point in time. Investors should not attach excessive importance to the pro forma financial statements when making their investment decision.

Basis for the pro forma financial information

The pro forma financial information is based on audited financial information for LEAF (annual report 2011) and Cloetta (2011 calender year information presented in the September – December, 2011 interim report). The accounting principles applied by both Cloetta and LEAF are IFRS as endorsed by the EU and the pro forma financial statements have been presented in accordance with LEAF group's accounting policies as described in the 2011 annual report. The pro forma financial information has been accounted for as a reverse acquisition where LEAF is deemed to be the accounting acquirer.

The pro forma consolidated balance sheet is sensitive to currency fluctuations pertaining to LEAF. These fluctuations mainly relate to changes in SEK/EUR exchange rates. The pro forma financial statements have been prepared based on the assumption that the Rights Issue will be subscribed for in full and that the proceeds from the Rights Issue will be reduced with the estimated issue costs. No synergies or integration costs have been included in the pro forma financial statements.

Pro forma adjustments

Capital structure adjustments

These adjustments consist of the conversion of LEAF's intra-group loans to equity, the effects of the implementation of the new financing facilities agreement and the preferential Rights Issue of A- and B-shares and include the following:

- All intra-group loans between LEAF group and the parent companies, Leaf Finance AB and Leaf Holding S.A., are converted to equity.
- The terms of the new facilities agreement differ from those in prior agreements. The adjustments as a result of applying the new financing facilities agreement terms on the loans existing during the period for the pro forma financials together with the repayment of the vendor loan note are included in this adjustment.
- The receipt of cash from the Rights Issue and a resulting increase in equity.

Due to the implementation of the new financing facilities agreement, the capitalised financing costs related to the previous facilities agreement in LEAF are recognised as an expense in the profit and loss accounts. The costs related to the new financing facilities agreement are capitalised and amortised based on the terms of the new agreement.

The tax impact of the capital structure adjustments is recognised in the pro forma profit and loss accounts.

Acquisition of LEAF

The formal acquisition of LEAF by Cloetta was made in part by a cash payment of SEK 100 million, in part by a vendor loan note of SEK 1.4 billion and also an issue in kind of Cloetta C-shares of approximately SEK 2.6 billion implying a total investment of SEK 4.1 billion. In accordance with IFRS accounting for reverse acquisitions, the investment in LEAF shares is eliminated against equity in a hypothetical repurchase of the shares. The net effect of these transactions in the consolidation process is a net reduction in equity of SEK 1.5 billion, corresponding to the vendor loan note of SEK 1.4 billion and the cash payment of SEK 100 million.

Fair value adjustments

The transaction is accounted for as a reverse acquisition in accordance with IFRS. Under these standards an allocation of fair values (commonly referred to as purchase price allocation) would be performed for the assets and liabilities of Cloetta. A preliminary purchase price allocation has been made where the fair value of the identifiable assets and liabilities of Cloetta per acquisition date have been assumed to equal Cloetta's book values as of 31 December 2011. The difference between the market value of Cloetta on the acquisition date and the book value of Cloetta's identifiable assets and liabilities has been recognised as goodwill in this pro forma financial information. The purchase price allocation will be finalised no later than one year after the acquisition date.

Transaction costs

Transaction costs include both acquisition related costs and cost related to the issue of shares. Costs incurred by the accounting acquirer (LEAF) related to the acquisition shall be expensed in the profit and loss accounts while the costs incurred by the accounting acquiree (Cloetta) are expensed prior to the acquisition and as a result affect the goodwill. Costs related to the issue in kind and the Rights Issue are recorded directly in equity.

Adjustment for differences in IFRS application

Both LEAF and Cloetta apply IFRS as their accounting standards. In order to provide a consistent application of these standards, certain reclassifications of profit and loss items have been included.

Profit and loss accounts pro forma 2011

MSEK	LEAF group[1]	Cloetta AB group[2]	Pro forma adjustments[5]	Pro forma
Net sales	4,658	938	–	5,596
Cost of goods sold	–2,911	–642	–22[4]	–3,575
Gross profit	**1,747**	**296**	**–22**	**2,021**
Net other operating expenses	–1,383	–282	22	–1,643
Operating profit	**364**	**14**	**–**	**378**
Financial items	–602	0	318[3]	–284
Result before tax	**–238**	**14**	**318**	**94**
Income tax	172	–6	–79[3]	87
Result for the period	**–66**	**8**	**239**	**181**
Result for the period attributable to the owners of the parent	–66	8	239	181
EBITDA	488	68	–	556
EBITA	373	14	–	387
Items affecting comparability	–209	5[6]	–	–204
Recurring EBITDA	697	63	–	760
Recurring EBITA	582	9	–	591

For definitions, see section *Definitions of financial terms and key figures.*

Notes to the pro forma profit and loss accounts 2011

1) Based on audited annual report 2011. The profit and loss accounts have been converted from euro to SEK at the SEK/EUR rate of 9.0228 which is the average rate for the calendar year 2011.

2) Based on audited 2011 calendar year information presented in September 2011 – December 2011 interim report.

3) Adjustment for the conversion of previous intra-group loans to equity, implementation of new financing facilities agreement and the Rights Issue of A- and B-shares.

The net adjustment of SEK 318 million which reduce the net costs for financial items consists of:

Elimination in the LEAF group of all financial expenses/income with related parties (Leaf Finance AB and Leaf Holding S.A.) representing a net reduction to these costs.	432
The total interest expenses for LEAF group related to the new facilities agreement adjusted for the new terms resulting in an additional SEK 58 million finance expenses to reflect the effects as if the new facilities agreement was implemented as of 1 January 2011.	–58
Adjustment for the effect of capitalised financing costs related to prior facilities agreement which are expensed in the profit and lost accounts as of 1 January 2011.	–54
The annual amortisation of the prior capitalised financing costs for 2011 are eliminated decreasing net financial expenses by SEK 14 million which, however, are replaced by the amortisation of capitalised financing costs of SEK 16 million in 2011 as if the new facilities agreement was already available per 1 January 2011.	–2
Decrease in net financial expenses.	318

The tax impact of all profit and loss adjustments related to the new capital structure of the group is calculated based on a tax rate of 25 per cent.

4) In order to provide a consistent application of IFRS, distribution and warehousing costs totalling SEK 22 million are reclassified from net other operating expenses to cost of goods sold.

5) The pro forma adjustment for the expensing of the capitalised financing costs related to the prior financing facilities agreement amounting to SEK 40 million before tax is not expected to have a continuing impact on Cloetta whereas the other pro forma financial items adjustments are expected to have a continuing impact.

6) Items affecting comparability for Cloetta of SEK 5 million refers to an income following the demerger of Cloetta Fazer. This item is described in the section *Comments on the financial development for Cloetta* under the heading *Comparison between 2011 and 2010 for the period September 1– December 31 (four-month period).*

Balance sheet pro forma 31 December 2011

MSEK	LEAF group[1)]	Cloetta AB group[2)]	Pro forma adjustments[3)]	Pro forma
Intangible fixed assets	4,811	143	121	5,075
Property, plant and equipment	1,318	437	–	1,755
Deferred tax assets	441	–	–	441
Financial assets	261	6	–253	14
Total non-current assets	**6,831**	**586**	**–132**	**7,285**
Inventories	639	112	–	751
Current receivables	1,068	114	–66	1,116
Short term-investments	–	–	–	–
Cash and cash equivalents	97	305	142	544
Total current assets	**1,804**	**531**	**76**	**2,411**
Total assets	**8,635**	**1,117**	**–56**	**9,696**
Equity	–366	753	3,099	3,486
Long-term borrowings	6,076	–	–3,125	2,951
Other provisions	249	79	–	328
Deferred tax liability	728	102	–10	820
Total non-current liabilities	**7,053**	**181**	**–3,135**	**4,099**
Short-term borrowings	747	–	–20	727
Convertible debenture loan	–	24	–	24
Current liabilities	1,201	159	–	1,360
Total current liabilities	**1,948**	**183**	**–20**	**2,111**
Total equity and liabilities	**8,635**	**1,117**	**–56**	**9,696**
Net debt[4)]	6,726	–281	–3,287	3,158

Notes to the pro forma balance sheet 2011

1) Based on audited annual report 2011. The balance sheet items are translated at the 31 December 2011 year end SEK/EUR exchange rate of 8.91.

2) Based on audited 2011 calendar year information presented in September 2011 – December 2011 interim report.

3)

Specification of pro forma adjustments MSEK	Capital structure adjustment[A)]	Acquisition of LEAF[B)]	Fair value adjustments[C)]	Transaction costs[D)]	Adjustments for differences in IFRS application[E)]	Pro forma adjustments
Intangible fixed assets	–	–	80	41	–	121
Financial assets	–253	–	–	–	–	–253
Total non-current assets	–253	–	80	41	–	–132
Current receivables	–66	–	–	–	–	–66
Cash and cash equivalents	293	–100	–	–51	–	142
Total current assets	227	–100	–	–51	–	76
Total assets	–26	–100	80	–10	–	–56
Equity	4,529	–1,500	80	–10	–	3,099
Long-term borrowings	–3,125	–	–	–	–	–3,125
Deferred tax liability	–10	–	–	–	–	–10
Total non-current liabilities	–3,135	–	–	–	–	–3,135
Short-term borrowings	–1,420	1,400	–	–	–	–20
Total current liabilities	–1,420	1,400	–	–	–	–20
Total equity and liabilities	–26	–100	80	–10	–	–56
Net debt[4)]	–4,838	1,500	–	51	–	–3,287

Note 3, cont'd

A) Adjustment for the conversion of previous intra-group loans to equity, the implementation of new financing facilities agreement and the Rights Issue of A- and B-shares.

The net adjustment of SEK 4,529 million consists of:

MSEK	Financial assets	Current receivables	Cash	Equity	Long-term borrowings	Deferred taxes	Short-term borrowings
Conversion of net receivables and liabilities between LEAF group and parent companies (Leaf Finance AB and Leaf Holding S.A.) as of 31 December 2011 (including a SEK 49 million loan made to Leaf Finance AB, to cover costs related to its divestment of LEAF during 2012 prior to the completion of the divestment of LEAF) to equity as a capital contribution.	–253	–66	–49	3,493	–3,840		–21
An increase in cash due to the cash proceeds from the Rights Issue based on 98,745,900 shares and a subscription price of SEK 10.79 per share.			1,066	1,066			
Expensing of the capitalised financing cost related to prior financing facilities agreement which amounted to SEK 40 million (of which SEK 12 million were classified as short term). Tax impact on the expensing of the previously capitalised financing fees is accounted for as a decrease in the deferred tax liability of SEK 10 million.				–30	28	–10	12
Fees related to the new financing facilities agreement amount to SEK 74 million which were paid in cash and have been capitalised (of which SEK 15 million are considered to be short term).			–74		–59		–15
Difference in repayment schedule between the prior and new facilities agreement.					-4		4
Additional credit facility amounts to SEK 750 million which is included in cash and cash equivalents and long term borrowings.			750		750		
Settlement of vendor loan note of SEK 1,400 million (see adjustment B).			–1,400				–1,400
Total	–253	–66	293	4,529	–3,125	–10	–1,420

B) The formal acquisition of LEAF by Cloetta was made in part by payment of cash of SEK 100 million, in part by a vendor loan note of SEK 1,400 million and also an issue in kind of Cloetta C-shares of approximately SEK 2,556 million (based on the total shares issued in the issue in kind to Leaf Holding 165,186,924 multiplied by the diluted share price of SEK 15.47) resulting in a total investment of approximately SEK 4,056 million. In accordance with IFRS accounting for reverse acquisitions, the investment in LEAF is eliminated against equity in a hypothetical repurchase of the shares. The net effect of these transactions in the consolidation process is a net reduction in equity of SEK 1,500 million, corresponding to the vendor loan note of SEK 1,400 million and the cash payment of SEK 100 million.

C) In accordance with IFRS and the accounting for reverse acquisitions, the difference of SEK 170 million between Cloetta's market value at the acquisition date which totals SEK 833 million (based on outstanding shares per 16 February 2012 of 24,355,641 multiplied by the bid price of SEK 34.20 at the time of the acquisition) and the fair value of its identifiable assets and liabilities (SEK 663 million) per acquisition date, assumed to equal net book value per 31 December 2011, is recognised as goodwill. Since goodwill amounting to SEK 90 million is already included in Cloetta AB group's intangible assets per 31 December 2011, a pro forma goodwill adjustment of SEK 80 million is recognised before adjustment 6 below that also increases goodwill.

D) Transaction costs, SEK 49 million, incurred by Leaf Finance AB have been funded through internal loans from LEAF and thereby implicity reduced the capital contribution and equity in LEAF, and such costs estimated to SEK 41 million incurred by the accounting acquiree (Cloetta) are expensed prior to the acquisition and as a result affect the goodwill. Estimated costs of SEK 10 million related to the issue in kind and the right issue are recorded directly in equity.

E) No significant differences in application of IFRS affecting balance sheet classification or measurement have been identified in regards to assets, liabilities or equity.

4) Net debt is defined as long-term borrowing, short-term borrowing, convertible debenture loan less intra-group loans to Leaf Finance AB and Leaf Holding S.A., and cash and cash equivalents.

AUDITOR'S REPORT ON THE PRO FORMA FINANCIAL INFORMATION

To the board of directors of Cloetta AB
Corporate identification number 556308-8144

We have audited the pro forma financial information included on pages 46–51 in Cloetta AB's (publ) prospectus dated 12 March 2012.

The pro forma financial information has been prepared solely for the purpose to provide information and illustrate how the acquisition of the shares in LEAF, the issue in kind of C-shares, the implementation of the new financing facilities agreement, the preferential Rights Issue of A and B-shares and the conversion of LEAF's intra-group loans to equity might have affected the consolidated balance sheet of Cloetta AB (publ) as of 31 December 2011 and the consolidated statement of comprehensive income for Cloetta AB (publ) for the period 1 January 2011 – 31 December 2011.

Board of directors responsibility

The board of directors is responsible for preparing the pro forma financial information in accordance with EC Regulation 809/2004/EC.

Auditors responsibility

Our responsibility is to provide an opinion as required by Annex II, item 7 of EC Regulation 809/2004/EC. We are not responsible for expressing any other opinion on the pro forma financial information or any of its constituent elements. We take no responsibility for any of the financial information which has been used in the preparation of the pro forma financial information other than the historical financial information for which we have previously issued an audit opinion.

Scope of work

We have performed our work in accordance with Far's audit standard RevR 5, Examination of Prospectuses. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the historical sources, assessing evidence supporting the pro forma adjustments and discussing the pro forma information with the management of the Company.

We have planned and performed our work so as to obtain the information and explanations necessary in order to obtain reasonable but not absolute assurance that the pro forma financial information has been prepared on the basis stated on page 46 and that this basis in accordance with the accounting principles applied by the Company.

Opinion

In our opinion, the pro forma financial information has been correctly prepared in accordance with the basis stated on page 46 and that this basis is in accordance with the accounting principles applied by the Company.

Stockholm 12 March 2012
KPMG AB

Helene Willberg
Authorised public accountant

FINANCIAL INFORMATION IN SUMMARY AND COMMENTS ON THE FINANCIAL DEVELOPMENT

Financial information in summary for Cloetta

The financial statements for Cloetta's past three financial years and the interim report for the period 1 September to 31 December 2011 are incorporated in this prospectus by reference. All reports are available on Cloetta's website www.cloetta.com.

Cloetta has previously applied a financial year that ran from 1 September to 31 August. At Cloetta's annual general meeting on 19 December 2011 it was resolved that the Company will henceforth apply calendar year as the financial reporting year. Cloetta's annual reports for the financial years 2008/2009, 2009/2010 and 2010/2011 as well as Cloetta's interim report for the period 1 September to 31 December 2011, which also contains information on the calendar years 2010 and 2011, have been prepared in compliance with IFRS as endorsed by the EU and have been audited by the Company's auditor. The auditor's reports of the annual reports follow standard formats and are all unqualified. The auditor's report of the interim report, too, is unqualified. Except for the audit of the annual reports and the interim report for the period 1 September to 31 December 2011, and the audit of the information presented in the section *Pro forma financial information*, Cloetta's auditor has not audited or reviewed any information in this prospectus. The information below has been extracted from the audited annual reports and Cloetta's audited interim report for the period 1 September to 31 December 2011. The tables in this section should be read together with the section *Comments on the financial development for Cloetta* and for complete information, the reader should refer to Cloetta's annual reports and the interim report for the period 1 September to 31 December 2011.

The financial information presented in this section does not include any effect of the merger with LEAF. Cloetta's future financial information will thus differ substantially from the figures reported in this section.

Income statement in summary

	1 Sep – 31 Dec		1 Jan – 31 Dec		1 Sep – 31 Aug		
MSEK	2011	2010	2011	2010	2010/11	2009/10	2008/09
Net sales	364	413	938	1,056	987	1,061	1,184
Cost of goods sold	–234	–275	–642	–726	–683	–732	–848
Gross profit	**130**	**138**	**296**	**330**	**304**	**329**	**336**
Other operating income	0	0	10	4	10	6	37
Overhead expenses	–110	–104	–293	–301	–287	–299	–365
Other operating expenses	0	–1	1	–2	0	–1	–8
Operating profit (EBIT)	**20**	**33**	**14**	**31**	**27**	**35**	**0**
Financial items	0	–1	0	–4	–1	–4	–1
Profit before tax	**20**	**32**	**14**	**27**	**26**	**31**	**–1**
Income tax expense	–6	–8	–6	–7	–8	–9	7
Profit for the period	**14**	**24**	**8**	**20**	**18**	**22**	**6**
Operating profit before depreciation (EBITDA)	38	52	68	84	82	85	46
Depreciation	18	19	54	53	55	50	46

Balance sheet in summary

MSEK	31 Dec 2011	31 Dec 2010	31 Aug 2010/11	31 Aug 2009/10	31 Aug 2008/09
Intangible fixed assets	143	144	143	144	143
Tangible fixed assets	437	458	445	460	461
Financial fixed assets	6	1	6	1	2
Inventory	112	131	111	145	117
Current receivables	114	109	125	121	113
Short term investments	–	9	–	50	21
Cash and cash equivalent	305	254	264	195	256
Total assets	**1,117**	**1,106**	**1,094**	**1,116**	**1,113**
Equity	753	739	739	733	711
Non-current liabilities					
Deferred tax	102	103	103	103	108
Other provisions	79	75	79	74	73
Convertible loan	24	28	24	28	26
Current liabilities	159	161	149	178	195
Total equity and liabilities	**1,117**	**1,106**	**1,094**	**1,116**	**1,113**
Pledged assets	0	1	0	1	2
Contingent liabilities	2	2	2	2	2

Cash flow statement in summary

MSEK	1 Sep – 31 Dec 2011	1 Sep – 31 Dec 2010	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010	1 Sep – 31 Aug 2010/11	1 Sep – 31 Aug 2009/10	1 Sep – 31 Aug 2008/09
Cash flow from operations before changes in working capital	39	44	61	75	66	71	48
Changes in working capital	12	–1	23	–7	10	–52	79
Cash flow from operations	**51**	**43**	**84**	**68**	**76**	**19**	**127**
Investments in fixed assets	–10	–16	–33	–46	–39	–51	–111
Other cash flow from investing activities	–	–50	–	21	50	–29	–18
Cash flow after investing activities	**41**	**77**	**51**	**43**	**87**	**–61**	**–2**
Cash flow from financing activities	–	–18	–	–18	–18	–	–21
Cash flow for the period	**41**	**59**	**51**	**25**	**69**	**–61**	**–23**
Cash and cash equivalents at the beginning of the period	264	195	254	229	195	256	279
Cash and cash equivalents at the end of the period	**305**	**254**	**305**	**254**	**264**	**195**	**256**

Key figures and per share data

MSEK	1 Sep – 31 Dec 2011	1 Sep – 31 Dec 2010	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010	1 Sep – 31 Aug 2010/11	1 Sep – 31 Aug 2009/10	1 Sep – 31 Aug 2008/09
Profit							
Gross margin, %	35.7	33.4	31.6	31.3	30.8	31.0	28.4
Operating profit margin before depreciation (EBITDA margin), %	10.4	12.6	7.2	8.0	8.3	8.0	3.9
Operating profit margin (EBIT margin), %	5.5	8.0	1.5	2.9	2.7	3.3	0.0
Profit margin, %	5.5	7.7	1.5	2.6	2.6	2.9	neg
Financial position							
Net receivable, MSEK	206	151	206	151	167	144	183
Capital employed, MSEK	857	843	857	843	842	835	806
Return on capital employed, %	2.4	4.1	2.4	4.1	3.9	4.7	1.2
Equity/assets ratio, %	67.4	66.7	67.4	66.7	67.5	65.7	63.9
Return on equity, %	1.2	2.5	1.2	2.5	2.4	3.0	1.3
Cash flow							
Cash flow from operations, MSEK	51	43	84	68	76	19	127
Investments in fixed assets, MSEK	10	16	33	46	39	51	111
Cash flow after investments, MSEK	41	27	51	22	37	–32	16
Per share data							
Earnings per share, SEK							
basic	0.61	0.97	0.37	0.77	0.73	0.90	0.23
diluted	0.61	0.95	0.37	0.77	0.73	0.90	0.23
Equity per share, SEK	30.92	30.59	30.92	30.59	30.34	30.38	29.47
Dividend per share[1], SEK	–	–	–	–	–	0.75	–
Number of shares at the end of the period	24,319,186	24,119,196	24,319,186	24,119,196	24,319,186	24,119,196	24,119,196
Average number of shares	24,319,186	24,119,196	24,319,186	24,119,196	24,280,284	24,119,196	24,119,196
Employees							
Average number of employees	420	446	428	449	437	452	464

1) Total dividend in relation to the number of shares on the record date.

For definitions, see section *Definitions of financial terms and key figures*.

Comments on the financial development for Cloetta

Numbers in brackets corresponds to the same period previous year.

Comparison between 2011 and 2010 for the period 1 September – 31 December (four-month period)

Net sales

Sales of Cloetta's products amounted to SEK 322 million (365). Net sales for the four-month period totalled SEK 364 million (413), of which contract manufacturing accounted for SEK 42 million (48).

The total market for chocolate confectionery in Sweden showed modest growth. The retail market grew, while the service trade continued to decline. In the Swedish market, Cloetta's sales decreased in the four-month period. The decrease was due to a weaker development in the service trade compared with the same period the previous year and the previous year's sell-in volumes of the then newly launched Tarragona bars. Furthermore, this year Cloetta chose to lessen the focus on filled chocolate boxes. Sales in the chocolate bags segment increased in the four-month period.

In the autumn of 2011, Cloetta launched Polly Rocks and Center Kokos, both of which had a positive impact on sales in the four-month period. The top-selling Christmas product Juleskum was launched during the period in a new flavour – Polka – which made a positive contribution on sales.

Sales in markets outside Sweden were somewhat higher than the previous year, despite the lower sales to IKEA, which chose to sell only its own brands. In September 2011, Polly was launched in Norway under the name of Popsy with strong attention-getting media support, which contributed positively to sales. Also, the rest of the product range contributed positively to the increase.

Gross profit and gross margin

Gross profit for the period amounted to SEK 130 million (138), equivalent to a gross margin of 35.7 per cent (33.4).

Operating profit and operating margin

Overhead expenses increased by SEK 6 million compared with the same period the previous year and amounted to SEK 110 million (104). The increase was due to major marketing investments, primarily through TV advertisements in Norway in connection with the launch of Popsy in September 2011. In the Swedish market, Polly was supported by Web TV in September 2011 and both Polly and Tarragona were promoted through outdoor advertisements in October 2011.

Operating profit amounted to SEK 20 million (33). Operating profit margin for the four-month period was 5.5 per cent (8.0). Operating profit before depreciation amounted to SEK 38 million (52), equivalent to an operating profit margin before depreciation of 10.4 per cent (12.6).

Profit before tax amounted to 20 SEK million (32). Net financial items totalled SEK 0 million, compared with SEK –1 million the previous year. Profit after tax amounted to SEK 14 million (24), which corresponded to a basic earnings per share of SEK 0.61 (0.97) and diluted earnings per share of SEK 0.61 (0.95). Tax expenses of the period amounted to SEK 6 million (8).

Cash flow for the period

Cash flow from operating activities for the period amounted to SEK 51 million (43). The improved cash flow was mainly attributable to a decrease in working capital compared with the same period the previous year.

Investments in financial fixed assets during the four-month period affected the cash flow by SEK 10 million (16) net. Other cash flow from investing activities consists of ongoing investments. Interest-bearing assets exceeded interest-bearing liabilities by SEK 206 million (151) on the balance sheet day. The equity/asset ratio was 67.4 per cent (66.7).

Comparison between 2010/2011 and 2009/2010 for the period 1 September – 31 August (full year)

Net sales

Sales of Cloetta's products amounted to SEK 874 million (914). Total net sales were SEK 987 million (1,061) during the period, of which contract manufacturing accounted for SEK 113 million (147). Cumulative sales in the Swedish market were lower than in the previous year, partly because the volumes of the Wedding Series that were delivered in the corresponding period the previous year were withdrawn during the year. For the period September 2010 – August 2011, sales of the two largest brands, Kexchoklad and Polly were on par with or better than in the previous year. The launch of Tarragona in fall 2010 and the top-selling Christmas product Juleskum had a positive impact on sales.

In the spring of 2011, Cloetta launched a new design for all Kexchoklad articles and the new blueberry-flavoured Kexchoklad was introduced as both a countline and a mini-bar in a bag. During the same period, a new bag concept was also launched for Cloetta's chocolate dragées in sizes adapted for the retail and service trades. In connection with this, Pops Crunchy was launched on the Swedish market.

Total sales in Cloetta's other markets were somewhat lower than in the previous year. Chocolate bags, driven by Popsy in Norway, noted increased sales. In Finland, Polly Summer Berries was sold during the summer of 2011, and together with the new Center Salmiak roll, contributed to higher sales. Sales to Travel Retail increased most, primarily as a result of the new large-size bags of Kexchoklad and Polly intended for passenger ferries, charter tour operator and airports.

Gross profit and gross margin
Gross profit amounted to SEK 304 million (329) for the period, which corresponds to a gross margin of 30.8 per cent (31.0).

Operating profit and operating margin
Overhead expenses decreased by SEK 12 million compared with the previous year and amounted to SEK 287 million (299). The decrease was mainly attributable to the marketing activities that were carried out in the comparison period in connection with the launch of Cloetta's Good chocolate bar series and the Wedding Series. During 2010/2011, marketing activities were conducted among others in the media and through joint promotional campaigns with customers in preparation for the launch of large-sized Tarragona bars in the retail in the fall of 2010 and ahead of the Christmas sales, with products such as Juleskum. During the ski season, Kexchoklad was promoted through outdoor advertisements and activities at ski resorts. Other overhead expenses were on par with the previous year. Operating profit amounted to SEK 27 million (35) and the operating profit margin was 2.7 per cent (3.3). Operating profit before depreciation amounted to SEK 82 million (85), equal to an operating profit margin before depreciation of 8.3 per cent (8.0). In the fourth quarter (June – August 2011), income of SEK 5 million was recognized following the Swedish Tax Agency's approval of a contractual item from the demerger of Cloetta Fazer relating to a deduction for group contributions to a Polish subsidiary. This amount was recognized together with other operating income.

Profit before tax amounted to SEK 26 million (31). Net financial items totalled SEK –1 million, compared with SEK –4 million the previous year. The reporting of negative net financial items in spite of a net receivable is mainly explained by the fact that interest on the pension liability and the convertible note programme for the employees was higher than the yield on financial assets. Profit after tax was reported at SEK 18 million (22), which corresponded to a basic earnings per share of SEK 0.73 (0.90) and a diluted earnings per share of SEK 0.73 (0.90). The period's income tax expense amounted to SEK –8 million (–9).

Cash flow for the period
Cash flow from operating activities for the period September 2010 – August 2011 was SEK 76 million (19). The improved cash flow was mainly explained by a decrease in working capital compared with the corresponding period the previous year. Investment in fixed financial assets during the twelve-month period affected the cash flow by SEK 39 million (51) net. The remaining cash flow from investing activities consisted of ongoing investments. The dividend approved by the annual general meeting was charged to financing operations in an amount of SEK 18 million during the second quarter. Interest-bearing assets exceeded interest-bearing liabilities by SEK 167 million (144) on the balance sheet day. The equity/asset ratio was 67.5 per cent (65.7).

Comparison between 2009/2010 and 2008/2009 for the period 1 September – 31 August (full year)

Net sales
Sales of Cloetta's products amounted to 914 million (850), an increase of 8 per cent. Total net sales decreased during the period to SEK 1,061 million (1,184), due to Cloetta's discontinued sales of Fazer products as of 1 January 2009.

In the Swedish market, sales of Cloetta products increased by 5 per cent. The increase was partly attributable to strong Christmas sales of Cloetta's new filled chocolate box and Juleskum as well as the new products launched in the chocolate bar segment, including for example Tarragona, Good and Cloetta's Wedding Series. Sales to the other Nordic countries also had a favourable development during the year, mainly in the Finnish market where products like Center and Polly performed well.

Gross profit and gross margin
Gross profit for the period amounted to SEK 329 million (336), which corresponds to a gross margin of 31.0 per cent (28.4). The figure for the comparison period includes restructuring charges of SEK 7 million. Gross margin excluding items affecting comparability was 31.0 per cent (29.0). Gross margin for the period was strengthened by successful sales of Cloetta's products, a good product mix and high efficiency in production.

Operating profit and operating margin
Overhead expenses amounted to SEK 299 million (365). The figure for the comparison period includes restructuring charges of SEK 44 million connected to Cloetta's licensed sales of Fazer products during the period from September to December 2008. Operating profit increased to SEK 35 million (0) with an operating profit margin of 3.3 per cent (0). Excluding items affecting comparability, operating profit for the period increased from SEK 8 million to SEK 35 million.

Operating profit before depreciation amounted to SEK 85 million (46), which corresponds to an operating profit margin before depreciation of 8.0 per cent (3.9). The figure for the previous year included a profit of SEK 4 million from the sale of Fazer's products, which implies that profit in Cloetta's operations increased by SEK 31 million. The price of raw materials increased during the year and affected the gross margin. Among other things, the price of cocoa increased to historically very high levels from the fall of 2009. Due to use of currency forward contracts, the recent strengthening of the Swedish krona will have a delayed effect.

Profit before tax amounted to SEK 31 million (–1). Net financial items totalled SEK –4 million, compared with SEK –1 million the previous year. The reporting of negative net financial items in spite of a net receivable is mainly explained by the fact that interest on the pension liability and convertible note programme for employees is higher than the yield on financial assets. Profit after tax was SEK 22 million (6), which corresponded to a basic and diluted earnings per share of SEK 0.90 (0.23). Tax expenses for the period amounted to SEK –9 million (7).

Cash flow for the period
Cash flow from operating activities for the period September 2009 – August 2010 amounted to SEK 19 million (127). The higher number of newly launched products and earlier Christmas production affected the size of inventories and therefore also had a negative impact on the cash flow. Effects of the demerger of Cloetta and Fazer had a positive effect on the cash flow. Investment in fixed assets during the period affected the cash flow by SEK 51 million (111). Interest-bearing assets exceeded interest-bearing liabilities by a net amount of SEK 144 million (183) on the balance sheet day. The equity/asset ratio was 65.7 per cent (63.9).

Financial information in summary for LEAF

The financial statements for LEAF's past three financial years are incorporated in this prospectus by reference. All of LEAF's reports have been translated from English to Swedish and are available on Cloetta's website www.cloetta.com.[1] LEAF's annual reports for 2009, 2010 and 2011 have been prepared in accordance with IFRS as endorsed by the EU and have been audited by LEAF's auditor. The auditor's reports of the annual reports comply with the standardised formula and are all unqualified. The information below is extracted from the audited annual reports and is presented in accordance with Cloetta's presentation of financial information. The tables in this section should be read together with the section *Comments on the financial development for LEAF* and for complete information, the reader should refer to LEAF's audited annual reports.

In order to enhance the reader's understanding of LEAF and the market in which LEAF operates, some supplemental information has been included. The supplemental information is intended to illustrate LEAF's underlying development of profit and key figures by excluding the effect of items affecting comparability.

The Company is of the opinion that figures and ratios of LEAF's underlying financial development provide investors with a view of how LEAF's profit has developed and allows for a more comprehensive view of future results and financial position. However, recurring measures are not measures of financial performance under GAAP and should be used in addition to, and not as substitutes for, other measures of financial performance reported in accordance with GAAP.

The information in this section is presented before the conversion of LEAF's intra-group loans into equity. In connection with the merger, the intra-group loans issued by LEAF's main owners to LEAF was converted into equity. Through the conversion an amount equivalent to the amount of the intra-group loans including accrued interest has been converted to equity corresponding to a total amount of EUR 391.9 million.

During the financial years 2009–2011, most of the intra-group loans have accrued with an interest and have affected the profit before tax negatively. The financial expenses related to the intra-group loans are presented separately in the table *Income statement in summary* and amounts to an accumulated sum of EUR 149.9 million for the financial years 2009–2011. The financial expenses related to the intra-group loans have resulted in LEAF reporting an accumulated loss of EUR 63.1 million in the profit after tax for the financial years 2009–2011, even though the operating profit for the same period amounted to EUR 145.4 million. Losses after tax have been deducted from equity, resulting in negative equity for the financial years 2009–2011.

Income statement in summary

	1 Jan – 31 Dec		
MEUR	**2011**	**2010**	**2009**
Net sales	516.3	526.9	516.7
Cost of goods sold	–322.7	–321.0	–322.3
Gross profit	**193.6**	**205.9**	**194.4**
Net other operating expenses	–153.2	–151.9	–143.4
Operating profit	**40.4**	**54.0**	**51.0**
Financial expenses attributable to intra-group loan	–47.6	–53.8	–48.5
Other financial items	–19.1	–17.5	–21.0
Profit before tax	**–26.3**	**–17.3**	**–18.5**
Income tax	19.1	–22.1	2.1
Profit for the year	**–7.3**	**–39.4**	**–16.4**
Operating profit before depreciation (EBITDA)	54.0	69.0	65.5
Depreciation	13.6	15.0	14.5
Operating profit before depreciation of intangible fixed assets (EBITA)	41.3	55.0	51.4
Depreciation of intangible fixed assets	0.9	1.0	0.4

1) In case of discrepancy between the language versions, the english version should have precedence.

Supplemental information

MEUR	1 Jan – 31 Dec 2011	2010	2009
Restructuring within supply chain	19.0	12.6	7.0
Other items affecting comparability	4.2	4.5	7.7
Total items affecting comparability	**23.2**	**17.1**	**14.7**
Recurring EBITDA	77.2	86.1	80.2
Recurring EBITA	64.5	72.0	66.2
Recurring EBITDA margin, %	15.0	16.3	15.5
Recurring EBITA margin, %	12.5	13.7	12.8

For definitions, see section *Definitions of financial terms and key figures*.

In 2011, items affecting comparability of in total EUR 23.2 million were incurred, primarily attributable to LEAF's supply chain restructuring and the restructuring of the procurement and sales organisation. The majority of the items affecting comparability are related to the closure of the factory in Slagelse, in Denmark.

In 2010, items affecting comparability of in total EUR 17.1 million were incurred. The majority of the items affecting comparability were related to the restructurings, which were initiated in 2009, within both the sales and production organisations in Italy as well the closure of the factory in Slagelse. During the year, the move of one production line from Slagelse to Levice, Slovakia, was initiated, and at the end of the year LEAF announced its decision to move all production in the factory in Slagelse and close the factory.

In 2009, items affecting comparability of in total EUR 14.7 million were incurred. These were primarily attributable to the initiation of the closure of the factory in Zola Pedrosa, Italy, the initiation of the restructuring of the Italian sales organisation and restructuring within the head office.

Balance sheet in summary

MEUR	31 Dec 2011	2010	2009
Goodwill	217.3	217.4	217.5
Other intangible fixed assets	322.6	320.2	307.7
Tangible fixed assets	147.9	148.6	158.3
Deferred tax assets	49.5	23.4	25.2
Financial fixed assets[1]	29.2	16.4	4.4
Inventory	71.8	63.1	61.5
Current receivables[2]	119.9	133.7	128.1
Short term investments	–	–	–
Cash and cash equivalents	10.9	24.6	23.9
Total assets	**969.2**	**947.4**	**926.6**
Equity	–41.1	–125.3	–60.4
Non-current liabilities			
Intra-group loan	377.5	432.7	378.9
Deferred tax liability	81.7	79.6	76.9
Other non-current liabilities[3]	81.5	68.1	30.8
Liabilities to credit institutions	251.0	289.3	322.6
Current liabilities			
Current portion of liabilities to credit institutions	81.5	71.5	65.9
Other current liabilities[4]	137.1	131.5	111.8
Total equity and liabilities	**969.2**	**947.4**	**926.6**
Contingent liabilities	21.6	20.5	18.4

1) Intra-group loans of EUR 28.4 million, EUR 15.6 million and EUR 3.5 million for the years 2011, 2010 and 2009 respectively are included in the financial fixed assets.
2) Intra-group loans of EUR 7.4 million, EUR 14.6 million and EUR 13.2 million for the years 2011, 2010 and 2009 respectively are included in the current receivables.
3) Intra-group loans of EUR 53.6 million, EUR 38.9 million and EUR 0.9 million for the years 2011, 2010 and 2009 respectively are included in the other non-current liabilities.
4) Intra-group loans of EUR 2.3 million, EUR 0.0 million and EUR 0.0 million for the years 2011, 2010 and 2009 respectively are included in the other current liabilities.

Cash flow statement in summary

MEUR	1 Jan – 31 Dec 2011	2010	2009
Cash flow from operations before changes in working capital	41.1	44.6	42.2
Changes in working capital	13.5	–4.8	–1.1
Cash flow from operations	**54.6**	**39.8**	**41.1**
Net investments in fixed assets	–24.7	–9.9	–10.1
Other cash flow from investing activities	–	–	–
Cash flow after investing activities	**29.9**	**29.9**	**31.0**
Cash flow from financing activities	–43.5	–28.9	–21.5
Cash flow for the period	**–13.6**	**1.0**	**9.5**
Cash and cash equivalents at the beginning of the period	24.6	23.9	16.2
Exchange rate effects	–0.1	–0.3	–1.7
Cash and cash equivalents at the end of the period	**10.9**	**24.6**	**23.9**

Key figures

	1 Jan – 31 Dec 2011	2010	2009
Profit			
Gross profit margin, %	37.5	39.1	37.6
Operating profit margin before depreciation (EBITDA margin), %	10.5	13.1	12.7
Operating profit margin before depreciation of intangible fixed assets (EBITA margin), %	8.0	10.4	10.0
Operating profit margin (EBIT margin),%	7.8	10.3	9.9
Recurring EBITDA margin,%	15.0	16.3	15.5
Recurring EBITA margin, %	12.5	13.7	12.8
Profit margin, %	–5.1	–3.3	–3.6
Financial position			
Net debt, MEUR	321.6	336.3	364.6
Capital employed, MEUR	791.0	858.3	795.9
Return on capital employed, %	5.3	6.4	6.4
Equity/assets ratio, %	–4.2	–13.2	–6.5
Return on equity, %	–	–	–
Interest coverage ratio, x	2.2	3.1	2.4
Cash flow			
Cash flow from operations, MEUR	54.6	39.8	41.1
Investments, MEUR	–24.7	–9.9	–10.1
Cash flow after investments, MEUR	29.9	29.9	31.0
Employees			
Average number of employees	2,192	2,275	2,309

For definitions, see section *Definitions of financial terms and key figures.*

Comments on the financial development for LEAF

Numbers in brackets corresponds to the same period previous year.

Comparison between 2011 and 2010

Net sales

The table below shows net sales for 2011 and 2010 respectively as well as a split per geographic region.

MEUR	2011	2010
Sweden	92.6	94.0
Denmark	26.9	27.7
Norway	33.1	32.4
Finland	96.5	103.4
Nordic countries	**249.1**	**257.5**
The Netherlands	74.0	77.1
Italy	108.6	106.0
Other markets	84.6	86.3
Total LEAF	**516.3**	**526.9**

The market conditions were challenging during 2011. The demand from consumers remained unchanged or lower on most markets. Despite the market conditions, LEAF defended its strong position within sugar confectionery during 2011, and maintained its strong position on the main markets.

Net sales decreased by 2.0 per cent to EUR 516.3 million (526.9) during 2011 following a negative sales development on all markets except for Italy. Adjusted for currency effects, net sales decreased by 3.1 per cent compared with 2010. The decreased sales in Sweden was primarily due to a general downturn in the market, but also stemmed from IKEA's decision to globally launch products under its own label instead of continuing to sell external brands. The sales reduction in Finland was primarily due to a weak first quarter caused by extensive pre-buying in the fourth quarter of 2010 ahead of the introduction of a confectionery tax on 1 January 2011. The introduction of a confectionery tax had also initially an impact on the volume development, which affected the sales primarily during the first six months period of 2011. In the Netherlands, the sales of chewing gum continued to be under pressure and accounted for the larger part of the sales decrease.

Operating profit and operating profit margin

Operating profit decreased to EUR 40.4 million (54.0). Adjusted for items affecting comparability, recurring EBITA decreased to EUR 64.5 million (72.0). The decrease was primarily due to sharply increased raw material prices compared with the previous year. The cost increases were offset by price increases towards retailers, but these price increases will not be effective until 2012. LEAF also continued to increase market investments in its brands. Lastly, the lower sales in several markets contributed to the lower operating profit.

Cash flow for the period

Cash flow from operations amounted to EUR 54.6 million (39.8), which was an improvement of EUR 14.8 million, despite the lower operating profit. The improvement was primarily due to a strong development of the working capital and a significantly improved financing cost. Net investments in fixed assets increased to EUR 24.7 million (9.9) primarily related to investments taken as a consequence of the decision to close the factory in Slagelse, Denmark, and relocate the production to Levice, Slovakia. The operating cash flow after investing activities amounted to EUR 29.9 million and was unchanged compared with 2010.

Comparison between 2010 and 2009

Net sales

The table below shows net sales for 2010 and 2009 respectively as well as a split per geographic region.

MEUR	2010	2009
Sweden	94.0	80.2
Denmark	27.7	28.6
Norway	32.4	27.3
Finland	103.4	98.9
Nordic countries	**257.5**	**235.0**
The Netherlands	77.1	79.5
Italy	106.0	105.1
Other markets	86.3	97.2
Total LEAF	**526.9**	**516.7**

In 2010, net sales increased by 2.0 per cent to EUR 526.9 million (516.7). Adjusted for currency effects, net sales were in line with 2009. In local currencies, Scandinavia and Finland showed a positive sales growth of about 4 per cent each. The sales growth in Finland was partially due to pre-buying in the fourth quarter of 2010 ahead of the introduction of a confectionery tax on 1 January 2011. The net sales decrease in the Netherlands was mainly due to a decrease of sales within the chewing gum. During 2010, Italy managed to turn around the business, which resulted in increased net sales. Net sales in the other countries decreased significantly, primarily due to the loss of a distribution contract worth EUR 8 million in Belgium.

Operating profit and operating profit margin

Operating profit increased by 5.9 per cent to EUR 54.0 million (51.0). Adjusted for items affecting comparability, recurring EBITA showed a positive development and increased to EUR 72.0 million (66.2). Positive sales development in Scandinavia and Finland in combination with continuous supply chain efficiency improvements as well as generally beneficial raw material prices contributed to the positive EBITA development.

Cash flow for the period

Cash flow from operations amounted to EUR 39.8 million (41.1). A slightly better operating profit was offset by a negative change in the working capital. Net investments amounted to EUR 9.9 million (10.1), which was in line with the level of the previous year. The operating cash flow after investing activities was EUR 29.9 million (31.0).

Definitions of financial terms and key figures

Gross margin	Net sales less the cost of goods sold as a percentage of net sales.
EBITDA margin	Operating profit before depreciation as a percentage of net sales.
EBITA margin	Operating profit before depreciation of intangible fixed assets as a percentage of net sales.
EBIT margin	Operating profit as a percentage of net sales.
Profit margin	Profit before tax as a percentage of net sales.
Net receivable	Cash and cash equivalents and other interest-bearing assets less interest-bearing liabilities.
Net debt	Interest-bearing liabilities excluding intra-group loans less cash and cash equivalent and other interest-bearing assets.
Capital employed	Total assets less interest-free liabilities (including deferred tax).
Return on capital employed	Operating profit plus financial income as a percentage of average capital employed.
Equity/assets ratio	Equity at year-end as a percentage of total assets.
Return on equity	Profit for the year as a percentage of average equity.
Interest coverage ratio	Operating profit plus financial income as a percentage of financial expenses excluding interest on intra-group loans.
Cash flow after investments	Cash flow from operating activities less net investments.
Basic earnings per share	Profit for the year divided by the average number of shares outstanding during the financial year.
Diluted earnings per share	In calculating diluted earnings per share, interest on the convertible debenture loan that has been charged to profit, net of tax, is added back. The number of shares comprises the maximum number of shares after conversion of outstanding convertible notes.
Equity per share	Equity divided by the number of shares on the balance sheet date.

Supplemental information

Items affecting comparability	Items affecting comparability refer to non-recurring items. For a discussion on items affecting comparability, see above under the table *Supplemental information*.
Recurring EBITDA	Operating profit before depreciation excluding items affecting comparability.
Recurring EBITA	Operating profit before depreciation of intangible fixed assets excluding items affecting comparability.
Recurring EBITDA margin	Recurring EBITDA as a percentage of net sales.
Recurring EBITA margin	Recurring EBITA as a percentage of net sales.

CAPITALISATION AND OTHER FINANCIAL INFORMATION

The tables in this section present information on Cloetta's equity and indebtedness as of 31 December 2011.

Equity amounted to SEK 753 million as of 31 December 2011, of which share capital amounted to SEK 122 million, other paid-in capital amounted to SEK 410 million and retained earnings amounted to SEK 221 million.

It should be noted that Cloetta's financial position changes significantly through the merger with LEAF. Information on Cloetta's equity and indebtedness in this section is also presented pro forma for the acquisition of LEAF. For more information on the financial effects of the merger, refer to the section *Pro forma financial information*.

The equity amounted to SEK 3,486 million pro forma as of 31 December 2011, of which share capital amounted to SEK 1,441 million, other paid-in capital amounted to SEK 4,159 million, other reserves amounted to SEK 1 million and retained earnings amounted to SEK –2,115 million.

Equity and liabilities

MSEK	31 Dec 2011	Pro forma 31 Dec 2011
Guaranteed	0	0
Secured	0	727[1]
Unguaranteed / Unsecured	102	24
Total current interest-bearing liabilities	**102**	**751**
Guaranteed	0	0
Secured	0	2,951[1]
Unguaranteed / Unsecured	24	0
Total non-current interest-bearing liabilities	**24**	**2,951**
Share capital	122	1,441
Other paid-in capital	410	4,159
Other reserves	0	1
Retained earnings	221	–2,115
Non-controlling interest	0	0
Equity	**753**	**3,486**

1) The following assets have been pledged to Svenska Handelsbanken AB: shares of all group companies except for Leaf Baltics, OOO Leaf and Leaf United Kingdom Ltd., any intra-group debt, any insurance proceeds, any hedging agreements, any registered intellectual property rights, any security interest in real property and other assets by way of business mortgage.

Net financial indebtedness

MSEK		31 Dec 2011	Pro forma 31 Dec 2011
(A)	Cash	305	544
(B)	Cash equivalents	–	0
(C)	Easily realisable securities	–	0
(D)	**Total liquidity (A) + (B) + (C)**	**305**	**544**
(E)	Current receivables	6	0
(F)	Current bank debt	–	354
(G)	Current portion of non-current liabilities	–	345
(H)	Other current financial liabilities	24	52
(I)	**Total current liabilities (F) + (G) + (H)**	**24**	**751**
(J)	**Net current indebtedness (I) - (E) - (D)**	**–287**	**207**
(K)	Non-current bank loans	–	2,951
(L)	Issued bonds	–	0
(M)	Other non-current loans	181	0
(N)	**Non-current indebtedness (K) + (L) + (M)**	**181**	**2,951**
(O)	**Net indebtedness (J) + (N)**	**–106**	**3,158**

Credit agreements

Cloetta's primary loan financing is composed of a credit agreement with Svenska Handelsbanken AB (publ) which is a facility of a total of SEK 4.2 billion as of 31 December 2011. Of the total credit facility of a total of SEK 4.2 billion, approximately SEK 1.2 billion was unutilised as of 31 December 2011. The current primary credit agreement expires during 2017. Under the credit agreement, Cloetta is subject to certain covenants and dividend restrictions described in summary below.

- Cloetta has a long-term goal for indebtedness equivalent to a net debt/EBITDA ratio of around 2.5 x. No dividend is expected before the target is within reach.
- The credit agreement contains some covenants covering net debt/EBITDA, interest coverage ratio and equity/assets ratio and will be reviewed on a quarterly basis. The new bank financing agreement provides for additional headroom to covenants.
- The interest margins stipulated by the credit agreement have been set according to a ratchet scale based on Cloetta's net debt/EBITDA ratio. The estimated interest rate in 2012 is expected in the range of 5.0-6.0 per cent and the total interest cost is expected to amount to approximately SEK 200 million. The pro forma interest coverage ratio based on recurring EBITDA 2011 pro forma amounts to 3.8 x.

Working capital

Cloetta's working capital requirement is primarily related to changes in inventory, account receivables and other current receivables. These are financed in part by corresponding account payable and other current liabilities. Cloetta's working capital requirement is not subject to specific seasonal variations.

Financial resources and cash flow

Cloetta's financial resources are composed of the cash flow from operations, cash and cash equivalents and the Company's unutilised credit lines.

In connection with the acquisition of LEAF, new credit facilities have been issued. For additional information on the credit facilities, refer to the heading *Credit agreements*, above.

The Company's cash flow is also intended to finance the business' liquidity requirement in the future. The Company's cash flow and cash liquidity, together with available revolving credit lines, are deemed sufficient to meet the current working capital requirements, i.e. Cloetta's possibility to obtain cash and cash equivalents to meet its obligations as when they fall due including payments for investments, during the coming twelve month period.

Research and development

Research and development expenses are expensed as incurred, if they do not meet the requirement for capitalisation. The research and development work taking place within the Group comprises mainly extensions of the product offering by renewing packaging design and development of varieties of sizes and tastes. The development work is a continuous process, and the value of isolated process is difficult to assess.

Investments

The table below summarises Cloetta's total investments for the period 1 January to 31 December 2010 and 2011 and 1 September to 31 August 2008/2009, 2009/2010 and 2010/2011, as well as LEAF's total investments for the periods 2009 to 2011. The ordinary investments primarily pertain to investments in machinery, buildings and equipment (including IT/software for LEAF). The investments pertain to efficiency improving investments as well as replacement investments for current production lines. Of the total ordinary investments in Cloetta during 2010/2011 of SEK 39 million and SEK 39 million pertained to tangible fixed assets. Of the total ordinary investments in LEAF during 2011 of EUR 25 million, EUR 21 million pertained to tangible fixed assets.

No material investments are in progress at the time of this prospectus. Cloetta has not made any firm commitments regarding future investments and does not foresee any material changes in the level of investments in relation to sales in the immediate future.

Cloetta	1 Jan – 31 Dec		1 Sep – 31 Aug		
MSEK	2011	2010	2010/11	2009/10	2008/09
Investment in intangible fixed assets	0	0	0	2	0
Investment in tangible fixed assets	33	46	39	49	111
Total ordinary investments	**33**	**46**	**39**	**51**	**111**

LEAF	1 Jan – 31 Dec		
MEUR	2011	2010	2009
Investment in intangible fixed assets	4	1	2
Investment in tangible fixed assets	21	9	8
Total ordinary investments	**25**	**10**	**10**

Acquisitions and divestments

In December 2011, Cloetta signed an agreement to acquire LEAF. The acquisition was completed as of 16 February 2012. For more information, see the section *Cloetta's merger with LEAF*.

On 22 February 2012, Cloetta announced the divestment of its Belgian distribution operations to Katjes International GmbH & Co. KG. For further information regarding the divestment, see below under the heading *Trends and significant changes*.

Intangible fixed assets

Intangible fixed assets in Cloetta amounted to SEK 143 million as of 31 December 2011. Of the total intangible fixed assets, SEK 91 million pertained to goodwill and SEK 52 million pertained to brands and other intangible fixed assets.

Intangible fixed assets in LEAF amounted to EUR 540 million as of 31 December 2011. Of the total intangible fixed assets, EUR 217 million pertained to goodwill and EUR 323 million pertained to brands and other intangible fixed assets.

Cloetta

MSEK	31 Aug 2011	31 Dec 2011
Goodwill	91	91
Brands	50	50
Other intangible fixed assets	2	2
Total intangible fixed assets	**143**	**143**

LEAF

MEUR	31 Dec 2011
Goodwill	217
Brands	317
Other intangible fixed assets	6
Total intangible fixed assets	**540**

Tangible fixed assets

Tangible fixed assets in Cloetta amounted to SEK 437 million as of 31 December 2011. Of the total tangible fixed assets, SEK 120 million pertained to land and buildings and SEK 280 million pertained to plant and machinery. The remaining tangible fixed assets pertained to equipment and tools and construction in progress. None of Cloetta's tangible fixed assets are used as security or subject to other restrictions. For additional information regarding Cloetta's tangible fixed assets, refer to note 14 and note 32 in Cloetta's annual report for 2010/2011.

Cloetta

MSEK	31 Aug 2011	31 Dec 2011
Land and buildings	121	120
Plant and machinery	293	280
Equipment, tools, fixtures and fittings	9	9
Construction in progress	22	28
Total tangible fixed assets	**445**	**437**

Tangible fixed assets in LEAF amounted to EUR 148 million as of 31 December 2011. Of the total tangible fixed assets, EUR 62 million pertained to land and buildings and EUR 81 million pertained to machinery and equipment. The remaining tangible fixed assets pertained to assets under construction. A significant share of land and buildings as well as other tangible fixed assets is pledged to Svenska Handelsbanken AB. For additional information regarding LEAF's tangible fixed assets, refer to note 7 in LEAF's annual report for 2011.

LEAF

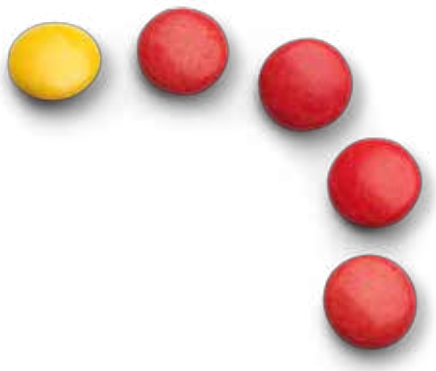
MEUR	31 Dec 2011
Land and buildings	62
Machinery and equipment	81
Tools and installations	0
Assets under construction	5
Total tangible fixed assets	**148**

Sensitivity analysis

Cloetta's development is affected by a multiple of factors, which include those accounted for in the section *Risk factors*. The table below shows the hypothetical effect on Cloetta's profit before tax pro forma during the period 1 January 2011 to 31 December 2011, should some factors change. The calculations are hypothetical and should neither be considered as an indicator of either of these factors being more or less likely to change, nor the size of the magnitude of the change. Real changes and their effects may be larger or smaller than presented in the table below. In addition, it is likely that the real changes will affect other items, and that actions by Cloetta and others, as a result of the changes, may come to affect other items. The sensitivity analysis should therefore be interpreted with caution.

Sensitivity analysis	Change	Profit before tax
Net sales	+/–1 %	+/–56 MSEK
Raw material and packaging	–/+1 %	+/–15 MSEK
Market interest rate	+/–1 %	–/+21 MSEK[1]

1) Refers to net effect of an interest rate increase of one percentage point, looking at the change in value of the interest rate swap Cloetta has with maturity end 2013.



Financial exposure and risk management

For further information, refer to the description of Cloetta's risk in the section *Risk factors* on page 12. For a description on how the risks are managed for the part of Cloetta that refers to Cloetta's business before the acquisition of LEAF, refer to *Note 29, Financial risks and financial risk management* as well as the section *Information about risks and uncertainties* in the management's report in Cloetta's annual report 2010/2011. For the part that refers to LEAF, refer to LEAF's annual report 2011 *Note 4, Financial risk management* and the section *Material risks and uncertainty factors* in the management's report. The annual reports of Cloetta and LEAF are incorporated in this prospectus by reference.

Currency exposure

Cloettas's exposure to currency risk is described in the section *Risk factors* under the heading *Currency risks*. The translation exposure is currently not hedged.

Interest exposure

Cloetta's exposure to interest risk is described in the section *Risk factors* under the heading *Interest risks*.

Cloetta has, to the end of 2013, an interest swap that will give a positive effect of approximately SEK 18 million on the profit before tax if the interest increased by one percentage point.

Trends and significant changes

Since Cloetta's last reporting, the merger with LEAF has been completed.

In line with Cloetta's strategy to focus on its main brands, Cloetta announced on 22 February 2012, the divestment of its distribution operations in Belgium. The distribution operations distribute primarily brands that are not owned by Cloetta. The distribution operations accounted for approximately SEK 200 million of the Belgian net sales in 2011 and had about 50 employees. The sale will result in a non-cash flow affecting expense of about SEK 30 million. The divestment will have a limited impact on Cloetta's future operating profits.

On 8 March 2012, it was announced that Cloetta considers closing the factories in Gävle, Aura and Alingsås, as well as streamlining the warehouse network. The merger between Cloetta and LEAF, combined with an overcapacity in the Group's production structure, makes it possible to improve the Groups efficiency. The intention is to move the production of Ahlgrens bilar from Gävle to Ljungsbro, and the remaining products from Gävle to Levice. The plan is also to transfer production from Aura and Alingsås to other factories in Europe. The proposed closures would result in total costs of SEK 320–370 million and are expected to generate annual savings of approximately SEK 100 million on EBITDA-level. In total, approximately 345 employees may be affected by the proposed measures, whereof approximately 150 in Gävle, 140 in Aura and approximately 30 in Alingsås, as well as approximately 25 employees in the warehouse operation.

Except for the above, there has been no significant change in Cloetta's market position or financial position.

There are no changes to the trends which were previously noted in Cloetta and LEAF's latest annual accounts other than the information appearing in the section *Financial information in summary and comments on the financial development*.


Cloetta
PLOPP

SHARES AND OWNERSHIP STRUCTURE

The share

After the completed issue in kind of C-shares to Leaf Holding, but before the Rights Issue, the share capital of Cloetta amounts to SEK 949,366,995. The number of shares amounts to 189,873,399, divided between 2,360,000 A-shares, 22,326,475 B-shares and 165,186,924 C-shares. Assuming that the Rights Issue is fully subscribed, the number of shares of Cloetta will increase by 9,440,000 A-shares and 89,305,900 B-shares and the Company's share capital will increase by SEK 493,729,500. This corresponds to an increase of approximately 52 per cent of the share capital. Each share has a quotient value of SEK 5.

According to the articles of association, the share capital shall be a minimum of SEK 400,000,000 and a maximum of SEK 1,600,000,000, divided between a minimum of 80,000,000 shares and a maximum of 320,000,000 shares. Cloetta's articles of association include a CSD-clause which means that the Cloetta's shares shall be registered in central securities depositary, which means that Euroclear administers the Company's share register and reports the shares . Each A-share represents ten votes and each B-share and C-share represents one vote at shareholders' meetings. All shares confer equal entitlement to the Company's earnings. C-shares confer limited entitlement to assets upon dissolution of the Company, corresponding to the share's quota value measured on the day of distribution, with an interest factor of one-month STIBOR with a supplement of 4 per centage points calculated from the day of payment of subscription proceeds. A-shares, and subscription rights to A-shares, are subject to a pre-emption clause, in the article of associates. Following a request from the shareholder, as described in the section *Articles of association*, A-shares and C-shares will be convertible into B-shares. Such conversion of C-shares may not occur before the date falling the day after the record date for the Rights Issue. Cloetta's B-share has been listed on NASDAQ OMX Stockholm, Nordic list, since February 2009. The Company trades under the code CLA B with ISIN code SE0002626861. The company's enlisted A-shares have ISIN-code SE0002626853.

Authorisation for the board of directors

An extraordinary general meeting of Cloetta on 15 February 2012 authorised the board of directors to conduct the Rights Issue. With the support of this authorisation, at a board of directors meeting on 7 March 2012, the board of directors decided to execute the Rights Issue.

Ownership

On 29 February 2012, Cloetta had 4,284 shareholders. The ten largest shareholders controlled 96.9 per cent of the share capital and 97.2 per cent of the votes. Please refer to the table on the next page for information regarding Cloetta's ten largest shareholders. The principal owners of Cloetta are Malfors Promotor, CVC and Nordic Capital (the two latter through holding companies). After the consummated issue in kind of C-shares to Leaf Holding, but before the Rights Issue, CVC and Nordic Capital holds collectively holds (through Leaf Holding) 87.0 per cent of the shares and 78.2 per cent of the votes in Cloetta. CVC's and Nordic Capital's shareholdings in Cloetta consist of C-shares, which are not entitled to preferential rights in the Rights Issue. Accordingly, CVC's and Nordic Capital's relative equity interest in the Company will reduce as a result of the Rights Issue.

Assuming the Rights Issue is fully subscribed, Malfors Promotor will hold 21.9 per cent of the capital and 42.9 per cent of the votes, CVC will hold 32.8 per cent of the capital and 24.0 per cent of the votes and Nordic Capital will hold 24.4 per cent of the capital and 17.9 per cent of the votes. Accordingly, the principal owners of Cloetta could, both prior to and after the Rights Issue, exercise a material influence over Cloetta. However, this influence is limited by the stipulations regarding minority shareholder rights in the Swedish Companies Act (2005:551).

Malfors Promotor has undertaken to CVC and Nordic Capital to convert parts of its holdings of A-shares to B-shares so that Malfors Promotor's proportion of the total number of votes of Cloetta after the conversion is completed corresponds to 39.9 per cent in a first phase and 33.34 per cent in a second phase. The conversion to 39.9 per cent will occur immediately after consummation of the Rights Issue. Conversion to 33.34 per cent will occur when Cloetta has achieved a net debt/EBITDA multiple of 2.7 x as defined more in detail in the loan agreement between Cloetta and Svenska Handelsbanken AB (publ), at which time, Cloetta also is permitted to resolve on, and pay, dividends, according to the loan agreement. The stated per centage figures

Development of share capital

Year	Event	Increase in share capital	Total share capital	Increase in no. of shares	Total no. of shares
1998	Opening share capital, par value of share is SEK 100	–	100,000	–	1,000
2008	Non-cash issue in connection with demerger of Cloetta Fazer	99,900,000	100,000,000	999,000	1,000,000
2008	24-for-1 split, quota value of share changed from SEK 100 to SEK 4	–	100,000,000	23,119,196	24,119,196
2008	Bonus issue, quota value of share changed from SEK 4 to SEK 5	20,595,980	120,595,980	–	24,119,196
2011–2012	Conversion of convertible debenture loan	2,836,395	123,432,375	567,279	24,686,475
2012	Issue in kind	825,934,620	949,366,995	165,186,924	189,873,399
2012	Rights Issue*	493,729,500	1,443,096,495	98,745,900	288,619,299

* Under the condition that the Rights Issue is fully subscribed.

for Malfors Promotor's undertaking to convert apply on a fully diluted basis for Cloetta's outstanding incentive programme. Moreover, shares acquired by Malfors Promotor after the record day of the Rights Issue, including potential shares subscribed by Malfors Promotor as a result of the issue guarantee provided, shall not be taken into the calculation.

Shareholders' agreements

Shareholders' agreement between Malfors Promotor, CVC and Nordic Capital

Malfors Promotor, CVC and Nordic Capital have entered a shareholders' agreement regarding these parties' shareholdings in Cloetta. According to this agreement, Cloetta's board of directors shall consist of nine members elected by shareholders' meetings. Malfors Promotor, CVC and Nordic Capital are entitled to nominate two members of the board of directors each, on the understanding that the aforementioned parties shall exercise their influence in Cloetta to ensure that the members of the board of directors nominated in this manner are elected to Cloetta's board of directors. In addition, Malfors Promotor, CVC and Nordic Capital shall together nominate three independent members of the board of directors. The Chairman of the board of directors shall be one of the independent members of the board directors. If any of the aforementioned shareholders' holdings in Cloetta is less than 10 per cent of the share capital but still more than 5 per cent of the share capital, the shareholder shall be entitled to nominate one member of the board of directors. If a party's ownership is less than 5 per cent of the share capital, the right to nominate any member of the board of director is forfeited, and the shareholders' agreement ceases to apply to the relevant party. As long as CVC and Nordic Capital combined hold at least 10 per cent of the share capital of Cloetta and together are one of the Company's three largest shareholders in terms of the number of votes, Malfors Promotor shall endeavour for CVC and Nordic Capital to be represented on the Nomination Committee. The shareholders' agreement also includes regulations on quora implying that the board of directors is quorate only if at least one member of the board of directors appointed by Malfors Promotor is present, and as long as CVC and Nordic Capital are entitled to nominate two members of the board of directors of Cloetta, at least one member of the board of directors appointed by CVC and Nordic Capital each is present. The shareholders' agreement also includes items such as stipulations on entitlement to representation of the parties on the audit committee.

The shareholders' agreement also states that two types of board of directors' decision (termed veto matters) require one member of the board of directors nominated by each of Malfors Promotor, CVC and Nordic Capital to participate in the decision. These veto issues, which are primarily established in Malfors Promotor's interest, are linked to decisions on down sizing at Cloetta's plant in Ljungsbro, and refinancing the Group with the aim of paying dividends to shareholders, if such refinancing means that the Group's indebtedness exceeds predetermined levels in relation to the operating earnings.

Lock-up agreements etc.

In the aforementioned shareholders' agreement, Malfors Promotor has undertaken not to sell any Cloetta shares for a period of two years from the execution of the issue in kind of C-shares to CVC and Nordic Capital (through Leaf Holding). In addition, Malfors Promotor has stated that the company's intention is to remain an anchor investor in Cloetta in the long term.

In an agreement with Svenska Handelsbanken AB (publ), CVC and Nordic Capital have undertaken not to sell of shares in Cloetta if such sale meant that Nordic Capital's or CVC's shareholding fell to a level corresponding to 17 and 23 per cent respectively of all the shares of Cloetta. This sell down restriction lapse nine months after the Transaction's completion, or at such earlier date when Cloetta's net debt/EBITDA ratio is at a level agreed with the bank.

According to the issue guarantee agreement (information in the *Legal matters and other information* section), CVC and Nordic Capital have undertaken not to sell shares in Cloetta for a period of 180 days after completion of the Rights Issue, subject to certain exemptions.

In addition, CVC and Nordic Capital have entered an agreement that regulates the sale of their respective shares in Cloetta for a longer period. During this period, CVC and Nordic Capital will coordinate sales of their Cloetta shares.

Shareholders' agreement between Malfors Promotor and Fazer et al. regarding prohibition of purchasing shares in Cloetta

In relation to Malfors Promotor, Oy Karl Fazer Ab, Conclo Ab, Oy Cacava Ab and certain private individuals affiliated to Oy Karl Fazer Ab have undertaken to refrain from acquiring, directly or indirectly, shares in Cloetta subject to the condition that Hjalmar Svenfelt Stiftelse does not reduce its direct or indirect holdings to a level below 30 per cent of the votes of Cloetta.

Waiver of the mandatory bid rule

According to the Swedish Act on Public Takeovers (2006:451), the party holding shares that represent less than 30 per cent of the total number of votes of a Swedish limited company whose shares are subject to trading on a regulated marketplace, or on a comparable

Major shareholders in Cloetta

Namn	No. of A-shares	No. of B-shares	No. of C-shares	Total no. of shares	Total no. of votes	% of share capital	% of votes
Leaf Holding	-	-	165,186,924	165,186,924	165,186,924	87.0	78.2
Malfors Promotor	2,358,864	10,253,848	-	12,612,712	33,842,488	6.6	16.0
Nordea Investment Funds	-	2,396,003	-	2,396,003	2,396,003	1.3	1.1
Ulla Håkansson	-	1,000,000	-	1,000,000	1,000,000	0.5	0.5
AMF - Försäkring och Fonder	-	630,300	-	630,300	630,300	0.3	0.3
BNP Paribas Securities Services SA	-	523,400	-	523,400	523,400	0.3	0.2
Olof Svenfelt	6	469,460	-	469,466	469,520	0.2	0.2
Novitus AB	-	440,000	-	440,000	440,000	0.2	0.2
Marianne Sjövall	-	346,045	-	346,045	346,045	0.2	0.2
Wilhelm Trotzig	8	320,000	-	320,008	320,080	0.2	0.2
Others	1,122	5,947,419	-	5,948,541	5,958,639	3.1	2.8
Total	**2,360,000**	**22,326,475**	**165,186,924**	**189,873,399**	**211,113,399**	**100.0**	**100.0**

marketplace outside the European Economic Area, and that through the acquisition of shares of the company (solely or jointly with a related party) achieve a shareholding representing at least 30 per cent of the total number of shares of the company, is liable to make a takeover-bid for the remaining shares of the company (mandatory bid). Related parties in this context mean parties including those that have reached agreements to adopt a long-term shared view with the purpose of achieving controlling influence over the company's administration through coordinated exercise of voting rights. Upon application, the Swedish Securities Council may grant a waiver from such obligations in certain circumstances.

In connection with the issue in kind, Leaf Holding progressed from not holding any Cloetta shares to temporarily attaining a shareholding representing over 30 per cent of the voting rights of all shares of the Company. At the same time, Malfors Promotor's holdings fell to temporarily represent less than 30 per cent of the votes of Cloetta. Accordingly, in connection with the Rights Issue, Malfors Promotor will have proceeded from holding less than 30 per cent of the votes of Cloetta to attaining a shareholding representing over 30 per cent of the votes of the Company. Moreover, according to information the parties have informed Cloetta, the shareholders' agreement between Malfors Promotor, CVC and Nordic Capital may mean that the parties could be considered as related parties pursuant to Ch. 3 Sec. 5 p. 4 in the Swedish Act on Public Takeovers (2006:451).

Due to the above, Malfors Promotor, CVC and Nordic Capital have jointly applied for, and subject to certain terms and conditions, been granted, a waiver from the bidding obligation that otherwise would arise.[1] The Swedish Securities Council has also permitted Malfors Promotor to acquire further shares in Cloetta without the bidding obligation arising, providing that Malfors Promotor is then no longer tied to the aforementioned shareholders' agreement, or that the agreement parties' aggregate share of the vote does not increase as a consequence of such acquisition.

Incentive programme

Cloetta's main owners following the merger – Malfors Promotor, CVC and Nordic Capital (through holding companies) – have informed the board of directors of Cloetta that members of the senior management and certain other key employees have acquired call options at market terms. The call options have been granted by the main owners in order to promote the commitment to the Company's development. The call options are exercisable during three different time periods; the first during the coming two years, the second between year 2 and year 3, and the third between year 3 and year 4. The options comprise in the aggregate 6,619,926 B-shares in the Company (subject to recalculation according to customary terms).

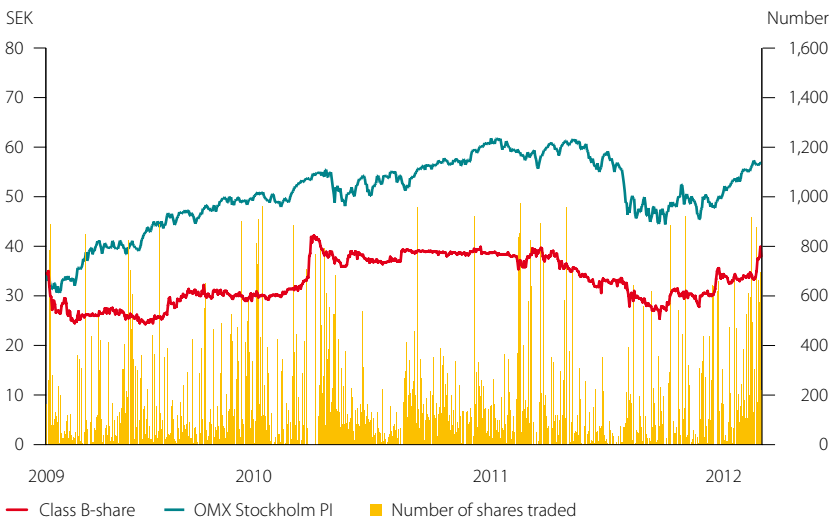
Cloetta does not contribute to the call option scheme and will not incur any costs related to the scheme. The call option scheme does not bring any dilution of current shareholders holdings.

Information on senior managements holdings of call options is in the section *Board of directors, senior management and auditor.*

An extraordinary general meeting on 20 March 2009 resolved on a convertible programme for all Cloetta employees. According to the terms and conditions, conversion would be possible from 25 February 2011 to 25 February 2012, both dates inclusive, and accordingly, no further conversion in this programme will occur. In total 567,279 B-shares have been issued due to conversion under the programme. Upon full conversion, 1,004,889 B-shares would have been issued.

1) AMN 2011:33.

Cloetta's share price performance



Market maker

Cloetta has instructed Pareto Öhman AB to operate as a market maker in Cloetta's B-shares. The purpose is to promote a good liquidity in the share and ensure a low spread between bid and offer prices in continuous trading. According to this agreement, Pareto Öhman AB shall set purchase and sales volumes of at least SEK 30,000 with a maximum spread of 4 per cent between buy and sell prices based on the selling price set. The agreement is valid until further notice.

Persons with a reporting obligation

Members of the board of directors, the Company's senior management, authorised public accountant Helene Willberg and a number of employees/agents in Cloetta as well as persons with certain functions in Group subsidiaries that have a position that could normally be assumed to involve access to non-disclosed share price sensitive information are subject to a reporting obligation according to the Swedish Act on Reporting Duty for Certain Holdings of Financial Instruments (2000:1087).

Dividend

For the long term, Cloetta's intention is to distribute 40-60 per cent of profit after tax. Neither the Swedish Companies Act (2005:551) nor Cloetta's articles of association contain any restrictions on the right to dividends with respect to shareholders domiciled outside Sweden. Other than in cases of possible restrictions due to bank or clearing systems in the concerned jurisdiction, payments of dividends will be made in the same way as to shareholders domiciled in Sweden.

During the coming year, the main focus will be on re-investing the Group's strong cash flow to reduce the Group's indebtedness and to further enhance competitiveness through rationalisation, product development and marketing initiatives. Accordingly, no dividend is expected for the coming two to three years.

Share price

Cloetta's B-share has been listed on NASDAQ OMX Stockholm (Small Cap) since 16 February 2009. The following chart illustrates the B-share's price from the date of its initial public offering until 29 February 2012 inclusive.

BOARD OF DIRECTORS, SENIOR MANAGEMENT AND AUDITOR

Board of directors

Board of directors composition as at February 2012

Name	Born	Elected	Position	Shareholding A-shares	Shareholding B-shares
Lennart Bylock	1940	2012	Chairman		20,000*
Hans Eckerström	1972	2012	Member		
Håkan Kirstein	1969	2012	Member		
Adriaan Nühn	1953	2012	Member		
Robert-Jan van Ogtrop	1956	2012	Member		
Mikael Svenfelt	1966	2008	Member	5	9,253*
Olof Svenfelt	1941	2008	Member	2,358,874*	10,755,915*
Meg Tivéus	1943	2008	Member		192
Peter Törnquist	1953	2012	Member		
Lena Grönedal	1962	2008	Employee board member		10,064*
Birgitta Junland	1962	2008	Employee board member		

* Including holdings by closely related parties

Board of directors

LENNART BYLOCK

Chairman of the board. Chairman of the integration committee and member of the remuneration committee.

Elected: 2012

Born: 1940

Education: –

Other assignments: : Chairman of the board of AS3 Companies and Sigur Holding S/A. Member of the board of Swede Ship Marine Aktiebolag, Förvaltningsbolaget Villa Godthem AB and Bylock Konsult AB.

Assignments completed the last five years/Background: Chairman of the board of Endomines AB (publ) and Stiftelsen Natur & Kultur. Member of the board of L E Lundbergsföretagen Aktiebolag (publ) and AS3 Svenska Aktiebolag. Lennart Bylock has a background as CEO of Nitro Nobel Group AB, Chairman of the board of B&N (Transatlantic) AB, member of the board of Cloetta AB (publ) and Cloetta Fazer AB (publ) and a number of assignments within the shipping, bank and financial sector.

Shareholding: –

Closely related party shareholding: 20,000 B-shares.

Independent towards major shareholders: Yes

Independent towards the Company and senior management: Yes

HANS ECKERSTRÖM

Member of the board. Chairman of the audit committee and member of the remuneration committee and the integration committee.

Elected: 2012

Born: 1972

Education: M.Sc. in Mechanical Engineering, Chalmers University of Technology. M.Sc. Business Administration, University of Gothenburg.

Other assignments: Partner at Nordic Capital. Chairman of the board of Britax Childcare Ltd and Yllop Finance Sweden AB. Member of the board of directors of Leaf Holding S.A., Eckis Holding AB, Nordic Outsourcing Services AB, NRS Holding AB, Thule Group AB, ENC Products AB, Nordic Cecilia Four AB, Aditro Group AB and ENC Holding AB.

Assignments completed the last five years/Background: Member of the board of Tradimus Holding AB and Nossegem AB. Hans Eckerström has a background as member of the board of SATS Holding AB and board assignments within the C More group and has been active at Arthur D. Little.

Shareholding: –

Independent towards major shareholders: No

Independent towards the Company and senior management: Yes

HÅKAN KIRSTEIN

Member of the board.

Elected: 2012

Born: 1969

Education: M.Sc. Business Economics, University of Stockholm.

Other assignments: Member of the board of Kemetyl Holding AB.

Assignments completed the last five years/ Background: CEO of Svenska Statoil Aktiebolag and a number of assignments within Statoil. CEO and member of the board of Niscayah Group AB and member of the board of SPBI Service AB, Intersport AB and PAF Service Aktiebolag.

Shareholding: –

Independent towards major shareholders: Yes

Independent towards the Company and senior management: Yes

ADRIAAN NÜHN

Member of the board.

Elected: 2012

Born: 1953

Education: MBA, University of Puget Sound, B.A. Business Administration, Hogere Economische School, Eindhoven.

Other assignments: Chairman of the board of Sligro Food Group N.V. and Macintosh Retail Group N.V. Member of the board of Leaf Holding S.A., Heiploeg, Plukon Royale B.V., Anglovaal Industries Ltd and Stern Group N.V.

Assignments completed the last five years/Background: CEO and chairman of the board for Sara Lee International. Adriaan Nühn has held a number of assignments within the Sara Lee Corporation and Procter & Gamble.

Shareholding: –

Independent towards major shareholders: Yes

Independent towards the Company and senior management: Yes

ROBERT-JAN VAN OGTROP

Member of the board.
Chairman of the remuneration committee.

Elected: 2012

Born: 1956

Education: MBA, School of Management, Rotterdam. B.A Business Economics, Erasmus University, Rotterdam.

Other assignments: Investor, Industrial Partner and Advisory Board member of CVC Capital Partners. Chairman of the board of Leaf Holding S.A., African Parks and TBL Mirror Fund. Member of the board of C1000 and Xindao B.V.

Assignments completed the last five years/Background: Robert-Jan van Ogtrop has a background as CEO and President of Remy Cointreau, President and chairman of the board of Bols Royal Distilleries and CEO of Bols International B.V. and has also been chairman of the board of Foundation for Natural Leadership.

Shareholding: –

Independent towards major shareholders: No

Independent towards the Company and senior management: Yes

OLOF SVENFELT

Member of the board.
Member of the audit committee.

Elected: 2008

Born: 1941

Education: M.Sc. Engineering, Faculty of Enginering at University of Lund (Lunds tekniska högskola) and L.L.B, University of Stockholm.

Other assignments: Member of the board of Aktiebolaget Malfors Promotor, Highland Group AB, Hjalmar Svenfelts Stiftelse, Wilhelm Stenhammars Stiftelse and Georg Hultners Stiftelse.

Assignments completed the last five years/Background: Chairman of the board of Cloetta AB (publ) and alternate chairman of Cloetta Fazer AB (publ) and member of the board of Metoden Agenturer AB and Stiftelsen Hagdahls-akademien.

Shareholding: 6 A-shares and 469,460 B-shares

Closely related party shareholding: 2,358,868 A-shares and 10,286,455 B-shares

Independent towards major shareholders: No

Independent towards the Company and senior management: Yes

PETER TÖRNQUIST

Member of the board. Member of the audit committee and the integration committee.

Elected: 2012

Born: 1953

Education: M.Sc. Economics and Business, Stockholm School of Economics. MBA, IMD Lausanne.

Other assignments: Partner of CVC Capital Partner Ltd and CEO and chairman of the board of CVC Capital Partners Svenska AB. CEO and member of the board of Keravel AB and Crozon Invest AB. Chairman of the board of and Svenska M Holding AB. Member of the board of Yllop Finance Sweden AB, P Törnquist Invest i Stockholm AB, Matas A/S, United Waters AG and Pure Sailing AB.

Assignments completed the last five years/Background: Chairman of the board of TV4 Retail Television AB, Starbreeze Studios AB and member of the board of Posten A/S. Peter Törnquist has a background as Senior Partner at Lehman Brothers and Senior Partner and member of the board of Bain & Company.

Shareholding: –

Independent towards major shareholders: No

Independent towards the Company and senior management: Yes

MIKAEL SVENFELT

Member of the board. Member of the remuneration committee and the integration committee.

Elected: 2008

Born: 1966

Education: Marketing and business economist and law studies.

Other assignments: CEO and member of the board of Aktiebolaget Malfors Promotor. Chairman of the board of Hällevik Fastighets AB, Hällevik Marina AB, Fjärilshuset Haga Trädgård Aktiebolag and Sjöleden Hällevik AB. Member of the board of Fjärilshuset Haga Trädgård Café AB and Rollox AB.

Assignments completed the last five years/Background: Mikael Svenfelt has held assignments for Nicator group, Dell Financial Services and GE Capital Equipment Finance AB.

Shareholding: 5 A-shares and 7,507 B-shares

Closely related party shareholding: 1,746 B-shares

Independent towards major shareholders: No

Independent towards the Company and senior management: Yes

MEG TIVÉUS

Member of the board.
Member of the audit committee.

Elected: 2008

Born: 1942

Education: MBA, Stockholm School of Economics.

Other assignments: Chairman of the board of Arkitektkopia Aktiebolag, Sveriges Marknadsförbunds Service Aktiebolag, Björn Axén Institut Aktiebolag and Folktandvården Stockholms län AB. Member of the board of Swedish Match AB, Nordea Fonder Aktiebolag, Meg Tivéus Aktiebolag, Paynova AB, Sveaporten AB and 02 El ekonomisk förening.

Assignments completed the last five years/Background: Chairman of the board of Boss Media AB and Danderyds Sjukhus AB. Member of the board of Billerud Aktiebolag, Addici AB, Frösunda LSS Aktiebolag, IUC Sverige AB, SC Intressenter AB, Nordic Cable Acquisition Company Sub-Holding AB, Victoria Park AB and Apoteket Farmaci AB. Meg Tivéus of a background as CEO for Svenska Spel AB, vice CEO of Posten AB, divison manager for Holmen AB and Åhléns AB, manager for Nordiska Kompaniet and production manager for Modo AB.

Shareholding: 192 B-shares

Independent towards major shareholders: Yes

Independent towards the Company and senior management: Yes

Employee board members

LENA GRÖNEDAL

Employee board member LIVS.

Position: Factory Operative Cloetta.

Born: 1962

Assignments completed the last five years/Background: –

Shareholding: 5,032 B-shares.

Closely related Shareholdings: 5,032 B-shares.

BIRGITTA JUNLAND

Employee board member PTK.

Position: Salaried employee.

Born: 1962

Assignments completed the last five years/Background: –

Shareholding: –

BIRGITTA HILLMAN

Alternate employee board member PTK.

LINUS EKEGREN

Alternate employee board member.

Senior Management

Senior Management composition as at February 2012

Name	Born	Current position since	Position	Holdings of shares and call-options A-shares	B-shares	Call options
Bengt Baron	1962	2012	CEO and President			2,100,000
Danko Maras	1963	2012	CFO			850,000
Jacqueline Hoogerbrugge	1963	2012	President Operations			244,926
Lars Påhlson	1959	2012	President Scandinavia			550,000
David Nuutinen	1959	2012	President Finland			750,000
Erwin Segers	1967	2012	Chief Marketing Officer			50,000
Ewald Frénay	1963	2012	President Middle			750,000
Giorgio Boggero	1969	2012	President Italy (including the rest of the world)			450,000
Edwin Kist	1950	2012	Senior Vice President Human Resources			350,000
Jacob Broberg	1964	2012	Senior Vice President Corporate Communications& Investor Relations			350,000

Senior Management

BENGT BARON

CEO and President.

Employed by Cloetta: 2012, employed by LEAF since 2009.

Born: 1962

Education: MBA, University of California at Berkeley.

Other assignments: Member of the board of Thule Group AB, Nordnet AB, 5653 Sweden AB and MIPS AB.

Assignments completed the last five years/ Background: CEO for LEAF and a number of assignments in the LEAF Group and CEO and President of V&S Vin & Sprit. Chairman of the board of Pendulum AB, member of the board of Lundhags Förvaltning Aktiebolag, Five Seasons Försäljningsaktiebolag, EQ Oy, Tenson Group AB. Bengt Baron has a background as CEO for V&S Absolut Spirits 2001–2004, Nordic President for Stepstone 1999–2001, CEO for Consumer Imaging Kodak Nordic 1996-1999, President for Frionor Sweden 1994–1996, Business Manager for Coca-Cola Company Sweden 1992–1994 and management consultant with McKinsey & Co 1988–1992.

Holdings of shares and call-options: 2,100,000 call options.

DANKO MARAS

CFO

Employed by Cloetta: 2012, employed by LEAF since 2010.

Born: 1963

Education: B.Sc. Business Administration and Economics, Uppsala University.

Other assignments: –

Assignments completed the last five years/ Background: A number of assignments in the LEAF group and chairman of the board of Slottsfabriken Fastighets AB. Danko Maras has a background as CFO for LEAF 2010–2012, CFO and COO for Unilever Nordic 2007–2010 and a number of assignments in Unilever internationally, VP Finance Supply Chain for Unilever North America 2004–2006, Head of Unilever Corporate Finance Western Europe & Personal Assistant to Group Treasurer Unilever Head Office, the Netherlands 2000–2003, Chief Accountant for Unilever Cosmetics International Switzerland 1997–2000, Corporate Auditor for Unilever 1993–1996 and Management Trainee at Unilever Sweden 1992–1993.

Holdings of shares and call-options: 850,000 call options.

JACQUELINE HOOGERBRUGGE

President Operations

Employed by Cloetta: 2012, employed by LEAF since 2010.

Born: 1963

Education: M.Sc. Chemical Engineering, University of Groningen.

Other assignments: Member of the board of Cederroth Intressenter AB.

Assignments completed the last five years/Background: Jacqueline Hoogerbrugge has a background as President Operations for LEAF 2010–2012, Vice President Operations for Danone's Medical Nutrition Division 2009–2010 and Vice President Procurement for Numico Baby & Medical Food 2006–2009. Further she has held a number of assignments with Unilever between 1992–2006 and with Fluor Daniel between 1988–1992.

Holdings of shares and call-options: 244,926 call options.

LARS PÅHLSON

President Scandinavia

Employed by Cloetta: 2012, employed by LEAF since 2008.

Born: 1959

Education: B.A. in Economics and Marketing, Växjö University and Programme for executive development, IMD Lausanne.

Other assignments: Chairman of the board of DLF Service Aktiebolag, Cleano AB and Rasta Group AB. Member of the board of Validoo AB, GS1 Sweden AB. Partner of Sandslottet Handelsbolag.

Assignments completed the last five years/Background: CEO and member of the board of LEAF Scandinavia and CEO for Campbells Nordic and assignments in Campbells Nordic. Lars Påhlson has a background as Senior Vice President for Carlsberg Nordic 2001–2005, CEO for Falcon Brewery 1998–2001, Vice President for Nestlé Nordic BU Findus 1996–1998, Marketing Director for Nestlé Sweden 1994–1996 and between 1982–1994 a number of assignments in Nestlé Group in Sweden and Switzerland.

Holdings of shares and call-options: 550,000 call options.

DAVID NUUTINEN

President Finland

Employed by Cloetta: 2012, employed by LEAF since 2003.

Born: 1959

Education: Master of Economics, Helsinki School of Economics.

Other assignments: –

Assignments completed the last five years/Background: President for LEAF Finland. Member of the board of Turun Vapaavarasto Oy and DNA Oy. David Nuutinen has a background as Commercial Director for LEAF Finland 2003–2005, General Manager for PepsiCo Beverages Finland, Baltics, Ukraine, 2000–2002, Operations Director for McDonalds Finland 1996–2000 and between 1986–1996 various marketing and sales assignments within Vaasamills Oy.

Holdings of shares and call-options: 750,000 call options.

ERWIN SEGERS

Chief Marketing Officer

Employed by Cloetta: 2012, employed by LEAF since 2010.

Born: 1967

Education: M.Sc. in Business Economics, University of Antwerp.

Other assignments: –

Assignments completed the last five years/Background: Erwin Segers has a background as Chief Marketing Officer for LEAF Holland 2010–2012, Senior Marketing Director for Philips 2006–2010, Marketing Director in the Netherlands for Cadbury 2002–2006. A number of assignments within marketing and sales within Sigma Coatings, Hero and Maxxium 1990–2002.

Holdings of shares and call-options: 50,000 call options.

EWALD FRÉNAY

President Middle

Employed by Cloetta: 2012, employed by LEAF since 2000.

Born: 1963

Education: M.Sc. Economics, Erasmus University Rotterdam.

Other assignments: –

Assignments completed the last five years/Background: Ewald Frenay has a background as President Middle for LEAF, CMO and Senior Vice President Sales Rest of the World for LEAF 2008–2011, member of LEAF's executive committee 2008–2012, Vice President Enjoyment for LEAF 2005-2007, Marketing Director Sugar Confectionery Division for LEAF 2004–2005, Marketing Director for RBV Leaf The Netherlands 2000–2004, marketing and sales assignments within Mars Inc., European Franchise Manager for Snickers 1997–1999, Divisional Sales Manager for Snackfood 1995–1997, Brand Manager for Snack and Petfood 1990–1995 and Management Trainee 1989–1990.

Holdings of shares and call-options: 750,000 call options.

GIORGIO BOGGERO

President Italy (including Rest of the world)

Employed by Cloetta: 2012, employed by LEAF since 2009.

Born: 1969

Education: B.A. Economics, University of Turin.

Other assignments: –

Assignments completed the last five years/ Background: Giorgio Boggero has a background as President for LEAF Italy 2010–2012 since 2012 also responsible for Rest of the world, Commercial Director for LEAF Italy 2009–2010, CEO for Bialletti Industries International Markets, Commercial Director for Italy L'Oréal 2004–2006, Marketing and Category Manager for L'Oréal Italy 2002–2004 and between 1994–2002 various leading positions for L'Oréal and Kimberly Clark in Italy and France.

Holdings of shares and call-options: 450,000 call options.

EDWIN KIST

Senior Vice President, Human Resources

Employed by Cloetta: 2012, employed by LEAF since 2005.

Born: 1950

Education: M.Sc. Sociology of Organisation & Labour, University of Groningen.

Other assignments: –

Assignments completed the last five years/Background: Edwin Kist has a background as SVP Human Resources for LEAF 2005–2012. Further he has been Interim Manager (various assignments) 2002–2005, Vice President Human Resources for Royal Wessanen 1995–2002, HR Director for KNP/BT 1991–1995 and HR Director of Royal Nijverdalten Cate 1988–1991.

Holdings of shares and call-options: 350,000 call options.

JACOB BROBERG

Senior Vice President Corporate Communications and Investor Relations

Employed by Cloetta: 2012, employed by LEAF since 2010.

Born: 1964

Education: B.A. Political Science and Economics, University of Lund.

Other assignments: –

Assignments completed the last five years/Background: Jacob Broberg has a background as SVP Corporate Communications for LEAF 2010–2012. Further he has been Vice President Corporate Communications for TeliaSonera 2008–2010 and Senior Vice President Corporate Affairs and Communication for V&S Vin & Sprit AB 2005–2008, Vice President Media Relations for Electrolux 2001–2005 and Vice President Corporate Communication for Länsförsäkringar 2000–2001. Between 1989–2000 Jacob Broberg had a number of assignments within Moderata Samlingspartiet, e.g. as head of Media Relations.

Holdings of shares and call-options: 350,000 call options.

Other information regarding the board of directors and the senior management

Cloetta's board of directors is, according to the Company, compliant with the provisions of the Swedish Code of Corporate Governance regarding independence from the Company, the Company's management and the Company's major shareholders. Olof Svenfelt and Mikael Svenfelt are considered to have a major influence over Hjalmar Svenfelts Stiftelse and Malfors Promotor through their positions as directors in said entities (Mikael Svenfelt is also CEO for Malfors Promotor). Hjalmar Svenfelts Stiftelse owns shares in Malfors Promotor who in turn owns more than ten per cent of the share capital and votes in Cloetta . Except for Olof Svenfelt and Mikael Svenfelt, none of the other directors control, direct or indirect, ten per cent or more of the shares or votes in the Company. More information regarding ownership structure can be found under the section *Shares and ownership structure*.

The director Mikael Svenfelt is the director Olof Svenfelt's nephew. Except for this, no director or member of the senior management has any family ties with any other director or member of the the senior management. None of the directors or members of the senior management have during the previous five years, except as is stated below, (a) been a member of the board of directors, CEO or member of a company's administration, management or supervisory bodies, except what is stated above, (b) been convicted in relation to fraudulent offences (c) been involved in bankruptcy, receivership or liquidation in their capacity as a member of a company's administration, management or supervisory bodies, (d) been accused of and/or been subject to sanctions by statutory or regulatory authorities or designated professional bodies or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company. Hans Eckerström was during 2007-2009 member of the board of directors in Nossegem AB which was placed into bankruptcy in December 2008. The bankruptcy was completed during 2009 showing a positive balance and the company was liquidated.

None of the persons on the board of directors or in the senior management have private interests that may conflict with Cloetta's interests, meaning that there is no potential conflict of interests between with any member of the board of directors or senior management. Some persons of the board of directors and senior management have economic interests in Cloetta through their owning of shares and call options in Cloetta as set forth above.

Further, Cloetta has entered into an agreement with Malfors Promotor and Leaf Holding as is described under *Agreement to subscribe for shares* in the section *Legal matters and other information*. Cloetta has also entered into an agreement with Leaf Holding regarding the transfer of shares of LEAF as is described under *Agreement on the transfer of shares between Cloetta and Leaf Holding* in the section *Legal matters and other information*. The directors Robert-Jan van Ogtrop, Adrian Nühn and Hans Eckerström are members of the board of Leaf Holding. The directors Olof Svenfelt and Mikael Svenfelt are members of the board, and Mikael Svenfelt is CEO, of Malfors Promotor. It may occur that Cloetta, on the one hand, and Leaf Holding (under said share transfer agreement or said agreement regarding subscription of new shares) and Malfors Promotor (under said agreement regarding subscription of new shares), respectively, on the other hand, have, or in the future will have, interests that are different than Cloetta's under these agreements.

There has been no specific agreement entered into between the Company and major shareholders, clients, suppliers, or other parties under which any person has been appointed as a member of the board of directors or given a position within the senior management. There are no lockup agreements with respect to the members of the board of directors or senior management's holding of securities in the Company.

No company in the Group has entered into an agreement with any of the members of the board of directors or the senior management regarding benefits after an assignment or employment has been concluded. Senior management has the right to salary for a certain time after a termination by the Company as set out in the section *Corporate governance*.

Shareholders wishing to communicate with the board of directors shall send letters to Cloetta AB, SE-590 69 Ljungsbro, mark the letter with the "Board of directors". Shareholders wishing to communicate with the senior management shall send letters to the Group's main office with address P.O. Box 4009, SE-169 04, Solna, Sweden. Furthermore, shareholders wishing to communicate with the board of directors or the senior management can send an e-mail to ir@cloetta.com.

Auditor

At the annual general meeting on 19 December 2011 the certified auditing firm of KPMG AB, address P.O. Box 16106, SE-103 23 Stockholm, was re-elected as the Company's auditor to serve until the end of the next annual general meeting. Helene Willberg is auditor in charge. Helene Willberg is a member of FAR and has participated in the auditing of Cloetta since Cloetta became an independent Company since the demerger of Cloetta Fazer during 2008.

1) Malfors Promotor will during the time between the issue in kind and the allocation of new shares in the new issue own less than 10 per cent of the share capital.

CORPORATE GOVERNANCE

Application of the Swedish Code of Corporate Governance

Cloetta AB (publ) is a Swedish public company and its B-shares are listed on NASDAQ OMX Stockholm. The Group's corporate governance is regulated by law, the articles of association, the listing agreement, other applicable rules and norms, the Code of Conduct and other instructions and policies. Cloetta is required to apply the Swedish Code of Corporate Governance (the "Code"), which is based on the "comply or explain" principle. This means that a Company can deviate from the Code's provisions without this entailing a breach of the Code. However, a company that deviates from a rule in the Code must explain the reason for doing so. At present Cloetta complies with the provisions in the Code without any deviations.

General meeting of shareholders

The general meeting of the shareholders is the Company's highest decision making body. At a general meeting, all shareholders have the opportunity to exert an influence over the Company by exercising the votes attached to their respective shareholdings. The powers and duties of the general meeting are regulated by the Swedish Companies Act (2005:551) and the articles of association §§ 7 and 8.

According to a resolution by Cloetta's annual general meeting that was held on 19 December 2011, the Company's financial year covers the time from 1 January to 31 December. As a result of the 2011 annual general meeting's resolution to alter the financial year to the calendar year, and the board of directors' decision to extend the current financial year, the next annual general meeting is scheduled to be held in the spring 2013. Notice to attend must be given no earlier than six weeks and no less than four weeks prior to the annual general meeting. The annual general meeting resolves on adoption of the year's balance sheet and profit and loss account, dividends, election of members of the board and auditors, fees to members of the board and auditors, and other items of business as prescribed by the Swedish Companies Act (2005:551) and the articles of association § 8.

All shareholders have the right to participate at the annual general meetings, in person or through a proxy. A-shares corresponds to ten votes per share and B-shares and C-shares corresponds to one vote per share. Shareholders have the right to request that a matter shall be taken up at the annual general meeting. In order to have a matter addressed at the annual general meeting, shareholders shall request this in writing to the board of directors. The matter shall be addressed at the annual general meeting if it is submitted to the board of directors no later than one week before the earliest date on which the notice of the meeting may be published (i.e. the request must be received by the board of directors no later than seven weeks before the annual general meeting). In accordance with Ch. 7 Sec. 32, of the Swedish Companies Act (2005:551), all shareholders have the right, at a general meeting of the shareholders, to pose questions to the Company about the matters that are taken up at the meeting and the financial situation of the Company and the Group.

Extraordinary general meeting 2012

An extraordinary general meeting in Cloetta was held on 15 February 2012 to approve the proposed merger with LEAF. The meeting resolved, in accordance with the proposal from the board of directors, to approve the acquisition of LEAF and adopted the proposals related to the acquisition regarding amendments of the articles of association, new issue of C-shares to be issued as a part of the purchase price in the acquisition of LEAF and authorization for the board of directors to execute the Rights Issue.

Furthermore, it was resolved that, in accordance with Malfors Promotor's proposal, the board of directors shall consist of nine directors elected by the general meeting, without deputies. The meeting resolved, in accordance with Malfors Promotor's proposal, to elect Lennart Bylock (chairman), Hans Eckerström, Håkan Kirstein, Adriaan Nühn, Robert-Jan van Ogtrop and Peter Törnquist as new members of the board for the period until the close of the next annual general meeting. Mikael Svenfelt, Olof Svenfelt and Meg Tivéus were elected members of the board of directors at the annual general meeting 19 December 2011 for the period until the close of the next annual general meeting. In addition to the directors of the board elected by the general meeting the board of directors comprise two employee board members.

At the extraordinary general meeting it was further resolved to adopt changes to the remuneration to be paid to the board members. According to the resolution the remuneration for the period until the next annual general meeting to each of the members of the board elected by the general meeting shall be paid with SEK 250,000 and the remuneration to the chairman of the board shall be paid with SEK 500,000. Further, remuneration for committee work shall be paid with SEK 100,000 to each member of the audit committee (the number of directors in the audit committee may not exceed four) and to each member of the remuneration committee with SEK 50,000 (the number of directors in the remuneration committee may not exceed four). Further, remuneration shall be paid with SEK 100,000 to each member of the integration committee, a committee formed specifically for the integration between Cloetta and Leaf, which shall be of a temporary nature (the number of directors in the integration committee may not exceed four).

At the general meeting it was also resolved to amend the guidelines for remuneration to the senior management.

Nomination committee

The task of the nomination committee is to prepare proposals to be presented to the annual general meeting for decision regarding election of board members, fees to the board members, and the members in the committee of the board, election of chairman of the board, election of a chairman of the annual general meeting, and election of auditors and auditing fees and rules of procedure for the nomination committee.

The annual general meeting of Cloetta on 19 December 2011 adopted rules for the nomination committee according to the following.

1) The Company shall have a nomination committee consisting of not less than four and not more than six members. Three of the members shall be appointed by the major shareholders and one member shall be appointed by the board of directors amongst its members. These members of the nomination committee may appoint one additional member. In those cases referred to in item 6 below, the number of members can amount to six.
2) Based on ownership statistics received from Euroclear Sweden AB as per the date occurring five months before the expiry of the current financial year each respective year, the chairman of the board of directors shall, without delay, contact the three largest shareholders in the Company in terms of votes, and offer such shareholders to, within reasonable time, each appoint a representative to be part of the nomination committee. If any of these shareholders elects to renounce from its right to appoint a representative, the right to appoint a representative shall be transferred to the largest shareholder in turn in terms of votes which is not already entitled to be represented on the nomination committee.
3) The member of the nomination committee who represents the shareholder controlling the largest number of votes shall chair the nomination committee.
4) The members of the nomination committee are appointed for a term up until a new nomination committee has been appointed.
5) The composition of the nomination committee shall be announced as soon as the nomination committee has been formed and in all events no later than six months before the next annual general meeting.
6) In the event that the ownership structure of the Company is changed after the date occurring five months before the expiry of the current financial year, but before the date that occurs 12 weeks before the next annual general meeting, and if a shareholder that has become one of the three largest shareholders in terms of votes following this change asks the chairman of the nomination committee to be represented on the nomination committee, such shareholder is entitled to, in the nomination committee's discretion, either appoint an additional member to the nomination committee or to replace the member who represents, following the change of the ownership structure, the smallest shareholder in terms of votes.
7) If a member of the nomination committee that represent a shareholder resigns or otherwise is unable to continue as member, the nomination committee shall – if time allows and if the change is not due to a specific circumstance e.g. that the shareholder has sold its shares – request the shareholder that had appointed that member to, within reasonable time, appoint a new member of the nomination committee. If the shareholder is no longer eligible for the nomination committee or if it renounces its right to appoint a member, the right to appoint such new member shall be transferred to the largest shareholder in turn in terms of votes which is not already represented on, or has renounced its right to appoint a member to, the nomination committee. If a member that has been appointed by the other members of the nomination committee resigns or is otherwise unable to continue as member, the other members of the nomination committee may elect a new member.
8) No fee shall be paid to the members of the nomination committee. However, the Company shall be liable for costs incurred by the nomination committee in its work.
9) The nomination committee shall present proposals regarding (i) chairman of the annual general meeting, (ii) members of the board of directors to be elected by the annual general meeting, (iii) chairman of the board of directors, (iv) remuneration to the board of directors elected by the annual general meeting, distributed between the chairman of the of the board of directors, the deputy chairman of the board of directors, if any, and the other members of the board of directors, and remuneration for work on the committees, (v) remuneration to the auditors, (vi) election of auditors and (vii) rules for the nomination committee.
10) At shareholders' meetings other than the annual general meeting, the nomination committee shall submit proposals for elections, if any, to take place at such shareholders' meeting.

The nomination committee's composition

The nomination committee, ahead of the extraordinary general meeting on 15 February 2012 had the following composition:

- Christer Wagenius, chairman of the nomination committee, appointed by Malfors Promotor
- Thomas Ehlin, appointed by Nordea Fonder
- Eva Törnqvist, appointed by Ulla Håkanson
- Johan Hjertonsson, appointed by the board of directors in Cloetta AB.[1]

No fees have been paid by Cloetta to the members of the nomination committee for its work. The members of the nomination com-

1) Johan Hjertonsson resigned from Cloetta's board of directors in relation with the election of new members of the board of directors becoming valid per 16 February 2012. Cloetta's' board of directors have on the 16 February 2012 appointed Lennart Bylock as the board of directors' representative in the nomination committee ahead of the annual general meeting 2012.

mittee are appointed for a term up until a new nomination committee has been appointed.

Board of directors

The board of directors for Cloetta shall according to the articles of association comprise of a minimum of three and a maximum of ten members elected by the general meeting. At the extraordinary general meeting on 15 February 2012 it was resolved that the number of members of the board of directors were to be nine. For the period until the end of the next annual general meeting, scheduled to be held during the spring 2013, the board of directors consists of Lennart Bylock (chairman), Hans Eckerström, Håkan Kirstein, Adriaan Nühn, Robert-Jan van Ogtrop, Mikael Svenfelt, Olof Svenfelt, Meg Tivéus and Peter Törnquist. In addition the labour organisations have elected two employee board members being Lena Grönedahl and Birgitta Junland, and as alternates Birgitta Hillman and Linus Ekegren. Mikael Svenfelt, Olof Svenfelt and Meg Tivéus have been members of the board since Cloetta became an independent company after the demerger of Cloetta Fazer during 2008 (and were members of the board of directors of Cloetta Fazer) whereas the other members were elected, as stated above, at the extraordinary general meeting. Other than the employee board members and their deputies no members of the board are employed by the Company.

For information regarding the board member's assignments outside the Group and holdings of shares in Cloetta please refer to *Board of directors, senior management and auditor.*

As presented above:

- Three members of the board have been members of Cloetta's board since 2008, whereof one is independent from the Company/senior management and major shareholders
- Three members of the board have been members of the board of LEAF which have decided on all of the overarching decisions regarding LEAF, whereof one is independent towards the Company/senior management and major shareholders
- Three of the elected members of the board have not had a position as member of the board of Cloetta or LEAF, whereof two are independent from the Company/senior management and major shareholders. One of them has been chairman of the nomination committee at the annual general meetings 15 December 2010 and 19 December 2011 and has prior experience as member of the board in Cloetta/Cloetta Fazer.

Except for two board members the members of the board have been active within LEAF or Cloetta for a substantial time and has knowledge about the business/organisation within LEAF respective Cloetta and have also participated in the preparation of annual reports for LEAF respective Cloetta.

Agreement regarding the composition of the board of directors

Malfors Promotor, CVC and Nordic Capital have entered into a shareholders' agreement in relation to their shareholding in Cloetta. According to the agreement, the constitution of Cloetta's board of directors which shall comprise of nine members elected by the general meeting. Each of Malfors Promotor, CVC and Nordic Capital will be entitled to nominate two members of the board and named parties shall exercise its respective influence to have such nominated board members elected. Please refer to the section *Shares and ownership structure* for more information regarding the shareholders' agreement.

Work of the board of directors

The board of directors primary responsibility is to safeguard the Company's and the shareholders' interests. The board of directors is responsible for the Company's organisation and the management of the Company's affairs. The board of directors is also responsible for that the Group have an appropriate corporate structure in order for the board of directors to practice its shareholder responsibility in the best possible manner over the subsidiaries and associated companies in the Group. The board of directors is responsible for that the Company complies with applicable laws and regulations, the articles of association and the Code.

The board of directors shall regularly assess the Company's and the Group's financial position and ensure that the Company is organized so that the accounting, the management of funds and the Company's finances in general are monitored in a satisfactory manner.

The duties and procedures of the board of directors are regulated by the Swedish Companies Act (2005:551), the articles of association and the Code. Furthermore, the board of directors have adopted working procedures together with an internal reporting instruction to the board of directors which regulates the following:

1. The board of directors
2. The chairman of the board
3. Board Committees
4. The general meeting
5. Reports to the market
6. Disposition of board of directors meetings, etc.
7. Internal reports to the board of directors
8. Notice to meetings etc.
9. Quorate of the board of directors
10. Minutes from board of directors meetings
11. Conflict of interest, etc.
12. Liabilities
13. Remuneration

Furthermore, the board of directors has issued and adopted the following policies:

- Financial Policy
- Policy for internal control
- Code of Conduct
- HR Policy
- Communication and IR Policy
- Insider Policy
- IT Security Policy
- Insurance Policy
- Mergers & Acquisitions Policy

Board committees

Audit committee

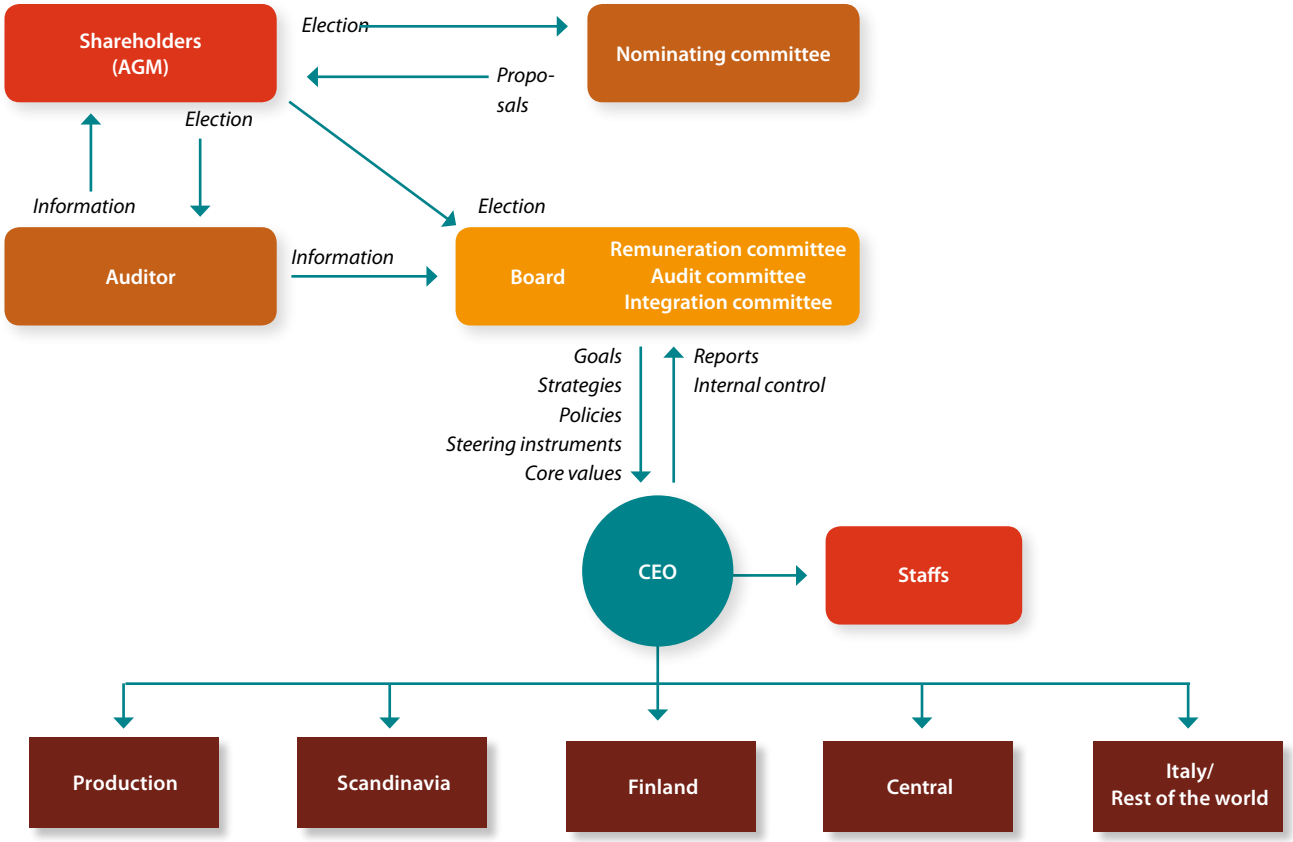
Within the board of directors, an audit committee shall be appointed. The members of the audit committee members shall be independent of the Company. At least one member shall be independent of the Company's major shareholders and have accounting or auditing proficiency. The audit committee shall, without any further impact on the responsibility and tasks of the board of directors, regularly meet with the Company's auditors in order to receive information on the focus and scope of the audit. The Company's auditor, Helene Willberg, participates in all regular meetings of the audit committee. On one occasion the auditor also meets with the committee without the presence of the senior management and on one occasion without the presence of the auditor. Minutes shall be kept at the audit committee meetings. The audit committee shall inform the board of directors as to what is addressed in the committee.

The audit committee consists of Hans Eckerström (chairman), Peter Törnquist, Olof Svenfelt and Meg Tivéus.

Remuneration committee

The remuneration committee's main task is to prepare the board of director's resolutions on matters in respect of remuneration principles, compensation and other employment terms for the Group senior management to follow up on and evaluate current and during the year completed programmes for variable remuneration for the senior management and to follow up and evaluate the guidelines for remunera-

Governance structure



tion to senior management resolved by the annual general meeting, as well as current remuneration structures and compensation levels of the Group.

The remuneration committee consists of Robert-Jan van Ogtrop (chairman), Lennart Bylock, Hans Eckerström and Mikael Svenfelt.

Integration committee

The board of directors may also resolve that issues may be rendered by ad hoc committees dealing with specific matter and have due to the merger with LEAF, established a integration committee of temporary nature comprising Lennart Bylock (chairman), Hans Eckerström, Peter Törnquist and Mikael Svenfelt.

Chairman

The chairman of the board shall preside over the work of the board of directors and monitor that the board of directors performs its duties and ensure that the work of the board of directors is well organized and conducted efficiently. The chairman shall ensure that the board of directors receives sufficient information and documentation to enable the board of directors to conduct its work, verify that the board of director's decisions are implemented, and ensure that the work of the board of directors is evaluated annually.

In particular the chairman shall:

- convene the board meetings, when so required;
- establishing a time plan for the annual general meeting, the ordinary board of directors meetings and the ordinary reports to the market in due time prior to every business year;
- in consultation with the CEO, draw up proposed agendas for the board's meetings;
- monitor that the board of directors deals with matters which apply to the board of directors according to laws and regulations, the articles of association or the Code;
- processing matters on behalf of the board of directors with respect to changes to the share capital and number of shares, changes to the articles of association and proposed dividends;
- act as the board of directors' spokesperson when the board of directors is not assembled; and
- authorise the costs attributable to the board of director's activities and to the CEO in person.

The chairman of the board of directors is to be elected by the general meeting and Lennart Bylock was elected chairman of the board of directors at the extraordinary general meeting on 15 February 2012.

CEO and the Group's senior management

The CEO shall manage the day-to-day business of the Company in accordance with the board of directors' instructions. Further the CEO consults with the chairman of the board regarding the matters that shall be addressed by the board of directors. The board of directors annually establish instructions to the CEO and is continuously evaluating the CEO's assignments.

The CEO's primary assignments consist of, e.g.:

- hold the position as President of the Group, which entails leading and coordinating the Group operations in accordance with the board of directors' instructions and guidelines;
- to ensure that board of directors' resolutions are properly implemented; and
- to ensure that Group companies' accounting comply with applicable laws and regulations and that management of assets is handled in a satisfactory manner.

Remuneration to the board of directors and CEO and senior management

Remuneration and benefits in 2012	Fixed salary, remuneration to board members*	Remuneration for committee work*	Variable salary	Other benefits**	Pension	Total
Chairman of the board						
Lennart Bylock	SEK 500,000	SEK 150,000	–	–	–	SEK 650,000
Board members						
Hans Eckerström	SEK 250,000	SEK 250,000	–	–	–	SEK 500,000
Håkan Kirstein	SEK 250,000	–	–	–	–	SEK 250,000
Adriaan Nühn	SEK 250,000	–	–	–	–	SEK 250,000
Robert-Jan van Ogtrop	SEK 250,000	SEK 50,000	–	–	–	SEK 300,000
Mikael Svenfelt	SEK 250,000	SEK 150,000	–	–	–	SEK 400,000
Olof Svenfelt	SEK 250,000	SEK 100,000	–	–	–	SEK 350,000
Meg Tivéus	SEK 250,000	SEK 100,000	–	–	–	SEK 350,000
Peter Törnquist	SEK 250 000	SEK 200,000	–	–	–	SEK 450,000
CEO						
Bengt Baron	SEK 4,800,000***	–	****	–	SEK 1,440,000	SEK 6,240,000
Other senior executives (9 persons)	SEK 17,900,000 ***	–	****	SEK 267,000	SEK 4,101,000	SEK 22,268,000

* Remuneration to the board members and remuneration for committee work with respect to the period until the next annual general meeting (estimated to be held during spring 2013).
** In addition, the CEO, an some of the other senior executives, have the right to a company car during 2012.
*** Subject to customary adjustments of the fixed salary expected to take place during March 2012.
**** The size of the variable remuneration for 2012 will be determined in connection with the year-end.

The board of directors appoints the CEO. At the statutory board meeting on 16 February 2012 it was resolved to appoint Bengt Baron as new CEO of Cloetta. At the same time, Cloetta's previous CEO Curt Petri left his operational role to retire after more than 20 years in Cloetta's, and previously Cloetta Fazer's, senior management. The Group senior management comprises of persons appointed by the President. The Group's senior management team is a consulting body for the President and therefore has no autonomous executive authority. The protocol for Group's senior management team meetings are decided by the President. In connection with completion of the merger on 16 February 2012, Danko Maras was appointed as new CFO in Cloetta. For information with respect to the CEO and the senior management, please refer to *Board of directors, senior management and auditor.*

Financial reporting

The board of directors is responsible for ensuring that the Company's organisation is structured in such a way that the Company's financial circumstances can be controlled satisfactorily and that financial reports such as interim reports and annual reports to the market are prepared in accordance with the legal requirements, relevant accounting standards and other rules and directives applicable to listed companies. The task of the audit committee is to support the board of directors in ensuring the quality of the Company's financial reporting. The interim reports are examined by the board of director's audit committee and the board of directors as a whole and are issued by the President on behalf of the board of directors. The semi-annual report for the period from January to June, like the annual report, is issued by all members of the board of directors and the President. The President ensures that financial accounting in the Group companies is carried out in compliance with legal requirements and that financial management is conducted in a satisfactory manner. Cloetta's President is a member of the board of directors of all operating subsidiaries. Every month, the Group prepares a closing of the books that is submitted to the board of directors and the senior management team. The board of directors ensures the quality of the Group's financial reporting through the audit committee. The audit committee deals not only with the Company's financial reports and significant accounting matters, but also matters related to internal control, compliance with rules, substantial uncertainty of reported values, events after the balance sheet date, changes in estimates and judgements and other conditions affecting the quality of the financial statements.

Guidelines for remuneration to the senior management team

The remuneration to the CEO and other members of the senior management and other executives reporting directly to the CEO shall consist of fixed salary, variable salary, other benefits and pension. To the extent considered appropriate by the board of directors, the executives in question shall be offered to participate in long-term share related incentive programme, which shall be decided by the general meeting. Any variable salary shall be linked to predetermined and measurable criteria and be limited to the equivalent of one fixed annual salary. The total remuneration shall correspond to market practice and be competitive, and be related to responsibility and authority. Upon termination of employment agreements by the Company, the notice period shall be no longer than 12 months. Any severance pay shall not exceed one fixed annual salary. The Company shall strive to have defined contribution pension benefits. The retirement

age shall be not less than 60 years and not more than 67 years. These guidelines apply to agreements entered into after the extraordinary general meeting, and to any changes made to existing agreements thereafter. The board of directors may deviate from these guidelines only in case special circumstances so warrant in an individual case.

In addition to the guidelines above adopted by the extraordinary general meeting on the 15 February 2012 the following can be stated. As a result of employment agreements entered into by LEAF before Cloetta's acquisition of LEAF, there are employment agreements with persons in the senior management that have a severance pay correspondely to of 18 months fixed salary. The structure of variable salary to the senior management is set so that a payment of an annual bonus corresponding to 50 per cent of the fixed annual salary can be made if extraordinary financial goals are met.

When the previous CEO of Cloetta, Curt Petri, left his operational role in Cloetta to retire during February 2012, a severance pay was paid out to Curt Petri, in accordance with his employment agreement with Cloetta.

Please refer to *Shares and ownership structure* for further information regarding the incentive programmes in Cloetta.

Audit

The auditors shall examine the Company's annual accounts and accounting records and the administration of the board of directors and the CEO. After every financial year, the auditors shall present an audit report to the annual general meeting. At the annual general meeting that was held on 19 December 2011 the certified auditing firm of KPMG AB was re-elected as the Company's auditor to serve until the end of the next annual general meeting. Authorised public accountant Helene Willberg is the auditor in charge.

Internal control

Introduction

In accordance with the Swedish Companies Act (2005:551), the board of directors is responsible for ensuring that the Company's organisation is structured in such a way that the Company's financial accounting, financial management and financial conditions in general can be controlled in a satisfactory manner. This is clarified by the Code, which states that the board of directors is responsible for the internal control.

The following description of Cloetta's internal control has thus been prepared in accordance with the Code. The guidelines issued by Svenskt Näringsliv (the Confederation of Swedish Enterprise) and FAR (the Institute for the Accountancy Profession in Sweden) regarding the board of director's report on internal control over financial reporting identify COSO (Committee of Sponsoring Organizations of the Treadway Commission)) as the most widely used and internationally accepted framework and as having a special status in defining good internal control. Cloetta has therefore decided to implement the COSO framework for internal control over financial reporting and the framework has been adapted to the Group's operations and conditions.

The board of directors has defined guidelines for the above work which include roles, responsibilities and processes that are vital in maintaining good internal control. Internal control over financial reporting is thus a process that involves the board of directors, the senior management and the employees and that is designed to provide reasonable assurance of the reliability of the external reporting. The following is a description of how internal control over financial reporting is currently organized. The internal control is organized in accordance with the guidelines for internal control adopted by the board of directors. There is an ongoing work after the merger with LEAF to ascertain that these guidelines ensure a good internal control also with respect to the acquired business. LEAF had a well-functioning and documented internal control before the merger.

Description

Control environment

Effective work by the board of directors is the basis for good internal control. The Company's board of directors has established well defined processes and procedures for its work. One key task of the board of directors is to decide on the internal control framework to be applied within the Group and to formulate and approve a number of fundamental policies, guidelines and frameworks related to financial reporting. These include inter alia an accounting manual with instructions for financial accounting and reporting, a finance policy, instructions on decision-making powers and authorization of business transactions and an ethical policy. In addition, the board of directors has ensured that the organisational structure is logical and transparent with clearly defined roles, responsibilities and processes that facilitate effective management of operating risks.

The audit committee assists the board of directors in continuous monitoring of internal control. The tasks of the audit committee include evaluation and discussion of significant accounting and reporting issues. The audit committee receive reports from the senior management on development of Cloetta's internal control. The audit committee has examined and evaluated the routines for financial accounting and reporting and has monitored and evaluated the external auditor's performance, qualifications and independence. The audit committee receives reports from the Company's independent auditors.

The senior management has operating responsibility for internal control. The Group CFO has overall operating responsibility for internal control over the Group's financial reporting, and reports to the management and the board of directors. Those in charge

of finance and accounting in each subsidiary have overall responsibility for internal control over financial reporting in their own units, and continuously report on the status of internal control to the Group CFO.

Risk assessment

Cloetta has performed an analysis at the group level of the risk for material misstatements in the consolidated profit and loss accounts, balance sheets and related notes, with respect to both quantitative and qualitative risk parameters. Based on this risk analysis, a number of significant accounts and underlying processes have been identified. Furthermore, Cloetta has established a number of risk management processes that have a considerable influence on the ability to ensure complete and accurate financial reporting. These procedures cover the following main areas:

- Risk assessments in which one aim is to quickly identify events in the market or in operations with a potential effect on the financial reporting.
- Processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Group's financial reporting.

Cloetta continuously updates the risk analysis for assessment of the risks that can lead to material misstatements in the financial reporting. As a result of the yearly review, Cloetta makes a decision on which risks are significant to take into account in order to ensure good internal control in the financial reporting.

Control activities

Connected to the significant processes identified in the risk assessment, there are control structures to handle and minimize the risk for material misstatements in the financial reporting. These control structures consist partly of an organisation with clearly defined roles, such as process and sub-process owners, that facilitate an effective, and from an internal control standpoint, appropriate allocation of responsibilities. The control structures also consist of specific control activities aimed at detecting or preventing risks for material misstatements in the financial reporting. Critical control activities are thoroughly documented and linked to the inherent risks they are intended to minimize for every significant account in the profit and loss account and balance sheet and the related notes in Cloetta's annual report. Examples of control activities include well defined decision-making processes and procedures for significant decisions (such as investments, agreements, approval of accounting transactions), profit analyses and other analytical procedures, reconciliations, inventories and automatic controls in IT systems.

Information and communication

The Group's governing documents in the form of policies, guidelines, manuals with relevance for financial reporting are continuously updated and communicated via appropriate channels, such as the intranet and internal meetings. Internal reporting on the effectiveness of internal control is carried out continuously. For communication with external parties, there is an explicit Communication and IR policy that contains guidelines for how this shall be carried out. The purpose of the policy is to ensure that all information requirements are met in a complete and accurate manner.

Monitoring

Of particularly importance in monitoring the internal control is the work of the audit committee in evaluating the management's performance in this area. This includes ensuring that action is taken to address the deficiencies and recommendations identified in external audits. Furthermore, the board of directors and the audit committee have an annual process to ensure that appropriate measures are taken to address the shortcomings identified and measures recommended by the independent auditors.

Evaluation of the need for a separate internal audit function

At present, the Group has no separate internal audit function. The internal control structure is monitored through tests and self-assessments and control activities by Cloetta's department for the consolidated accounting. The results of these are compiled and reported to the board's audit committee. In view of this, the board of directors concludes that there is currently no need for a separate internal audit function in order to perform effective monitoring of internal control.

ARTICLES OF ASSOCIATION

§ 1 Company name etc.

The name of the company is Cloetta AB and its registration number is 556308-8144. The company is a public company (publ).

§ 2 Operations

The company or its subsidiaries shall hold and exploit trademarks for food and grocery products, either in their own name or through others, produce and/or market chocolate, confectionery and other food and grocery products, and conduct management and leasing of real estate and movables as well as trade with shares and other securities and pursue other therewith compatible business.

The period of time covered by the company's financial year is 1 January – 31 December.

§ 3 Share capital etc.

The company's share capital shall amount to at least SEK 400,000,000 and not more than SEK 1,600,000,000. The number of shares in the company shall amount to at least 80,000,000 and not more than 320,000,000.

§ 4 Classes of shares

Shares are issuable in three series, A-shares with ten votes per share and B-shares and C-shares with one vote per share. A-shares and B-shares may be issued to an amount each corresponding to the entire share capital. C-shares may be issued to a number not exceeding 200,000,000.

All shares have equal rights to the company's profits. Upon the company's liquidation, C-shares entitle to the same share of the company's assets as the other shares, however not more than an amount corresponding the quota value of the share, increased per the day of distribution by an interest rate factor of STIBOR one month and an additional 4 percentage units calculated from the day of payment of the subscription price. STIBOR one month is set on the first bank day of each calendar month.

§ 5 Preferential rights

Should the company decide to issue new shares, for cash or set-off consideration, of several series shall holders of series A, holders of series B and holders of series C have preferential rights to subscribe for new shares of the same class of shares pro rata to the number of shares already held (primary preferential right). Shares which are not subscribed for on the basis of primary preferential rights shall be offered for subscription to all shareholders (secondary preferential right). If the number of shares offered in this manner is insufficient for subscription based on secondary preferential rights, the shares are to be allotted pro rata to the number of shares already held and, insofar as this is not possible, by lottery.

Should the company decide to issue new shares, for cash or set-off consideration, of only series B shares shall all shareholders, irrespective of whether their shares are of series A, series B or series C, have preferential rights to subscribe for new shares in pro rata to the number of shares already held. Issue, for cash or set-off consideration, of only series A or series C shares shall not take place.

Should the company decide to, by way of a cash issue or set-off, issue warrants or convertible instruments of debt shareholders are to have preferential rights to the subscription of warrants on the same basis as that for the newly issued shares resulting from the option or have preferential rights to the subscription of convertible instruments of debt on the same basis as that for the shares that will be exchanged for the convertibles.

The aforementioned stipulation is not to constitute any restriction on the possibility to make a resolution to resolve on a new issue of shares to issue new shares, for cash or set-off consideration, with derogation from the shareholders' preferential rights.

Should the share capital be increased by way of a bonus issue shall new shares of series A, series B and series C shares be issued so that the relationship between the number of already existing shares of these series is maintained. In such cases, shares of a specific series carry entitlement to new shares of the same series.

The aforementioned stipulation is not to constitute any restriction on the possibility, following the requisite amendment in the articles of association, to issues shares of a new series through a bonus issue.

A resolution regarding a new issue of shares to issue new shares, for cash or set-off consideration, that derogates from the shareholders' preferential rights shall be valid only where supported by shareholders holding at least two-thirds of both the votes cast and the shares represented at the meeting, if not the applicable law prescribes that more far-reaching conditions shall apply.

§ 6 Board of directors and auditors

In addition to directors and alternate directors who have been appointed by other means than by the general meeting, the board of directors shall comprise of at least three and not more than ten directors.

The members of the board of directors are elected annually at the annual general meeting for a period until the next annual general meeting has been held.

The registered office of the board of directors is in Ljungsbro, the municipality of Linköping.

One or two auditors with or without deputy auditors or a registered accounting firm are elected annually at the annual general meeting for a period until the next annual general meeting has been held.

§ 7 General meeting

A general meeting shall be held in Ljungsbro, Linköping or Stockholm.

Notice to attend a general meeting shall take place through an announcement in Post- och Inrikes Tidningar and by making the notice to attend available on the company's website not earlier than six weeks and not later than four weeks prior to the meeting. Notice to attend an extraordinary general meeting at which the issue of alterations of the articles of associations is not to be addressed, may be issued not earlier than six weeks and not later than three weeks prior to the meeting. That notice to attend has taken place shall be announced in Dagens Industri.

A person who is listed as a shareholder in a printout or other presentation of the entire share register relating to the circumstances five weekdays prior to the meeting have the

right to, after notification as prescribed below, participate in the meeting.

In order to attend the meeting shareholders shall give notice to the company no later than the day set forth in the notice to attend the meeting. Such day must not be a Sunday, any other public holiday, a Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not occur earlier than the fifth weekday prior to the meeting.

A shareholder may be accompanied by one or two assistants when attending a general meeting, but only if the shareholder's notification pursuant to the previous paragraph includes information to that effect.

§ 8 Matters at the annual general meeting

At the annual general meeting the following matters shall be addressed:

- election of the chairman of the meeting
- drawing up and approval of voting list
- approval of the agenda
- election of two persons to verify the minutes
- determination as to whether the meeting has been duly convened
- presentation of the annual report and the auditor's report, and the consolidated financial statements and the consolidated audit report
- adoption of the income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet.
- disposition of the company's profits and losses according to the approved balance sheet and record date for dividend, if applicable
- discharge from personal liability of the directors and the CEO
- determination of the number of directors of the board to be elected by the meeting
- determination of the remuneration to the directors of the board of directors and the auditors
- election of the directors of the board of directors and the auditors
- other matters to be addressed by the general meeting pursuant to the Companies Act (2005:551) or the articles of association.

§ 9 CSD clause

The company's shares shall be registered in a CSD (central securities depositary) in accordance with the Financial Instruments (Accounts) Act (1998:1479).

The shareholder or nominee who on the record date is registered in the share register and in a central securities depository register pursuant to Chapter 4 of the Financial Instruments (Accounts) Act (1998:1479) or any person who is registered in a central securities depository account pursuant to Chapter 4, Section 18 first paragraph 6-8 of the mentioned Act, shall be deemed to be authorised to exercise the rights set out in Chapter 4, Section 39 of the Companies Act (2005:551).

§ 10 Post-sale purchase right

If an A-share has been, if not through inheritance, testamentary disposition to a natural person, division of marital property or gift to a direct heir of the giver, transferred to a person who is not already an A-shareholder in the company, the share shall immediately be offered to the other A-shareholders for redemption by written notification to the company's board of directors. The acquisition of the shares shall, at a post sale purchase, be evidenced and, where the share has been transferred through a purchase, information be given on the consideration price,

When a share has been offered for post sale purchase, the board of directors shall notify the company's A-shareholders and inform that claims of redemption shall be submitted in writing to the board of directors within two months of the notification of the post sale purchase right.

If claims for redemption are made by several persons entitled thereto, the shares shall, to the extent possible, be allocated to those entitled to redemption in proportion to their previous holdings of A-shares and, the remaining number of shares shall be allocated by drawing of lots.

An offer for redemption may not be exercised for a smaller number of shares than those included in the offer.

The redemption price shall be reasonable and if an agreement on the redemption price cannot be reached, the dispute shall be adjucated pursuant to the procedure prescribed in the applicable law of arbitration. In the event that the share has been transferred for a consideration shall, subject to the restrictions set forth above, the redemption price correspond to such consideration.

Furthermore, disputes with respect to other issues than the redemption price shall be adjucated pursuant to the procedure prescribed in the applicable law of arbitration.

If the acquirer and the person entitled to redemption cannot reach an agreement on the redemption price, the person entitled to redemption may in writing request arbitration within two months from the day when the claim for redemption was submitted to the company

If, within the stipulated time, no person would submit a claim for redemption, or if a redemption price assessed in the authorised procedure is not to be paid within 20 days, the person who offered the share for redemption shall be entitled to be registered as holder of the share.

What has been set forth above with respect to A-shares shall also apply to Subscription Rights and rights to bonus shares of A-shares.

§ 11 Conversion

Following a written request of an A-shareholder, the company shall convert the shareholder's A-shares, stated in the request, into B-shares, if not one or more of the other A-shareholders having declared that they wish to exchange B-shares to A-shares, can be assigned.

Therefore, when a request for conversion has been submitted to the company, all other A-shareholders shall be requested in writing to within one month notify their interest, if any, to exchange B-shares to A-shares.

If notifications are made by several A-shareholders, the A-shares that are subject for exchange shall be allocated to those who wish to exchange in proportion to their previous holdings of A-shares in the company. The remaining number of shares shall be allocated by drawing of lots.

In the event that the remaining A-shareholders have not requested and completed an exchange of the total number of A-shares stated in the application of conversion, such remaining A-shares shall be converted to B-shares, by the company.

Following a written request of a C-shareholder, the company shall convert the shareholder's C-shares, stated in the request, into B-shares. Conversion of C-shares into B-shares may not occur before the date falling the day after the record date for the new issue of A-shares and B-shares with preferential rights for shareholders of A-shares and B-shares, which the board of directors proposes that the extraordinary general meeting 15 February 2012 authorize the board of directors to implement.

Upon conversion and exchange each A-share and C-share shall entitle to one B-share.

These articles of association were adopted at the extraordinary general meeting on 15 February 2012.

LEGAL ISSUES AND OTHER INFORMATION

Significant agreements

Agreement on the transfer of shares between Cloetta and Leaf Holding

On 15 December 2011, Cloetta reached an agreement with Leaf Holding regarding the acquisition of all the shares in LEAF. The purchase price consisted partly of a cash payment, partly of newly issued C-shares in Cloetta. The cash payment amounted to SEK 1,500 million, of which SEK 100 million was paid immediately on closing, with the remaining SEK 1,400 million Cloetta issuing a vendor loan note to Leaf Holding. Given the closing share price of Cloetta's B-share on the completion date as of 16 February 2012, the total acquisition cost of the LEAF shares is SEK 4,056 million. 165,186,124 new C-shares were issued, representing 57.6 per cent of the share capital in Cloetta after full dilution for the Rights Issue, however prior to the dilution through shares due to conversion of employee convertibles that were converted after the date of the agreement. The C-shares will be convertible to B-shares after the record day for the Rights Issue. The vendor loan note accrues annual interest of 5.5 per cent and becomes due for payment five business days after the full issue proceeds from the Rights Issue come into Cloetta's possession. Leaf Holding has issued certain limited guarantees regarding LEAF, which means that the final purchase price may be adjusted (see below under *Proceedings and disputes*). The cash portion of the purchase price will be financed partly through Rights Issue which is expected to raise approximately SEK 1,065 million, and partly through Cloetta taking up five-year credit facilities of approximately SEK 4.2 billion with Svenska Handelsbanken AB (publ). In addition to serving as part-finance of the cash portion of the purchase price, these credit facilities will be utilised to refinance LEAF's existing interest-bearing liabilities and for general finance of the Group's operations. The loan agreement with Svenska Handelsbanken AB (publ) is described below.

Customer and distribution agreements

Cloetta has agreements with the major food retail chains in among others Sweden, Finland, the Netherlands and Norway. Cloetta is not dependent on any single customer. Its 10 largest customers represented approximately 37 per cent of Cloetta's sales in 2011 (pro forma). The terms and conditions of these agreements vary, but generally, they have a contract term of 12 to 24 months, or until further notice. The agreements can generally be terminated, by giving 1 to 6 months notice. The agreements do not contain volume commitments by the customers. Generally, the customers are entitled to discounts or reimbursements if certain volumes are reached. Price adjustments may in certain cases require that Cloetta can show that its costs have changed.

Since the demerger of Cloetta Fazer, Cloetta has also had a production partnership with Fazer Konfektyr. The production agreement originally represented an annual sale of approximately SEK 130 million but has gradually decreased in range. The agreement, which has a notice period of nine months, has been terminated by Fazer Konfektyr and will cease per September 2012. Negotiations are ongoing between the parties regarding prolongation of the agreement and the conditions for such a prolongation.

After its merger with LEAF, Cloetta has proprietary sales organisations for some of its more important markets, which are Sweden, Norway, Finland, Denmark, the Netherlands, Germany and Italy. Cloetta already has agreements with partners in Norway, Denmark and Finland, covering distribution of those products that were part of Cloetta's product range until its merger with LEAF. Cloetta's products are sold in some 50 countries, and accordingly, Cloetta works with external distributors in a number of countries like Canada, Greece, Spain, Hong Kong, Switzerland and the Baltic States.

Supplier and production agreements

Cloetta's largest procurement expense items are raw materials, packaging materials and also procurement of products from third parties (contract manufacture). Cloetta does not consider itself dependent on any single supplier for those materials essential for running its operations. The production of some of the Group's most important products requires the raw material Gum Arabic. The supply of Gum Arabic is from time to time limited, inter alia due to the political situation on the production site. Therefore Cloetta purchases this raw material annually in advance and store it in Europe. Raw materials prices, including those of sugar, cocoa and milk powder, vary from time to time, and are dependent on factors including political decisions on subsidies and trade barriers.

Loan agreement with Svenska Handelsbanken AB (publ)

Cloetta has entered into credit facilities agreements with Svenska Handelsbanken AB (publ) in the amount of approximately SEK 4.2 billion (including the refinancing of LEAF's existing interest bearing debt). The lender's obligation to provide the credit facilities is subject to, inter alia, completion of the Rights Issue occurring no later than 15 July 2012.

The facilities are provided in respect of the financing of the repayment (in part) of the vendor loan notes issued in connection with the acquisition of LEAF and the refinancing of LEAF's existing debt, and towards working capital and general corporate purposes (excluding financing of acquisitions of shares or business operations).

Termination date in respect of the acquisition facility is 30 September 2015. The refinancing facility is due for final repayment five years after the first utilisation date. The working capital facility may be utilised for four years and eleven months following the first day of the utilisation under the refinancing facility.

The multicurrency term and revolving facilities agreement includes customary terms and conditions, guarantees and undertakings. The terms of the loans are linked to various agreed covenants relating to, inter alia, net debt/EBITDA, interest cover ratios, and equity to total assets. These covenants are subject to quarterly review. Furthermore, the facilities agreement prescribes that Cloetta shall not declare, make or pay any distribution (including dividends) until total leverage (net debt/EBITDA multiple) has reached the pre-agreed ratio of 2.7 x in accordance with the terms set out in the facilities agreement.

The facilities agreement includes provisions relating to the investors ownership of the company. Upon the breach of such provisions the facilities may be cancelled and prepaid in full.

The facilities may be subject to prepayment in full in the event that, inter alia, any person or group of persons other than any of Malfors Promotor, CVC or Nordic Capital acquires shares in Cloetta representing more than 30 per cent of the votes in Cloetta or otherwise gain direct or indirect control of the Cloetta. Furthermore, Malfors Promotor's ownership in Cloetta shall not fall below 6.6 per cent of the total number of shares or 15.9 per cent of the

total votes until the date of utilisation of the first credit facility. From the date of utilisation of the first credit facility and up until total leverage has reached the pre-agreed ratio of 2.7 x, Malfors Promotor's ownership in Cloetta shall not fall below 18 per cent of the total number of shares or 33.34 per cent of the total votes. After the pre-agreed ratio of 2.7 x in respect of total leverage has been reached, Nordic Capital shall not own or control shares representing more than 30 per cent of the shares or votes in Cloetta and CVC shall not own or control shares in the Company representing more than 35 per cent of the shares or votes. If and when CVC's ownership has fallen below 30 per cent of the shares or votes, CVC's ownership shall not exceed such level.

In addition to the provisions of change of control that may lead to an obligation to prepay the facilities in full above, Nordic Capital and CVC have agreed to certain undertakings during a period following the completion of the Transaction relating to their rights to transfer of shares causing their ownership in the company to fall below certain levels. Such undertakings are however not included in the facilities agreement and subsequently do not induce any right to demand prepayment upon breach thereof.

Furthermore, the facilities agreement provides for customary restrictions on the Group relating to mergers, change of business, acquisitions of companies, providing security, disposals of assets, further borrowing or providing further guarantees, other than as permitted under the facilities agreement.

According to the facilities agreement repayment instalments are to be made quarterly in accordance with market terms. The interest rate levels under the facilities agreement are based on the applicable base rate of the bank increased by a margin based on total leverage of the Group.

Part of the facilities will be paid out in connection with the completion of the Rights Issue, upon when certain subsidiaries of Cloetta will accede to the facilities agreement as borrowers and/or guarantors. In connection therewith, security will be granted in favour of Svenska Handelsbanken AB (publ) in respect of Cloetta's rights under the acquisition agreement relating to the acquisition of LEAF as well as in respect of shares in Cloetta's subsidiaries, certain intra-group loans, trademarks, business mortgage certificates and properties owned by each of Cloetta and its subsidiaries respectively. In respect of intra-group liabilities the facilities agreement specifically provides for that the bank has the right to security over 75 per cent of the outstanding amount under such intra-group liabilities from time to time.

Within 30 days from the first utilisation the part of the facilities to be used towards the refinancing of LEAF's existing indebtedness will be paid out. In connection therewith the remaining material subsidiaries in the pre-existing LEAF group will accede to the facilities agreement as borrowers and/or guarantors and provide security in favour of Svenska Handelsbanken AB (publ).

Agreement to subscribe for new shares, etc.
Through a subscription undertaking, Malfors Promotor, which represented approximately 52 per cent of the share capital and 74 per cent of the votes of the Company before the issue in kind of C-shares to Leaf Holding, has undertaken to subscribe for shares in the Rights Issue corresponding to its equity interest, which corresponds to a total of approximately 51 per cent of the new shares and a new investment in Cloetta of approximately SEK 545 million.

In addition, Malfors Promotor, CVC and Nordic Capital (the two latter indirectly through Leaf Holding) on 15 December 2011 have undertaken to guarantee the remainder of the Rights Issue, with Malfors Promotor's undertaking corresponding to 27.6 per cent of the remainder, CVC's undertaking corresponding to 41.5 per cent of the remainder and Nordic Capital's undertaking corresponding to 30.9 per cent of the remainder. This means that the Rights Issue is fully guaranteed through subscription undertakings and issue guarantees. Regarding Nordic Capital's and CVC's issue guarantee, said parties are entitled to use its claim on Cloetta under the vendor loan note issued as part of the purchase price for LEAF, for set-off against their liability to pay potential subscription consideration. The issue guarantors are not entitled to compensation for their guarantee undertakings. The aforementioned subscription undertakings and issue guarantees are not secured.

In addition, Malfors Promotor has undertaken to CVC and Nordic Capital to convert parts of its holdings of A-shares to B-shares so that Malfors Promotor's proportion of the total number of votes of Cloetta after the conversion is completed corresponds to 39.9 per cent in a first phase and 33.34 per cent in a second phase. Conversion to 39.9 per cent will take place immediately after consummation of the Rights Issue. Conversion to 33.34 per cent will take place when Cloetta has achieved a net debt/EBITDA multiple of 2.7 x, according to the closer definition of the loan agreement between Cloetta and Svenska Handelsbanken AB (publ), at which time, Cloetta also gains freedom to decide on, and pay, dividends, according to the loan agreement.

Environmental issues

Cloetta complies with applicable environmental requirements and laws and have the necessary permits with regards to the conducted business. For further information about environmental issues and environmental work within Cloetta, please refer to the sections *Environment* and *Risk factors*.

Government grants

Cloetta receives government grants for its production facility at Levice, Slovakia. These grants take the form of Cloetta receiving approximately EUR 650,000 to support training measures, which has already been paid, approximately EUR 2.1 million of support to create new jobs, of which has already partly been paid, and tax concessions amounting to approximately EUR 10 million, which are expected to be usable from 2011 onwards until 2018. These government grants are only due on the satisfaction of certain conditions. Cloetta's current assessment is that these conditions will be satisfied.

Proceedings and disputes

Except from the tax audit stated below, the Group is not party to any legal proceedings in any court of law or any dispute proceedings judged to be able to have any material effect on the Company's financial position or profitability.

The operations within Cloetta previously managed by LEAF are currently subject to a tax audit in Italy, Germany and Finland, which may result in claims. However, Cloetta does not regard such claims as well founded.

In Italy, the tax authority has carried out an audit regarding LEAF's Italian subsidiary with respect to the financial years 2005–2007. The audit concerns the financing and interest expenses as well as expenses for consultants in relation to acquisitions in Italy that, in the Italian tax authority's view, should have been re-invoiced to the parent company. Furthermore, the tax authority has decided on additional withholding tax that the tax authority claims that the Company shall pay. LEAF Italy has contested the tax authority's decision. The dispute regarding the financial year 2005 is currently pending at the general court. In the share transfer agreement, Leaf Holding has made an undertaking to indemnify Cloetta for tax related claims that might be brought against Cloetta with respect to the proceedings in Italy. This indemnity is limited to an amount of EUR 9,200,000 and comprises the financial years 2005–2007. The Finnish tax authority has initiated an investigation into Leaf's Finnish subsidiary. The investigation concerns inter alia the arm's length nature of

1) With postal address Aktiebolaget Malfors Promotor, Box 174, SE-185 22 Vaxholm respectively Leaf Holding S.A. 20. Avenue Monterey, L-2163 Luxembourg.

interest on intra group loans and license fees paid by the Finnish subsidiary. No decision has yet been issued by the Finnish tax authority on this matter. In January 2012 the German tax authority notified that it will initiate an audit with respect to LEAF's German subsidiary regarding the company's internal pricing. The audit will comprise the financial years 2008-2010. An initial meeting between the parties will take place in March 2012.

Insurance policies

Cloetta has arranged the customary property and professional indemnity insurance cover. The board of directors judges that current insurance cover offers adequate protection considering the potential risks of operations.

Intellectual property

Cloetta's most important intellectual property consists of the Company's trademarks, which are central to the Group's operations. All significant trademarks are owned by companies in the Group. There are no significant licensing agreements regarding trademarks, apart from the right to utilise trademarks that may be in place for Cloetta's distributors, and in certain cases, Cloetta has issued licences to produce and sell certain products, such as ice cream, by utilising the Group's trademarks. Cloetta has assigned an external representative to monitor that there is no infringement of the Company's trademarks from time to time. Significant parts of Cloetta's trademarks have been submitted as collateral for the loan with Svenska Handelsbanken AB (publ), according to the loan agreement with Svenska Handelsbanken AB (publ), which is reviewed above.

Properties

The Group owns all the properties where the Group's production facilities are located. These production facilities are described above in the Supply chain section.

Employees

One factory in Slagelse, Denmark, was closed in the end of 2011. Closing of the factory resulted in redundancies. Laid-off employees who have a guarantee to be provided with work until the end of the first quarter 2012 will receive salary until the end of this period. For further information on the closing of the factory in Slagelse, please refer to the section *Supply Chain*.

Cloetta announced on 8 March 2012 that it considers closing the factories in Gävle and Alingsås in Sweden and Aura in Finland as well as stream lining the warehouse network. In total, approximately 345 employees may be made redundant by the proposed measures, whereof approximately 150 in Gävle, 140 in Aura, 30 in Alingsås, and 25 employees in the warehouse operation. Cloetta has initiated consultations with the local unions and the European Works Council. For further information with respect to the planned closing of the factories in Gävle, Alingsås and Aura please refer to the sections *Supply chain* and *Capitalisation and other financial information*.

Group structure

Since the merger the 16 February 2012 Cloetta AB (publ) is a parent company in a group consisting of the old Cloetta-group and the old LEAF-group with Leaf Holland B.V. as previous parent company. In the table set forth below information regarding the most important subsidiaries.

Company	Country of registration	Percentage share
Cloetta Sverige AB	Sweden	100
AB Karamellpojkarna	Sweden	100
Cloetta Development AB	Sweden	100
Cloetta Invest AB	Sweden	100
Leaf Holland BV	The Netherlands	100
Leaf België Production N.V.	Belgium	100
Leaf Danmark Ejendomsselskab ApS	Denmark	100
Leaf Suomi Oy	Finland	100
Leaf Leasing Oy	Finland	100
Karikkikatu Oy	Finland	100
Leaf Deutschland GmbH	Germany	100
Leaf Italy S.r.L	Italy	100
Saila S.p.A.	Italy	100
Leaf Norge AS	Norway	100
Leaf Slovakia s.r.o.	Slovakia	100
Leaf Sverige AB	Sweden	100
Leaf Sverige IP AB	Sweden	100

Transactions with related parties

During the last three years Cloetta has made transactions with closely related parties. On Cloetta's part, the most significant transactions have been remuneration to senior management as set forth in note 31 (2008/2009 and 2010/2011) and note 32 (2009/2010) in Cloetta's historical financial statements (incorporated by reference to this prospectus). On LEAF's part, the most significant transactions with closely related parties have been remuneration to senior management and claims and debts related to financing as set forth in note 29 (2010) and note 30 (2009 and 2011) in Leaf's historical financial statements (incorporated to this prospectus by reference). For information regarding remuneration to the board of directors and CEO please refer to *Corporate governance* under heading *Remuneration to board of directors and CEO and senior management*.

In addition, Cloetta has entered into agreements with major shareholders of Cloetta in relation to the acquisition of LEAF. The share transfer agreement with Leaf Holding, including the vendor note issued at closing, is described above under section *Agreement on the transfer of shares between Cloetta and Leaf Holding*. The subscription undertaking and issue guarantee issued by Malfors Promotor and issue guarantee issued by Leaf Holding are described above in this section under heading *Agreement to subscribe for new shares etc.* As stated in this description the underwriters are not entitled to any remuneration for their issue guarantees.

Other information

Cloetta AB (publ), Swedish corporate identity number is 556308-8144, is a public limited liability company with its registered office is in Ljungsbro, in the municipality of Linköping, Sweden. The Company was founded in Sweden on 8 October 1987 and was registered at the Swedish Companies Registration Office on 23 October 1987. The Company has conducted business since that date. The legal form of the Company is regulated by, and the shareholders rights may only be changed in accordance with, the Swedish Companies Act (2005:551) and the Company's shares are denominated in SEK. The current articles of association were adopted by an extraordinary general meeting on 15 February 2012, see section *Articles of association*.

Documents available for review

Copies of the following documentation will be available during the validity period of the prospectus from the Company at Hjalmar Svenfelts väg, SE-590 69 Ljungsbro, Sweden, and the Group's head office at Telegrafgatan 6A, SE-169 04 Solna, Sweden, on weekdays during regular office hours and on Cloetta's website, www.cloetta.se:

1. Cloetta's articles of association adopted by the extra general meeting on 15 February 2012,
2. Cloetta's audited annual accounts for the financial years 2008/2009–2010/2011, including audit reports,
3. Cloetta's audited interim report for the period 1 September–31 December 2011, including the audit report,
4. LEAF's audited annual accounts for the financial years 2009–2011, including audit reports, and
5. This prospectus.

TAX CONSIDERATIONS IN SWEDEN

The following is a summary of certain Swedish tax rules that may arise when holding listed B-shares, listed BTA to B-shares or listed Subscription Rights to B-shares in Cloetta in relation to the Rights Issue to subscribe for new shares in the Company. The information regards shareholders that are tax resident in Sweden, unless otherwise explicitly stated. The summary is based on prevailing Swedish tax legislation and case law at the time of the publication of this prospectus. The term shareholder refers to the holder of listed shares, listed BTA or listed Subscription Rights to B-shares in Cloetta.

The summary is intended as general information, is non-exhaustive and e.g. does not cover:

- shares, BTA to A-shares or Subscription Rights to A-shares in Cloetta,
- shares, BTA or Subscription Rights which for tax purposes are treated as current assets (stock, Sw: lagertillgångar) in business operations,
- shares, BTA or Subscription Rights that are held by partnerships and co-operative economic associations,
- shares, BTA or Subscription Rights held on an investment savings account (Sw. investeringssparkonto),
- the participation exemption rules (Sw: näringsbetingade delägarrätter),
- specific rules for certain legal entities, e.g. investment companies, investment funds and insurance companies,
- foreign companies that have a permanent establishment in Sweden, or
- the special Swedish tax rules on closely held companies and their owners.

The tax consequences for a shareholder are dependent on the circumstances in the specific case. Each shareholder should therefore consult a tax adviser on the tax consequences that may arise from the holding of listed B-shares, listed BTA to B-shares or listed Subscription Rights to B-shares in Cloetta, including the applicability and effect of foreign tax rules and tax treaties that Sweden has entered into for the avoidance of double taxation.

Receipt and exercise of Subscription Rights

There are no tax consequences on the receipt of nor on the exercise of Subscription Rights.

Receipt of BTA and the exchange of BTA for new B-shares

There are no tax consequences on the receipt of BTA nor on the exchange of BTA for new shares.

Sale of shares, BTA or Subscription Rights

Private individuals and decedent estates

Private individuals and decedent estates that disposes of listed shares, BTA or Subscription Rights are subject to tax on the entire capital gain at a tax rate of 30 per cent.

The capital gain or loss is computed as the difference between the sales proceeds (less transaction costs) and the acquisition cost.

The acquisition cost for listed shares, BTAs and Subscription Rights respectively is calculated according to the so called average method, as the average cost for all shares, BTA or Subscription Rights of the same kind as the one disposed of. It should be emphasized that a share and a BTA in Cloetta are not seen as shares of the same kind.

When selling listed shares, BTA or acquired Subscription Rights the acquisition cost may alternatively be calculated as 20 per cent of the sales proceeds (less transaction costs).

For listed Subscription Rights received due to the holding of shares, the alternative method for calculating the acquisition cost may not be used. For these Subscription Rights the acquisition cost is nil and thus the whole sale proceeds (less transaction costs) is taxable.

Capital losses on listed shares, BTA or Subscription Rights are fully deductible against capital gains on shares and other listed securities treated as shares for tax purposes (Sw. delägarrätter) except capital gains on certain bond funds (Sw. räntefonder).

Any remaining capital loss is deductible at 70 per cent against the shareholder's. other taxable capital income during the income year. Should a deficit from capital income arise, a tax reduction is granted against tax on income from employment and business operations, as well as property tax and property fees. Tax reduction is granted at 30 per cent to the extent the net capital deficit does not exceed SEK 100,000 and at 21 per cent of any remaining deficit. An excess deficit may not be carried forward.

Limited liability companies and other legal entities

Limited liability companies (Sw: aktiebolag) and other legal entities, except decedent estates, are normally taxed on all income, including capital gains, as business income at a tax rate of 26.3 per cent. For capital gains calculation please see above under "Private individuals and decedent estates".

Capital losses on shares, BTA and Subscription Rights may be offset only against capital gains on shares and other securities treated as shares for tax purposes. If such losses cannot be offset by the company that has suffered the loss, the losses may be offset in the same manner in another company within the same group, provided that the companies are entitled to tax consolidation through group contributions (Sw. koncernbidrag) and that both companies request this at the same year of assessment. Capital losses that cannot be utilized in a certain year may be carried forward and offset in future years without limitation in time.

Dividends

Private individuals and decedent estates

Private individuals and decedent estates are taxed on dividend income from listed shares as capital income at a tax rate of 30 per cent. The tax is normally withheld by Euroclear, or, for nominee registered shares, by the nominee in connection with the dividend payment.

Limited liability companies and other legal entities

Limited liability companies and other legal entities, except decedent estates, are normally taxed for all their income as business income at a tax rate of 26.3 per cent.

Certain Swedish tax issues relating to shareholders not tax resident in Sweden

Private individuals and decedent estates

Swedish withholding tax on dividends (Sw. kupongskatt) is normally levied on dividends paid from a Swedish limited liability company to private individuals not tax resident in Sweden. The tax rate is 30 per cent but is in many cases reduced by a tax treaty.

Private individuals not tax resident in Sweden are normally not subject to taxation in Sweden on capital gains from disposal of shares, BTA or Subscription Rights. Capital gains may be taxable in Sweden should the private individual have been tax resident in Sweden or have had habitual abode in Sweden at any time during the year of disposal or the ten calendar years preceding the year of disposal. The application of this rule may be limited by a tax treaty. The capital gains might also be taxed in the private individual's country of residence.

Foreign legal entities

Swedish withholding tax on dividends (Sw. kupongskatt) is normally levied on dividends paid from a Swedish limited liability company to foreign legal entities not tax resident in Sweden. The tax rate is 30 per cent but is in many cases reduced by a tax treaty. For legal entities resident within the European Union and that holds 10 per cent or more of the capital in the Swedish limited liability company paying the dividend, Swedish withholding tax will normally not be levied.

Foreign legal entities that are not tax resident in Sweden and that do not pursue business from a permanent establishment here are normally not subject to taxation in Sweden for capital gains when disposing of shares, BTA or Subscription Rights. The capital gains might be taxed in the foreign legal entity's country of residence.

ADDRESSES

Cloetta AB (publ)
REGISTERED OFFICE
Hjalmar Svenfelts väg, SE-590 69 Ljungsbro
Linköpings kommun, Sweden

MAIN OFFICE
Visiting address: Telegrafgatan 6A, Solna
Postal address: P.O. Box 4009, SE-169 04 Solna, Sweden
Telephone: +46 8-527 288 08
E-mail: ir@cloetta.com

Financial adviser and issue administrator
HANDELSBANKEN CAPITAL MARKETS
Visiting address: Blasieholmstorg 11-12, Stockholm
Postal address: SE-106 70 Stockholm, Sweden
Telephone: +46 8-701 10 00

Legal adviser
ADVOKATFIRMAN CEDERQUIST
Visiting address: Hovslagargatan 3, Stockholm
Postal address: P.O. Box 1670, SE-111 96 Stockholm
Telephone: +46 8-522 065 00

Auditor
KPMG AB
Visiting address: Tegelbacken 4A, Stockholm
Postal address: P.O. Box 16106,
SE-103 23 Stockholm, Sweden
Telephone: +46 8-723 91 00

Account management institute
EUROCLEAR SWEDEN AB
Visiting address: Klarabergsviadukten 63, Stockholm
Postal address: P.O. Box 191,
SE-101 23 Stockholm, Sweden

RAMBO

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Cloetta

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